फा.सं. ऐरा/20010/एमवाईटीपी/जीआईएएल/सीपी-III/2022-27
**F. No. AERA/20010/MYTP/GIAL/CP-III/2022-27**

आदेश संख्या 07/2024-25
**Order No. 07/2024-25**

# भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
# AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

सत्यमेव जयते

**लोकप्रिय गोपीनाथ बोरदोलाई अंतरराष्ट्रीय हवाईअड्डा, गुवाहाटी (जीएयू) के संबंध में तृतीय नियंत्रण अवधि (01.04.2022 -31.03.2027) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में।**

**IN THE MATTER OF**
**DETERMINATION OF AERONAUTICAL TARIFF FOR**
**LOKPRIYA GOPINATH BORDOLOI INTERNATIONAL AIRPORT, GUWAHATI (GAU)**
**FOR THE THIRD CONTROL PERIOD**
**(01.04.2022 - 31.03.2027)**

जारी करने की तारीख :06.09.2024
**Date of Issue: 06.09.2024**

तृतीय तल /3rd Floor
उड़ान भवन / Udaan Bhawan
सफदरजंग हवाईअड्डा /Safdarjung Airport
नई दिल्ली /New Delhi – 110003

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## GLOSSARY

| Abbreviation | Full Form |
|---|---|
| A&G | Administrative & General |
| AAHL | Adani Airport Holdings Limited |
| AAI | Airports Authority of India |
| AAICLAS | AAI Cargo Logistics and Allied Services |
| ACI | Airports Council International |
| ADP | Automatic Data Processing |
| AERA / The Authority | Airports Economic Regulatory Authority of India |
| AERA Act | Airports Economic Regulatory Authority of India Act, 2008 |
| AEL | Adani Enterprises Limited |
| AFS | Air Freight Station |
| AIC | Aeronautical Information Circulars |
| ANS | Air Navigation Services |
| AO | Airport Operator |
| AOCC | Airport Operations Control Centre |
| ARFF | Aircraft Rescue and Fire Fighting |
| ARR | Aggregate Revenue Requirement |
| ASQ | Airport Service Quality |
| Asset Allocation Study Report | Study on allocation of assets between Aeronautical and Non-aeronautical assets for Lokpriya Gopinath Bordoloi International Airport, Guwahati |
| ATC | Air Traffic Control |
| ATF | Aviation Turbine Fuel |
| ATM | Aircraft Traffic Movement |
| AUCC | Airport Users Consultative Committee |
| BCAS | Bureau of Civil Aviation Security |
| BDDS | Bomb Detection and Disposal Squad |
| BHS | Baggage Handling System |
| BIAL | Bangalore International Airport Limited |
| BOQ | Bill of Quantities |
| BPCL | Bharat Petroleum Corporation Limited |
| Cr. | crores |
| CA | Concession Agreement |
| CAG | Comptroller and Auditor General of India |
| CAGR | Compounded Annual Growth Rate |
| CAO | Chief Airport Officer |
| CAPEX | Capital Expenditure |
| CAR | Civil Aviation Regulations |
| CBR | California Bearing Ratio |
| CFT | Crash Fire Tender |

| Abbreviation | Full Form |
|---|---|
| CGF | Cargo Facility, Ground Handling and Supply of Fuel to Aircraft |
| CHQ | Corporate Headquarters |
| CIAL | Cochin International Airport Limited |
| CISF | Central Industrial Security Force |
| CNS | Communication, Navigation and Surveillance |
| COD | Commercial Operation Date |
| CP | Consultation Paper |
| CPWD | Central Public Works Department |
| CSR | Corporate Social Responsibility |
| CUSS | Common User Self Service |
| CUTE | Common User Terminal Equipment |
| CWIP | Capital Works in Progress |
| DG Sets | Diesel Generator Sets |
| DGCA | Directorate General of Civil Aviation |
| DIAL | Delhi International Airport Limited |
| DSR | Delhi Schedule of Rates |
| DVOR | Doppler Very High Frequency Omni Range |
| EHCR | Employee Head Count Ratio |
| e-PoS | Electronic Point of Sale |
| ESS | Environmental Support Services |
| ETD | Explosive Trace Detectors |
| FA | Financing Allowance |
| FAR | Fixed Asset Register |
| FCP | First Control Period |
| FICCI | Federation of Indian Chambers of Commerce and Industry |
| FIDS | Flight Information Display System |
| FOD | Foreign Object Debris |
| FRoR | Fair Rate of Return |
| FTC | Fuel Throughput Charge |
| FY | Financial Year |
| GA | General Aviation |
| GBR | Gross Block Ratio |
| GDP | Gross Domestic Product |
| GHA | Ground Handling Agent |
| GHIAL | GMR Hyderabad International Airport Limited |
| GoI | Government of India |
| GSE | Ground Support Equipment |
| GST | Goods and Services Tax |
| GIAL | Guwahati International Airport Limited |

| Abbreviation | Full Form |
|---|---|
| HIAL | Hyderabad International Airport Limited |
| HPCL | Hindustan Petroleum Corporation Limited |
| HR | Human Resources |
| HVAC | Heat Ventilation and Air Conditioning |
| IAF | Indian Air Force |
| IATA | International Air Transport Association |
| ICAO | International Civil Aviation Organization |
| ICD | Inland Container Depot |
| ICT | Integrated Cargo Terminal |
| IDC | Interest During Construction |
| ILHBS | Inline Hold Baggage Screening |
| ILS | Instrument Landing System |
| IMG | Inter-Ministerial Group |
| IOCL | Indian Oil Corporation Limited |
| IT | Information Technology |
| JARS | Joint Asset Reconciliation Statement |
| KL | Kilo Litres |
| KLD | Kilo Litres per day |
| LED | Light Emitting Diode |
| LGBIA | Lokpriya Gopinath Bordoloi International Airport |
| LOA | Letter of Award |
| MESS | Mechanized Environmental Support Services |
| MoCA | Ministry of Civil Aviation |
| MoU | Memorandum of Understanding |
| MPPA | Million Passengers per Annum |
| MYTP | Multi-Year Tariff Proposal |
| MIAL | Mumbai International Airport Limited |
| MT | Metric Tonne |
| NAR | Non-aeronautical revenue |
| NITB | New Integrated Terminal Building |
| O&M | Operation and Maintenance |
| O&M study report | Study on Efficient Operations & Maintenance expenses for Lokpriya Gopinath Bordoloi International Airport, Guwahati |
| OMCs | Oil Marketing Companies |
| OPEX | Operating Expenditure |
| ORAT | Operational Readiness and Airport Transfer |
| OWS | Oil Water Separator |
| PAX | Passenger |
| PBB | Passenger Boarding Bridge |

| Abbreviation | Full Form |
|---|---|
| PBG | Performance Bank Guarantee |
| PBT | Profit Before Tax |
| PCN | Pavement Classification Number |
| PHP | Peak Hour Passenger |
| PIDS | Perimeter Intrusion Detection System |
| PMC | Project Management Consultancy |
| PPP | Public Private Partnership |
| PSF | Passenger Service Fee |
| PTB | Passenger Terminal Building |
| PV | Present Value |
| QSD | Quality and Service Delivery |
| QTR | Quarters Ratio |
| R&M | Repair and Maintenance |
| RAB | Regulatory Asset Base |
| RBI | Reserve Bank of India |
| RCS | Regional Connectivity Scheme |
| RESA | Runway End Safety Area |
| RFP | Request for Proposal |
| RHQ | Regional Headquarters |
| RIL | Reliance Industries Limited |
| Sq.m. | Square Metre |
| SCP | Second Control Period |
| SITC | Supply, Installation, Testing & Commissioning |
| SPV | Special Purpose Vehicle |
| STP | Sewage Treatment Plant |
| TB | Terminal Building |
| TB Ratio | Terminal Building Ratio |
| TCP | Third Control Period |
| UDF | User Development Fees |
| VDGS | Visual Docking Guidance System |
| WDV | Written Down Value |
| WIP | Work In Progress |
| WPI | Wholesale Price Index |
| XBIS | X-ray Baggage Inspection System |
| YPP | Yield per Passenger |
| Y-o-Y | Year on Year |
| YTD | Year to Date |

# 1 INTRODUCTION

## 1.1 Background

1.1.1 Lokpriya Gopinath Bordoloi International Airport (LGBIA) (IATA: GAU, ICAO: VEGT), situated about 20 km west of Guwahati City, is an International Airport serving the economic capital of Assam. It is the gateway airport to the state of Assam and the wider North-East Region of India.

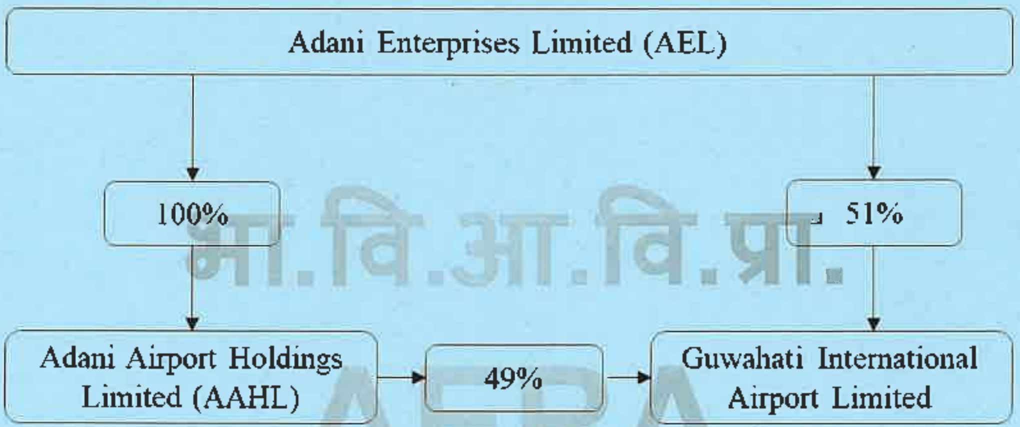
1.1.2 LGBIA has a single runway measuring 3103 meters. It is designated to handle aircraft up to Category 4D but can accommodate aircraft up to Category 4E with prior intimation under load penalty. The airport is connected by direct flights to Bhutan and South-East Asia, apart from multiple daily flights to all major cities in India.

1.1.3 LGBIA is currently operated and managed by Guwahati International Airport Limited (GIAL) (Airport Operator), a Special Purpose Vehicle (SPV), promoted and incorporated by Adani Enterprises Limited (AEL). AEL has incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on date, AEL holds 100% shareholders equity in GIAL, directly or indirectly through AAHL. The current shareholding pattern of GIAL is shown in the table below:

**Table 1: Shareholding pattern of GIAL**

| S.no. | Name of Shareholder | % Shareholding |
|---|---|---|
| 1 | Adani Enterprises Limited (AEL) | 51% |
| 2 | Adani Airport Holdings Limited (AAHL) | 49% |
| | **TOTAL** | **100%** |

**Figure 1: Ownership Structure**




## 1.2 Profile of LGBIA

1.2.1 Lokpriya Gopinath Bordoloi International Airport, Guwahati (LGBIA) is a major airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 read with AERA Amendment Act, 2019 and AERA Amendment Act, 2021.

1.2.2 Technical and Terminal Building details of LGBIA submitted by GIAL are provided in the table below:

**Table 2: Technical and Terminal Building details of LGBIA as submitted by GIAL**

| Particulars | Details |
|---|---|
| Total airport area | 826.243 acres<br>Carved Out approx. 28.4 Acres<br>Demised approx. 797.843 Acres |
| Total covered area of Terminal Building (TB) | Terminal I - 20,300 Sq.m. |
| Designated Capacity | Existing 2 MPPA |
| Main Runway orientation and length | Runway 02/20, dimension 3103m x 45m |
| Apron | Apron 1: 09 Code C Stands<br>Apron 2: 11 Code C Stands |

1.2.3 LGBIA handled 5.05 MPPA in FY 2022-23[1] and 5.96 MPPA in FY2023-24[2]. As per the passenger mix, the domestic passengers handled during FY 2022-23 were 5.04 MPPA (99.8% of total passenger traffic) and international passengers handled during FY 2022-23 were 0.01 MPPA (0.2% of total passenger traffic).

## 1.3 Development of LGBIA through PPP mode

1.3.1 LGBIA was operated by the Airports Authority of India (AAI) which had entered into a Concession Agreement with Guwahati International Airport Limited (Airport Operator) on January 19, 2021, for the Operation, Management and Development of LGBIA for a period of 50 years from the Commercial Operation Date (COD). The COD was achieved on October 8, 2021, in accordance with the terms and conditions mentioned in the Concession Agreement. In consideration for the grant of such concession, the Airport Operator shall pay the AAI a monthly concession fee during the concession period, namely, specified amount of 'Per Passenger' fee for both domestic and international passengers (refer to Para 17.4.2 of Annexure 4 in Chapter 17 for the relevant clause of the Concession Agreement).

1.3.2 However, as per the relevant provisions of the Concession Agreement and MoU dated August 25, 2021, only the AAI and other designated GoI agencies, shall be authorized to undertake the 'reserved services' at the airport, namely, CNS/ATM services, Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine services and any other services as may be notified by GoI (refer to Para 17.4.2 of Annexure 4 of Chapter 17 for the relevant clause of the Concession Agreement).

## 1.4 Cargo Facility

1.4.1 Currently, the domestic and international air cargo is handled by AAI Cargo Logistics and Allied Services (AAICLAS) through a carved-out facility as per the Concession Agreement, hence, same is retained by AAI.

1.4.2 In accordance with the terms of the Concession Agreement GIAL is required to upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of the Concession Agreement (refer to Para 17.4.5 of Annexure 4 of Chapter 17).

1.4.3 GIAL has commenced domestic cargo operations from an interim facility having annual handling capacity of 2,750 MT. Pursuant to the terms of the Concession Agreement and in order to cater to the

[1] *As per aai.aero* https://www.aai.aero/sites/default/files/traffic-news/Mar2k23Annex3.pdf
[2] *As per aai.aero* https://www.aai.aero/sites/default/files/traffic-news/Mar2k24Annex3.pdf

growing cargo demand at the LGBIA, GIAL has planned to develop a new Integrated Cargo Terminal (ICT) with a handling capacity of 43,260 MT p.a., by refurbishing/retrofitting the existing passenger Terminal I post the commissioning of the NITB. The ICT is proposed to be made operational in FY25-26.

1.4.4 The Authority vide interim Tariff Order No. 41/2023-24 dated March 15, 2024 extended the prevailing tariffs for Guwahati International Airport Limited and AAICLAS till September 30, 2024.

## 1.5 Ground handling operations

1.5.1 The Clause 19.2 of the Concession Agreement mentions GIAL's obligations towards provision of infrastructure required for ground handling services at the LGBIA and the extract of the relevant Clause has been provided in Para 17.4.6 of Annexure 4 of Chapter 17.

1.5.2 Further, subject to the provisions of the Concession Agreement GIAL has the right to grant License to any entity for providing Ground Handling Services at LGBIA on such terms and conditions as mentioned in the License Agreement between GIAL and the potential service providers.

1.5.3 Pursuant to above terms of the Concession Agreement GIAL has engaged two ground handling agencies for providing ground handling services at the Airport. (1) Indo Thai Airport Management Services Private Limited, (2) AI Airport Services Limited (AIASL).

The revenue share/royalty from both the agencies has been set at 45% on gross revenue from ground handling services. Revenue shall mean and include all revenue, consideration, benefit and amount earned and/or accrued at the Airport, whether invoiced or not.

1.5.4 The Authority vide Tariff Order No. 22/2023-24 dated November 14, 2023 determined the tariffs for Indo Thai Airport Management Services Private Limited till March 31, 2027.

1.5.5 The Authority vide interim Tariff Order No. 41/2023-24 dated March 15, 2024 extended the prevailing tariffs for AI Airport Services Limited (AIASL) till September 30, 2024.

## 1.6 Fuel Facility Operations

1.6.1 The Clause 19.3. of the Concession Agreement mentions the GIAL's obligations towards providing aircraft fueling services, which has been provided in Para 17.4.7 of Annexure 4 of Chapter 17.

1.6.2 At present, the fuel facilities are being managed by the Oil Marketing Companies (OMCs) such as, IOCL, RIL, BPCL and HPCL. These OMCs have their own respective fuel tanks and refueling facilities with capacities 800KL, 140KL, 800KL and 200KL respectively. OMCs manage the operations on their own, and currently operating expenditure and other charges are embedded in Aviation Turbine Fuel (ATF) fuel price. Therefore, as on date there is no concept of open access facility at the Airport.

1.6.3 GIAL has proposed to initially purchase the existing assets of IOCL and RIL having fuel storage capacity of 940 KL, and subsequently convert it into Open Access facility by building a new facility of approx. 4,000 KL with hydrant system.

# 2 TARIFF DETERMINATION OF LGBIA

## 2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated May 12, 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 the 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 the Aeronautical services.

vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and

vii. any other factor which may be relevant for the purpose of the Act.

b) To determine the amount of the development fees in respect of Major Airports.

c) To determine the amount of the passengers' service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the 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 any such information as may be necessary to determine the tariff for Aeronautical services; and

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 the Act, 2008.

2.1.2 As per the AERA Act, 2008, the following are the Aeronautical services for which tariff is determined by the Authority:

i. Aeronautical services provided by the Airport Operators.

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

iii. Air Navigation Services.

2.1.3 AAI shall be handling the Air Navigation Systems (ANS) at LGBIA. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses, and revenues from ANS.

## 2.2 Authority's orders applied in tariff proposals in this Tariff Order

2.2.1 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have been issued by the Authority. The details of Orders and Guidelines issued in this regard are as under:

i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and

ii. Order No. 05 dated 02.08.2010 ((Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).

iii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).

iv. Order No. 14/2016-17 dated 12.01.2017 (Aligning certain aspects of AERA's regulatory approach with the provisions of the National Civil Aviation Policy – 2016).

v. Order No. 20/2016-17 dated 31.03.2017 (Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)).

vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 (In the matter of determination of useful life of Airport assets).

vii. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

## 2.3 Background to tariff determination process of LGBIA

2.3.1 LGBIA is a Major Airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 read with AERA Amendment Act, 2019 and AERA Amendment Act, 2021.

2.3.2 With respect to the First Control Period of LGBIA commencing from FY 2011-12 to FY 2015-16, the Authority had determined the Aeronautical tariff vide its Order No. 34/2013-14, dated November 18, 2013.

2.3.3 With respect to the Second Control Period of LGBIA commencing from FY 2016-17 to FY 2020-21, the Authority had determined the Aeronautical tariff vide its Order No. 38/2017-18, dated February 16, 2018. Also, the Authority had issued Order No. 20/ 2020-21 dated July 1, 2020, with respect to provision of compensation in lieu of discontinuation of Fuel throughput charges at LGBIA.

2.3.4 AAI and Guwahati International Airport Limited (GIAL) entered into a Concession agreement on January 19, 2021 for exclusive right of Operation, Management and Development of LGBIA, for a period of 50 (fifty) years from the Commercial Operations Date (COD). GIAL achieved Commercial Operations Date (COD) on October 8, 2021.

2.3.5 GIAL has been provided an exclusive right to demand, collect and appropriate fees from COD onwards at the rates determined by AERA. As an interim measure, GIAL applied to AERA vide letter with reference no. AGIAL/CO/AERA-IT/2021/1 dated 27th August, 2021 to allow the existing tariff rates at LGBIA from COD till March 31, 2022. Accordingly, AERA from time to time issued multiple orders extending the existing tariff rates:

**Table 3: Chronology of AERA orders with regard to extension of tariff at LGBIA**

| GIAL application letter and Date | AERA Order and Date | Rates Extended up to |
|---|---|---|
| AGIAL/CO/AERA-IT/2021/1 dated 27th August, 2021 | 22/2021-22 dated 6th October 2021 | 31st March 2022 |
| GIAL/CO/AERA-IT/2022/1 dated 23rd February 2022 | 42/2021-22 dated 14th March 2022 | 30th September 2022 |
| GIAL/CO/AERA-IT/2022/3 dated 1st September 2022 | 22/2022-23 dated 20th September 2022 | 31st March 2023 |
| GIAL/CO/AERA-IT/2023/1 dated 2nd March 2023 | 41/2022-23 dated 22nd March 2023 | 30th September 2023 |
| GIAL/CO/AERA-IT/2023/4 dated 5th September 2023 | 19/2023-24 dated 20th September 2023 | 31st March 2024 |
| GIAL/CO/AERA-IT/2024/1 dated 28th February 2024 | 40/2023-24 dated 15th March 2024 | 30th September 2024 or till determination of regular tariffs for the Control Period, whichever is earlier. |

2.3.6 It is to be noted that as per Order no. 38/2017-18 the second control period starts from 1st April 2016 and ends on 31st March 2021. AERA considering the transition phase had vide public notice no. 05/2022-23 dated 20th June 2022, decided to shift the third control period of LGBIA from 1st April 2021 – 31st March 2026 to 1st April 2022 – 31st March 2027.

## 2.4 Multi Year Tariff Proposal submission

2.4.1 As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the Estimated Deemed Initial RAB as on March 31, 2018, was ₹ 69 crores. Further, it is stated in the Concession Agreement that the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA. The extract of the relevant clauses 28.11.3, 28.11.4 and 28.11.5 from the Concession Agreement have been provided in Para 17.4.8 of Annexure 4 under Chapter 17.

2.4.2 In compliance with the above terms of the Concession Agreement, AAI and GIAL have submitted MYTP to the Authority for the following period:

- Submission made by AAI for true up of the period from FY 2016-17 up to COD.
- Submission made by GIAL for true up of the period from COD up to March 31, 2022
- Submission made by GIAL for MYTP for the Third Control Period.

**Tariff determination for Pre- COD and Post-COD period**

**i. Pre-COD period**

2.4.3 AAI had submitted initial true up for the Pre-COD period from FY 2016-17 up to COD vide letter dated July 6, 2023. The document is available on the AERA's website. The Authority based on its preliminary scrutiny of the true up figures submitted by AAI, observed various discrepancies and upon enquiry, AAI provided information from time to time till April 2024. To ensure clarity and understanding, a chronological timeline was established to represent the sequence of events leading up to the issue of Consultation Paper. The timeline captures key milestones such as the submission of the proposal, the preliminary scrutiny, the identification of discrepancies, the commencement of the inquiry, and the subsequent provision of information by AAI which has been presented in the table below:

**Table 4: Sequence of events regarding true up submissions by AAI**

| S. No. | Event | Date |
|---|---|---|
| 1 | Submission of original true up proposal of AAI | July 6, 2023 |
| 2 | Review of true-up submission and documentation provided by AAI | July 2023 to September 2023 |
| 3 | Additional information on CAPEX and OPEX | October 2023 |
| 4 | Additional information on O&M expenses | December 2023 |
| 5 | Additional information on Capital Expenditure | December 2023 |
| 6 | Additional information on Fixed Asset Register | January 2024 |
| 7 | Additional information on Fixed Asset Register | February 2024 |
| 8 | Additional information on left out assets | February 2024 |
| 9 | Clarification on R&M expenses | April 2024 |
| 10 | Additional information on Capital Expenditure | April 2024 |
| 11 | Additional clarification on space rentals from airlines | April 2024 |

**ii. Post COD period**

2.4.4 The tariff determination for the post-COD period has been considered for GIAL under the following categories:

- True up of the period from COD till March 31, 2022
- Tariff determination for the Third Control Period i.e. from April 1, 2022 to March 31, 2027.

2.4.5 GIAL submitted its MYTP for true up of Post COD period and determination of aeronautical tariff for Third Control Period on July 28, 2023. The document is available on the AERA's website.

**Table 5: Sequence of events regarding true up and MYTP submissions by GIAL**

| S. No. | Events | Date |
|---|---|---|
| 1 | Submission of MYTP by GIAL | July 28 2023 |
| 2 | Review of true-up submission and documentation provided by GIAL | August – October 2023 |
| 3 | Additional information on CAPEX and OPEX | October 2023 |
| 4 | Additional information on NITB | December 2023 |
| 5 | Additional information on Fixed Asset Register | January 2024 |
| 6 | Additional information on JARS | March 2024 |
| 7 | Clarification on Cargo and Fuel O&M expenses | April 2024 |
| 8 | Additional information on traffic | April 2024 |
| 9 | Additional information on NAR | April 2024 |
| 10 | Additional information on Utility expenses | April 2024 |
| 11 | Additional information on CAPEX, CWIP | April 2024 |

2.4.6 As the LGBIA was taken over and operated by GIAL from the COD i.e. October 8, 2021, the Authority has considered to true up the necessary building blocks of GIAL for the six month period commencing from October 8, 2021 up to March 31, 2022.

2.4.7 The Authority has appointed an Independent Consultant, M/s Deloitte Touche Tohmatsu India LLP to assess the MYTP submitted by GIAL for the Third Control period. Accordingly, M/s Deloitte Touche Tohmatsu India LLP has assisted the Authority in examining true up submission of AAI and GIAL for the pre and post COD period respectively, the MYTP of GIAL, including verifying the data from various supporting documents such as audited financials, Fixed Asset Register (FAR) submitted by GIAL, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology and approach.

2.4.8 The Authority vide its letter dated July 7, 2023 requested the Airport Operator to undertake a proper due diligence in respect of CAPEX plan and other regulatory building blocks in the MYTP to be submitted in the respect of LGBIA. Further, the Authority has, in this Consultation Paper, assessed the Capital Expenditure based on site visit, available capacities, future traffic estimates, normative and the need to ensure modular development of infrastructure at the Airport, with a view to ensure determination of optimal Aeronautical charges to be levied on the airport users.

2.4.9 In carrying out the analysis of MYTP submitted by GIAL, the Authority, through it's independent consultant, has carried out review of all details, break up of cost items etc. provided by GIAL together with considering the financials of FY 2022-23, provisional financial of FY 2023-24 and status of projects as of march 2024. Wherever details have not been provided/ not completely provided, the Authority has carried out appropriate rationalisation of such costs. The Authority also has, in its analysis, indicated certain activities where the costs are proposed to be considered on incurrence basis. These have been elaborated in the relevant paragraphs.

2.4.10 The Authority relies on the information available in the audited financial statements and Fixed Asset Register (FAR) for its analysis. The Authority expects that the Airport Operator would ensure accuracy of the information captured in its Books of Accounts and FAR and that there are no duplication of expenses. It is the sole responsibility of the Airport Operator to maintain proper Books of Accounts and FAR diligently and present accurate information in its submission.

2.4.11 The Authority notes that clause 5.7.1 of Direction 5/ 2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operators Guidelines, 2011 states that *" For any service provided by the Airport Operator for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as mentioned in the Direction No. 4/ 2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines, 2011".*

Further, clause 1.2 of the Direction No.4/ 2010-11 states that *"these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a major airport and for (iii) supplying fuel to the aircraft at a major airport: Provided that Airport Operator providing the Regulated Service(s) as defined herein shall be excluded from the application of these Guidelines.*

Taking cognizance of the above provisions laid out under Direction 5/ 2010-11 and Direction 4/ 2010-11 and the fact that the Airport Operator is providing the services on cargo facility and fuel supply to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and Fuel farm of GIAL separately under the relevant chapters in this Consultation Paper, for the purpose of determining Aggregate Revenue Requirement of GIAL.

**Related Party Transactions**

The Authority, through its Independent Consultant, got details regarding the tendering procedures implemented by GIAL and has examined the associated contract agreements concerning operating expenses and revenues entered into with related parties.

The Authority, on a sample review of contracts, notes that GIAL has involved certain Related Parties as detailed hereunder:

**Table 6: Services provided to GIAL by related parties**

| S. No. | Nature of Services | Name of Related Party | Description of Relationship |
|---|---|---|---|
| 1 | Master Service Agreement to operate and manage Non-Aeronautical Facilities | Adani Airport Holdings Limited | Company holding 49% shareholding in GIAL |
| 2 | Corporate Support Service | Adani Airport Holdings Limited | Company holding 49% shareholding in GIAL |
| 3 | Corporate Support Service | Adani Enterprises Limited | Holding Company |
| 4 | Borrowing | Adani Airport Holdings Limited | Company holding 49% shareholding in GIAL |

The Authority also notes the following from the Concession Agreement signed between GIAL and AAI:

*"5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the operations, management and development of the airport in a fair, transparent and efficient manner and without any undue favour or discrimination in this behalf. In pursuance hereof, it shall, within six (6) months from the COD, frame policy specifying the principles and procedures that it shall follow in awarding for supply of goods and services, and shall place the policy on its website for the information of general public and all interested parties, The policy shall:*

*(a) include the principles and procedures followed for sub-leasing, sub-licensing or grant or allocation of any space, building, rights or privileges to private entities in the Airport*

*(b) be approved by the Board of Directors of the Concessionaire*

*5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s) or any other rights or previleges where the consideration (including deposits in any form or respect thereof) 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*

*5.6.3 The Parties agree that the Concessionaire should pre-quality 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 basis in a manner that is commercially prudent and protects interest of users."*

*5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.*

AERA expects that GIAL and the AAI, (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has relevant experience of providing similar service to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

**Stakeholders' comments on Related Party Transactions**

2.4.12 During the Stakeholders' Consultation Process, the Authority had received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to related party transactions. The comments by the Stakeholders are presented below.

2.4.13 FIA's comment regarding related party transactions is as follows:

*With regard to award for provision of services by GIAL at the airport, four Related Party transactions* *have been disclosed in para 2.4.11, table 6 of the CP. While we appreciate AERA conducting an independent analysis of the transactions, however it is to be noted that, AERA has:*

*(a) Sought confirmation from GIAL on the RPT and a review of the same has been done.*
*(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:*

*the provisions of Concession Agreement ('CA') have been complied with.*
*tendering and awards for services must go through a competitive, transparent, and fair process.*
*agreements 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 favour of airport users/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.*

**GIAL's response to Stakeholders' comments regarding related party transactions**

2.4.14 With respect to FIAs comment GIAL stated that –

*"As per the Concession Agreement, GIAL is obliged to procure goods and services in a fair, transparent and efficient manner without any undue favour or discrimination. Also, GIAL has framed a procurement policy specifying the principles and processes to be followed to avoid the scope of subjectivity and improving objectivity and transparency in decision making as required under the Concession Agreement. We would also like to inform that GIAL has duly followed the process relating to Procurement of Goods and Services as mandated by the provisions of the Concession Agreement signed with AAI. In view of the above, we feel that there is no further need for any examination in this regard."*

**Authority's analysis of Stakeholders' comments on related party transactions**

2.4.15 The Authority has examined the comments made by FIA regarding related party transactions (RPTs) and GIAL's response to FIA's comments. The Authority's analysis is presented below:

- It is important to note that the Authority, through its consultant M/s Deloitte Touche Tohmatsu India LLP has assessed all components of the building blocks and its efficiency and reasonableness.
- FIA's comments regarding compliance with respect to RPT falls under the Concession Agreement executed between GIAL and AAI. GIAL is responsible for ensuring adherence to the Concession Agreement provisions as presented below and ensuring a competitive, transparent and fair tendering process.
    - *"5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s), or any other rights or privilege where the consideration (including deposits in any form in respect thereof) 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.*

- *5.6.3 The Parties agree that the Concessionaire should 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 basis in a manner that is commercially prudent and protects the interests of the Users.*
- *5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.*

- It is further submitted that AERA expects that GIAL and the AAI, (Concession granting Authority) shall ensure that the contracts with Related Parties are at arm's length and that the Related Party has experience of providing similar service in other places to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, and may be followed in letter and spirit.
- It is pertinent to highlight that AERA recommends that the transactions with Related Parties at the Airport should be minimised so that the spirit of Public Private Partnerships in development of Airport Infrastructure is maintained.

In addition, it is strongly advised that GIAL ensures compliance with these transactions in a manner that is characterized by both fairness and transparency. Furthermore, the Authority directs GIAL and AAI, the concessioning authority, to ensure the following while entering Related Party Transactions:

- The requirements of the Concession Agreement are followed in both letter and spirit at all times.
- Related parties engaged for a particular service possess the requisite experience and expertise in carrying out similar services in other airports etc.
- The interests of all stakeholders are safeguarded to enable/ensure the optimization of aeronautical charges.
- Qualification/eligibility criterion be kept broad/open to attract sufficient competition as per public procurement guidelines in vogue.

## 2.5 Construct of this Tariff Order

This Tariff Order has been developed in the order of the events as explained above. Chapter-wise details have been summarized as follows:

i. The background of the Authority's tariff determination process is explained in this Chapter and in Chapter 3, the framework for determination of tariff is discussed.

ii. Chapter 4 lists out the submissions of AAI for true up of the Pre- COD period which is from FY 2016-17 to October 7, 2021. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the Period FY 2016-17 till COD. This chapter also discusses the assessment and the outcome of the studies commissioned by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Tariff Order and the reports have been appended separately to the Tariff Order. This chapter also captures the comments from various stakeholders along with responses from AAI and GIAL. The Authority has also provided its analysis of the Stakeholders' comments and the final decision on the subject matter.

iii. Chapter 5 lists out submission of GIAL for true up of the period from October 8, 2021 (COD) up to March 31, 2022. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the said post-COD period. This chapter also discusses the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Consultation Paper and the reports have been appended separately to the Tariff Order. This chapter also captures the comments from various stakeholders along with responses from AAI and GIAL. The Authority has also provided its analysis of the Stakeholders' comments and the final decision on the subject matter.

iv. Chapter 6 presents the submissions of GIAL regarding Traffic Projections and the Authority's proposals on the same as set out in the Consultation Paper No. 01/2024-25 dated 6th June 2024. Thereafter, comments of AO and other stakeholders, responses of AO on other Stakeholders' comments, Authority's analysis and final decisions are set out.

v. Chapter 7 includes the submissions of GIAL regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure, depreciation, and RAB for the Third Control Period as set out in the Consultation Paper No. 01/2024-25 dated 6th June 2024. Thereafter, comments of AO and other stakeholders, responses of AO on other Stakeholders' comments, Authority's analysis and final decisions are set out.

vi. Chapter 8-13 includes the submissions of GIAL regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Inflation, Operating Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter as set out in the Consultation Paper No. 01/2024-25 dated 6th June 2024. Thereafter, comments of AO and other stakeholders, responses of AO on other Stakeholders' comments, Authority's analysis and final decisions are set out.

vii. Chapter 14 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals of the Authority and adjustments considered by the Authority for the Third Control Period at the Consultation stage. This is followed by comments of GIAL and other stakeholders. Thereafter, the Authority's analysis and final decisions are set out.

viii. Chapter 15 summarizes the Authority's decisions on all the matters relating to the tariff computations and Chapter 16 is the Tariff Order issued by the Authority for the Third Control Period of GIAL.

ix. Chapter 17 contains Annexures:

- Annexure 1 – Tariff Rate Card pertaining to LGBIA for the Third Control Period as approved by the Authority.
- Annexure 2 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets
- Annexure 3 – Summary of study on efficient Operation and Maintenance expenses
- Annexure 4 – Clauses of the Concession Agreement entered between AAI and GIAL

x. Chapter 18 contains the list of Appendices.

## 2.6 Studies commissioned by the Authority

2.6.1 The Authority commissioned the following studies through its Independent Consultant for the purpose of tariff determination and the resultant recommendations have been used in this Tariff Order:

a) **Study on allocation of Assets between Aeronautical and Non-Aeronautical Assets:** The Study has carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and GIAL.

The study has developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the Common assets based on appropriate ratios. Further, the Study has also examined the assets transferred from AAI to GIAL (as on COD) and determined the Deemed Initial RAB as on COD.

b) **Study on efficient Operation and Maintenance Expenses:** The Study examined the historical trends in the O&M expenses of LGBIA and assessed how the Airport has been performing in comparison to the select peers in the industry. The Study verified the classification of the various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned based on appropriate ratios. Further, the Study ascertained the expenses that were unreasonably high and rationalized them based on suitable benchmarks.

2.6.2 The recommendations of these studies were considered by the Authority while finalising its proposals in the Consultation Paper No. 01/2024-25 dated 6th June 2024. The summary of the Study on Allocation of Assets is given in Annexure 2 of this Tariff Order. The summary of the Study on Efficient Operation and Maintenance Expenses is given in Annexure 3 of this Tariff Order.

## 2.7 Issuance of Consultation Paper and Stakeholder Comments

2.7.1 The Authority through its Independent Consultant had examined the MYTP submitted by GIAL and verified the data and the projections for the Third Control Period including capital expenditure and obtained clarifications on the information provided by GIAL from time to time, while finalising the Consultation Paper No. 01/2024-25 dated 6th June 2024.

2.7.2 After examination of the True up proposal of AAI, the MYTP of GIAL and other details submitted by AAI and GIAL, the Authority issued Consultation Paper No. 01/2024-25 dated 6 June 2024, inviting comments from Stakeholders on various issues and proposals presented in the Consultation Paper with the following timelines:

- Date of Issue of Consultation Paper: 6th June 2024
- Date of Stakeholder Consultation Meeting: 21st June 2024
- Date of submission of written comments by Stakeholders: 6th July 2024
- Date of Submission of Responses of AAI and GIAL: 16th July 2024

The Stakeholder meeting was held on 21st June, 2024, minutes of which are published on the AERA website.



2.7.3 The following stakeholders have provided their comments on the Consultation Paper No. 26/2023-24 which are available on AERA website:

i. Guwahati International Airport Limited (GIAL)
ii. Airports Authority of India (AAI)
iii. Federation of Indian Airlines (FIA)
iv. Delhi International Airport Limited (DIAL)
v. International Air Transport Association (IATA)
vi. Association of Private Airport Operators (APAO)
vii. Domestic Air Cargo Agent Association of India (DACAAI)
viii. Hindustan Petroleum Corporation Limited (HPCL)

**Table 7: Stakeholders who commented on each proposal/matter discussed during Consultation process of LGBIA**

| Component impacting tariff determination of the Third Control Period | Name of the stakeholder who has provided comments |
|---|---|
| Tariff determination of Guwahati International Airport | FIA |
| True up of AAI for SCP from FY2017 till COD | AAI, FIA, and IATA |
| True up of GIAL for SCP from COD till March 2022 | GIAL |
| Traffic Projections for the Third Control Period | GIAL, DIAL, and FIA |
| CAPEX, Depreciation and RAB for the Third Control Period | GIAL, FIA, APAO and HPCL |
| Fair Rate of Return for the Third Control Period | GIAL, FIA, DIAL, APAO, and IATA |
| Inflation for the Third Control Period | GIAL and FIA |
| O&M expenses for the Third Control Period | GIAL and FIA |
| Non-Aeronautical Revenue for the Third Control Period | GIAL, DIAL, FIA, and IATA |
| Taxation for the Third Control Period | GIAL and FIA |
| Aggregate Revenue Requirement for the Third Control Period | GIAL, FIA, and APAO |

2.7.4 No inputs were received from MoCA as part of the Consultation process.

2.7.5 The responses from AAI and GIAL on the comments from other Stakeholders were received on 15th July 2024 and 16th July respectively. Thus, the Stakeholder Consultation process concluded on the receipt of Stakeholders' comments and responses from both AAI and AO on 16th July 2024. The Stakeholders' comments and counter comments are available on AERA 's website.

2.7.6 The Authority has examined the various comments and observations of stakeholders along with submissions made by GIAL and AAI to finalize its decisions pertaining to various regulatory building blocks, based on which this Tariff Order is being issued.

# 3 FRAMEWORK FOR TARIFF DETERMINATION OF LGBIA FOR THE THIRD CONTROL PERIOD

## 3.1 Methodology

3.1.1 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 AERA Amendment Act, 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.

3.1.2 As per the guidelines, the Authority has adopted the Hybrid-Till mechanism for tariff determination for the Third Control Period wherein, 30% of the Non-aeronautical revenues is to be used for cross-subsidizing the Aeronautical charges. The Authority has considered the same methodology in the analysis of true up submission for Second Control Period, pre-COD and post-COD Period.

3.1.3 The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

Where,

- t is the tariff year in the control period, ranging from 1 to 5
- $ARR_t$ is the Aggregate Revenue Requirement for tariff year 't'
- FRoR is the Fair Rate of Return for the Control Period
- $RAB_t$ is the Aeronautical Regulatory Asset Base for tariff year 't'
- $D_t$ is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'
- $O_t$ is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'
- $T_t$ is the Aeronautical taxation expense for the tariff year 't'
- *s* is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Till methodology followed by the Authority, *s* = 30%.
- $NAR_t$ is the Non-aeronautical revenue in tariff year 't'.

3.1.4 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 for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.
- $VE_t$ is the passenger traffic in year 't'.

3.1.5 All the figures presented in this Consultation Paper have been rounded off up to two decimals.

3.1.6 As per the provisions of Section 13(2) of the AERA Act 2008, the tariff so determined under the Tariff Order can be reviewed and revised.

## 3.2 Revenues from Air Navigation Services (ANS)

3.2.1 GIAL shall be performing Aeronautical services like landing, parking, ground handling, cargo and fuel supply to aircraft services at LGBIA and has submitted revenue projections for the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at LGBIA and hence the MYTP submitted by GIAL does not consider revenues, expenditure, and assets on account of ANS.

3.2.2 Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

## 3.3 Stakeholders' comments on framework for tariff determination and revenues from Air Navigation Services (ANS)

3.3.1 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect the framework of tariff determination and revenue from Air Navigation Services (ANS). The comments by the Stakeholders are presented below.

3.3.2 FIA's comment regarding framework for tariff determination is as follows:

*It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable.*

*FIA has 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*

3.3.3 FIA's comments in respect of on revenue from Air Navigation Services (ANS) are as 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 means 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.*

## 3.4 GIAL's comments on framework for tariff determination and revenues from Air Navigation Services (ANS)

3.4.1 GIAL's response to FIA's comment with respect to framework for determination of tariff for LGBIA is

*We would like to submit that adoption of Hybrid-Till Model is considered in view of Provisions of NCAP, AERA order No. 14/2016-17 and GIAL's Concession agreement. Relevant provisions are indicated below.*

*A. Relevant extract of National Civil Aviation Policy, 2016 is reproduced below: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges."*

*B. Relevant extract of AERA Order No. 14/2016-17 issued on 23rd January 2017 is reproduced below:*

*The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the* *stakeholders on the subject issue, decides and orders that:*

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

C. *Relevant extract of the GIAL's Concession Agreement with AAI is reproduced below:*

*28.3.2. The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."*

*Further, we would like to bring to the Authority's attention that TDSAT vide order dated 23rd April 2018 (with respect to matters related to tariff determination of First Control Period of DIAL) has rejected contention of FIA with respect to adoption of single till as it is contrary to the provisions of the Concession agreement. Adoption of shared till by the Authority is correct because it creates a harmony between the contract (OMDA/SSA) and the statute. The Hon'ble Supreme Court vide order dated 11th July 2022 has also disposed off the appeal filed by FIA with respect to various issues related to tariff determination of First Control Period of MIAL (including issue of single till).*

*Though the matter is already settled by the Hon'ble Supreme Court, the reasons why FIA has again raised this issue with the Authority is not known. Accordingly, the Authority may suitably reply.*

3.4.2 With respect to FIA's comment on Revenue from Air Navigation Services, GIAL stated that –

*GIAL submits that no capital or operational expenditure related to ANS services (except those mandated under Concession Agreement (CA)) has been included in the tariff proposal. As per CA, Schedule Q CNS/ATM Agreement, similar to other PPP Airports, the services of ANS are retained by AAI and are not under the purview of GIAL. Since the services are provided by AAI, the rate of ANS services cannot be made part of tariff card of GIAL.*

## 3.5 Authority's analysis of Stakeholders' comments on framework for tariff determination and revenues from Air Navigation Services (ANS)

3.5.1 The Authority notes FIA's comments regarding Methodology for tariff determination and GIAL's response to the same. The Authority's analysis is presented below:

- 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 amended tariff guidelines vide AERA Order No. 14/2016-17 dated 12th January 2017. 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 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, ensures 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 and ensuring fairness and competitiveness in the aviation sector.

- Also, the Authority notes that the Concession Agreement (Clause. No 28.3.2) specifies about the 30% shared till framework as the framework for Guwahati International Airport.

3.5.2 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 under the purview of GIAL. The Authority notes that tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

**3.6 <u>Review of Tariff Order</u>**

3.6.1 As per the provisions of Section 13 (2) of AERA Act 2008, the tariff so determined can be revisited and reviewed.

# 4 TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD AND PRE-COD PERIOD

## 4.1 Background

4.1.1 AAI had entered into a Concession Agreement dated January 19, 2021, with Guwahati International Airport Limited (the 'Concessionaire') for the operations, management, and development of LGBIA for a period of 50 years from the COD, i.e., October 8, 2021.

4.1.2 As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

4.1.3 Pursuant to the above Concession Agreement, AAI has submitted True up workings for the period April 1, 2016 up to October 7, 2021

4.1.4 The true up workings submitted by AAI covers the following building blocks:

i. Traffic
ii. Capital Expenditure
iii. Aeronautical Depreciation
iv. Regulatory Asset Base
v. Fair Rate of Return
vi. Aeronautical Operation and Maintenance Expenses
vii. Non-aeronautical Revenue
viii. Aeronautical Taxes
ix. Aggregate Revenue Requirement

4.1.5 The Authority has analyzed the AAI's true up submission in detail. The analysis by the Authority, has been organized as follows:

i. Recorded AAI's submissions for true up under different Regulatory building blocks.
ii. Recapped the decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 38/ 2017-18 dated February 16, 2018)
iii. Provided Authority's examination through its Independent Consultant on each regulatory building block and put forth its proposals.
iv. Authority also examined Pre COD period (1st April'2021 to 7th Oct'2021) and considered amount against each regulatory building block in true up exercise.

4.1.6 The Authority has considered the following documents for determining true up for the Second Control Period and Pre-COD Period:

i. Tariff Order for LGBIA (Order No. 38/ 2017-18) dated February 16, 2018.
ii. Trial balance figures of AAI for the Second Control Period and Pre-COD Period.
iii. AERA Guidelines and Orders.
iv. Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.

## 4.2 AAI's submission regarding True up for SCP and period from 1st Apr'21 to 7th Oct'21

4.2.1 As mentioned in Para No. 2.4.3 of this Tariff Order, AAI had submitted its True Up submission dated 6th July 2023. The details of the same have been provided below:

**Table 8: Submission of True up by AAI for the SCP and Pre-COD period**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY '21 | Total till FY'21 | FY'22 up to COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Opening RAB | 84.00 | 78.85 | 80.44 | 154.28 | 172.29 | | 163.26 | |
| Closing RAB | 78.85 | 80.44 | 154.28 | 172.29 | 163.26 | | 166.21 | |
| Average RAB | 81.43 | 79.65 | 117.36 | 163.29 | 167.78 | **609.49** | 164.74 | **774.22** |
| Fair Rate of Return (FRoR) | 14% | 14% | 14% | 14% | 14% | | 14% | |
| Return on Average RAB | 11.40 | 11.15 | 16.43 | 22.86 | 23.49 | **85.32** | 12.01 | **97.33** |
| Depreciation | 7.00 | 7.17 | 9.93 | 13.32 | 13.84 | **51.27** | 7.31 | **58.58** |
| Operating Expenditure | 43.50 | 80.96 | 94.70 | 113.17 | 93.98 | **426.31** | 73.89 | **500.19** |
| Opening RAB - Financing Allowance | - | 0.002 | 0.02 | 1.11 | 2.10 | | 2.75 | |
| Additions - Financing Allowance | 0.002 | 0.02 | 1.10 | 1.06 | 0.75 | **2.94** | 0.10 | **3.04** |
| Depreciation - Financing Allowance | 0.00 | 0.001 | 0.01 | 0.07 | 0.10 | **0.19** | 0.07 | **0.26** |
| Closing RAB - Financing Allowance | 0.002 | 0.02 | 1.11 | 2.10 | 2.75 | | 2.78 | |
| Average RAB - Financing Allowance | 0.001 | 0.01 | 0.56 | 1.60 | 2.42 | **4.61** | 2.76 | **7.37** |
| Return on Average RAB - Financing Allowance | 0.0001 | 0.002 | 0.08 | 0.22 | 0.34 | **0.65** | 0.20 | **0.85** |
| Interest on Working Capital | - | - | - | - | - | - | 0.51 | **0.51** |
| Corporate Tax | 15.66 | 10.16 | 17.99 | 6.44 | - | **50.24** | - | **50.24** |
| Corporate Tax on shortfall (under recovery) to be collected from Concessionaire | | | | | | | 26.95 | **26.95** |
| Shortfall in 1st Control Period as on 01.04.2016 | 107.70 | - | - | - | - | **107.70** | - | **107.70** |
| Less: Deductions for Non-aeronautical Revenues | 8.23 | 4.69 | 9.70 | 15.09 | 7.26 | **44.97** | 3.09 | **48.06** |
| Total Gross ARR | 177.02 | 104.76 | 129.43 | 140.99 | 124.50 | **676.71** | 117.83 | **794.54** |
| Revenue earned from Aeronautical Services | 97.05 | 118.91 | 158.14 | 156.04 | 73.65 | **603.79** | 41.73 | **645.52** |
| (Excess) / Shortfall | 79.97 | (14.15) | (28.70) | (15.05) | 50.85 | **72.92** | 76.11 | **149.02** |
| PV Factor | 1.81 | 1.59 | 1.39 | 1.22 | 1.07 | | 1.00 | |
| **PV of (Excess) / Shortfall on COD*** | **144.60** | **(22.44)** | **(39.94)** | **(18.36)** | **54.44** | **118.29** | **76.11** | **194.40** |

*COD 8th October 2021

### 4.3 Authority's examination of True up submitted by AAI for Second Control Period and pre-COD period at Consultation Stage

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

The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 38/2017-18 dated February 16, 2018, have been reproduced below:

- ***Decision No.1 – True Up for the 1st Control Period***

    *1.a. The Authority decides to true-up the 1st Control Period on the basis of Single Till*

    *1.b. The Authority decides to adopt CHQ/ RHQ overheads apportionment on revenue basis.*

    *1.c. The Authority decides to consider the revenues from Cargo facility, Ground Handling services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.*

    *1.d. The Authority decides the following depreciation rates.*

    *i. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards.*

    *ii. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 30.*

    *1.e. The Authority decides to consider short fall of ₹ 107.7 crores in the 1st control period to be added to ARR for the 2nd Control Period.*

- ***Decision No. 2 – Traffic Forecast***

    *2.a. The Authority decides to consider the ATM and passenger traffic as per Table 20.*

    *2.b. The Authority decides to true up the traffic volume (ATM and passengers) based on actual traffic in 2nd Control period while determining tariffs for the 3rd control period.*

- ***Decision No. 3 – Allocation of assets between Aeronautical and Non-Aeronautical services***

    *3.a. The Authority decides to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 24.*

- ***Decision No. 4 – Opening Regulatory Asset Base for the 2nd control period***

    *4.a. The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 65.5 crores.*

- ***Decision No. 5 – Capital Expenditure***

    *5.a. The Authority decides to consider allowable project cost of ₹ 261.9 crores and accordingly reckon the amount of ₹ 261.9 crores as additions to total assets during the 2nd control period.*

    *5.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.*

    *5.c. The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.*

- ***Decision No. 6 – Treatment of Depreciation***

    *6.a. The Authority decides to adopt depreciation rates as per Table 30 and depreciation for the 2nd control period as per Table 31.*

6.b. *The Authority decides to consider the deprecation rates as per the order No. 35/2017 18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period. It shall make necessary adjustments in RAB accordingly.*

- ***Decision No. 7 – RAB for 2nd control period***

7.a. *The Authority decides to consider RAB for 2nd control period as given in Table 33.*

7.b. *The Authority decides to true up the RAB of 2nd control period based on actual asset addition and consider the depreciation rates as per the order no. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period.*

***Decision No. 8 – FRoR***

8.a. *The Authority decides to consider the FRoR at 14% for LGBIA for the 1st and 2nd control period.*

8.b. *The Authority decides to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.*

- ***Decision No. 9 – Non-Aeronautical Revenues***

9.a. *The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.*

9.b. *The Authority decides to consider the Non-Aeronautical revenue as per Table 37.*

9.c. *The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.*

- ***Decision No. 10 – Operation and Maintenance Expenditure***

10.a. *The Authority decides to consider the operational and maintenance expenditure as given in Table 44 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.*

10.b. *The Authority expects AAI to reduce O&M expenditure over a period of time.*

10.c. *The Authority decides to true up the O&M expenditure for 2016-17 to 2020-21 of the 2nd control period based on the actuals at the time of determination of tariffs for the 3rd control period.*

10.d. *The Authority decides the following factors for corrections while determining tariffs for the next control period:*

(i) *Mandated cost incurred due to directions issued by regulatory agencies like DGCA;*

(ii) *Cost of actual operating expenses including electricity;*

(iii) *All statutory levies in the nature of fees, levies, taxes, and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines, and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up.*

- ***Decision No. 11 – Taxation***

  *11.a. The Authority decides the corporate tax for aeronautical activities as per Table 45 for the 2nd control period.*

  *11.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.*

- ***Decision No. 12 – Tariff rate card***

  *12.a. The Authority decides to accept Annual Tariff Proposal as given in Table 49 (and Annexure) for the 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority. The Authority decides to accept the increase in tariffs for subsequent years of the second control period as below:*

  *i. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger*
  
  *ii. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) on landing charges*
  
  *iii. Yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges*

  *12.b. The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th Feb 2004 in order to encourage and promote intra-regional connectivity at LGBIA.*

  *12.c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/2016-17 dated 31.03.2017 of the Authority.*

  *12.d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.03.2018.*

  *12.e. The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.*

## 4.4 True up of Traffic



**<u>Authority's examination for True up of traffic for the Second Control Period at the Consultation Stage</u>**

4.4.1 The actual passenger and ATM traffic of LGBIA for the Second Control Period submitted by AAI is as follows:



**Table 9: AAI's submission for True up of traffic for the Second Control Period for LGBIA**

*(in Nos.)*

| Financial Year | Domestic Passengers | International Passengers | Total Passenger traffic | Domestic ATM | International ATM | Total ATM |
|---|---|---|---|---|---|---|
| FY'17 | 3,759,494 | 30,162 | 3,789,656 | 37,383 | 490 | 37,873 |
| FY'18 | 4,636,604 | 31,449 | 4,668,053 | 40,668 | 504 | 41,172 |
| FY'19 | 5,714,561 | 31,067 | 5,745,628 | 49,845 | 643 | 50,488 |

| Financial Year | Domestic Passengers | International Passengers | Total Passenger traffic | Domestic ATM | International ATM | Total ATM |
|---|---|---|---|---|---|---|
| FY'20 | 5,422,289 | 35,160 | 5,457,449 | 44,539 | 1,000 | 45,539 |
| FY'21 | 2,188,767 | 368 | 2,189,135 | 23,422 | 20 | 23,442 |
| **Total** | **21,721,715** | **128,206** | **21,849,921** | **195,857** | **2,657** | **198,514** |
| FY'22 (till COD) | 1,163,923 | 16 | 1,163,939 | 14,388 | 5 | 14,393 |
| **Total (till COD)** | **22,885,638** | **128,222** | **23,013,860** | **210,245** | **2,662** | **212,907** |

4.4.2 The Authority verified the actual Passenger traffic and ATM (as per Table 9) for the Second Control Period based on the details available on AAI's website and noted no variances.

4.4.3 The Authority examined the actual passenger traffic and ATM of LGBIA with the traffic projections approved by the Authority in the Tariff Order No. 38/2017-18 dated 16 February 2018, for the Second Control Period, which is as follows:

**Table 10: Passenger traffic and ATM approved by the Authority for the Second Control Period**

*(in Nos.)*

| Financial Year | Domestic Passengers | International Passengers | Total Passenger traffic | Domestic ATM | International ATM | Total ATM |
|---|---|---|---|---|---|---|
| FY'17 | 3,759,494 | 30,162 | 3,789,656 | 37,383 | 490 | 37,873 |
| FY'18 | 4,622,417 | 30,775 | 4,653,192 | 41,688 | 502 | 42,190 |
| FY'19 | 5,084,659 | 33,852 | 5,118,511 | 44,641 | 548 | 45,189 |
| FY'20 | 5,593,125 | 37,237 | 5,630,362 | 47,803 | 597 | 48,400 |
| FY'21 | 6,152,437 | 40,961 | 6,193,398 | 51,189 | 651 | 51,840 |
| **Total** | **25,212,132** | **172,987** | **25,385,119** | **222,704** | **2,788** | **225,492** |

4.4.4 The Authority noted from the above table that the actual Passenger and ATM traffic for the first three tariff years of the Second Control Period (as per Table 9) is same or near to what was approved by the Authority in the Tariff Order for the Second Control Period.

4.4.5 The Authority noted that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20 (pre-COVID year), due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic in the last quarter of the FY 2019-20.

4.4.6 The actual traffic for the 5th tariff year viz., FY 2020-21 was significantly lower than the projections in Tariff order for the Second Control Period, due to the adverse impact of the ongoing COVID-19 pandemic.

4.4.7 Based on the above facts, the Authority proposed to consider the actual passenger and ATM traffic as submitted by AAI (Table 9) for true up of the Second Control Period (up to COD), in line with its decision no. 2.b. of the Tariff Order No. 38/ 2017-18 dated February 16, 2018, which states "The Authority decides to true up the traffic volume (ATM *and passengers) based on actual traffic in 2nd Control period while determining tariffs for the 3rd control period.*"

**Stakeholders' comments on true up of Traffic for the Second Control Period up to COD**

4.4.8 There were no Stakeholder comments with respect to true up of traffic for the Second Control Period up to COD.

**Authority's analysis of Stakeholders' comments on true up of Traffic for the Second Control Period**

4.4.9 The Authority notes that there are no stakeholders' comments regarding True up of Traffic for the period from FY 2016-17 up to COD. Hence, it decides to consider the Traffic as per Table 9 for True up of the Second Control Period and pre-COD period.

## 4.5 True up of Capital Expenditure (CAPEX)

**Authority's examination of true up of RAB at the Consultation Stage:**

4.5.1 AAI had submitted the details of RAB during the Second Control Period and Pre-COD period as follows:

**Table 11: RAB for Second Control Period and pre COD period as per AAI's Submission**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | FY'22 till COD | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB (A) | 84.00* | 78.85 | 80.44 | 154.28 | 172.29 | 163.26 | |
| Additions to RAB during the year (B) | 9.77# | 8.84 | 83.77 | 31.33 | 4.82 | 10.26 | **148.79** |
| Deletions from RAB during the year (C) | 7.92 | 0.08 | | | | | **8.00** |
| Depreciation for the year (D) | 7.00 | 7.17 | 9.93 | 13.32 | 13.84 | 7.31 | **58.57** |
| Closing RAB for the year (E=A+B-C-D) | **78.85** | **80.44** | **154.28** | **172.29** | **163.27** | **166.21** | |

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

*# excludes left out asset and cost apportionment as the same has been included in Opening RAB*

4.5.2 AAI had classified the above capital additions into Aeronautical, Non-aeronautical, Common and ANS as shown below:

**Table 12: Allocation of assets as per AAI's submission**

| Asset Category | Asset Sub-Category / Description | Asset Classification |
|---|---|---|
| Boundary | Boundary in CPWD Quarters | Aeronautical |
| | Operational boundary walls | Aeronautical |
| Building | Expansion and modification of existing Term. Bldg. (Misc. works) | Aeronautical |
| | Construction of E&M Workshop | Aeronautical |
| | Tensile Fabric Canopy for Terminal building | Aeronautical |
| | Civil and Electrical works for Air link corridors | Aeronautical |
| | Construction of Dog kennel and associated works at CISF complex | Aeronautical |
| | Construction of Fire pit and approach road | Aeronautical |
| | Supply and installation of public toilet | Aeronautical |
| | Frangible security w/towers | Aeronautical |
| | Portable shelters | Aeronautical |
| | SITC of Smoke Cabin indoor type | Aeronautical |
| | Construction of Child Care room and facelift works | Aeronautical |
| | Construction of LLZ/ILS Hut | ANS |
| | Surface Movement Radar Tower and ASMGCS room | ANS |
| Furniture & Fixtures | 3-seater Airport Terminal chairs | Aeronautical |
| | Furniture & Fixtures at administrative offices | Aeronautical |
| | Iron beds | Aeronautical |
| | Ladies Frisking booth | Aeronautical |
| | Standing Platform | Aeronautical |
| | Immigration Counters | Aeronautical |
| | Rifle racks | Aeronautical |

| Asset Category | Asset Sub-Category / Description | Asset Classification |
|---|---|---|
| | Furniture and Fixtures for ANS use | ANS |
| Office appliances | IT assets and other office equipment at the airport, BCAS and CISF offices | Aeronautical |
| | IT assets and other office equipment at ANS offices | ANS |
| Plant & Equipment | FIDS, CUTE, CUSS | Aeronautical |
| | CCTV and Access Control System | Aeronautical |
| | Perimeter Lighting System | Aeronautical |
| | Escalators and Elevators | Aeronautical |
| | Passenger boarding bridges and AVDGS | Aeronautical |
| | Rubber Removal Machine | Aeronautical |
| | Bomb Suits | Aeronautical |
| | Hand-Held Metal Detectors and DFMDs | Aeronautical |
| | Explosive vapour Detector | Aeronautical |
| | Passenger Baggage Trolleys | Aeronautical |
| | Signages | Aeronautical |
| | Equipment at CISF Barracks | Aeronautical |
| | X-ray Baggage Inspection System | Aeronautical |
| | SITC of video conferencing system | Aeronautical |
| | Mini Remote Operating Vehicle | Aeronautical |
| | SITC for E-Gates for Immigration | Aeronautical |
| | Human Life Detector | Aeronautical |
| | SITC of SCCTV system | Aeronautical |
| | SITC of drinking water fountains | Aeronautical |
| | Public Address Sound Management System | Aeronautical |
| | Aadhar based Biometric Machines | Aeronautical |
| | SITC of Biometric Access Control System | Aeronautical |
| | Firefighting and protection equipment | Aeronautical |
| | Air Conditioning at terminal building | Aeronautical |
| | SITC of sub-station equipment and associated work | Common |
| | SITC of ground mounted solar plant | Common |
| | Equipment related to ANS/CNS facilities | ANS |
| Runways, Taxiways and Apron | Strengthening of Existing Runway 02/20 | Aeronautical |
| | Construction and strengthening of internal and access roads | Aeronautical |
| | Car park in front of Cargo and RHQ building | Non-Aero |
| Vehicles | Fire trucks, ambulances, tractors, SUVs, and other vehicles for airside operations | Aeronautical |
| | Vehicles for ANS operations | ANS |
| Computer Software | Software for airport operations | Aeronautical |
| | Software licences | Common |

4.5.3 Further, AAI had submitted the following ratios:

**Table 13: Allocation ratios as per AAI's submission**

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 till COD |
|---|---|---|---|---|---|---|
| **Employee Ratio (Aeronautical : Non-aeronautical)** | 98.65:1.35 | 98.08:1.92 | 98.84:1.16 | 98.10:1.90 | 98.03:1.97 | 98.60:1.40 |

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 till COD |
|---|---|---|---|---|---|---|
| **Terminal Building ratio (Aeronautical : Non-aeronautical)** | 89.67:10.33 | 90.50:9.50 | 90.60:9.40 | 92.32:7.68 | 92.81:7.19 | 92.58:7.42 |
| **Electricity ratio (Aeronautical : ANS : Non-aeronautical)** | 84.79: 15.00: 0.21 | 84.76: 15.05: 0.19 | 84.74: 15.08: 0.18 | 84.77: 15.08: 0.16 | 84.75: 15.05: 0.20 | 84.52: 15.19: 0.29 |
| **Staff Quarters ratio (Aeronautical : ANS)** | 49.11:50.89 | 52.94:46.08 | 60.83:38.33 | 65.81:33.33 | 64.85:35.42 | 59.21:40.79 |
| **Vehicle Ratio (Aeronautical : ANS : Non-aeronautical)** | 74.07: 18.52: 7.41 | 75.86: 17.24: 6.90 | 77.14: 17.14: 5.71 | 82.61: 13.04: 4.35 | 83.33: 12.50: 4.17 | 80.00: 15.00: 5.00 |

**Recap of decision taken by the Authority for RAB at the time of tariff determination for the Second Control Period**

4.5.4 The Authority vide its decision no. 4, 5 and 7 of Order no. 38/2017-2018 dated February 16, 2018 decided the following with respect to Opening Aeronautical RAB, Additions and RAB for Second Control Period:

- *Decision no. 4.a. The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 65.5 crores.*
- *Decision no. 5.a. The Authority decides to consider allowable project cost of ₹ 261.9 crores and accordingly reckon the amount of ₹ 261.9 crores as additions to total assets during the 2nd control period.*
- *Decision no. 5.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.*
- *Decision no. 5.c. The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.*
- *Decision no. 7.a. The Authority decides to consider RAB for 2nd control period as given in Table 33.*
- *Decision no. 7.b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and consider the depreciation rates as per the order no. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period.*

**Table 14: RAB as approved by Authority in the Tariff Order for Second Control Period (Table 33 of the Order)**

*(₹ crores)*

| Particulars | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | Total |
|---|---|---|---|---|---|---|
| Opening RAB (A) | 65.50 | 66.30 | 71.20 | 102.00 | 269.70 | |
| Addition (B) | 6.90 | 11.20 | 37.80 | 178.00 | 28.00 | **261.90** |
| Sales/Disposals/Transfers (C) | - | - | - | - | - | - |
| Depreciation (D) | 6.10 | 6.30 | 7.00 | 10.30 | 13.30 | **43.00** |
| Closing RAB (E = A + B – C – D) | 66.30 | 71.20 | 102.00 | 269.70 | 284.40 | |
| Average RAB [(A + E) ÷ 2] | **65.90** | **68.80** | **86.60** | **185.90** | **277.10** | |

**Reclassification of Assets transferred by AAI to the Airport Operator**

4.5.5 The Authority had undertaken the "Study on Allocation of Assets between Aeronautical and Non-

Aeronautical Assets" to carry out a detailed analysis of the Regulatory Assets, apportion the common assets based on appropriate ratios, and examine the assets transferred from AAI to GIAL.

4.5.6 **Allocation Ratios**

a. **Terminal Building ratio:** It was observed that as per AAI's True up submission for the period up to October 8, 2021, LGBIA had an average terminal building ratio of 91.41:8.59 based on actual utilization. The Authority in its order 38/2017-18 for SCP of LGBIA, had decided to adopt 89.02% as aeronautical area based on terminal area ratio calculations submitted by AAI for FY 2015-16.

This is also consistent with the IMG norms, which has recommended the Non-Aeronautical area within the terminal building for airports having passenger traffic less than 10 MPPA to be in the range of 8% to 12% of the total terminal area and for airports having passenger traffic greater than 10 MPPA to be up to 20%.

The Authority had commissioned an independent study on the Allocation of Assets (summary of the study is given in Annexure 2 and the study is attached as Appendix 1 of this Consultation Paper). Based the outcome of the study, the Authority proposes to consider the Terminal Building ratio of 89.02:10.98 (Aeronautical: Non-Aeronautical) as was approved by the Authority in the Tariff Order for the Second Control Period. The same has been explained in para 4.3.1 of the Asset Allocation study report.

b. **Staff Quarters ratio:** The Authoirty proposed to consider staff quarters ratio as submitted by AAI.

c. **Employee Headcount ratio:** The Authority proposed to consider the five-year average Employee Head Count Ratio of AAI, i.e. 90.45:9.55 (Aeronautical: Non-aeronautical) for the purpose of allocation of assets during the period from FY 2016-17 up to COD, as the Authority considered the same to be a reasonable basis for allocation of assets. The same is explained in para 4.4.3 of the *O&M Study report* and presented in the table below:

**Table 15: Allocation Ratios proposed by the Authority at the Consultation Stage**

| Particulars | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY22 till COD | Average Ratio |
|---|---|---|---|---|---|---|---|
| **Employee Ratio (Aero : Non-Aero)** | 90.35:9.65 | 89.53:10.47 | 91.56: 8.44 | 90.59: 9.41 | 90.59: 9.41 | 90.10: 9.90 | 90.45:9.55 |
| **Terminal Building Ratio (Aero : Non-Aero)** | 89.02% : 10.98% | | | | | | |
| **Staff Quarters Ratio (Aeronautical : ANS: Non Aeronautical)** | 49.11: 50.89: 0 | 52.94: 46.08: 0.98 | 60.83: 38.33: 0.83 | 65.81: 33.33: 0.85 | 64.58: 35.42: 0 | 59.21: 40.79: 0 | |

4.5.7 The Authority noted the following while comparing the RAB as submitted by AAI for true up (Table 11) and that approved in Second Control Period tariff order (Table 14):

- There is a difference between Opening RAB as on 1st April 2016 as submitted by AAI and that approved by AERA in the Second Control Period Order. This variation has been discussed in para 4.5.9.
- The capital expenditure incurred by AAI vis a vis approved by the Authority for the Second Control Period was lower by ₹ 123.37 crores. Additionally, AAI had incurred ₹ 10.26 crores during FY'22 till COD i.e. 8th October, 2021. The same has been discussed in para 4.5.14.

4.5.8 The Authority noted that at the time of determination of tariff for the Second Control Period, in the

Tariff Order, the Opening RAB for FY 2016-17 was determined to be ₹ 65.50 crores (Decision No. 4a, Tariff Order No. 38/2017-18 dated February 16, 2018). The details are as follows:

**Table 16: Opening RAB approved by the Authority in the Second Control Period Tariff Order**

*(₹ crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Original Cost of Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011 | A | 162.0 |
| Aeronautical asset addition during the First Control Period | B | 21.5 |
| **Cost of Aeronautical Assets as on 31.03.2016** | **C = A + B** | **183.5** |
| Accumulated Depreciation as on 31.03.2016 | D | 117.9 |
| **Closing RAB as on 31.03.2016** | **E = C – D** | **65.5** |
| **Opening RAB as on 01.04.2016** | **F = E** | **65.5** |

4.5.9 For true-up, AAI had considered an amount of ₹ 84.00 crores for Opening RAB for FY 2016-17 which was at variance from what was approved by the Authority in the Tariff Order for LGBIA for the Second Control Period. The opening RAB submitted by AAI as part of the true up proposal submission was ₹ 84.00 crores which includes left out assets of ₹ 16.59 crores at the time of finalization of Tariff for the Second Control Period and hence, these assets have been added to the True up of Second Control Period. Further, AAI had added an amount of ₹ 1.90 crores shown as 'Cost Apportionment' or Improvement cost to the Opening RAB of Second Control Period.

4.5.10 Based on the information/details provided by AAI and the comparison of the left-out assets and Cost Apportionment (the list of left out assets and improvements are detailed in Annexure II of Asset Allocation Study Report) with the fixed asset register, it is noted that these assets exclusively belong to LGBIA. Hence, the Authority proposed to include these assets as part of the Opening RAB for FY 2016-17 of the Second Control Period.

4.5.11 The Authority, based on the above facts, proposed to consider the opening RAB for true-up of the Second Control Period as submitted by AAI i.e., ₹ 84.00 crores (₹ 65.5 crores + ₹ 16.59 crores + ₹ 1.90 crores).

**Capital additions submitted by AAI for Second Control Period and Pre-COD Period**

4.5.12 The Authority noted variance between the approved CAPEX in the Tariff Order for the Second Control Period and the actual capitalization of aeronautical assets. The Tariff Order for the Second Control period had projected a capitalization of aeronautical assets amounting to ₹ 261.9 crores for SCP, but as per AAI's submission, ₹ 148.78 crores of aeronautical assets had been capitalized (56.8% of approved CAPEX) (refer Table 19) until the COD (Commercial Operation Date).

4.5.13 The Authority reviewed the actual capital additions to RAB during the Second Control Period, which is explained as follows:

**Table 17: Capital additions submitted by AAI for the SCP and Pre-COD Period for LGBIA**

*(₹ crores)*

| S. No | Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Runway | 0.00 | 1.08 | 49.71 | 1.78 | 0.38 | **52.94** | 0.00 | **52.94** |
| 2 | Roads Bridges &Culverts | 0.61 | 0.00 | 0.00 | 0.00 | 0.00 | **0.61** | 0.00 | **0.61** |
| 3 | Terminal Building | 0.00 | 2.76 | 11.96 | 5.14 | 0.00 | **19.86** | 1.82 | **21.68** |
| 4 | Temp. Building | 0.00 | 0.09 | 0.05 | 0.18 | 0.18 | **0.50** | 0.00 | **0.50** |
| 5 | Residential Building | 0.00 | 0.00 | 0.30 | 0.00 | 0.00 | **0.30** | 1.10 | **1.40** |

| S. No | Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|---|
| 6 | Operational B/Wall | 0.00 | 0.00 | 7.07 | 0.00 | 0.15 | **7.22** | 6.05 | **13.26** |
| 7 | Residential Security Fencing | 0.00 | 0.00 | 0.00 | 0.00 | 0.22 | **0.22** | 0.00 | **0.22** |
| 8 | Computer & Peripherals | 0.04 | 0.03 | 0.17 | 0.09 | 0.40 | **0.73** | 0.00 | **0.73** |
| 9 | Software | 0.02 | 0.01 | 0.00 | 0.00 | 0.00 | **0.03** | 0.00 | **0.03** |
| 10 | Plant & Machinery | 7.29 | 2.68 | 9.50 | 8.23 | 2.68 | **30.38** | 1.23 | **31.61** |
| 11 | Tools & Equipment | 1.73 | 1.20 | 4.23 | 6.01 | 0.60 | **13.77** | 0.06 | **13.83** |
| 12 | Furniture-Office | 0.01 | 0.62 | 0.47 | 1.41 | 0.08 | **2.58** | 0.00 | **2.58** |
| 13 | Vehicles | 0.05 | 0.38 | 0.22 | 0.73 | 0.00 | **1.38** | 0.00 | **1.38** |
| 14 | Office Eqpt | 0.01 | 0.00 | 0.10 | 0.10 | 0.13 | **0.33** | 0.00 | **0.33** |
| 15 | X-Ray | 0.00 | 0.00 | 0.00 | 2.38 | 0.00 | **2.38** | 0.00 | **2.38** |
| 16 | CFT/Fire Fighting Equipments | 0.00 | 0.00 | 0.00 | 5.29 | 0.00 | **5.29** | 0.00 | **5.29** |
| | **Total** | **9.77** | **8.84** | **83.77** | **31.33** | **4.82** | **138.53** | **10.26** | **148.78** |

4.5.14 The Authority compared the total capital additions provided by AAI with the capital additions approved in the Second Control Period order as detailed below:

**Table 18: Reconciliation of Additions considered in the Second Control Period Order and Actuals incurred by AAI**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total up to FY21 | FY22 till COD* | Total |
|---|---|---|---|---|---|---|---|---|
| Amount approved as per Tariff Order (A) | 6.90 | 11.20 | 37.80 | 178.00 | 28.00 | **261.90** | - | **261.90** |
| Actual additions to RAB (B) | 9.77 | 8.84 | 83.77 | 31.33 | 4.82 | **138.53** | 10.26 | **148.79** |
| Difference (B-A) | **2.87** | **(2.36)** | **45.97** | **(146.67)** | **(23.18)** | **(123.37)** | **10.26** | - |

* up to October 8, 2021

4.5.15 The Authority had analyzed the reasons for such differences which are detailed below as mentioned in Table 19:

30 Out of the total CAPEX of ₹ 261.90 crores approved in SCP, ₹ 177.56 crores CAPEX was deferred due to the anticipated concessioning out of LGBIA to GIAL.

31 The cost of assets commissioned by AAI as compared to the approved amount in SCP order resulted in a cost overrun of ₹ 10.29 crores due to actual tendered costs being marginally higher than the estimates.

32 AAI capitalized assets worth ₹ 54.16 crores, which were not approved in the SCP Order. These assets were commissioned mainly for enhancing passenger facilitation (such as installation of air conditioners, passenger chairs etc.), improving security (procurement of bomb suit, X ray machines, dog squad vehicles, mobile command post, SCCTV systems etc.), and maintaining the overall operational efficiency of the airport like provision of additional PBB, provision of CUTE, CUSS and scanner, procurement of rubber removal vehicles, various electrical works, PA System etc.

**Table 19: Reconciliation of Additions allowed in Second Control Period Order and Actuals incurred by AAI**

| Particulars | Reference | Amount |
|---|---|---|
| Additions as per SCP Tariff Order | A | 261.90 |
| Capital Expenditure proposed in SCP but later deferred due to consideration for handing over of LGBI Airport, Guwahati under PPP | B | 177.56 |
| Variance in cost between additions approved and incurred due to cost overun | C | 10.29 |
| Capital additions capitalized in the SCP but not approved in SCP Tariff Order | D | 54.16 |
| **Total additions proposed by AAI in its True-up of SCP** | **E=A-B+C+D** | **148.79** |

4.5.16 Based on the above analysis, the Authority proposed to allow the actual capital expenditure submitted by AAI till COD as per Table 19.

**Reclassification and Reallocation of assets submitted by AAI for the Second Control Period and Pre-COD Period**

4.5.17 The Authority had commissioned an independent study through the Consultant appointed by AERA on allocation of assets between Aeronautical and Non-aeronautical services for LGBIA for the Second Control Period and FY 2021-22 (Pre and Post COD of AAI and GIAL respectively) (summary of the study is given in Annexure 2 and the Study is attached as Appendix 1) and used the recommendation of the study, while truing up the RAB till COD for AAI.

4.5.18 The Authority noted that the Independent Study had provided a broad framework for allocation of various classes of airport assets into Aeronautical, Non-aeronautical and Common. The process followed by the Study is as follows:

- The assets responsible for/ used exclusively for the provision of aeronautical (as defined in section 2 (a) of the AERA Act, 2008) services have been classified as 'Aeronautical' for the purposes of Study. Additionally, the decisions of AERA on allocation of certain assets in the previous control periods and in the case of other airports have also been taken into consideration for this exercise.
- Assets which are solely used for the provision of services other than aeronautical services are classified as 'Non-Aeronautical'.
- If any asset is not exclusively used for the provision of either Aeronautical service or Non-Aeronautical service, it has been classified as 'Common'.
- Apart from being an airport operator, AAI is also responsible for the provision of Air Navigation Services (ANS) over the Indian airspace. Therefore, certain ANS assets also form part of the books of AAI. However, since this service is managed separately by AAI and the tariff for the same are presently regulated by Ministry of Civil Aviation (MoCA), the assets related to the same are not considered under the RAB of AAI. Therefore, such assets have been excluded from the Aeronautical Gross Block of AAI.
- However, certain ANS related assets were also transferred to GIAL as on COD. As per the terms of the Concession Agreement, AAI would continue to provide ANS services at LGBIA. As mentioned in Schedule Q of Clause 20.2.1 of the Concession Agreement, GIAL is required to make available all necessary civil infrastructure and necessary support to AAI for providing ANS services. Therefore, the ANS related assets, when transferred to the books of the GIAL, would be considered as aeronautical in nature considering that GIAL is not providing or charging for ANS services at LGBIA whereas it is required to provide the supporting infrastructure.
- Aeronautical assets (e.g. aerobridges, runway, apron etc.) are directly added to RAB and assets identified to be Non-Aeronautical (e.g. commercial complex) are excluded from it. The assets that have been classified as Common assets need to be further bifurcated into aeronautical and non-

aeronautical based on a suitable ratio. This ratio has been determined based on the underlying proportion of their expected utilization for Aeronautical and Non-aeronautical services and activities at the Airport.

- Assets have been analysed on a case-to-case basis and in case of any misclassification identified in allocation, appropriate reclassification has been made for such assets.

4.5.19 **Reclassification of assets transferred by AAI to GIAL**

The Authority had conducted an independent study on allocation of assets for the period FY 2016-17 till COD and used the outcome of the study to true up the RAB as on COD for AAI.

The Authority had considered the opening RAB submitted by AAI, Capital additions and corresponding depreciation based on the results of the Asset Allocation Study report (refer Annexure 2 for the Summary of the report and Appendix 1 for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for Guwahti International Airport.*)

The asset allocation study report reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common. Based on the same, the Authority had reclassified some portion of assets submitted by AAI for true up of the Pre-COD Period.

**(i) Terminal building:**

**Details of Asset:** Expansion and Modification of Existing Terminal Building

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertaining to development of terminal building had been considered as Aeronautical assets by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same was reclassified as Common asset and segregated in the Terminal Building ratio (89.02:10.98).

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets from Aeronautical to Common reduced the Capital Additions to the extent of ₹ 0.91 crores.

**(ii) Plant & Machinery:**

**Details of Asset:** VRV System, Solar plant, AC plant, Water Softening plant,

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertain to various machinery at several locations in the airport terminal had been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these were reclassified as Common assets and had been reallocated in the ratio of the Terminal Building (89.02:10.98).

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets reduced the Capital Additions to the extent of ₹ 0.57 crores.

**(iii) Furniture & Fixtures:**

**Details of Asset:** Furniture and Fixtures at Administrative offices

**Allocation proposed by AAI:** Aeronautical

**Observation:** The furniture at the administrative offices in the terminal building had been classified as Aeronautical assets by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets were reclassified as Common assets and had been reallocated using the Employee ratio.

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets reduced the Capital Additions to the extent of ₹ 0.09 crores.

**(iv) Tools and Equipment:**

**Details of Asset:** Sub-station equipment, DG set, Split AC, Lights, Fan, Baggage disinfectant system, Radio communication equipment, Breath analyzer.

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertaining to the various equipment at several locations in the airport had been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these were reclassified as Common assets and had been reallocated in the ratio of the Terminal Building (89.02:10.98).

Radio communication equipment and Breath analyzer equipment at ATC Building had been classified as Aeronautical asset by AAI. However, since these assets are for ANS staff use, they had been reclassified as ANS assets.

**Allocation proposed by the Authority:** Common / ANS

**Impact:** Reclassifying these assets reduced the Capital Additions to the extent of ₹ 0.10 crores.

**(v) Office Appliances:**

**Details of Asset:** Computer, Printer, Scanner, DVD, Fox screen, DSLR Camera, Xerox machine, Handheld Multimeter

**Allocation proposed by AAI:** Aeronautical

**Observation:** Computers, Laptop, Printers, and DVD used in the terminal building had been classified as Aeronautical asset by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets were reclassified as Common assets and had been reallocated using the Employee ratio.

Computers, Scanner, Fox screen, Xerox machine, DSLR Camera, DVD, and Handheld multimeter at the ATC tower and CNS section had been classified as Aeronautical assets by AAI. As these assets are for CNS use, the assets had been reclassified as ANS assets.

**Allocation proposed by the Authority:** Common, ANS

**Impact:** Reclassifying these assets reduced the Capital Additions to the extent of ₹ 0.05 crores.

The following table presents the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of AAI for the period April 1, 2016 to COD.

**Table 20: Impact due to reclassification of AAI assets proposed by the Authority at Consultation Stage**

*(₹ crores)*

| Additions - WIP Capitalization | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 till COD | Total |
|---|---|---|---|---|---|---|---|
| Terminal Building | - | - | (0.91) | - | - | - | (0.91) |

| Additions - WIP Capitalization | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 till COD | Total |
|---|---|---|---|---|---|---|---|
| Computers | (0.01) | - | - | (0.03) | - | - | (0.04) |
| Machinery | (0.03) | (0.03) | (0.05) | (0.03) | (0.43) | - | (0.57) |
| Tools & Equipment | - | - | (0.06) | - | (0.03) | - | (0.10) |
| Furniture-Office | - | (0.08) | (0.01) | - | - | - | (0.09) |
| Office Equipment | - | - | - | - | (0.01) | - | (0.01) |
| Total Impact on Additions | **(0.04)** | **(0.11)** | **(1.03)** | **(0.07)** | **(0.47)** | - | **(1.71)** |

**Table 21: Reclassification of assets capitalized in the Second Control Period and Pre-COD Period proposed by the Authority at Consultation Stage**

(₹)

| Asset No. | Asset Description | Classification as per Study | Revised Aero Value | Impact on Aero Value |
|---|---|---|---|---|
| 50011157 | Modification & Expansion of Existing TB (Alluminium & misc work) | Common TB | 73,461,474.11 | (9,060,963.67) |
| 150010556 | L/OP HP-440(i5/4GB/500GB/14 INCH/DVD RW/WIN8.1) | ANS | - | (55,125.00) |
| 150010562 | DESKTOP COMPUTER HP406G1 (i3/4GB/500GB/18.5TFT/DVD | Common ER | 36,776.78 | (3,927.22) |
| 150010563 | DESKTOP COMPUTER HP406G1 (i3/4GB/500GB/18.5TFT/DVD | Common ER | 36,776.78 | (3,927.22) |
| 150012891 | Printer Epson LX-310 dotmatrix impact printer 04 n | Common ER | 22,012.19 | (2,574.57) |
| 150014097 | Proc of IT Item. Multifunctional Machines 17 nos. | Common ER | 178,283.57 | (16,438.46) |
| 150014098 | Note Book Computer Laptop 2 nos. | Common ER | 85,296.36 | (7,864.66) |
| 150015980 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,822.88) |
| 150015981 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,822.88) |
| 150015982 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,822.88) |
| 150015983 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,822.88) |
| 150015984 | All in One PC-VERITON Z4660G 01 no. | ANS | - | (40,630.00) |
| 150015985 | All in One PC-VERITON Z4660G 01 no. | ANS | - | (40,630.00) |
| 150015986 | All in One PC-VERITON Z4660G 01 no. | ANS | - | (40,630.00) |
| 150015987 | All in One PC-VERITON Z4660G 01 no. | ANS | - | (39,858.54) |
| 150015988 | All in One PC-VERITON Z4660G 01 no. | ANS | - | (39,858.54) |
| 150015989 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,051.42) |
| 150015990 | All in One PC-VERITON Z4660G 01 no. | Common ER | 36,807.12 | (3,051.42) |
| 150016019 | HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No. | ANS | - | (20,701.03) |
| 150016022 | HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No. | ANS | - | (21,101.70) |
| 150016023 | HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No. | ANS | - | (21,101.70) |
| 150016033 | HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No. | ANS | - | (20,701.03) |
| 90033679 | SITC of 250 KW Ground mounted solar plant | Common TB | 13,149,700.69 | (95,346.33) |
| 90033597 | REPLACEMENT OF 8X10TR A/C PLANT AT SHA AT LGBI AIR | Common TB | 4,168,889.98 | (30,227.94) |
| 90040146 | PROVISION OF VRV/VRF AC SYSTEM FOR PROPOSED EXTENS | Common TB | 18,088,242.89 | (131,154.89) |
| 90035062 | SITC of LED Luminaries & allied works at TB | Common TB | 3,148,913.36 | (22,832.26) |
| 90034972 | PROVISION OF WATER SOFTENING PLANT FOR 3X225TR AC | Common TB | 528,778.80 | (3,834.09) |

| Asset No. | Asset Description | Classification as per Study | Revised Aero Value | Impact on Aero Value |
|---|---|---|---|---|
| 90034870 | PROVISION OF COMPOUND LIGHTING FOR 250 KWP SOLAR | Common TB | 846,188.03 | (6,135.57) |
| 90036286 | Provision of Air Conditioners and Water Coolers at | Common ER | 1,098,449.87 | (104,881.40) |
| 90037005 | Terminal Expansion Internal Electrification Interi | Common TB | 893,235.58 | (14,849.45) |
| 90040027 | SITC OF 8.5TR AIR COOLED DUCTABLE SPLIT UNIT. | Common TB | 973,170.71 | (120,033.86) |
| 90036984 | SITC OF SPLIT AC UNIT AT FIRST FLOOR AT TB | Common TB | 1,118,484.73 | (18,594.07) |
| 90038012 | Provision of HVLS fan. 03 nos | Common TB | 2,323,664.06 | (38,629.38) |
| 90039608 | SITC of sub station Eqpt and associated work. | Common TB | 13,748,741.50 | (244,103.64) |
| 90040833 | IMPROVEMENT OF EXISTING CENTRAL AC SYSTEM AT LGBI | Common TB | 4,153,074.10 | (73,736.24) |
| 90039841 | Provision of 750KVA DG Set and LT Panel at LGBI Ai | Common TB | 8,040,374.14 | (142,753.76) |
| 90040774 | SUPPLY LAYING STANDBY 33KV HT CABLE AT GUWAHTI AIR | Common TB | 2,113,981.91 | (37,532.94) |
| 90042644 | Wall mounted split AC 1.5TR 5 star 25 nos. | Common TB | 855,614.42 | (31,748.46) |
| 90042645 | Wall mounted split AC 2.00TR Inverter ty 2 nos. | Common TB | 78,157.09 | (2,900.10) |
| 90042646 | Floor mounted 3.00 ty Interter Type 1 nos. | Common TB | 62,352.47 | (2,313.65) |
| 90042649 | Replacement of Old AC. Ater Cooler (Installation) | Common TB | 397,496.98 | (14,749.54) |
| 90045216 | R/o existng panels. cables & AHU of central AC sys | Common TB | 2,607,730.52 | (96,762.54) |
| 90043436 | PROV OF 25 KVA TROLLEY MOUNTED DG SET AT LGBI AIRP | Common TB | 363,246.87 | (13,478.65) |
| 90045724 | S/o 15 nos wall mounted split AC 1.5 TR 3star | Common TB | 738,540.19 | (91,093.81) |
| 90045725 | S/o 02 nos wall mounted split AC 3TR 5star | Common TB | 150,586.23 | (18,573.77) |
| 90045272 | SITC 08 nos 1.5 Tr (4500 K Cal/hr) s/type AC 5star | Common TB | 313,350.40 | (38,649.60) |
| 90047968 | Capacity 2 x 20000 BTU/hr A/Cool Refr. 02 units | Cargo | - | (1,330,628.00) |
| 90048239 | Capacity 2 x 10000 BTU/hr A/Cool Refr. 01 unit | Cargo | - | (650,372.00) |
| 90047039 | Standalone Type UV Based Baggage Disinfectant Sys. | Common TB | 617,798.80 | (26,311.92) |
| 90049569 | RADIO COMMUNICATION TEST SET - 1173.2000K18-102497 | ANS | - | (2,290,188.92) |
| 90039840 | SITC OF WALK IN COLD ROOM BEHIND OLD RED BLDG. | ANS | - | (627,119.00) |
| 90045208 | BREATH ALCOHOL ANALIZER 01 NO | ANS | - | (48,000.00) |
| 90047150 | Touch Screen Kiosk & Network items for FB/LB Proj. | Common TB | 379,336.34 | (16,155.85) |
| 90047538 | 10 PAIR PIJF CABLE - FIBRE CABLE FOR NETWORKING | ANS | - | (288,374.65) |
| 90049831 | PROCUREMENT OF SCANNER CANON DR- F120 3 NOS | Common ER | 55,030.95 | (5,719.05) |
| 110012784 | Chair PCH 7001D | Common ER | 15,060.74 | (1,608.26) |
| 110012785 | Chair PCH 7001D | Common ER | 15,060.74 | (1,608.26) |
| 110012781 | TableT104 | Common ER | 21,107.98 | (2,254.02) |
| 110012782 | TableT104 | Common ER | 21,107.98 | (2,254.02) |
| 110012783 | TableT104 | Common ER | 21,107.98 | (2,254.02) |
| 110014798 | Storewell minor plain 3 nos | Common ER | 34,531.19 | (4,038.81) |
| 110014799 | Executive Table 2 nos | Common ER | 32,258.06 | (3,772.94) |
| 110014800 | High Back Chair PCH-7001D 2 NOS | Common ER | 23,009.75 | (2,691.25) |
| 110014801 | SOFA SET PARTO SOFA 1 SET | Common ER | 39,463.32 | (4,615.68) |
| 110014802 | STEEL ALMIRAH STOREWEL PLAIN 2 NOS | Common ER | 25,376.89 | (2,968.11) |
| 110014792 | PROC. OF EGRESS TABLE & OTHER ACESSORIES | Common ER | 1,614,021.00 | (188,778.00) |
| 110014813 | Workstation for ASMGCS | ANS | - | (176,573.40) |
| 110014772 | Supply of Furniture Sofa 6nos. Centre Table 3 nos | Common ER | 358,114.46 | (41,885.54) |

| Asset No. | Asset Description | Classification as per Study | Revised Aero Value | Impact on Aero Value |
|---|---|---|---|---|
| 110014640 | SUPPLY OF 3 SEATER CHAIRS 124 NOS | Common ER | 3,214,763.07 | (376,002.89) |
| 110015460 | PLU 4D PRE GREY METAL 5 NOS | Common TB | 45,608.51 | (809.76) |
| 110015505 | Executive Table 1 nos. | Common ER | 31,028.09 | (2,860.91) |
| 110015506 | Ex Chair 6 nos. | Common ER | 76,910.54 | (7,091.46) |
| 110015507 | Visitor Chair 12 Nos. | Common ER | 84,294.69 | (7,772.31) |
| 110015508 | Computer Table. | Common ER | 48,740.89 | (4,494.11) |
| 110015509 | Ex Table T-3 nos. | Common ER | 41,462.03 | (3,822.97) |
| 110015511 | ALMIRAH BIG STOREWEL PLAIN. 4 NOS | Common ER | 59,375.36 | (5,474.64) |
| 110015512 | STEEL RACK 6 PANEL 9 NOS. | Common ER | 83,624.49 | (7,710.51) |
| 110015513 | 4DR FILLING CABINET. | Common ER | 57,066.26 | (5,261.74) |
| 110015514 | EXECUTIVE TABLE T-8. | Common ER | 26,259.75 | (2,421.25) |
| 110015515 | PERSONEL LOCKER 4DR 5 NOS. | Common ER | 50,219.56 | (4,630.44) |
| 110015516 | ALMIRAH SMALL 1 NOS. | Common ER | 12,199.19 | (1,124.81) |
| 110015517 | NON-EX CHAIR 3 NOS. | Common ER | 32,411.53 | (2,988.47) |
| 110015518 | COMPUTER CHAIR 3 NOS. | Common ER | 11,632.76 | (1,072.59) |
| 110015519 | SOFA PARTO SOFA. 2 NOS | Common ER | 85,237.74 | (7,859.26) |
| 110016936 | COMPANION C 11 COMPUTER TABLE. 1 NO | Common ER | 7,139.52 | (741.53) |
| 110016937 | REGENCY HIGH BACK 700 I D 2 NOS. | Common ER | 25,027.68 | (2,599.44) |
| 110016938 | PARTO 2 SEATER SOFA 2 NOS. | Common ER | 40,067.33 | (4,161.49) |
| 110016939 | GODREJ MINOR PLAIN ALMIRAH 1 NOS. | Common ER | 11,277.81 | (1,171.34) |
| 110016940 | PARTO 1 SEATER 4 NOS. | Common ER | 24,563.96 | (2,551.28) |
| 110016941 | GODREJ STOREWEL PLAIN 11 NOS. | Common ER | 159,735.71 | (16,590.55) |
| 110016942 | GODREJ T-8 TABLE 9 NOS. | Common ER | 76,280.67 | (7,922.70) |
| 110016943 | GODREJ 4 DRAWER VERTIFAL FILING CABINET. 1 NOS. | Common ER | 14,640.43 | (1,520.59) |
| 150013808 | Fox screen 8 feet*6 feet. 2 nos | ANS | - | (14,152.54) |
| 150016046 | DSLR Camera Model-D-3500-18-55PVR | ANS | - | (30,504.00) |
| 150016148 | SUPPLY OF KYOCERA MFPS Xerox Machine at Ghy | ANS | - | (42,500.00) |
| 150016879 | FLUKE HAND HELD DIGITAL MULTIMETER | ANS | - | (9,048.27) |
| | **Total** | | | **(17,145,377.25)** |

4.5.20 Based on the revision of asset allocation methodology adopted for assets of LGBIA as discussed above, a revision in the Aeronautical Gross block had been proposed. The year-wise revised value of assets from FY 2016-17 to FY 2020-21 has been summarized in the tables below:

**Table 22: Gross Block proposed by the Authority for Second Control Period and Pre COD period at Consultation Stage**

*(₹ crores)*

| Particulars | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY22 till COD |
|---|---|---|---|---|---|---|
| **As per AAI Submission** | | | | | | |
| Aeronautical Gross Block (A) | 273.23 | 281.99 | 365.76 | 397.09 | 401.91 | 412.17 |
| Non-Aeronautical Gross Block (B) | 25.35 | 23.97 | 24.51 | 25.08 | 25.08 | 25.47 |
| **Total Gross Block (C = A + B)** | 298.58 | 305.96 | 390.27 | 422.17 | 426.99 | 437.64 |
| Percentage Aeronautical (D = A ÷ C) | 91.51% | 92.17% | 93.72% | 94.06% | 94.13% | 94.18% |
| **Proposed by the Authority as per the Independent Study** | | | | | | |
| Aeronautical Gross Block (E) | 273.19 | 281.84 | 364.58 | 395.84 | 400.19 | 410.44 |

| Particulars | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY22 till COD |
|---|---|---|---|---|---|---|
| Non-Aeronautical Gross Block (F) | 25.39 | 25.53 | 27.04 | 27.64 | 27.65 | 28.04 |
| **Total Gross Block (G = E + F)** | 298.58 | 307.37 | 391.61 | 423.48 | 427.84 | 438.48 |
| Percentage Aeronautical (H = (E/G)*100) | 91.50% | 91.70% | 93.10% | 93.47% | 93.54% | 93.61% |

**Stakeholder's comments regarding True up of Capital Expenditure (CAPEX) for the period from FY 2016-17 up to COD**

4.5.21 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to True up of CAPEX for the Second Control Period. The comments by the Stakeholders are presented below.

**AAI Comments on True up of Capital Expenditure (CAPEX) for the period from FY2016-17 up to COD**

4.5.22 AAI has made following comments in respect of Reclassification of Transferred Assets:

***Terminal Building*** *- AERA has considered TB ratio (89.02:10.98) whereas the TB ratio calculated by AAI on actual usage basis after considering the Space to Airlines as AERO which works out to 95.16:4.84.* ***AERA is therefore requested that TB ratio may be considered as 95.16:4.84****.*

***Plant & Machinery****: Mainly these assets are used for Passengers facilitation and operational requirement accordingly AAI has claimed Aeronautical Assets whereas AERA has reallocated these Assets these assets in the ratio of the Terminal Building (89.02:10.98) whereas the TB ratio calculated by AAI on actual usage basis after considering the Space to Airlines as AERO which works out to 95.16:4.84.* ***AERA is therefore requested that TB ratio may be considered as 95.16:4.84****.*

***Furniture & Fixtures****: AERA has considered the furniture at the administrative offices in the terminal building have been classified as common assets as these assets are used by staff who perform both Aeronautical and Non-aeronautical activities and these assets are reclassified as Common assets and have been reallocated using the Employee ratio i.e., 90.45:9.55 whereas actual employee ratio is 98.38:1.62.* ***AERA is therefore requested that employee ratio may be considered as 98.38:1.62****.*

***Tools and Equipment****: AERA has considered the tools and equipment's in the terminal building have been classified as common assets and these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, and assets are reclassified as Common assets and have been reallocated using the terminal building i.e. (89.02:10.98) whereas the TB ratio calculated by AAI on actual usage basis after considering the Space to Airlines as AERO which works out to 95.16:4.84.* ***AERA is therefore requested that TB ratio may be considered as 95.16:4.84****.*

***Office Appliances****: AERA has considered Computers, Laptop, Printers, and DVD used in the terminal building have been classified as Common Assets as these assets are used by staff who perform both Aeronautical and Non- aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio i.e. 90.45:9.55 whereas actual employee ratio is 98.38:1.62.* ***AERA is therefore requested that employee ratio may be considered as 98.38:1.62****.*

**Authority's analysis of Stakeholders' comments on True up of CAPEX for the period from FY2016-17 up to COD**

4.5.23 The Authority has noted AAI's comments on the basis adopted by the Authority for the calculation of various ratios considered by the Authority while allocating assets. In this regard, it is to be noted that the Authority through its independent consultant has conducted a detailed study for both asset and opex allocation based on the general principles and norms followed by AERA. The Study while determining the allocation ratio considered purpose of the asset i.e., Aeronautical, Non-Aeronautical, or Common, the location of the asset, department wise headcount etc. Considering that the study involves detailed analysis, the Authority decides to consider the allocation ratios as derived by the Independent studies.

## 4.6 True up of Financing Allowance

**<u>Authority's examination of true up of Financing Allowance at the Consultation Stage:</u>**

4.6.1 The Authority noted that AAI had claimed financing allowance amounting to ₹ 84.66 lakhs, as part of RAB. The Authority had the following views on the aspect of Financing Allowance:

a. Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.

b. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

c. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The airport operator is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

d. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, financing allowance was provisioned in the initial stages to such airports. It may be further noted that financing allowance was never provided in the case of brownfield airports like MIAL, DIAL and other AAI airports. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

e. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where Airport Operator brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and Airport Operator keeps on enjoying the charges from the users. In the case of LGBIA, the Airport is a brownfield airport, which would not be eligible for an allowance on the equity portion of newly funded capital projects.

f. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.

g. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) of the AERA Act states 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) of Section 13 (1) (a)".*

In view of above, the Authority at the Consultation stage had proposed not to consider any expense related to financing allowance as a part of ARR.

**Stakeholder's comments regarding True up of Financing Allowance for the period from FY 2016-17 up to COD**

4.6.2 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to True up of Financing Allowance for the Second Control Period. The comments by the Stakeholders are presented below.

**AAI Comments on True up of Financing Allowance for the period from FY2016-17 up to COD**

4.6.3 AAI has made following comments in respect of Financing Allowance:

- *Direction 5 of 2010-11 of AERA, which entails the methodology of aeronautical tariff determination, allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.*
- *The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:*

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

  *WIPAt = WIPAt-1 + Capital expenditure + Financing allowance - Capital receipts of the nature of contributions from stakeholders (SC) - Commissioned Assets (CA)*

  *Where:*

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

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

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

  *The Financing allowance shall be calculated as follows:*

  $$\text{Financing Allowance} = R_d \times (WIPA_{t-1} + (Capex - SC - CA)/2)$$

  *Where*

  *Rd is the cost of debt determined by AERA according to Clause 5.1.4.*

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

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

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

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

**Forecast Work in Progress Assets**

| | | 2010-11 | Tariff Year 1 | Tariff Year 2 | Tariff Year 3 | Tariff Year 4 | Tariff Year 5 |
|---|---|---|---|---|---|---|---|
| Opening WIP: WIPA$_{t-1}$ | OW | - | - | - | 598 | 638 | - |
| Capital Expenditure | CE | [illegible] | [illegible] | 521 | - | - | - |
| Financing Allowance | FA=Rd x (OW+(CE-CA-SC)/2) | - | - | 27 | 80 | 43 | |
| Capital Receipts | SC | [illegible] | [illegible] | - | - | - | - |
| Commissioned Assets | CA | - | 533 | - | - | 681 | - |
| Closing WIP: WIPA$_t$ | CW = OW + CE + FA - SC - CA | - | - | 548 | 638 | - | - |

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

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

**Forecast RAB**

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

- *The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:*
  *"Commissioned Assets: Represents investments brought into use during Tariff Year t, consistent with Clause 5.2.7 herein below."*
- *Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.*
- *Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.*
  *The regulatory principles laid down by AERA and based on which the tariff orders are determined provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:*
- ***CIAL 3rd CP Order**: Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 Crore in FY 2020-21 as Financing Allowance for true up of 2nd CP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the true up amount.*
- ***BIAL 3rd CP Order**: Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed*

*to allow the financing allowance for the second control period.*

- *Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order of CIAL.*
- ***MIAL and DIAL**: It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.*
- *The AERA Act requires AERA to consider "timely investment in improvement of airport facilities"; and "economic and viable operation of major airports". The statement of objects and reasons of the AERA Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.*
- *Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.*
- *Based on the above submissions, AAI submits that non-consideration of Financing allowance amounts to contradiction of AERA's own guidelines Further, by treating the Financing Allowance proposed by private airports and AAI airports differently vitiates the services expected to be provided by the airport and violates the principle that allows a level playing field for all airports. Also, AAI airports would be denied of revenues that they are rightfully entitled to.*

***AAI therefore requests AERA to consider the financing allowance of Rs. 0.84 Crore computed for SCP additions.***

**Authority's analysis of Stakeholders' comments on True up of Financing Allowance for the period from FY2016-17 up to COD**

4.6.4 With regard to the AAI's comments on the true up of Financing Allowance, the Authority's detailed response can be referred to in Para 7.9.7 of this Tariff Order.

## 4.7 True up of Depreciation

**Authority's examination of true up of Depreciation at the Consultation Stage:**

4.7.1 The Authority noted that while submitting the True up for the Pre-COD period for LGBIA, AAI had taken cognizance of the rates of depreciation approved by the Authority in its order (Order No. 35/2017-18 dated January 12, 2018 and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the depreciation order had been applied by AAI for LGBIA from FY 2018-19 onwards. For the FY 2016-17 and FY 2017-18, AAI had computed depreciation as per its Accounting Policy.

4.7.2 For the additions to RAB, AAI had calculated the depreciation during year of capitalization based on number of days, the asset was put to use. The Authority proposed to consider the same.

4.7.3 Accordingly, the year-wise impact on depreciation on asset additions as determined by the independent study conducted by the Authority (due to reclassification and other adjustments) is summarized in the table below:

**Table 23: Impact on depreciation due to reclassification of AAI assets for the SCP and pre-COD period**

*(₹ crores)*

| *Depreciation on Additions during the Year* | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY22 till COD | Total |
|---|---|---|---|---|---|---|---|
| Terminal Building | - | | - | (0.03) | (0.03) | (0.02) | (0.08) |

| *Depreciation on Additions during the Year* | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY22 till COD | Total |
|---|---|---|---|---|---|---|---|
| Computers | (0.001) | (0.001) | (0.002) | (0.004) | (0.011) | (0.006) | (0.03) |
| Machinery | (0.001) | (0.003) | (0.006) | (0.008) | (0.022) | (0.020) | (0.06) |
| Tools & Equipment | - | - | (0.004) | (0.004) | (0.005) | (0.003) | (0.02) |
| Furniture-Office | - | (0.001) | (0.012) | (0.013) | (0.013) | (0.007) | (0.05) |
| Office Equipment | - | - | - | - | (0.002) | (0.001) | (0.003) |
| Total Impact of Adjustments on Depreciation on Additions | **(0.002)** | **(0.005)** | **(0.025)** | **(0.060)** | **(0.083)** | **(0.052)** | **(0.23)** |

4.7.4 The Authority had computed depreciation for the Second Control Period and Pre-COD period, after making necessary adjustments to the assets excluded from RAB and the same is presented as below:

**Table 24: Depreciation considered by the Authority for True up of the SCP and Pre-COD Period at Consultation Stage**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Depreciation as per AAI (A) | 7.00 | 7.17 | 9.93 | 13.32 | 13.84 | 51.27 | 7.31 | 58.57 |
| Depreciation impact on reclassification (B) | (0.002) | (0.005) | (0.025) | (0.060) | (0.083) | (0.175) | (0.052) | (0.23) |
| Depreciation as per the independent study conducted by the Authority (C=A-B) | 7.00 | 7.17 | 9.90 | 13.26 | 13.76 | 51.09 | 7.26 | 58.34 |

Reference: Table 11 of the Study on Allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA

4.7.5 The Authority, based on this examination and recommendation of the independent study on asset allocation proposed to consider depreciation as per Table 24 for true up of the pre-COD period.

**Stakeholder's comments regarding True up of Depreciation for the period from FY 2016-17 up to COD**

4.7.6 No comments have been received from stakeholders regarding True up of Depreciation for the period from FY 2016-17 up to COD.

**Authority's analysis of Stakeholder comments regarding True up of Depreciation for the period from FY 2016-17 up to COD**

4.7.7 The Authority notes that there are no stakeholder's comments regarding True up of Depreciation for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Depreciation as per Table 24.

## 4.8 True up of RAB

**Authority's examination of True up of RAB at the Consultation Stage**

4.8.1 The Authority compared the year-wise additions to RAB submitted by AAI to the Aeronautical capital expenditure approved by it in the Tariff Order for the Second Control period and the same is summarized in Table 18.

4.8.2 Subsequent to the reclassifications and revisions in asset allocation ratios, the adjusted RAB had been derived by the Authority as under:

**Table 25: Adjusted RAB submitted by AAI and proposed by the Authority post re-classification for SCP and pre-COD period**

*(₹ crores)*

| **Particulars** | **FY'17** | **FY'18** | **FY'19** | **FY'20** | **FY'21** | **FY'22 till COD** | **Total** |
|---|---|---|---|---|---|---|---|
| **As per AAI** | | | | | | | |
| Opening RAB (A) | 84.00* | 78.85 | 80.44 | 154.28 | 172.29 | 163.26 | |
| Additions to RAB during the year (B) | 9.77# | 8.84 | 83.77 | 31.33 | 4.82 | 10.26 | **148.79** |
| Deletions from RAB during the year (C) | 7.92 | 0.08 | | | | | **8.00** |
| Depreciation for the year (D) | 7.00 | 7.17 | 9.93 | 13.32 | 13.84 | 7.31 | **58.57** |
| Closing RAB for the year (E=A+B-C-D) | **78.85** | **80.44** | **154.28** | **172.29** | **163.27** | **166.21** | |
| **As per Authority** | | | | | | | |
| Opening RAB (F) | 84.00* | 78.81 | 80.30 | 153.13 | 171.13 | 161.73 | |
| **Reclassification adjustments** | | | | | | | |
| - Reclassification impact (other than depreciation) (G) | (0.04) | (0.11) | (1.03) | (0.07) | (0.47) | | **(1.71)** |
| - Depreciation impact on reclassification (H) | (0.00) | (0.01) | (0.03) | (0.06) | (0.08) | (0.05) | **(0.23)** |
| Total reclassification impact (I=G+H) | (0.04) | (0.12) | (1.06) | (0.13) | (0.55) | (0.05) | **(1.95)** |
| Additions as per Study^ (J=B+G) | 9.73 | 8.73 | 82.74 | 31.26 | 4.35 | 10.26 | **147.07** |
| Deletions as per Study (K=C) | 7.92 | 0.08 | 0.00 | 0.00 | 0.00 | 0.00 | **8.00** |
| Depreciation as per Study^ (L=D+H) | 7.00 | 7.17 | 9.91 | 13.26 | 13.76 | 7.26 | **58.34** |
| Closing RAB (M=F+J-K-L) | 78.81 | 80.30 | 153.13 | 171.13 | 161.73 | 164.73 | |
| **Average RAB (N=(F+M)/2** | **81.41** | **79.55** | **116.71** | **162.13** | **166.43** | **163.23** | |

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

*# excludes left out asset and cost apportionment as the same has been included in Opening RAB*

*^As per the independent asset allocation study conducted by the Authority*

### 4.8.3 Deemed Initial RAB

a. The extract of the Concession Agreement with respect to determination of "Deemed Initial RAB" has been provided hereunder:

Clause 28.11.3 states that:

i. *"It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***

ii. *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is ₹ 69,00,00,000 (Rupees Sixty Nine crores) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD."*

Clause 28.11.4 states that:

*"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a). any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"'):*

*(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

*(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

*The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."*

Clause 28.11.5 states that:

*"Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.*

*(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.*

*(b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc."*

b. **Joint Asset Reconciliation Statement (JARS)** .

The Authority noted that in June 2023, both the AAI and GIAL had collaborated to conduct a physical verification of the assets. Following this verification, they jointly signed the joint asset reconciliation statement (JARS) to confirm the assets transferred as on COD. GIAL had accepted that the value of aeronautical assets transferred by AAI as on COD was ₹ 156.60 crores and that the value of ANS related assets transferred was ₹ 3.16 crores as detailed in Joint Asset Reconciliation Statement.

**Table 26: Assets transferred by AAI to GIAL as per JARS as on COD**

*(₹ crores)*

| S. No. | Particulars | No. of Assets | Net Asset Value as on COD* |
|---|---|---|---|
| A1 | Aeronautical assets handed over to GIAL | 957 | 156.60 |
| A2 | Non-Aeronautical assets handed over to GIAL | 132 | 6.74 |
| A3 | ANS assets handed over to GIAL | 52 | 3.16 |
| | Total (A1 + A2 + A3) | **1141** | **166.50** |

*8th October 2021

c. Taking cognizance of the above clauses in the Concession Agreement and adjustments & reclassification proposed by the Authority based on the outcome of the independent study conducted by the Independent Consultant appointed by AERA on allocation of assets for LGBIA, including disallowance of Financing Allowance, inclusion of IDC and the left out assets, reclassification of assets and the resulting change in depreciation, the Authority had determined the Deemed Initial RAB as on COD, as follows:

**Table 27: Determination of Deemed Initial RAB as on COD by the Authority**

*(₹ crores)*

| Particulars | Aeronautical assets (A) | Non-aeronautical assets (B) | ANS assets (C) | Total D = (A + B + C) |
|---|---|---|---|---|
| Net block value of assets handed over by AAI on COD as per JARS | 156.60 | 6.74 | 3.16 | 166.50 |
| Impact due to reclassification of RAB on transferred assets* | (0.96) | 0.96 | - | |
| Net assets transferred by AAI to GIAL as on COD* | **155.64** | **7.70** | **3.16** | **166.50** |
| Deemed Initial RAB as on COD for GIAL (Aero + ANS) | | | | **158.80** |

* *Refer Annexure III of Study on Allocation of assets between Aeronautical and Non-aeronautical for LGBIA*

d. The Authority examined that GIAL in their submission has considered all assets including non-aeronautical, as part of Deemed Initial RAB. However, as per the allocation methodology adopted as part of the independent study commissioned by the Authority, the Deemed Initial RAB considered only Aeronautical and ANS assets.

e. The deemed initial RAB as on COD was thus subsequently determined by including only Net Aeronautical (₹ 155.64 Cr.) and ANS assets (₹ 3.16 Cr.) transferred by AAI to GIAL as on COD; and derived to be ₹ 158.80 crores.

**Stakeholders' comments on true-up of RAB for the Second Control Period and pre-COD period**

4.8.4 No comments have been received from stakeholders regarding True up of RAB for the period from FY 2016-17 up to COD.

**Authority's analysis of Stakeholders' comments on true-up of RAB for the Second Control Period and pre-COD period**

4.8.5 The Authority notes that there are no stakeholder's comments regarding Deemed Initial RAB for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of RAB as per Table 25.

### 4.9 True up of Fair Rate of Return

**Authority's examination of true up of FRoR at the Consultation Stage**

4.9.1 AAI had considered the FRoR at 14% in line with the decision taken by the Authority for Chennai, Kolkata, Guwahati and Lucknow airports for the First Control Period.

4.9.2 The Authority noted that AAI had not availed any debt during second control period till COD.

4.9.3 At the time of determination of tariff for the Second Control Period, the Authority had decided to consider FRoR for LGBIA as 14%. In line with its decision of second control period order no. 10/2017-18, the Authority proposed to consider the FRoR at 14% for true up of second control period till COD.

4.9.4 However, it is to be noted that AAI had operated the Airport in FY 2021-22 only till October 7, 2021. Therefore, AAI is eligible to claim return on RAB only till COD. Hence, for FY 2021-22, the Authority proposed to pro-rate the FRoR for 190 days during which AAI operated the Airport. The pro-rated

FRoR for FY 2021-22 (till COD-190 days) had been computed as follows:

$$FRoR_{COD} = FRoR^{*} \, n/ 365$$

Where, FRoR is the fair rate of return for entire FY 2021-22, $FRoR_{COD}$ is the pro-rated FRoR for the period till COD and $n$ is the number of days in operation in FY 2021-22.

Based on the above approach the pro-rated FRoR for FY 2021-22 has been computed as follows:

**Table 28: Pro-rated FRoR for FY'22 considered by the Authority for true up of pre-COD period at Consultation Stage**

| Particulars | Value (%) |
|---|---|
| FRoR for FY'22 (A) | 14% |
| Number of days of operations in FY'22 (B) | 190 |
| Pro-rated FRoR for FY'22 (till COD) (A*B/365) | 7.29% |

4.9.5 Based on the above analysis, the Authority at the Consultation Stage proposed to consider FRoR as 14% for the FYs 2016-17 to 2020-21 and as 7.29% for FY 2021-22 (up 7th Oct'2021) for true up of the pre-COD period.

**Stakeholders' comments on True up of Fair Rate of Return for the Second Control Period till COD**

4.9.6 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to True up of Fair Rate of Return (FRoR) for the Second Control Period. The comments by the Stakeholders are presented below.

4.9.7 FIA submitted that:

*(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.*

*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.*

**AAI's response to Stakeholders' comment regarding True up of FRoR for Second Control Period**

4.9.8 In response to the comment by FIA, AAI submitted that:

*(a) FRoR for an Airport depends on cost of debt and cost of equity.*

*(b) In the first control period of Chennai Airport, AAI has submitted a study conducted by M/s KPMG in regard to calculation of cost of equity wherein Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.*

*(c) AERA has been considering cost of equity as 14% as against 15.64% as per study report submitted by M/s KPMG.*

**GIAL's response to Stakeholders' comment regarding True up of FRoR for Second Control Period**

4.9.9 In response to the comment by FIA, GIAL submitted the following response:

*For TCP, Authority has allowed FRoR of 12.21%. However, GIAL is seeking FRoR of 14.76% based on cost of equity of 17.30% as determined by the independent study done for LIAL as per methodology prescribed in AERA Guidelines and cost of debt of 12% as per actuals. If Airport Operators are not given suitable returns on their investment, the development and upgradation of such infrastructure facilities will not be of the level as expected by the Governments, Aviation Industry and Users.*

*Further it is to be noted that proportion of airport charges to total operational cost of Airlines is insignificant i.e., in range of 4-5% (based on Airline Cost Management Group (ACMG Report of IATA Feb 2015.). Thus, its sensitivity towards the profitability of the airlines is minuscule.*

*Also, with respect to the comment by FIA on huge losses suffered by airlines, please refer the comments provided under point 1.21 (Refer Para 10.4.5 of this Tariff Order).*

*As far as efficiency is concerned, Airport Operator has and will continue to sweat the assets and build in efficiency whenever possible.*

**<u>Authority's analysis of Stakeholders' comments on True up of Fair Rate of Return for the Second Control Period till COD</u>**

4.9.10 The Authority has carefully examined FIA's comment and the response of both AAI and GIAL and is of the view that an airport infrastructure is a capital-intensive business and requires investment with a long-term perspective wherein investors desire a stable return on equity. Therefore, the Authority finds that it is not pragmatic or fair to reduce or not to provide any return on the assets of the Airport Operator.

4.9.11 Regarding AAI's comments on the study commissioned by AAI through M/S KPMG on Cost of Equity, it is to be noted that the study pertains to 2011, which is a very dated report.

4.9.12 The Authority would also reiterate that the independent study conducted by AAI and GIAL for Cost of Equity has inherent conflicts of interest and hence it would not be fair to consider the estimate for Cost of Equity as per the study of the Airport Operator.

4.9.13 In this regard, the Authority in the financial year 2021, had engaged IIM Bengaluru to independently determine the cost of capital of five PPP Airports namely HIAL, BIAL, DIAL, MIAL and CIAL. AERA has considered average of these five studies to determined CoE of GIAL.

4.9.14 Further, considering there was no debt availed by AAI during the second control period and pre-COD period, the Authority has considered FRoR @14%, in view of the nil debt structure of AAI. The Authority has allowed similar rate of return in case of other major airports of AAI. Also, this is in line with the Authority's decision in second control period order no. 10/2017-18 dated. 4th August'2017 for LGBIA.

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

**<u>Authority's examination of True up of Aeronautical O&M expenses at the Consultation Stage:</u>**

4.10.1 The component wise break up of Aeronautical Operation and Maintenance expenses submitted by AAI for the Second Control Period and Pre-COD period is as follows:

**Table 29: O&M expenses submitted by AAI for True up of the SCP and Pre-COD Period**

*(₹ crores)*

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total up to FY21 | FY 2021-22* | Total for SCP till COD |
|---|---|---|---|---|---|---|---|---|
| Employee benefit expenses | 16.64 | 24.02 | 32.05 | 32.41 | 26.70 | **131.82** | 14.80 | **146.62** |
| Administrative and other expenses | 13.95 | 35.44 | 42.92 | 59.69 | 49.82 | **201.82** | 48.43 | **250.25** |
| Repairs & Maintenance expenses | 7.72 | 15.56 | 12.90 | 13.97 | 12.26 | **62.42** | 7.57 | **69.98** |
| Utilities and Outsourcing expenses | 4.46 | 5.03 | 6.05 | 6.16 | 5.12 | **26.81** | 3.00 | **29.81** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.53** |
| **Total** | **43.50** | **80.96** | **94.70** | **113.17** | **93.98** | **426.31** | **73.89** | **500.19** |

**Up to COD (Date- 08th October 2021)*

4.10.2 The Authority noted that in the Tariff Order of the Second Control Period vide Order No. 38/2017-18, it had approved the O&M expenses of ₹ 363.80 crores for LGBIA, which is as follows:

**Table 30: Aeronautical O&M expenses approved by the Authority for Second Control Period**

*(₹ crores)*

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total |
|---|---|---|---|---|---|---|
| Employee benefit expenses | 21.00 | 28.60 | 35.20 | 36.90 | 38.80 | **160.50** |
| Administrative & Other expenses | 15.70 | 16.40 | 18.20 | 19.30 | 20.50 | **90.10** |
| Repairs & Maintenance expenses | 6.00 | 19.00 | 20.50 | 21.30 | 22.20 | **89.00** |
| Utility and Outsourcing expenses | 3.80 | 3.90 | 4.70 | 4.80 | 4.80 | **22.00** |
| Other outflows | 0.30 | 0.40 | 0.40 | 0.40 | 0.50 | **2.00** |
| **TOTAL** | **46.90** | **68.30** | **79.00** | **82.80** | **86.80** | **363.80** |

4.10.3 On comparing the actual expenses incurred by AAI for the second control period till FY2020-21, with the expenses approved in the Tariff Order for the Second Control Period, the Authority observed the following:

a. **Payroll Expenditure:** For FY 2017-18 - there was an increase of 44% as against 36.19% approved in the tariff order of Second Control Period. The Authority further noted that for FY 2018-19 – there was an increase of 33% as against 23% Y-o-Y approved in the tariff order of Second Control Period. The Authority sought clarification from AAI in this regard. AAI clarified that the variance is due to pay revision as per 7th Pay Commission Report which was implemented from Jan 2017 and payment of arrears were paid to Executives in December 2017 (FY'18) and to Non-Executives in FY'19. The Authority also noted that the total Employee benefit expenses of ₹ 131.82 crores incurred by AAI is lower than the approved amount of ₹ 160.50 crores for the Second Control period. Based on the above factors, the Authority considered the payroll expenditure of LGBIA, as submitted by AAI for the Second Control Period to be reasonable and allowed the same.

b. **Administrative and General Expenses:** The Authority noted that the Administrative and General expenses of ₹ 201.82 crores claimed by AAI for Second Control Period was significantly higher than the amount approved by the Authority for the Second Control Period. The Authority on analysis observed that variance was mainly on account of the increase in CHQ & RHQ expenses.

The amount of CHQ & RHQ expenses as per the Tariff Order of Second Control Period was ₹ 67.90 crores whereas the actual expenses allocated by AAI up to FY21 was ₹ 172.90. Based on the above factors, the Authority was of the view that the CHQ/ RHQ expenses need to be rationalized and the same is explained in para 4.10.5 of this Tariff Order.

c. **Repairs and Maintenance (R&M):** The Authority noted that the total Repairs & Maintenance expenses of ₹ 62.42 crores claimed by AAI for the Second Control Period (till FY21) was significantly lower than the amount approved in the tariff order for the Second Control Period and hence considered the same to be reasonable.

d. **Utilities and Outsourcing Expenses**: The Authority noted that the Utility and Outsourcing expenses of ₹ 26.81 crores claimed by AAI was higher than the approved expenses of ₹ 22.00 crores as per the Tariff Order for the Second Control Period. The overall variation worked out to 22 % on the total Utility expenses. It was also observed that the actual electricity expenses of ₹ 23.86 crores incurred till FY21, was higher than the approved amount of ₹ 19.1 crores (i.e., an increase of approx. 25%). The Authority sought clarification from AAI in this regard. AAI as part of its response submitted that the increase in electricity expenses was attributed to the increased load due to addition of new facilities at the airport and due to the increase in per unit cost of power supplied by third party utility vendors.

Considering the same, the Authority had proposed to consider the actual expense towards Utility and Outsourcing expenses for true up of the pre-COD period.

e. **Other Outflows:** Expenses related to Other Outflows comprises of collection charges on UDF, PSF(F), and charges paid to IATA. The Authority in its order for Second Control Period approved ₹ 2.00 crores for other outflows mainly towards collection charges on UDF. AAI as part of its true up submission stated that the actual expense incurred was ₹ 3.44 crores under this head. This comprised of ₹ 3.32 crores towards collection charges on PSF(F) (till FY20), and UDF. The remaining ₹ 0.12 crores was on account of collection charges paid to IATA (facilitating collection of airline charges on behalf of AAI). The Authority noted that prior to Second Control Period IATA Collection Charges were included as part of CHQ/RHQ expense allocation. However, Second Control Period onwards, expenses related to IATA collection charges have been allocated as per actuals to LGBIA. Since these expenses were not included in "Other Outflows" prior to SCP, the same was not envisaged as part of Tariff Order for SCP and thus correspondingly the projections were lower. Accordingly, basis the aforementioned reasons, the higher expense on account of "Other Outflows" was found in order and was considered by the Authority.

4.10.4 **Reallocation of Common O&M expenses by the Authority**

The Authority had commissioned an independent study through the Consultant appointed by AERA to determine efficient Aeronautical Operation and Maintenance costs for the Second Control Period and FY2021-22. The Authority used the outcome of the study to true up the O&M expenses for the pre-COD period for AAI.

The common O&M expenses had been segregated by AAI between Aeronautical and Non-aeronautical expenses based on a suitable ratio. This ratio had been determined based on the underlying proportion of their expected utilisation for Aeronautical and Non-aeronautical services and activities at the Airport.

The Authority had analyzed the submission made by AAI on allocation of Common expenses into Aeronautical and Non-aeronautical on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by

AAI *(refer Table 13 for Allocation of O&M expenses of AAI as per the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport)*. Accordingly, the following common expenses had been re-allocated by the Authority by using appropriate ratios such as Employee Head Count ratio, Terminal Building ratio, Gross Fixed Assets ratio and Electricity ratio *(Refer para 4.5 to of the Study report on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport regarding the ratios used by the Authority for allocation of common expenses.)*

a) Employee benefit/Payroll expenses

b) Administrative and General expenses

c) Utility expenses

d) Repairs and Maintenance expenses

The total impact on re-allocation of each of the above expenses and other adjustments have been summarised in the following paragraphs.

**a) Employee Benefit expenses**

**Observation:** The Authority noted that in the case of AAI, the costs directly pertaining to ANS employees had been excluded from the O&M expenses, but the cost for ANS employees involved in support services had not been excluded from Common expenses. Accordingly, the Authority had considered the common expenses allocated to ANS employees as deemed Non-aeronautical employees and had re-worked the Employee Head Count ratio. The Authority further noted that for non-aeronautical allocation of 'Retirement benefits of Guwahati Employees (Provisions made at CHQ)', AAI had not provided any direct bifurcation as part of its submission for payroll expenditure and provisions. However, AAI had considered the applicable employee ratios for all years in their calculations. Also, for the year FY2021-22 up to COD, AAI had not segregated non-aeronautical portion and had assumed full amount as aeronautical. This expense was eventually segregated into Aeronautical: Non-Aeronautical basis the ratio of 95:5, as per clause 14.8 of Order No. 38/2017-18 in respect of LGBIA for Second Control Period, by the Authority.

**Impact:** The impact of the reallocation of Employee Benefit expenses based on revised Employee Headcount ratio and based on other adjustment described above, resulted in reduction of the aforementioned expenses by ₹ 0.18 crores for the Second Control Period till COD.

**Reference:** Para 4.6.1 and Table 25 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

**b) Administrative and General expenses**

**Observation:** The submissions by AAI had been analyzed and it was observed that the Administrative and General expenses include certain expenses such as tender, rent and rates and taxes, which directly relate to the Aeronautical activity and certain expenses such as insurance of vehicles, manpower hiring, printing & stationery, conveyance, employee training etc., which are linked to Common expense. Therefore, each component of the Administrative and General expenses had been examined and subsequently allocated as per suitable ratio.

**Impact:** The impact of the reallocation resulted in reduction of Administrative and other expenses by ₹ 1.35 crores for the Pre- COD period.

**Reference:** Para 4.6.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

**c) Utility expenses**

**Observation:** AAI's submission had been analyzed for expenses related to electricity and water charges. It was noted that AAI had made recoveries from concessionaires and the same had been netted off from the total expenses. Expenses under the head of 'Consumption of Stores and Spares' included petrol for vehicles and other usage, tyres, paper glass, m-fold papers, cuss roll papers, fire foam, PPE items, electrical spares, and other consumable items. Certain expenses among them directly relate to Aeronautical activities while some are linked to Common expense. Therefore, each component of these expenses had been examined and subsequently allocated as per suitable ratio.

**Impact:** The impact of the reallocation resulted in reduction of Utility expenses by ₹ 0.11 crores for the Pre- COD period.

**Reference:** Para 4.6.3 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

**d) Repairs and Maintenance expenses**

**Observation:** AAI's true up submission was analyzed, and it was observed that certain Repair & Maintenance expenses such as repair of runway and maintenance of AOCC pertain only to Aeronautical activity, while some such as repair of furniture for terminal building and maintenance of IT hardware are related to the terminal building and airport employees respectively. Hence, a detailed scrutiny of all expenses was undertaken, and as per norms allocation of such expenses was done in the ratio of Gross Fixed Assets/ Terminal Building/ revised Employee ratio depending on the nature of each ledger. Further, it was observed that the expense related to Furniture & Fixtures for Terminal Building was allocated as 100% Aeronautical. Since the furniture and fixtures are primarily used within the terminal building, this expense had been revised by the Authority basis the Terminal Building ratio.

**Impact:** The impact of the reallocation resulted in reduction of Repairs and Maintenance expenses by ₹ 0.99 crores for the period FY 2016-17 till COD.

**Reference:** Para 4.6.4 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

**4.10.5 Rationalization of Aeronautical O&M expenses**

Based on the Internal benchmarking analysis performed for O&M expenses through the *Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport,* the Authority proposes to rationalize the CHQ/ RHQ expense allocation (included under Administrative and General expenses) as below:

**CHQ/ RHQ expense allocation (included under Administrative and General expenses)**

The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to LGBIA and other airports and noted the following:

- All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) are allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
- Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these have been allocated to the common pool and apportioned to all the AAI airports.

The Authority is of the view that the above process followed by AAI for allocating the expenses is not correct and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective, the Authority had examined the major expense components of CHQ and RHQ for the FY'17 to FY'21 submitted by AAI and had proposed the following views on allocation of CHQ/ RHQ expenses:

**i. Pay and Allowances of CHQ and RHQ:**

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

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

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

Balance 80% of pay and allowances of CHQ and RHQ can be allocated to Airports.

**ii. Administration & General Expenses of CHQ and RHQ:**

- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details had not been provided by AAI, the same had not been allocated to the stations.
- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses had not been allocated to the airports.

Additionally, it was observed that the CHQ/RHQ overhead expense for FY21-22 was determined through escalation of 5% over the previous year value and the same was considered for full year. The CHQ/RHQ overhead expense for FY21-22 up to COD was thus recomputed through suitable ratio determined as per the actual number of days.

Based on the above methodology, the Authority had derived the revised CHQ and RHQ expenses for the Second Control Period and Pre-COD period, which was proposed to be allocated to LGBIA, as part of True up of the Second Control Period and Pre-COD period.

**Table 31: CHQ/ RHQ expenses proposed by the Authority as part of True up of O&M expenses for the Second Control Period and pre-COD period at Consultation Stage**

(₹ crores)

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| **As per AAI** | | | | | | | | |

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| CHQ/RHQ Overhead expenses as per AAI (A) | 11.13 | 32.28 | 40.22 | 55.83 | 42.54 | **182.00** | 44.67 | **226.67** |
| Aeronautical component as per AAI (95%) (B) | 10.57 | 30.67 | 38.21 | 53.04 | 40.41 | **172.90** | 42.43 | **215.33** |
| **As per Study** | | | | | | | | |
| Total CHQ/RHQ Overhead expenses after rationalisation as per Study (C) | 20.31 | 25.23 | 30.83 | 45.73 | 34.86 | **156.96** | 19.15 | **176.11** |
| **Total Impact (D = C – B)** | **9.74** | **(5.43)** | **(7.38)** | **(7.31)** | **(5.55)** | **(15.94)** | **(23.28)** | **(39.22)** |

* Up to COD (8th OCtober 2021)

*Reference: Para 4.6.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.*

The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had rationalized the CHQ/ RHQ expenses being allocated to Lokpriya Gopinath Bordoloi International Airport. The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue was high, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Further, as the revenue from these airports go up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore, expected AAI to examine these issues in detail and devise an effective and efficient method for allocation of CHQ & RHQ expenses on priority.

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

4.10.6 The total year-wise adjustment of AAI's Aeronautical O&M expenses as a result of the adjustments and reallocations proposed by the Authority in previous sections have been summarized below:

**Table 32: Impact of proposed reallocation of AAI's Aeronautical O&M expenses as per the independent study conducted by the Authority**

*(₹ crores)*

| O&M expenses | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Employee benefit / Payroll | (0.02) | (0.02) | (0.00) | (0.05) | (0.07) | **(0.16)** | (0.02) | **(0.18)** |
| Administrative and General | 9.60 | (5.73) | (7.56) | (7.64) | (5.79) | **(17.12)** | (23.45) | **(40.57)** |
| Repairs & Maintenance | (0.09) | (0.20) | (0.09) | (0.16) | (0.23) | **(0.76)** | (0.23) | **(0.99)** |
| Utilities & Outsourcing | (0.01) | (0.01) | (0.02) | (0.04) | (0.02) | **(0.09)** | (0.01) | **(0.10)** |
| Other Outflows | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 0.00 | **0.00** |
| **Total** | **9.48** | **(5.96)** | **(7.67)** | **(7.89)** | **(6.11)** | **(18.13)** | **(23.71)** | **(41.84)** |

* Up to COD (October 8, 2021)

4.10.7 Based on the recommendations, with respect to reclassification and changes in allocation ratio, of the independent study commissioned by the Authority through Independent Consultant, the proposed Aeronautical O&M expenses for the period FY 2016-17 up to COD is summarized in the table below:

**Table 33: Aeronautical O&M expenses considered by the Authority for True up of the Second Control Period and Pre-COD period at Consultation Stage**

*(₹ crores)*

| O&M expenses | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| **O&M Expenses as per AAI** | | | | | | | | |
| Employee benefit / Payroll | 16.64 | 24.02 | 32.05 | 32.42 | 26.69 | **131.82** | 14.80 | **146.62** |
| Administrative and General | 13.95 | 35.45 | 42.92 | 59.68 | 49.81 | **201.82** | 48.43 | **250.25** |
| Repairs & Maintenance | 7.72 | 15.56 | 12.90 | 13.97 | 12.26 | **62.42** | 7.57 | **69.98** |
| Utilities & Outsourcing | 4.46 | 5.03 | 6.05 | 6.16 | 5.12 | **26.81** | 3.00 | **29.81** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.52** |
| Total | **43.49** | **80.97** | **94.70** | **113.17** | **93.97** | **426.29** | **73.88** | **500.19** |
| **O&M Expenses as per Study** | | | | | | | | |
| Employee benefit / Payroll | 16.62 | 24.00 | 32.05 | 32.37 | 26.62 | **131.66** | 14.78 | **146.44** |
| Administrative and General | 23.56 | 29.71 | 35.36 | 52.05 | 44.03 | **184.70** | 24.99 | **209.69** |
| Repairs & Maintenance | 7.63 | 15.37 | 12.82 | 13.81 | 12.03 | **61.66** | 7.33 | **68.99** |
| Utilities & Outsourcing | 4.45 | 5.02 | 6.03 | 6.12 | 5.10 | **26.72** | 2.99 | **29.71** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.52** |
| Total | **52.97** | **75.01** | **87.03** | **105.28** | **87.86** | **408.16** | **50.17** | **458.34** |
| **Impact** | **9.48** | **(5.96)** | **(7.67)** | **(7.89)** | **(6.11)** | **(18.13)** | **(23.71)** | **(41.84)** |

* Up to COD (October 8, 2021)

**Stakeholders' comments on true-up of O&M Expenses for the Second Control Period and pre-COD period**

4.10.8 During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to True up of O&M Expenses for the Second Control Period and Pre-COD period. The comments by Stakeholders are presented below.

**AAI's comments on true up of O&M expenses for the Second Control Period and pre-COD period:**

4.10.9 With regard to true up of O&M expenses, AAI's has made the following comments:

(a) *Employee Benefit Expenses: AERA has re-allocated the Employee Benefit expenses based on revised Employee Headcount ratio and based on other adjustment described above whereas actual employee ratio is 98.38:1.62. AERA is therefore requested that employee ratio may be considered as 98.38:1.62.*

*(b) Administrative and General Expenses: AERA has reallocate the Administrative and other expenses resulting reduction of Administrative and General expenses by Rs. 1.35 crores for the Pre-COD period. It is requested to AERA considered the Administrative and General expenses as submitted by the AAI.*

*(c) Utility Expenses: AERA has reallocate the Utility expenses based on allocation ratio resulting reduction of Utility expenses by Rs. 0.11 crores for the Pre-COD period. It is requested to AERA considered the allocation ratio in respect of Utility expenses as submitted by the AAI as these ratios are based on actual usage of resources.*

*(d) Repair & Maintenance: AERA has reallocate the Utility expenses based on allocation ratio resulting reduction of Repair & Maintenance expenses by Rs. 0.99 crores for the Pre-COD period. It is requested to AERA considered the allocation ratio in respect of Repair & Maintenance expenses as submitted by the AAI as these ratios are based on actual usage of resources.*

*Further it is also requested, kindly consider Staff salary & Allowance as an AERO expense for the ANS employee those were worked for Airport system Instead of ANS expenses for 2nd Control Period up-to COD (i.e. 1st April 2016 to 08th October 2021).*

4.10.10 With regard to allocation of CHQ/RHQ A&G expenses, AAI has following comments:

*AERA has reduced the allocation of CHQ/RHQ Administration and General Expenses to the tune of 15% (approx.) for 2nd Control Period (FY 2016-17 to FY 2020-21) up-to COD. It is worthwhile to mention here that AAI has already considered 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by 15% by AERA for the 2nd control period is on the higher side. AERA is requested to relook into the allocation of CHQ/RHQ expenses.*

**Other Stakeholders' comments on true-up of O&M expenses for the Second Control Period and pre-COD period**

4.10.11 IATA submitted that:

*IATA agrees with AERA correcting AAI's asset allocation by using the independent study results, including the reallocation of common O&M expenses.*

*We also appreciate AERA having considered ICAO's principle of 'Cost-relatedness' to rationalise the high CHQ & RHQ expenses allocated to the airport. We agree with the view that the users should pay only for the services availed by them.*

*IATA also supports AERA's view that space rentals from agencies providing aeronautical services should be treated as Aeronautical Revenue. Other revenues such as Hanger Rent and Flight Catering should be treated similarly as these services are to serve aeronautical users/activities. On the same principles, royalties paid to the airport operator by aeronautical service providers with the cost passed on to the airlines, should also be classified as Aeronautical Revenue.*

4.10.12 FIA submitted that:

*We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the increasing capex projects whereas existing traffic base is not sufficient and the recovery of ARR is to be done in less years of this control period, or due to deficiency to recover the ARR on account of higher O&M expenses.*

**AAI's response to Stakeholders' comments on true-up of O&M expenses for the Second Control Period and pre-COD period**

4.10.13 With regard to IATA's comments, AAI had the following response:

*AERA has re-allocated the Employee Benefit expenses based on revised Employee Headcount ratio 95:5 and based on other adjustment whereas actual employee ratio is 98.38:1.62 which AERA is requested to consider.*

*AAI is not against AERA's view point to consider space rental from agencies as Aeronautical revenue. However, AAI requests AERA to review the Terminal Building ratio taking into consideration of the space allotted to Airlines as Aero.*

*As per AERA Methodology Royalty received from GHA and AAICLS are being treated as Aero income.*

4.10.14 With regard to FIA comments, AAI had the following response:

*AAI has considered Capex which are operationally essential to run the airport during the Second Control Period up to COD.*

*The under recovery has happened due to the reduced traffic on account of unprecedented effect of COVID during FY 2020-21 and 2021-22. Also, AERA had conducted a detailed analysis on the operating expenses for the period up to COD. It has considered as amount of Rs.458.34 Cr. only as against Rs.500.19 Cr. submitted by AAI.*

**GIAL's response to Stakeholders' comments on true-up of O&M expenses for the Second Control Period and pre-COD period**

4.10.15 With regard to IATA's comments, GIAL had the following response:

*In order to avoid repetitions on this matter, please refer to comments in point 1.3.2 and 3.13 of GIAL's response to the CP. (Refer Para 5.7.24 and 7.7.13 of the Tariff Order)*

4.10.16 With regard to FIA's comments, GIAL had the following response:

*It is clarified that the reference is not correct. Para 4.9.5 relates to Rationalization of Aeronautical O&M expenses relating to True Up of AAI for pre-COD period.*

**Authority's analysis of Stakeholders' comments on true-up of O&M Expenses for the Second Control Period and pre-COD period**

4.10.17 The Authority through its independent consultant reviewed the department wise headcount and allocated the same into Aeronautical, Non-Aeronautical, Common and ANS. Since the allocation ratio adopted is an outcome of detailed calculation and are part of the Opex allocation study, The Authority, decides to go with the outcome of the study.

4.10.18 The Authority would like to clarify that the adjustment in utility expense is on account of adoption of correct allocation ratio. The Authority decides not to change the same as it is an outcome of detailed study.

4.10.19 The Authority had acknowledged AAI's clarification prior to the Consultation stage and had already considered the ANS employees who provided services towards airport systems as Aeronautical. The same is detailed at Table 19 of the Study on Efficient Operation and Maintenance Expenses for LGBIA.

Furthermore, the Authority has reviewed the classification and reclassified the Staff Salary & Allowance for the ANS employees who provided services for airport systems as aeronautical expenses rather than ANS expenses. This reclassification has been made to accurately reflect the nature of the services provided during the Second Control Period up to COD.

4.10.20 The Authority has reviewed the basis adopted by AAI for allocation of CHQ/ RHQ expenses to LGBIA and other airports. The Authority noted that AAI has allocated common expense of CHQ/RHQ based on revenues which is not correct and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.

Accordingly, the Authority has rationalized the CHQ/RHQ expenditure. The Authority has followed a similar approach previously for other AAI Airports like Chennai, Kolkata, Pune etc. Hence, the Authority decides to make no changes towards this approach.

4.10.21 The Authority has noted IATA's comments with regard to true-up of the Second Control Period and AAI's and GIAL's response to the same. The Authority has provided detailed response which can be referred at Para 5.7.27 and 7.9.9 of this Tariff Order.

4.10.22 The Authority has noted FIA's comments and responses of AAI and GIAL with regard to allocation of CHQ/RHQ A&G expenses. The Authority notes that para 4.10.5 of this Tariff Order refers to rationalization of A&G expense of CHQ & RHQ. It is to be noted that an independent study has already been undertaken by the Authority and based on the output of the study the Authority has rationalized the opex submitted by AAI.

Further, with respect to FIA comment on additional burden on tariff on account of excess capex and opex, it is to be noted that the Authority while determining tariff undertakes balance approach keeping in mind interest of all stakeholder and follow AERA Act and Tariff Guidelines.

4.10.23 Based on the above, the revised Aeronautical O&M expenses considered by the Authority for true up of Second Control Period and pre-COD period is as per Table 34 below:

**Table 34: Aeronautical O&M expenses decided by the Authority for True up of the Second Control Period and Pre-COD period**

*(₹ crore)*

| O&M expenses | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Employee benefit / Payroll | 17.42 | 24.75 | 33.35 | 33.77 | 27.87 | **137.16** | 15.51 | **152.68** |
| Administrative and General | 23.56 | 29.71 | 35.36 | 52.05 | 44.03 | **184.70** | 24.99 | **209.69** |
| Repairs & Maintenance | 7.63 | 15.37 | 12.82 | 13.81 | 12.03 | **61.66** | 7.33 | **68.99** |
| Utilities & Outsourcing | 4.45 | 5.02 | 6.03 | 6.12 | 5.10 | **26.72** | 2.99 | **29.71** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.52** |
| Total | **53.79** | **75.76** | **88.34** | **106.69** | **89.12** | **413.70** | **50.90** | **464.60** |

## 4.11 True up of Non-aeronautical revenue

**Authority's examination of true up of NAR at the Consultation Stage**

4.11.1 AAI as part of true up submission vide letter dated 6th July'2023 submitted actual Non-aeronautical revenue earned by LGBIA for the Second Control Period and Pre-COD period. The details of head wise Non Aeronautical Revenue achieved are as follows:

**Table 35: Non-aeronautical revenue submitted by AAI for SCP and up to Pre-COD period**

*(₹ crores)*

| Particular | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Trading Concessions | | | | | | | | |

| Particular | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Restaurant/Snack Bar | 1.22 | 1.17 | 7.14 | 16.47 | 4.41 | **30.41** | 0.49 | **30.89** |
| TR Stalls | 2.05 | 2.96 | 5.48 | 10.98 | 3.23 | **24.70** | 0.93 | **25.63** |
| Hoarding & Displays | 2.08 | 2.75 | 3.49 | 4.93 | 1.50 | **14.75** | 0.93 | **15.68** |
| Sub Total | 5.35 | 6.89 | 16.11 | 32.38 | 9.13 | **69.86** | 2.35 | **72.21** |
| Rent & Services | | | | | | | | |
| Building Residential | 0.02 | 0.02 | 0.04 | 0.08 | 0.03 | **0.19** | 0.01 | **0.21** |
| Building Non-Residential | 8.08 | (3.06) | 7.13 | 7.73 | 6.80 | **26.67** | 5.27 | **31.94** |
| Hanger Rent | 8.74 | 5.81 | 1.48 | 2.39 | 1.83 | **20.26** | 0.62 | **20.88** |
| Land Lease | 0.03 | 0.04 | 0.01 | 0.01 | 0.01 | **0.10** | 0.02 | **0.22** |
| Sub Total | 16.87 | 2.82 | 8.66 | 10.20 | 8.67 | **47.22** | 5.92 | **53.15** |
| Miscellaneous | | | | | | | | |
| Car Parking | 2.27 | 3.98 | 5.03 | 5.27 | 0.79 | **17.35** | 0.60 | **17.95** |
| Admission ticket | 0.32 | 0.59 | 0.33 | 0.16 | 0.08 | **1.49** | 0.07 | **1.56** |
| Flight Catering | 0.33 | 0.49 | 0.80 | 0.51 | 0.23 | **2.36** | 0.07 | **2.43** |
| Interest Income | 0.12 | 0.15 | 0.19 | 0.22 | 0.16 | **0.84** | 0.10 | **0.94** |
| Other Misc Receipts | 1.88 | 0.63 | 0.94 | 1.08 | 4.84 | **9.36** | 0.82 | **10.19** |
| Sale of Scrap | 0.31 | 0.08 | 0.26 | 0.49 | 0.29 | **1.42** | 0.38 | **1.81** |
| Sub Total | 2.96 | 1.94 | 2.53 | 2.46 | 5.59 | **15.48** | 1.44 | **16.92** |
| **Total** | **27.45** | **15.63** | **32.33** | **50.31** | **24.19** | **149.91** | **10.31** | **160.21** |

4.11.2 The Authority compared the actual Non-aeronautical revenue submitted by AAI as per Table *35* with the projections given in the Tariff Order for the Second Control Period and the same is as follows:

**Table 36: Comparison of Actual NAR with Projections submitted by AAI for the Second Control Period and Pre-COD period**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| NAR Projections as per Tariff Order for the Second Control Period (A) | 12.20 | 13.30 | 14.50 | 15.80 | 17.30 | **73.10** | - | **73.10** |
| Actual NAR as per AAI's submission (B) | 27.45 | 15.63 | 32.33 | 50.31 | 24.19 | **149.91** | 10.31 | **160.21** |
| **Variance (B-A)** | **15.25** | **2.33** | **17.83** | **34.51** | **6.89** | **76.81** | - | - |

4.11.3 The Authority noted that the Non-Aero Revenue in Second Control Period was 105.10% higher than the Non-Aero Revenue approved by the Authority as part of Second Control Period Order. In this respect, the Authority recalls its decision no. 9.c vide Tariff No. 38/ 2017-18 which states as follows: *"The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues".*

4.11.4 The Authority vide email dated April 10, 2024, requested AAI to share the details regarding "Space rentals collected from Airlines". AAI, in its response dated April 22, 2024, had provided the following details:

**Table 37: "Space rentals collected from Airlines" as submitted by AAI**

*(₹ crores)*

| Particulars | FY17 | FY18 | FY19 | FY20 | FY21 | SCP Total (A) | Pre-COD (B) | Total (A+B) |
|---|---|---|---|---|---|---|---|---|
| Space Rent from Airlines | 0.79 | 1.28 | 1.39 | 1.41 | 1.01 | **5.89** | 0.29 | **6.18** |

4.11.5 The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as Aeronautical Revenue. Hence, the Authority proposed to consider "Space rentals collected from Airlines" amounting to ₹ 6.18 crores as Aeronautical Revenue.

4.11.6 Based on its analysis, the Authority at the Consultation Stage proposed to consider the actual Non-aeronautical Revenue as given in the table below for true up of AAI for the Second Control Period and Pre-COD period.

**Table 38: Total Non-Aeronautical revenue as per Authority for the Second Control Period and Pre-COD period at Consultation Stage**

*(₹ crores)*

| Particular | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Actual NAR as per AAI submission | 27.45 | 15.63 | 32.33 | 50.31 | 24.19 | **149.91** | 10.31 | **160.21** |
| Less Space Rentals collected from Airlines (B) (refer Para 4.11.5) | 0.79 | 1.28 | 1.39 | 1.41 | 1.01 | **5.89** | 0.29 | **6.18** |
| Total Non-Aero Revenue (A-B) | **26.66** | **14.35** | **30.94** | **48.90** | **23.18** | **144.02** | **10.02** | **154.03** |

**<u>Stakeholders' comments on true-up of NAR for the Second Control Period till COD</u>**

4.11.7 During the stakeholder consultation process, the Authority received comments from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to true up of NAR for the Second Control Period. The comments by the stakeholders are presented below.

**<u>AAI Comments on True up of NAR for the Second Control Period till COD</u>**

4.11.8 AAI's comments on true-up of NAR for the Second Control Period are summarized below:

*AERA had considered Terminal Building Ratio 89.02:10.98 (Aero: Non-Aero) whereas AAI has submitted TB Ratio i.e., 95.16%:4.84% on the basis of actual usage (which includes Average space allotted to Airlines 782.64 sqm was considered as Non-Aero).*

*Further AERA has considered Rs.6.17 Cr as Aero Revenue in respect of revenue receipt from Airlines as space rent it is to mention that earlier AERA in its earlier orders (Chennai, Kolkata etc.) had considered the same income as Non-Aero. In this regards it is also worthwhile to mention that in case AERA has change its stand towards revenue receipt from Airlines as space rent as Aero revenue then Area allocated to Airlines may also be considered as Aero while evaluating terminal Building Ratio as a matter of fundamental of matching principal, whereas AERA has only considered revenue part but not taken the same space while evaluating TB Ratio.*

*The detail calculation of Terminal Building Ratio after considering space allocated to airlines is as follows:*

*Terminal Building ratio (As per proposal submitted by AAI)*

| *Particulars* | *2016-17* | *2017-18* | *2018-19* | *2019-20* | *2020-21* | *2021-22 (upto COD)* |
|---|---|---|---|---|---|---|
| *Space Rented* | *2043* | *1878* | *1858* | *1787* | *1673* | *1727* |
| *Capacity* | *19768* | *19768* | *19768* | *23275* | *23275* | *23275* |
| *Non-Aero %* | *10.33%* | *9.50%* | *9.40%* | *7.68%* | *7.19%* | *7.42%* |
| *Aero %* | *89.67%* | *90.50%* | *90.60%* | *92.32%* | *92.81%* | *92.58%* |

*Revised Terminal Building Ratio (Space allotted to Airlines considered as Aero instead of Non- Aero as per AERA Decision.)*

| *Particulars* | *Location* | *2016-17* | *2017-18* | *2018-19* | *2019-20* | *2020-21* | *2021-22* |
|---|---|---|---|---|---|---|---|
| *Space Rented (A)* | *TB* | *2043* | *1878* | *1858* | *1787* | *1673* | *1727* |
| *pace to Airlines (B) (Included in space rent)* | *Considered as AERO* | *807.02* | *807.02* | *774.92* | *717.14* | *767.52* | *822.27* |
| *Airlines space (%) on total Area* | | *4.08%* | *4.08%* | *3.92%* | *3.08%* | *3.30%* | *3.53%* |
| *Airlines space (%) on Non- Aero* | | *39.50%* | *42.97%* | *41.70* | *40.13%* | *45.87%* | *47.61%* |
| *C= (A-B))* | *TB(SQM)-Excluding airlines space* | *1235.98* | *1070.98* | *1083.08* | *1069.86* | *905.48* | *904.73* |
| *Capacity (D)* | *TB(SQM)* | *19768* | *19768* | *19768* | *23275* | *23275* | *23275* |
| *Non-Aero% (Revised)* | *TB(SQM)* | *6%* | *5%* | *5%* | *5%* | *4%* | *4%* |
| *Aero% (Revised)* | *TB(SQM)* | *94%* | *95%* | *95%* | *95%* | *96%* | *96%* |

*It can be seen from the above table that space allotted to Airlines is more than 40% of total Non-Aero area, AERA is requested to consider the revised actual Terminal Building ratio for allocation of operating exp and for Asset allocation.*

*It is also requested to revise the Terminal building ratio from 89.02:10.98 to 95.16:4.84 as per the above table.*

***The Authority is requested to revise the TB Ratio in line with its consideration of Space rental income received from Airlines as Aero revenue instead of Non-Aero revenue.***

**GIAL's Comment on True up of NAR for the Second Control Period till COD**

4.11.9 In response to AAI's comment on true-up of NAR for the Second Control Period till COD, GIAL stated the following:

*We also agree with AAI on their comment with respect to Rental Income from airline offices.*

**Authority's analysis of Stakeholders' comments on true up of NAR for the Second Control Period till COD**

4.11.10 The Authority has noted the comments of AAI and GIAL on Terminal Building ratio. It is to be noted that the Terminal Building ratio of 89.02:10.98 is after considering the impact of space rental from airlines as aeronautical. Further in the case of many AAI airports, for example Pune, Bhubaneswar, Patna, Trivandrum, Jaipur etc. space rental from airlines has been considered as aeronautical. As per the Authority, there should be continued efforts by AAI to increase the efficiency in Airport operation by generating Non-Aeronautical revenue. The Authority, therefore, decides to consider the ratio of Terminal building as 89.02:10.98 (Aeronautical: Non-aeronautical) as approved in the Tariff Order for the Second Control Period. The Authority also notes that merely accepting the ratios provided by the Airport Operator would not bring in efficiencies in the airport operations. Further, AERA is mandated to consider factors such as IMG recommendations, IATA norms and that followed in other similar airports.

The Authority had considered Terminal Building ratio as 89.02:10.98 considering the need to drive efficiency and hence, decides to consider the same for the purpose of True up of Second Control Period.

4.11.11 AAI should bring in efficiencies in its Non-Aero Revenue by allocating more area/space for Non-Aero services in line with other PPP airports where the Terminal Ratio is in the range of 84% to 90% for Aeronautical Services. By adopting this approach AO should harness more Non-Aero revenue to have good cashflow and use sufficient Non-Aero revenue for cross subsidization for the benefit of the passengers. Even AO should optimize passenger handling capacity by adopting latest technology to get the following benefits:

i. Decongest the airport, and
ii. Allocate more space for non-aero services to generate more revenue.

The space rental from airline is taken as aero even in PPP airports such as BIAL & HIAL and has been followed uniformly.

## 4.12 True up of Aeronautical Revenue

**Authority's examination of True up of Aeronautical Revenue at the Consultation Stage**

4.12.1 AAI as part of true up submission vide letter dated 6th July'2023 submitted actual Aeronautical revenue earned by LGBIA for Second Control Period and the Pre-COD period, following are the details of actual Aeronautical Revenue as per AAI for true up period:

**Table 39: Aeronautical revenue as per AAI for the Second Control Period and Pre-COD period**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Landing Charges -Domestic (A1) | 30.30 | 36.56 | 40.74 | 37.88 | 21.56 | **167.05** | 12.73 | **179.78** |
| Landing Charges- Intl. (A2) | 0.60 | 0.40 | 0.55 | 0.63 | 0.02 | **2.20** | (0.01) | **2.20** |
| Total Landing Charges (A=A1+A2) | 30.90 | 36.97 | 41.29 | 38.52 | 21.58 | **169.25** | 12.72 | **181.97** |
| Housing & Parking Charges (B) | 0.12 | 0.28 | 0.57 | 0.60 | 1.56 | **3.14** | 0.56 | **3.69** |
| PSF-Domestic (C1) | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 | **0.06** | 0.00 | **0.06** |
| PSF-Intl.(C2) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 0.00 | **0.00** |
| Total PSF (C=C1+C2) | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 | **0.06** | 0.00 | **0.06** |
| Fuel Throughput (D) | 1.17 | 1.22 | 1.68 | 1.23 | 0.00 | **5.30** | 0.00 | **5.30** |
| Extn. Of Service Hours (E) | 0.11 | 0.10 | 0.00 | 0.00 | 0.12 | **0.32** | 0.10 | **0.42** |
| Ground Handling Services (F) | 1.47 | 1.60 | 1.89 | 1.54 | 2.64 | **9.14** | 0.60 | **9.74** |
| UDF-Domestic (G1) | 59.29 | 74.98 | 106.40 | 107.32 | 44.15 | **392.14** | 25.16 | **417.30** |
| UDF-Intl. (G2) | 0.39 | 0.26 | 0.47 | 0.31 | 0.07 | **1.50** | 0.04 | **1.55** |
| Revenue from AAICLAS (H) | 0.00 | 0.18 | 0.52 | 0.61 | 0.51 | **1.81** | 0.40 | **2.21** |
| Cargo Revenue (I) | 0.29 | 0.00 | 0.00 | 0.00 | 0.00 | **0.29** | 0.00 | **0.29** |

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Land Lease from Oil Companies (J1) | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 | **5.11** | 1.03 | **6.14** |
| Land Lease from GHA (J2) | 0.12 | 0.07 | 0.01 | 0.25 | 0.17 | **0.62** | 0.13 | **0.75** |
| Cute Charges (K) | 2.11 | 2.23 | 4.29 | 4.65 | 1.83 | **15.10** | 0.99 | **16.10** |
| **Total Revenue** | **97.05** | **118.91** | **158.14** | **156.04** | **73.65** | **603.79** | **41.73** | **645.52** |

4.12.2 Table **39** was compared with the Aeronautical revenue considered in the Tariff Order for the Second Control Period and the same is as follows:

**Table 40: Comparison of Actual Aeronautical revenue and Projections submitted by AAI for the Second Control Period and Pre-COD Period**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Aeronautical revenue Projections as per Tariff Order for the Second Control Period (A) | 96.00 | 122.80 | 140.70 | 161.30 | 184.80 | **705.60** | - | - |
| Actual Aeronautical revenue (B) | **97.05** | **118.91** | **158.14** | **156.04** | **73.65** | **603.79** | **41.73** | **645.52** |
| **Variance (B-A)** | **1.05** | **(3.89)** | **17.44** | **(5.26)** | **(111.15)** | **(101.81)** | - | - |

4.12.3 The Authority noted that the Actual Aeronautical revenue in FY 2020-21 was at a significant variance from the projected Aeronautical revenue, which was attributable to lower passenger traffic and ATM due to the adverse impact of the COVID-19 pandemic on the Aviation sector.

4.12.4 Further, the Authority recalled its decision no. 12.e in the Tariff Order No. 38/ 2017-18, which states that "*The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.*"

4.12.5 As observed in para 4.10.5, the Authority proposed to make certain adjustments to the aeronautical revenue by reclassifying "Space rentals collected from Airlines" as aeronautical revenue. Hence, the Authority proposes to recompute and consider the Aeronautical Revenue for true up of AAI for the Second Control Period and Pre COD period as shown in the following table.

**Table 41: Total Aeronautical revenue as per Authority for the Second Control Period and Pre-COD period at Consultation Stage**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Actual Aeronautical Revenue (A) | 97.05 | 118.91 | 158.14 | 156.04 | 73.65 | **603.79** | 41.73 | **645.52** |
| Add: Space Rentals collected from Airlines (B) | 0.79 | 1.28 | 1.39 | 1.41 | 1.01 | **5.89** | 0.29 | **6.18** |
| **Total Aeronautical revenue (A+B)** | **97.84** | **120.19** | **159.53** | **157.45** | **74.66** | **609.68** | **42.02** | **651.70** |

4.12.6 Based on the above, the Authority at the Consultation Stage proposed to consider Aeronautical revenue inclusive of space rentals collected from airlines for true up of the Second Control Period and pre-COD period.

**Stakeholders' comments on true-up of Aeronautical Revenue for the Second Control Period till COD**

4.12.7 There were no Stakeholder comments with respect to true up of Aeronautical Revenue for the Second Control Period.

**Authority's analysis of Stakeholders' comments on true up of Aeronautical Revenue for the Second Control Period till COD**

4.12.8 The Authority notes that there are no stakeholder's comments regarding True up of Aeronautical revenue for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Aeronautical revenue as per Table 41.

## 4.13 True up of Taxation

**Authority's examination of True up of Taxation at the Consultation Stage**

4.13.1 AAI as part of true up submission submitted detail of aeronautical taxation for the Second Control Period and Pre-COD period, same is as follows:

**Table 42: Taxation submitted by AAI for the Second Control Period and Pre-COD period**

(₹ crores)

| Particular | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 till COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| Aeronautical Revenues | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.69** | 42.02 | **651.70** |
| O&M | 52.97 | 75.01 | 87.03 | 105.28 | 87.86 | **408.16** | 50.17 | **458.34** |
| Interest on Working Capital | - | - | - | - | - | - | 0.51 | **0.51** |
| Depreciation as per IT Act | 8.32 | 8.59 | 11.95 | 17.30 | 17.85 | **64.01** | 16.50 | **80.51** |
| PBT | 45.24 | 29.35 | 51.49 | 25.57 | (38.17) | **113.48** | 145.23 | **258.71** |
| **Tax for Aeronautical Services** | **15.66** | **10.16** | **17.99** | **6.44** | **0.00** | **50.24** | **0.00** | **50.24** |
| Corporate Tax on shortfall (under recovery) to be collected from Concessionaire | - | - | - | - | - | - | 26.95 | **26.95** |
| **Total Tax** | | | | | | | | **77.19** |

a. The Authority noted that AAI claimed tax of ₹ 26.95 crores on the shortfall amount of ₹ 194.40 crores which is the present value of difference between Target Revenue and Actual Aeronautical revenue i.e. under recovery for Second Control Period and Pre-COD period (refer Table 8). Further,in the case of Jaipur International Airport, the Authority had sought clarification from AAI relating to the basis of consideration of such tax liability, AAI had provided following clarification in this regard:

*Under ,recovery of ARR till COD approved by AERA and thereafter recoverable from Concessionaire will be treated as Revenue receipts and will be liable to income tax.*

*Jaipur Airport is one of the unit/station of AAI (Airports across India). Since AAI is dealt with single PAN No., the tax liability of Jaipur Airport will be merged in common pool of AAI as whole and thereafter tax liability will be paid by AAI as whole considering Income and expenses of Airports across India including Jaipur Airport. Tax liability / tax paid computed for AAI as a whole are not allocated to Airports.*

Same clarification has been considered for LGBIA.

In view of the above, the Authority observed that the AAI will be liable to pay income tax over the under recovery reimbursed by GIAL. Since, the recovery will be of aeronautical nature, Authority considered the same as part of ARR calculation for the true up exercise undertaken for Second Control Period and Pre-Control Period. In corollary, the Authority also proposed to consider the reimbursement of under recovery by GIAL as revenue expenditure while calculating tax liability for GIAL for the Third Control Period.

4.13.2 The Authority vide order no. 38/2017-18 dated February 16, 2018 had decided the following for taxation in Second Control Period:

*Decision no 11.a. The Authority decides to consider the corporate tax for aeronautical activities as per Table 45 for the 2nd Control Period.*

*Decision no 11.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.*

4.13.3 In view of above, the Authority re-computed taxation amount and the same is presented in the table below:

**Table 43: Taxation proposed by the Authority for the Second Control Period and Pre-COD period at Consultation Stage**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 up to COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| **Revenue (A)** | | | | | | | | |
| Aeronautical Revenue (refer Table 41) | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.68** | 42.02 | 651.70 |
| Total (A) | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.68** | 42.02 | 651.70 |
| **Shortfall (B)** | | | | | | | | |
| Shortfall/ under recovery proposed to be collected as on COD (B) - (refer Table 45) | | | | | | | 144.31 | 144.31 |
| **Expenses (C)** | | | | | | | | |
| O&M expenses (refer Table *33*) | 52.97 | 75.01 | 87.03 | 105.28 | 87.86 | **408.16** | 50.17 | **458.34** |
| Depreciation (as per Income Tax Act, 1961) | 8.31 | 8.58 | 11.88 | 17.17 | 17.69 | **63.64** | 16.33 | **79.97** |
| Total (C) | 61.28 | 83.59 | 98.91 | 122.45 | 105.55 | **471.79** | 66.50 | **538.29** |
| Profit /Loss D= (A+B-C) | 36.56 | 36.60 | 60.62 | 35.00 | (30.89) | **137.88** | 119.83 | **257.71** |
| Carry forward of prior period loss (E) | | | | | | | (30.89) | **(30.89)** |
| **Net loss/profit after setting off prior period losses* (D+E)** | 36.56 | 36.60 | 60.62 | 35.00 | (30.89) | **137.88** | **88.94** | **226.82** |
| **Tax Rates** | 34.61% | 34.61% | 34.94% | 25.17% | 25.17% | | 25.17% | |
| **Tax** | 12.65 | 12.67 | 21.18 | 8.81 | 0.00 | **55.31** | 22.39 | **77.70** |

** The set off of prior period loss has been computed only for the purpose of determining taxes.*

4.13.4 As per table above the unadjusted losses of FY'21 is adjusted while arriving taxable profit for FY'22. The Authority proposed to consider tax as per Table 43 for True up of Second Control Period and Pre-

COD period.

**Stakeholders' comments on true-up of Taxation for the Second Control Period till COD**

4.13.5 There were no Stakeholder comments with respect to true up of Taxation for the Second Control Period.

**Authority's analysis of Stakeholders' comments on true up of Taxation for the Second Control Period till COD**

4.13.6 The Authority notes that there are no stakeholder's comments regarding True up of Taxation for the period from FY 2016-17 up to COD. However, as the Authority has considered change in aeronautical O&M expenses at the Tariff Order stage, accordingly, the tax has been recomputed by the Authority as per the table below.

4.13.7 Based on the above the Authority decides the taxation for true up of the Second Control Period and pre-COD period as per Table 44:

**Table 44: Taxation decided by the Authority for True-up for Second Control Period and pre-COD period**

*(₹ crores)*

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 up to COD | Total till COD |
|---|---|---|---|---|---|---|---|---|
| **Revenue (A)** | | | | | | | | |
| Aeronautical Revenue (refer Table 41) | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.68** | 42.02 | 651.70 |
| Total (A) | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.68** | 42.02 | 651.70 |
| **Shortfall (B)** | | | | | | | | |
| Shortfall/ under recovery proposed to be collected as on COD (B) - (refer Table 46) | | | | | | | 152.07 | 152.07 |
| **Expenses (C)** | | | | | | | | |
| O&M expenses (refer Table 34) | 53.79 | 75.76 | 88.34 | 106.69 | 89.12 | 413.70 | 50.90 | 464.60 |
| Depreciation (as per Income Tax Act, 1961) | 8.31 | 8.58 | 11.88 | 17.17 | 17.69 | **63.64** | 16.33 | **79.97** |
| Total (C) | 62.10 | 84.34 | 100.22 | 123.86 | 106.81 | **477.34** | 67.23 | **544.57** |
| Profit /Loss D= (A+B-C) | 35.74 | 35.85 | 59.31 | 33.59 | -32.15 | **132.33** | 126.86 | **259.19** |
| Carry forward of prior period loss (E) | | | | | | | (32.15) | **(32.15)** |
| **Net loss/profit after setting off prior period losses* (D+E)** | 35.74 | 35.85 | 59.31 | 33.59 | -32.15 | **132.33** | **94.70** | **227.04** |
| **Tax Rates** | 34.61% | 34.61% | 34.94% | 25.17% | 25.17% | | 25.17% | |
| **Tax** | 12.37 | 12.41 | 20.72 | 8.45 | 0.00 | **53.95** | **23.84** | **77.79** |

## 4.14 True up of Aggregate Revenue Requirement (ARR) for Second Control Period and the Pre-COD period

**Authority's examination of true up of ARR at the Consultation Stage**

4.14.1 Based on its analysis of the various building blocks, the Authority had revised the Aggregate Revenue Requirement (ARR) of LGBIA for Second Control Period and Pre-Control Period and eventually arrived at under recovery/over recovery for LGBIA for the same period. The detailed ARR calculation is presented in the table below:

**Table 45: ARR proposed by the Authority for Second Control Period and Pre-COD Period at Consultation Stage**

*(₹ crores)*

| Particulars | Ref | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 up to COD | Total till COD |
|---|---|---|---|---|---|---|---|---|---|
| Average RAB (Refer Table 25) | | 81.41 | 79.55 | 116.71 | 162.13 | 166.43 | | 163.23 | |
| Fair Rate of Return (FRoR) | | 14% | 14% | 14% | 14% | 14% | | 7.29%# | |
| Return on Average RAB @14% | A | 11.40 | 11.14 | 16.34 | 22.70 | 23.30 | **84.87** | 11.90 | **96.77** |
| Depreciation (refer Table 25) | B | 7.00 | 7.17 | 9.91 | 13.26 | 13.76 | **51.08** | 7.26 | **58.34** |
| Operating Expenditure (Table 33) | C | 52.97 | 75.01 | 87.03 | 105.28 | 87.86 | **408.16** | 50.17 | **458.34** |
| Taxation (Refer Table 43) | D | 12.65 | 12.67 | 21.18 | 8.81 | 0.00 | **55.31** | 22.39 | **77.70** |
| Carry forward of shortfall of First Control Period** | E | 107.7 | | | | | **107.70** | | **107.70** |
| ARR (Sum A: E) | F | 191.72 | 105.98 | 134.46 | 150.05 | 124.92 | **707.13** | 91.71 | **798.84** |
| Non-aeronautical revenue (NAR) (Refer Table 38) | G | 26.66 | 14.35 | 30.94 | 48.90 | 23.18 | **144.02** | 10.02 | **154.03** |
| Less: 30% of NAR | H | 8.00 | 4.31 | 9.28 | 14.67 | 6.95 | **43.21** | 3.01 | **46.22** |
| Net ARR (F-H) | I | 183.72 | 101.68 | 125.18 | 135.38 | 117.97 | **663.92** | 88.71 | **752.63** |
| Revenue from Aeronautical Services (refer Table 41) | J | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.68** | 42.02 | **651.70** |
| (Over recovery) / Under recovery (I-J) | K | 85.88 | (18.51) | (34.35) | (22.07) | 43.31 | **54.25** | 46.69 | **100.94** |
| Discount factor (@ 14%) as on October 7, 2021 | L | 1.81 | 1.59 | 1.39 | 1.22 | 1.07 | | 1 | |
| PV of (Over recovery) / Under recovery as on October 7, 2021* (K*L) | M | 155.40 | (29.38) | (47.83) | (26.96) | 46.40 | **97.63** | 46.69 | **144.31** |
| Discount factor @ 14% as on March 31, 2022 | N | | | | | | | | **1.067** |
| PV of (Over recovery) / Under recovery as on March 31, 2022 (M*N) | O | | | | | | | | **154.00** |
| Discount factor @ 12.21% as on March 31, 2023* | P | | | | | | | | **1.122** |
| PV of (Over recovery) / Under recovery as on March 31, 2023 (O*P) | Q | | | | | | | | **172.80** |

** PV factor has been derived for the FYs from FY 2016-17 till COD, by assuming the discount factor as 1 on COD*

*# FRoR for FY 2021-22 has been computed as 7.29% for the period up to COD*

*** Shortfall obtained from Tariff Order of the Second Control Period.*

4.14.2 The ARR proposed by the Authority was ₹ 752.63 crores (refer Table 45), as against Rs. 794.54 crores submitted by AAI. The variance was on account of the following:

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.

ii. Rationalization of O&M expenses, based on O&M Study report.

iii. Non-consideration of financing allowance in RAB and depreciation on financing allowance

**Stakeholders' comments on true-up of ARR for the Second Control Period till COD**

4.14.3 There were no Stakeholder comments with respect to true up of ARR for the Second Control Period till COD.

**Authority's analysis of ARR for the Second Control Period till COD post Stakeholder Consultation**

4.14.4 The Authority notes that there are no stakeholder's comments regarding True up of ARR for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of ARR as per below table.

**Table 46: ARR decided by the Authority for True up of Second Control Period and pre-COD period**

*(₹ crores)*

| Particulars | Ref | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | Total till FY'21 | FY'22 up to COD | Total till COD |
|---|---|---|---|---|---|---|---|---|---|
| Average RAB (Refer Table 25) | | 81.41 | 79.55 | 116.71 | 162.13 | 166.43 | **445.27** | 163.23 | **769.46** |
| Fair Rate of Return (FRoR) | | 14% | 14% | 14% | 14% | 14% | | 7.29%# | |
| Return on Average RAB @14% | A | 11.40 | 11.14 | 16.34 | 22.70 | 23.30 | **84.87** | 11.90 | **96.77** |
| Depreciation (refer Table 25) | B | 7.00 | 7.17 | 9.91 | 13.26 | 13.76 | **51.08** | 7.26 | **58.34** |
| Operating Expenditure (*Table 34*) | C | 53.79 | 75.76 | 88.33 | 106.69 | 89.12 | **413.69** | 50.90 | **464.59** |
| Taxation (Refer Table *44*) | D | 12.37 | 12.41 | 20.72 | 8.45 | 0.00 | **53.95** | 23.84 | **77.79** |
| Carry forward of shortfall of First Control Period** | E | 107.7 | | | | | **107.70** | | **107.70** |
| ARR (Sum A: E) | F | 192.26 | 106.47 | 135.31 | 151.10 | 126.18 | **711.32** | **93.89** | **805.22** |
| Non-aeronautical revenue (NAR) (Refer Table 38) | G | 26.66 | 14.35 | 30.94 | 48.90 | 23.18 | **144.03** | 10.02 | **154.05** |
| Less: 30% of NAR | H | 8.00 | 4.31 | 9.28 | 14.67 | 6.95 | **43.21** | 3.01 | **46.22** |
| Net ARR (F-H) | I | 184.26 | 102.17 | 126.03 | 136.43 | 119.23 | **668.12** | **90.89** | **759.00** |
| Revenue from Aeronautical Services (refer Table 41) | J | 97.84 | 120.19 | 159.53 | 157.45 | 74.66 | **609.67** | 42.02 | **651.70** |
| (Over recovery) / Under recovery (I-J) | K | 86.42 | (18.02) | (33.50) | (21.02) | 44.57 | **58.45** | 48.87 | **107.31** |
| Discount factor (@ 14%) as on October 7, 2021 | L | 1.81 | 1.59 | 1.39 | 1.22 | 1.07 | | 1 | |
| PV of (Over recovery) / Under recovery as on October 7, 2021* (K*L) | M | 156.37 | (28.60) | (46.64) | (25.67) | 47.75 | **103.20** | 48.87 | **152.07** |
| Discount factor @ 14% as on March 31, 2022 | N | | | | | | | | **1.0671** |
| PV of (Over recovery) / Under recovery as on March 31, 2022 (M*N) | O | | | | | | | | **162.28** |
| Discount factor @ 12.21% as on March 31, 2023* | P | | | | | | | | **1.1221** |
| PV of (Over recovery) / Under recovery as on March 31, 2023 (O*P) | Q | | | | | | | | **182.09** |

** PV factor has been derived for the FYs from FY 2016-17 till COD, by assuming the discount factor as 1 on COD*

*# FRoR for FY 2021-22 has been computed as 7.29% for the period up to COD*

*** Shortfall obtained from Tariff Order of the Second Control Period.*

## 4.15 Adjusted Deemed Initial RAB

Clause 28.11.4 of the CA states the following with respect to Adjusted Deemed Initial RAB:

*"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"'):*

*(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

*(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

*The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."*

The Authority had derived the Adjusted Deemed Initial RAB as on COD which is as follows:

**Table 47: Determination of Adjusted Deemed Initial RAB as on COD by the Authority at Consultation stage**

(₹ crores)

| Particulars | Ref. | Amount |
|---|---|---|
| A. Deemed Initial RAB as on COD | Table 27 | 158.80 |
| B. Estimated Deemed Initial RAB | Clause 28.11.3 (b) of CA | (69.00) |
| C. Difference (C=A-B) | | 89.80 |
| D. PV of Under-recovery of AAI as on COD | **Table 45** 45 | 144.31 |
| **E. Adjusted Deemed Initial RAB as on COD E= (C+D)** | | **234.11** |

COD – 8th Oct'2021

4.15.1 In accordance with the provisions of clause 28.11.4 of the CA, AERA had computed the Adjusted Deemed Initial RAB as on COD i.e. ₹ 234.11 crores (shown in Table 47) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (GIAL) to the Airports Authority of India as follows:

i. The Authority had assumed future expected date of payment of Adjusted Deemed Initial RAB as August 31, 2024, based on the assumption that the Tariff Order for LGBIA (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before August 20, 2024.

ii. The Authority had applied a compounding factor to determine future value of the Under-recovery as on COD by applying:

- FRoR @ 14% from COD up to March 31, 2022 and
- FRoR @ 12.21% from April 1, 2022 up to July 31, 2024 (based on the FRoR determined by AERA for the Third Control Period for LGBIA, as discussed under Chapter 8 of this Consultation Paper).

iii. The Adjusted Deemed Initial RAB computed as on COD, March 31, 2022, March 31, 2023, March 31, 2024 and August 31, 2024 has been presented in the table below:

**Table 48: Determination of Adjusted Deemed Initial RAB as on Specified and Future Payment Dates at Consultation Stage**

(₹ crores)

| Particulars | As on COD | Mar 31, 2022* | Mar 31, 2023# | Mar 31, 2024# | August 31, 2024# |
|---|---|---|---|---|---|
| **Adjusted Deemed Initial RAB** | 234.11 | 249.82 | 280.33 | 314.56 | 330.66 |

* *Compounding for the period from COD up to March 31, 2022 has been done using FRoR of 14%.*

\# *Compounding for period beyond March 31, 2022 has been done using FRoR of 12.21%, determined by AERA for LGBIA for the First Control Period.*

4.15.2 It is likely that the actual date of payment is different from August 31, 2024 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\textit{Adjusted Deemed Initial RAB} = A \times (1 + r \times \frac{t}{365})$$

where, A = Adjusted Deemed Initial RAB computed as on March 31, 2024

r = FRoR for First Control Period, computed as 12.21% (refer Chapter 8).

t = Number of days elapsed between actual date of payment and March 31, 2024

The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example:

Assuming that the actual date of payment is September 10, 2024, then

A = ₹ 314.56 crores

r = 12.21% or 0.1221

t = 163 days (Number of days between March 31, 2024 and September 10, 2024)

**The Adjusted Deemed Initial RAB based on the above example is:**

**₹ 314.56 x (1+0.1221*163/ 365) = ₹ 331.71 crores.**

4.15.3 The Authority had proposed the Adjusted Deemed Initial RAB as explained above and requested the Stakeholders to provide their comments on the same.

4.15.4 The Authority at the Consultation Stage proposed to consider Under recovery of ₹ 172.80 crores as on 31st March 2023 (as per Table 45) for True up of AAI for the Pre-COD period and readjusted the same in the ARR computation of LGBIA for the Third Control Period. The under-recovery had arisen mainly on account of reduction in aeronautical revenue resulted on account of lesser traffic due to COVID-19 pandemic in FY 2020-21 and higher allocation of CHQ/RHQ cost.

**Stakeholders' comments on Adjusted Deemed Initial RAB**

4.15.5 During the Stakeholders' Consultation Process, the Authority has received comments/views from

Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 regarding Adjusted Deemed Initial RAB for the period from FY 2016-17 up to COD. The comments by the Stakeholders are presented below.

4.15.6 FIA stated the following with respect to Adjusted Deemed Initial RAB for the SCP and pre-COD period:

*Without prejudice to the above:*

*(a) FIA recommends that no adjustment of RAB should be provided in favour of AAI for a period after the COD i.e. 8th October, 2021, post which the operational control of the Guwahati Airport is transferred to GIAL.*

*(b) Further, FIA wishes to draw AERA's attention that any delay in submitting the Multi Year Tariff Plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.*

*(c) With regard to application of compounding factor (FRoR) to determine the future value of under recovery. We request AERA to note our comments as mentioned in para 3.3.2 of this Tariff Order.*

**AAI's Response to Stakeholders' comments regarding Adjusted Deemed Initial RAB**

4.15.7 With respect to FIA's comments, AAI has stated that:

*As per Concession Agreement Sl. No. 28.11.3*

*iii. the concessionaire shall be liable to pay AAI an amount equivalent to the investment made by AAI in the Aeronautical Assets as on the COD and considered by the regulator as part of the RAB, subject to requisite reconciliation, true up and final determination by AERA of the quantum of such investment.*

*AERA has considered value of RAB till date of COD only.*

**GIAL's response to Stakeholders' comments regarding Adjusted Deemed Initial RAB**

4.15.8 With respect to FIA's comments GIAL has stated that:

*There is no adjustment of RAB after the COD. Calculations done by the Authority in para 4.14 in CP are to give effect to provisions of the Concession agreement which mandates the present value of the "Adjusted Deemed Initial RAB" to be paid by AO to AAI.*

*Relevant clause of the Concession agreement is reproduced below:*

*"The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."*

**Authority's analysis on Stakeholders' comments regarding Adjusted Deemed Initial RAB**

4.15.9 The Authority has noted the comments of FIA and the response of AAI and GIAL. The Authority is of the view that there is no adjustment of RAB after the COD. The present value of the "Adjusted Deemed Initial RAB" has been derived by the Authority in accordance with the provision of the Concession Agreement (Clause 28.11.4). The Authority decides to consider the same in the Tariff Order for the Third Control Period of GIA.

4.15.10 With respect to FIA's comments on other aspects, the Authority has followed AERA Act and applicable tariff guidelines while determining tariff for LGBIA. These comments have been addressed at the relevant places in this Tariff Order.

4.15.11 Based on the above the Authority has determined the Adjusted Deemed Initial RAB as per the given table below.

**Table 49: Determination of Adjusted Deemed Initial RAB as on COD**

| Particulars | Ref. | Amount |
|---|---|---|
| A. Deemed Initial RAB as on COD | Table 27 | 158.80 |
| B. Estimated Deemed Initial RAB | Clause 28.11.3 (b) of CA | (69.00) |
| C. Difference (C=A-B) | | 89.80 |
| D. PV of Under-recovery of AAI as on COD | Table 46 | 152.07 |
| E. **Adjusted Deemed Initial RAB as on COD E= (C+D)** | | **241.87** |

COD – 8th Oct'2021

4.15.12 In accordance with the provisions of clause 28.11.4 of the CA, AERA had computed the Adjusted Deemed Initial RAB as on COD i.e. ₹ 241.87 crores (shown in Table 49) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (GIAL) to the Airports Authority of India as follows:

i. The Authority had assumed future expected date of payment of Adjusted Deemed Initial RAB as September 15, 2024, based on the assumption that the Tariff Order for LGBIA (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before September 30, 2024.

ii. The Authority has applied a compounding factor to determine future value of the Under-recovery as on COD by applying:

- FRoR @ 14% from COD up to March 31, 2022 and
- FRoR @ 12.21% from April 1, 2022 onwards (based on the FRoR determined by AERA for the Third Control Period for LGBIA, as discussed under Chapter 8 of this Tariff Order).

iii. The Adjusted Deemed Initial RAB computed as on COD, March 31, 2022, March 31, 2023, March 31, 2024 and September 15, 2024 has been presented in the table below:

**Table 50: Determination of Adjusted Deemed Initial RAB as on Specified and Future Payment Dates**

(₹ crores)

| Particulars | As on COD | Mar 31, 2022* | Mar 31, 2023# | Mar 31, 2024# | September 15, 2024# |
|---|---|---|---|---|---|
| **Adjusted Deemed Initial RAB** | 241.87 | 258.11 | 289.62 | 324.98 | 343.25 |

* *Compounding for the period from COD up to March 31, 2022 has been done using FRoR of 14%.*

\# *Compounding for period beyond March 31, 2022 has been done using FRoR of 12.21%, determined by AERA for LGBIA for the Third Control Period.*

4.15.13 It is likely that the actual date of payment is different from September 15, 2024 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\textbf{\textit{Adjusted Deemed Initial RAB}} = A \times (1 + r \times \frac{t}{365})$$

where, A = Adjusted Deemed Initial RAB computed as on March 31, 2024

r = FRoR for First Control Period, computed as 12.21% (refer Chapter 8).

t = Number of days elapsed between actual date of payment and March 31, 2024

The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example:

Assuming that the actual date of payment is September 30, 2024, then

A = ₹ 324.98 crores

r = 12.21% or 0.1221

t = 183 days (Number of days between March 31, 2024 and September 30, 2024)

**The Adjusted Deemed Initial RAB based on the above example is:**

**₹ 324.98 x (1+0.1221*183/ 365) = ₹ 344.88 crores.**

4.15.14 Based on the above the Authority decides the Adjusted Deemed Initial RAB as per Table 50 or based on formula provided in para 4.15.13 above.

## 4.16 Authority's decisions regarding true up for SCP and pre-COD period (FY17 up to COD)

Based on the material before it and its examination, the Authority decides the following with respect to True up of the Pre-COD period for LGBIA:

4.16.1 To consider the Passenger traffic and ATM as detailed in Para 4.4.1 (Table 9) for true up of the Second Control Period and Pre-COD Period.

4.16.2 To consider capital additions and aeronautical allocation of assets as detailed in Table 22.

4.16.3 To recompute Depreciation considering the revised allocation of assets as detailed in Para 4.7.4 (Table 24) for true up of AAI for the Second Control Period and pre-COD period.

4.16.4 To consider RAB for AAI as detailed in Para 4.8.2 (Table 25) for true up of the Second Control Period and pre-COD period.

4.16.5 To consider Deemed Initial RAB for LGBIA as per Para 4.8.3c) (Table 27).

4.16.6 To consider true up of FRoR for the Second Control Period and Pre-COD Period as per para 4.9.14.

4.16.7 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 34.

4.16.8 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 38.

4.16.9 To consider true up of Aeronautical revenue for the pre-COD period as per Table 41.

4.16.10 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 44.

4.16.11 To consider true up of ARR for the pre-COD period as per Table 46.

4.16.12 To consider the present value of under recovery of ₹ 152.07 crores for True up of AAI for the Pre-COD period as per Table 46 and readjust the same in the ARR for the Third Control Period.

# 5 TRUE UP OF GIAL FOR THE PERIOD FROM COD TILL MARCH 31, 2022

## 5.1 Background

5.1.1 AAI had entered into a Concession Agreement dated January 19, 2021, with Guwahati International Airport Limited (the 'Concessionaire') for the Operations, Management and Development of LGBIA for a period of 50 years from the COD, i.e. October 8, 2021. As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

5.1.2 Pursuant to the above Concession Agreement, GIAL has submitted True up workings for the period from COD up to March 31, 2022.

5.1.3 The true up workings submitted by GIAL covers the following building blocks:

i. Traffic
ii. Capital Expenditure
iii. Aeronautical Depreciation
iv. Regulatory Asset Base
v. Fair Rate of Return
vi. Aeronautical Operation and Maintenance Expenses
vii. Non-aeronautical Revenue
viii. Aeronautical Taxes
ix. Aggregate Revenue Requirement

5.1.4 The Authority had examined GIAL's true up submission in detail and has performed the following analysis:

i. Recorded GIAL's submissions for True up under different Regulatory building blocks.
ii. Provided the Authority's examination and proposals regarding the True up calculation of each building block of GIAL.

## 5.2 GIAL's submission regarding True up for the period from COD till March 31, 2022

5.2.1 GIAL had submitted true up for the period from COD till March 31, 2022 as follows:

**Table 51: True Up submitted by GIAL from COD till March 31, 2022**

*(₹ crores)*

| Particulars | Amount |
|---|---|
| Opening RAB | 154.77 |
| Addition During the year | 2.33 |
| Financing Allowance | - |
| Depreciation during the year | (16.81) |
| Closing RAB | 140.28 |
| Average RAB | 147.52 |
| FRoR on Average RAB (@ 14% for 6 months) (A) | 9.90 |
| Operating expenses (B) | 47.87 |
| Depreciation (C) | 16.81 |
| Bank and Finance Charges (D) | 0.50 |
| Working Capital Loan Interest (E) | 0.26 |
| Independent Engineer Fee (F) | - |
| Pre-COD Expenses (G) | 9.85 |
| Tax (H) | 1.32 |

| Particulars | Amount |
|---|---|
| Gross ARR (Sum A:H) = (I) | 86.51 |
| Non-aeronautical Revenue | 9.96 |
| Less: 30% of Non-aeronautical revenue (J) | (2.99) |
| Net ARR (I-J) = K | 83.53 |
| Actual Aero Revenues earned (L) | 59.95 |
| **Shortfall/ under-recovery (K-L) = M** | **23.57** |
| **PV of Under-recovery** | **28.81** |

## 5.3 Authority's examination of the true up submitted by GIAL for the period from COD till March 31, 2022

The Authority had examined the true up submitted by GIAL for the period from COD till March 31, 2022 as part of the tariff determination for the current Control Period.

**<u>Authority's examination of True up of CAPEX at Consultation Stage</u>**

## 5.4 True up of Capital Expenditure (CAPEX)

5.4.1 As part of the Concession Agreement, the Regulatory Asset Base held by AAI as on COD were transferred to GIAL. The Authority proposed to consider the value of RAB in the hands of AAI as on COD as Opening RAB for GIAL as per the outcome of the asset allocation study undertaken by the Authority for Second Control Period and Pre-COD period.

5.4.2 The Authority had derived the deemed initial RAB of GIAL as on COD as ₹ 158.80 crores (refer Table **27**).

5.4.3 The Authority noted that GIAL had added following additional items in RAB amounting to ₹ 2.33 crores during the period COD till March 31, 2022:

**Table 52: Additional items included in RAB by GIAL from COD till March 31, 2022**

*(₹ crores)*

| Details | Amount |
|---|---|
| Software | - |
| IT equipment | 1.78 |
| Plant and Machinery | - |
| Furniture & fixtures | 0.04 |
| Vehicles | - |
| Office Equipment | 0.51 |
| **Total** | **2.33** |

5.4.4 **Reclassification of assets of GIAL**

The Authority had conducted an independent study on allocation of assets for the Second Control Period and FY2022, and used the outcome of the study to true up the RAB for the post COD period i.e. as on March 31, 2022 for GIAL.

The Authority had considered the adjusted RAB of GIAL as on COD (which is ₹ 158.80 crores), Capital additions and corresponding depreciation based on the results of the Asset Allocation Study report (refer Appendix 1 for *Study on allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA)*.

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Authority noted that GIAL also procured employee related asset which needs to be allocated as per Employee Ratio. The Authority considered the employee ratio derived as part of the *Study on Efficient Operation and Maintenance Expenses for LGBIA.* As per para 5.2.3. of the said study the Employee Head Count Ratio for GIAL is 95:5 (Aeronautical: Non-aeronautical).

The Authority had reclassified assets addition made by GIAL for the period from COD till March 31, 2022, based on applicable allocation ratio. The allocation basis is detailed hereunder:

i. **Furniture**

**Details of Asset:** MS Framework and Flax

**Allocation proposed by GIAL:** Aeronautical

**Observation:** The assets such as MS Framework and Flax, had been classified as Aeronautical assets by GIAL. However, since these assets are for the use of employees of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

**Allocation proposed by the Authority:** Employee Head Count Ratio

**Impact:** Reclassifying these assets from Aeronautical to Common decreased the RAB to the extent of ₹ 0.002 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

ii. **IT Equipment**

**Details of Asset:** Laptop, Desktop, Printer, Display, Server and Storage data center, other IT equipment, Software license and support, SITA license and project implementation

**Allocation proposed by GIAL:** Aeronautical

**Observation:** The assets such as laptops, desktops, printers, servers and storage, software license, had been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same had been reallocated in the ratio of Employee Head Count of GIAL (95:5). In addition, SITA License and Project Implementation which was classified as Aeronautical by GIAL was allowed to be considered as Aeronautical asset.

**Allocation proposed by the Authority:** Employee Head Count Ratio / Aeronautical

**Impact:** Reclassifying these assets from Aeronautical to Common decreased the RAB to the extent of ₹ 0.05 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

iii. **Office Equipment**

**Details of Asset:** Video Controller, Telephone, IP Phone, Mobile, Security and Safety related equipment and accessories, Document Tray, and other Office equipment.

**Allocation proposed by GIAL:** Aeronautical

**Observation:** All office equipment had been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same had been reallocated in the ratio of Employee Head Count of GIAL (95:5).

**Allocation proposed by the Authority:** Employee Head Count Ratio

**Impact:** Reclassifying these assets from Aeronautical to Common decreased the RAB to the extent of ₹ 0.03 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

The following table illustrates the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of GIAL between COD and March 31, 2022.

**Table 53: Impact of Reclassification of Asset Additions by GIAL from COD till March 31, 2022 at Consultation Stage**

*(₹ crores)*

| Asset Category as per MYTP | Reclassification Impact |
|---|---|
| Furniture & fixtures | (0.002) |
| IT equipment | (0.05) |
| Office equipment | (0.03) |
| Software | - |
| **Grand Total** | **(0.08)** |

**Stakeholders' comments on true-up of CAPEX for the Second Control Period post-COD**

5.4.5 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 01/2024-25 with respect to the True up of CAPEX for the period from COD till 31st March 2022. The comments of the stakeholders are presented below.

5.4.6 On reclassification of assets, GIAL has submitted the following:

*The Authority, however, in addition to the cross subsidy of 30% of Non-Aero revenue, has reduced the RAB and O&M expenses by allocating the same to Aero & Non-Aero which is neither provided in the NCAP nor provided in the AERA guidelines. If the intent of the same is to reduce, then the same should have been explicitly provided in the NCAP or AERA Guidelines.*

*Therefore, we request AERA to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Non-Aeronautical, which are not required either in AERA Guidelines or in NCAP.*

5.4.7 On the Authority applying various allocation ratios for individual CAPEX and assets, GIAL submitted that:

***AERA Act or AERA Guidelines do not provide allocation***

*In respect to Terminal Building Ratio, It is observed that as per The AERA Guidelines, 5.2.1 (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB / Aeronautical asset and not to be allocated into Aero and Non-Aero. For quick reference the relevant clause from the guidelines is reproduced as follows as "Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB."*

*Further, in respect to allocation of various capex and Operation & Maintenance expenses, we would like to submit that:*

- *Under the Shared-Till (or Hybrid Till) model as proposed in National Civil Aviation Policy, 2016, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. There is no mention of allocation of RAB, allocation of Operation and Maintenance etc. Therefore, there is no need to apply the allocation ratio whereby capital and operating expenditure is reduced, which acts as a dual burden for the Airport Operator. Also, the AERA Guidelines do not provide for applying the allocation ratio.*
- *Relevant extract of National Civil Aviation Policy, 2016 is reproduced below: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges."*
- *For ease of reference, the relevant clause regarding the 'Shared Till' approach from the Concession Agreement is reproduced hereunder:*

*28.3.2.*

*The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."*

*As per AERA Order No. 14/2016-17 issued on 23rd January 2017, the Authority has adopted the Hybrid Till whereas 30% of non-aeronautical revenues are used to cross-subsidize aeronautical charges. However, it does not mention that capital and operating expenditure need to be allocated into Aeronautical and Non-Aeronautical which tantamount to cross subsidization of aeronautical charges to the extent non-aeronautical allocation is eliminated. The order only provides for cross subsidization of 30% from non-aeronautical revenues. The relevant extract of the order is as:*

*"The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extant 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."*

***IMG Norms are not applicable to PPP Airports***

*Notwithstanding the above, it is submitted that norms of IMG report are not applicable to PPP airports, as per clause no. G of IMG Report. reproduced below:*

*"In case of airports developed through Public Private Partnerships the project authorities may adopt a case-by-case approach with respect to norms relating to unit area and unit costs. Based on the judicious consideration of international best practices and financial viability, the norms may be specified in each case prior to inviting bids for private participation."*

*No norms with respect to unit area and costs were mentioned in the bidding documents and Concession Agreement of Guwahati Airport. The Concession Agreement does not mention regarding the applicability of the IMG Norms. Therefore, we request AERA not to apply IMG norms in the case of Guwahati Airport.*

***In view of the foregoing, we request the Authority to apply the Terminal Building Ratio, wherever it is factored in CP, as 100% Aeronautical which is in line with the Guidelines of 2011.***

*Without prejudice to the above and in the alternate, terminal building is built with certain length, breadth and height considering the passenger throughput and service level requirements. The structure of the terminal includes façade, ceiling, columns etc. which have no relation with leasable floor area. The commercial activities like retail, food and beverage, etc. require limited works where the cost is much lower than the cost required to build the terminal building. GIAL submits that terminal building allocation ratio should, at best, be based on cost of floor plate of commercial leased area in the terminal vis-à-vis total cost of the terminal building, instead of allocating entire terminal cost based on leasable area.*

*Without prejudice to the above, it is submitted that the terminal building allocation ratio cannot be a notional number as has been done in the Consultation Paper. The Authority has applied the actual capital expenditure and Operating Expenditure for FY22-23 while projecting the expenses for the control period, and it is logical that it should have used the actual terminal building ratio. The terminal building allocation ratio should not be different than actual.*

***Therefore, we request AERA to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Non-Aeronautical, which are not required per se either in AERA Guidelines or NCAP.***

**<u>Authority's analysis of Stakeholders' comments on true up of CAPEX for the Second Control Period post-COD</u>**

5.4.8 The Authority has noted GIAL's comments regarding reclassification of assets and the application of various allocation ratios. In this regard the Authority's view as per para 5.7.27 and para 7.9.9 may be referred to.

## 5.5 True up of Depreciation

**Authority's examination of True up of Depreciation at Consultation Stage**

5.5.1 For the purposes of True up submission, GIAL had calculated depreciation for the period from COD up to March 31, 2022, based on their determination of remaining useful life.

5.5.2 The Authority had proposed to consider the same rates of depreciation as applied by AAI for the period up to COD, on the assets transferred by AAI to GIAL for the period from COD to March 31, 2022. Further, the assets added by GIAL had been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated January 12, 2018, of AERA. The Authority had proposed the useful life for all the assets of LGBIA post COD as per Table *123*

5.5.3 Depreciation had not been computed on the Intangible asset and Notional Lease Asset as the same is excluded from the RAB.

5.5.4 Accordingly, the depreciation on Aeronautical assets of ₹ 0.33 crores as submitted by GIAL had been revised (post reclassification) to ₹ 0.32 crores, thereby resulting a reduction in depreciation of ₹ 0.01 crores. The following table illustrates the impact on depreciation due to reclassification adjustments in Asset Addition/WIP Capitalization values of GIAL between COD and March 31, 2022.

**Table 54: Impact on Depreciation post reclassification and revised useful life by the Authority**

*(₹ crores)*

| Asset Category as per MYTP | Reclassification Impact (Period: COD till March 31, 2022) |
|---|---|
| Furniture & fixtures | (0.0001) |
| IT equipment | (0.008) |
| Office equipment | (0.002) |
| **Grand Total** | **(0.010)** |

5.5.5 Adjustments were also made in the depreciation of the assets handed over to GIAL by AAI for the post COD period, as per the asset reclassification carried out in the independent study conducted by the Authority and the revised useful life as per Table *123*. The total impact on depreciation in post COD period due to reclassification of assets has been summarized in the table below.

**Table 55: Depreciation impact due to Reclassification of Asset Additions (Post-COD Period)**

*(₹ crores)*

| Particulars | Values | Impact |
|---|---|---|
| Depreciation on pre-COD assets as per GIAL | 16.48* | |
| Depreciation on pre-COD assets after reclassification and revised useful life as per the independent study conducted by the Authority | 8.83 | |
| Impact on Depreciation for pre-COD Assets due to reclassification | | (7.65) |
| Depreciation on post-COD assets as per GIAL | 0.33* | |
| Depreciation on post-COD assets after reclassification | 0.32 | |
| Impact on Depreciation for post-COD Assets due to reclassification and revised useful life as per the independent study conducted by the Authority (Table **54**) | | (0.01) |

| Particulars | Values | Impact |
|---|---|---|
| **Total Impact on Depreciation for all Assets in post-COD period** | | **(7.66)** |

**Total Depreciation of ₹ 16.81 crores split between pre-COD and post-COD assets (₹ 16.48 crores + ₹ 0.33 crores respectively)*

5.5.6 The Adjusted RAB and Depreciation determined by the Authority for the period from COD till March 31, 2022, post reclassifications and other adjustments are as follows:

**Table 56: Average RAB considered by the Authority from COD till March 31, 2022 at Consultation Stage**

*(₹ crores)*

| Particulars | Amount |
|---|---|
| Adjusted RAB as on COD, transferred to Guwahati International Airport Limited (A) (refer Table 47) | 158.80 |
| Additions to RAB from COD to March 31, 2022, proposed by GIAL (Refer Table **52**) | 2.33 |
| Sub-total (C = A + B) | 161.13 |
| Reclassifications on asset additions | |
| Furniture & fixtures (D) | (0.002) |
| IT equipment (E) | (0.05) |
| Office equipment (F) | (0.03) |
| Software (G) | - |
| Total reclassifications (H) Sum (D : G) | (0.08) |
| **Adjusted RAB (I = C + H)** | **161.05** |
| Depreciation on RAB from COD to March 31, 2022, proposed by GIAL (J) | 16.81 |
| Adjustment in Depreciation for the period from COD to March 31, 2022 (K) (Table **55**) | (7.66) |
| **Total Adjusted Depreciation for the period from COD to March 31, 2022 (L=J+K)** | 9.15 |
| **Opening RAB as on 1st April'2022 for Third Control Period M=I –L** | **151.90** |
| **Average RAB M=(A+M)/2** | **155.35** |

Based on its analysis, the Authority at the Consultation Stage proposed to consider CAPEX, depreciation and RAB as per Table **56** for true up of the period from COD till March 31, 2022.

**<u>Stakeholders' comments on true-up of Depreciation and RAB for the Second Control Period post-COD</u>**

5.5.7 There were no Stakeholder comments with respect to true-up of depreciation and RAB for the Second Control Period post-COD.

**<u>Authority's analysis of Stakeholders' comments on true up of Depreciation and RAB for the Second Control Period post-COD</u>**

5.5.8 The Authority notes that there were no stakeholder comments received regarding Depreciation and RAB for the period from COD till 31st March. The Authority decides to consider the Depreciation and RAB consistent with its proposal made in this regard in the Consultation Paper No. 01/2024-25. The Capex, Depreciation and RAB considered by the Authority for true up of the period from COD till 31st March 2022 is as given in Table 56.

## 5.6 True up of FRoR

**<u>Authority's examination of True up of FRoR at Consultation Stage</u>**

5.6.1 GIAL had submitted FRoR @14% p.a. for true up of the period from COD till March 31, 2022. The Authority proposed to consider the same. In line with the Authority's proposal for true up of AAI from

FY 2017 to FY 2022 (up to COD) and also as approved for other similar airports. From the next Control Period for GIAL, AERA will consider FRoR, in line with other PPP airports.

5.6.2 However, it is noted that GIAL had operated the Airport in FY 2021-22 only for the period from COD till March 31, 2022. Therefore, GIAL is eligible to claim return on RAB only for the period from COD till March 31, 2022. Hence, for FY 2021-22, the Authority proposed to pro-rate the FRoR for 175 days during which GIAL operated the Airport. The pro-rated FRoR for FY 2021-22 has been computed as follows:

$$FRoR_{post\ COD} = FRoR^{*}\ n/\ 365$$

Where, FRoR is the fair rate of return for the entire FY 2021-22, $FRoR_{post\ COD}$ is the pro-rated FRoR for the period from COD till March 31, 2022 and $n$ is the number of days in operation in FY 2021-22.

Based on the above approach the pro-rated FRoR for FY 2021-22 had been computed as follows:

**Table 57: FRoR proposed by the Authority from COD to March 31, 2022 at Consultation Stage**

| Particulars | Value (%) |
|---|---|
| FRoR for FY'22 (A) | 14% |
| Number of days of operations in FY'22 (B) | 175 |
| Pro-rated FRoR for FY'22 (from COD till March 31, 2022) (A*B/365) | 6.71% |

5.6.3 The Authority at the Consultation Stage proposed to consider FRoR for true up of the period from COD till March 31, 2022 as 6.71%, as shown in Table 57.

**<u>Stakeholders' comments on true-up of FRoR for the Second Control Period post-COD</u>**

5.6.4 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 01/2024-25 with respect to the True up of Fair Rate of Return (FRoR) for the period from COD till 31st March 2022. The comments of the stakeholders are presented below.

5.6.5 FIA submitted that:

*(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.*

*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.*

**<u>GIAL's response to Stakeholders' comment regarding True up of FRoR for Second Control Period post-COD</u>**

5.6.6 In response to the comment by FIA, GIAL submitted the following response:

*For TCP, Authority has allowed FRoR of 12.21%. However, GIAL is seeking FRoR of 14.76% based on cost of equity of 17.30% as determined by the independent study done for LIAL as per methodology prescribed in AERA Guidelines and cost of debt of 12% as per actuals. If Airport Operators are not given suitable returns on their investment, the development and upgradation of such infrastructure facilities will not be of the level as expected by the Governments, Aviation Industry and Users.*
*Further it is to be noted that proportion of airport charges to total operational cost of Airlines is insignificant i.e., in range of 4-5% (based on Airline Cost Management Group (ACMG Report of IATA*

*Feb 2015.). Thus, its sensitivity towards the profitability of the airlines is minuscule. Also, with respect to the comment by FIA on huge losses suffered by airlines, please refer the comments provided under point no. 1.21. of response to stakeholder comments (Refer Para 10.4.5 of this Tariff Order).*
*As far as efficiency is concerned, Airport Operator has and will continue to sweat the assets and build in efficiency whenever possible.*

**Authority's analysis of Stakeholders' comments on true up of FRoR for the Second Control Period post-COD**

5.6.7 The Authority has noted FIA's comments regarding Fair Rate of Return and GIAL's response on the same. In this regards the Authority's view as per para 4.9.10, para 8.5.1, and para 8.5.2 may be referred to.

5.6.8 Based on the above factors, the Authority decides to consider the FRoR as per para 5.6.3 (**Table 57**) for the true-up of the period from COD till 31st March 2022.

## 5.7 True up of Aeronautical O&M expenses

**Authority's examination of True up of Aeronautical O&M expenses at Consultation Stage**

5.7.1 The component-wise break up of Aeronautical Operation and Maintenance expenses submitted by GIAL for the period from COD till March 31, 2022 is as follows:

**Table 58: O&M expenses submitted by GIAL for the period from COD till March 31, 2022**

(₹ crores)

| Expense Category | Amount |
|---|---|
| Manpower expenses - AAI employees | 14.19 |
| Manpower expenses - GIAL employees | 4.72 |
| Utility expenses | 2.62 |
| IT expenses | 1.49 |
| Rates & taxes | 0.32 |
| Security expenses | 1.37 |
| Corporate Allocation | 4.24 |
| Administrative Expenses - Collection Charges on UDF | 0.09 |
| Administrative Expenses - Others | 3.60 |
| Insurance | 0.99 |
| R&M | 9.71 |
| Others | 2.83 |
| Independent Engineer Fees | 1.69 |
| **Total** | **47.86** |

**Authority's examination of True up of Bank and Finance Charges at Consultation Stage**

5.7.2 It was observed that GIAL had considered Bank charges as entirely Aeronautical. However, the Authority proposed to consider the same as Common and reallocate it on Gross Fixed Assets ratio of 95.39:4.61 (*Table 23 of Asset Allocation Study Report*) based on the nature of expense and in line with other similar airports. The impact of such difference was a downward adjustment of ₹ 0.02 crores.

**Table 59: Bank & Finance Charges considered by the Authority for Post COD Period at Consultation Stage**

*(₹ crores)*

| Particular | Aero Expense |
|---|---|
| Bank and Finance Charges considered by GIAL (A) | 0.50 |

| Particular | Aero Expense |
|---|---|
| Bank and Finance Charges considered by Authority (B) | 0.48 |
| **Impact (B-A)** | **(0.02)** |

**Authority's examination of True up of Working Capital Loan Interest at Consultation Stage**

5.7.3 It was observed that GIAL had included Working Capital Loan Interest amount of ₹ 0.26 crores for ARR computation as Aeronautical. As per GIAL, the working capital interest had been calculated on best estimation basis since the ICD loan is a mix of working capital and other debt. Since, GIAL had not provided calculations for the working capital interest, the Authority therefore proposed that cost towards working capital loan interest cannot be considered at this stage.

**GIAL's Comments on True up of Working Capital Loan Interest for the post-COD period till March 31, 2022**

5.7.4 With respect to Working Capital Loan Interest, GIAL stated that:

*GIAL has tied up with AAHL for arranging funds through Inter Corporate Deposits for short term as well as long term requirements. The Inter Corporate Deposit are used for various purposes including but not limited to regular working capital requirement.*
*In respect to the Authority's comment that there is no evidence of working capital interest being incurred, we would like to submit that –*

*(a) The interest cost incurred is included in the Interest Expense on Inter Corporate Deposit (refer schedule 27 of the financial statement).*
*(b) As per the Inter Corporate Deposit agreement, the loan amount from AAHL shall be utilized solely for purposes of activities in relation to the Airport. The overall Inter Corporate Deposit amount received is fungible, and it is not possible to separately bifurcate the amount for respective usage. Hence, on a best estimation basis a calculation of interest is done in the financial model shared along with MYTP.*

*The methodology and calculation of interest on working capital can vary based on opinions from different experts, however there is no denial of the fact that GIAL has utilized the funds for various purposes in relation to Airport including but not limited to working capital requirement. In light of the above similar matter was positively considered by AERA in the recently approved Tariff Order for Trivandrum International Airport. Therefore, we request the Authority to kindly allow interest on working capital as GIAL has actually incurred costs.*

**Authority's analysis of GIAL's comments on True up of Working Capital Loan Interest for post-COD period from COD till March 31, 2022**

5.7.5 The Authority notes GIAL's submission regarding Interest on Working Capital. The Authority notes from the workings submitted in the MYTP that GIAL has computed a part of the interest cost as being towards Working Capital.

5.7.6 The Authority has reviewed the Financial Statement for FY 2021-22 and FY 2022-23 and the actual financial information for FY 2023-24 provided by GIAL. The Authority notes that the Interest Expense as per the Financial Statements also includes the interest accrued on account of the working capital loan. Accordingly, the Authority decides to consider the interest on working capital based on actuals for the true-up period from COD till 31st March 2022 (₹ 0.26 Crores), FY 2022-23 and FY 2023-24 respectively. For the remaining three (3) tariff years of the Third Control Period, the Authority has calculated the interest at the maximum cost of debt (9%) on the working capital requirement recomputed based on the revised revenue and expense.

**Authority's examination of True up of pre-COD Expenses at Consultation Stage**

5.7.7 The Authority noted that GIAL had submitted pre-COD expenses amounting to ₹ 9.85 Crores for true-up of the post-COD period. This expense included ₹ 1.08 Crores related to manpower cost including corporate cost allocation.

The Authority took cognizance of the fact that AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD to ensure that the relevant knowledge and experience of the operation and management of LGBIA is transferred to GIAL. Therefore, the deputation of such staff was relevant towards the objective of smooth transition of the airport from AAI to GIAL, and fulfilment of the terms of the CA.

Furthermore, the Authority also noted that as per Clause 15.1.2 of the Concession Agreement, the Concessionaire was mandated to achieve COD within 180 days from the date of the Concession Agreement.

Based on the above factors, the Authority noted that the cost of such personnel was paid by the Airport Operator. Additionally, Adani Group also deputed its own manpower from other group entities. The Authority has accordingly decided to consider salary expenses pertaining to such Adani Group entities for the period of six months prior to COD, i.e., from 8th April 2021 to 7th October 2021, for the purpose of tariff determination.

The Authority proposed to consider only this manpower cost for true-up based on the following:

- The Authority, after making a detailed study on the provisions of the Concession Agreement, decided that there is no provision in the Concession Agreement to include in the true up, the remaining costs incurred by GIAL prior to COD.
- The Authority proposed that the bid expenses incurred prior to the date of Letter of Award of GIAL, and expenses incurred between the date of Concession Agreement and COD (other than as specifically considered above), as submitted by GIAL are not considered for tariff determination.

Based on the above considerations, the total costs pertaining to manpower cost prior to COD, as allowed for the purpose of true-up of LGBIA is as follows:

**Table 60: Pre-COD expenses proposed by the Authority for the Third Control Period at Consultation Stage**

*(₹ crores)*

| Particular | Nature of expense | Total | % Allowable | Proposed Pre-COD Expense |
|---|---|---|---|---|
| Expense till Letter of Award-setting up Airport business | Corporate Cost Allocation | 1.72 | NIL | - |
| Project Cost for setup for Airport Business - Allocation by parent companies | Corporate Cost Allocation | 1.86 | NIL | - |
| Other Preliminary expense prior to COD | Incurred by GIAL | 5.19 | NIL | - |
| Pre-COD Payroll Cost | On roll employee cost | 1.08 | 100% | 1.08 |
| **Total** | | **9.85** | | **1.08** |

**GIAL's Comments on True up of Pre-COD expenses for the post-COD period till March 31, 2022**

5.7.8 With respect to pre-COD expenses, GIAL has submitted that:

*It is to be noted that the overall claim of the GIAL included salaries, professional consultancies, and other administrative expenses. However, the Authority has only considered the salaries.*

*We would like to place on records that:*

(a) *Adani Enterprises Limited (AEL) was announced the successful bidder for Guwahati Airport in Feb-2019. As the Concession agreement was a part of the Bid, AEL was aware of its obligations and responsibilities under the Concession Agreement and activities that were required to be done to achieve the successful Commercial Operations Date (COD). This process was akin to Operational Readiness and Airport Transfer (ORAT) activity which is done when green field facility is commissioned at the Airport. When an old asset is taken over by a new owner with a responsibility to maintain superior service standards which were not supported by the existing infrastructure and bottlenecks, it is akin to a greenfield asset from the operations perspective.*

*The Authority in case of Bengaluru International Airport Limited (BIAL) has approved cost of Rs. 46 Crs for ORAT during tariff determination of third control period (refer page no. 252 of Order No. 11/2021-22 for BIAL Third Control Period).*

(b) *We had earlier submitted to the Authority that various clauses in the Concession agreement mandated certain activities/obligations to be performed by the Airport Operator prior to COD so that the transition from AAI to AO is smooth. These activities covered many areas like operational readiness, familiarization & training, Trial programs, Airport facility assessment, Capability building & human resource management, observation period, financial closure etc. Being an operating Airport, these were important from the perspective of Airport users and passengers as well. It appears from the CP that the same has not been taken cognizance of by the Authority. Hence, we are reproducing the relevant provisions of the CA for your ready reference: -*

***Extract of relevant clauses from the Concession Agreement**:*

***Clause 16.5 Observation Period prior to COD**: - There was a requirement to have 60 days of observation period before COD whereby Concessionaire's team was to work along with AAI's team to understand the Airport operations. In order to have a dedicated Airport team to be ready for participation in the Observation period Concessionaire is required to hire personnel well before that time.*

***Further As per Clause 5.8 of the CA**, Concessionaire is obligated to have trained personnel employed all the time. Before taking over the Airport, the AO is required to hire people who are trained to take care of safe operations of the Airport.*

***As per Clause 4.1.3 of the CA**, as a condition precedent; Concessionaire needs to fulfill the following activities: -*

| **Particular** | **Details** |
|---|---|
| Submission of PBG within 120 days of signing of CA. | Submission of PBG requires engagement with various Banks, lenders and financial institutions. This also requires a dedicated finance team to work with various financial institutions. |
| Procure all the applicable permits. | All the necessary applicable permits need to be obtained which encompass all the functions of the Airport: - Operational like CTO, Fire NOCs, Clearance of BoD Financial – GST / PAN / TAN Engineering & Maintenance – Travelators, Weights & Measures, Single Line, HR Compliances – Shops & Establishment / ESI / PSF / CLRA Security – Clearance of Aviation Security Program In order to process and obtain the necessary applicable permits adequate manpower had to be onboarded well before the COD so that necessary applications are made timely, and approvals are obtained. |
| List of construction works to be undertaken in the first seven concession years. | In order to provide a list of construction works, Master planning needed to be undertaken which required engagement of master planner, designer, architects, town planners etc.<br>Further under **clause 5.12 of the CA Obligations relating to aesthetic quality of the Airport** it is stated |

| | |
|---|---|
| | that "The Concessionaire shall engage professional architects and town planners of repute for ensuring that the design of the Airport meets the aforesaid aesthetic standards". |
| Execution of the escrow agreement as per Schedule M. | This requires engagement with banks, lenders, financial institutions to perform the necessary documentation. |

***Clause 6.4.5 Works in Progress**: - Concessionaire is obligated to pay CWIP amounts to AAI. "The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress."*

***In order to assess the works in progress both physical and financial, necessary teams were engaged from master planning, designing, asset health check, vendor management and financial experts.***

***Clause 10.2 Lease, Access, and Right of Way**: - Concessionaire is allowed to take necessary surveys, investigations etc. of the property prior to COD to assess various risks associated with the site.*

***This activity required the engagement of various experts and agencies.***

***Clause 10.3 Procurement of the Site**: - Both AAI and Concessionaire need to undertake joint inspection of site, inventory of buildings, structures, roads works etc.*

***This required dedicated finance, operations and engineering & maintenance teams in place to do the joint inspection and asset health check.***

***Clause 15.1 / 26.1 Commercial Operation Date / Financial Close**: - In order to achieve COD, financial close is a mandatory requirement.*

***To make financial projections necessary studies were required to be undertaken like traffic study, revenue potential study, capex planning based on master planning, estimation of capex, operating cost estimation, engagement of financial consultant, financial modelling etc. This required the engagement of consultants and also an in-house corporate finance team.***

***Clause 18.17 Maintenance Programme** :- On or before COD, Concessionaire needs to submit detailed Maintenance Programme which shall include:*

1) *preventive maintenance schedule;*
2) *arrangements and procedures for carrying out urgent repairs;*
3) *criteria to be adopted for deciding maintenance needs;*
4) *intervals and procedures for carrying out inspection of all elements of the Airport;*
5) *intervals at which the Concessionaire shall carry out periodic maintenance;*
6) *arrangements and procedures for carrying out safety related measures; and*
7) *intervals for major maintenance works and the scope thereof.*

***In order to prepare the Maintenance Programme a dedicated Engineer's team involvement was required. Further this required investigation and detailed health study of the existing assets. The detailed study was conducted by engagement of both in-house team and expert consultants.***

***Clause 28.1 Collection of Fees by the Concessionaire**: - On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework.*

***In order to collect the fees from COD onwards, the necessary IT infrastructure was required to be set up which included SAP, AODB, AOCC, Billing Systems, and Passenger Data Collection System. In addition, it required Engagement of Finance team, assessment of existing IT Infrastructure, engagement of IT experts and experts who understood the regulatory framework.***

***Clause 28.8 Display of Aeronautical Charges**: - Website was required to be ready and necessary aeronautical charges needed to be provided on the website. This required the creation of websites, domains, engaging IT experts, domain experts, experts from regulatory framework etc.*

***Clause 30.3 Insurances**: - No later than 30 (thirty) days prior to commencement of the Concession Period, the Concessionaire shall by notice furnish to the Authority, in reasonable detail, information in respect of the insurances that it proposes to take.*

*This required engagement of insurance agents, risk measurement, assessment of asset value, risk mitigation plan etc.*

***Various other requirements under the CA which entailed onboarding of personnel/consultants:***

- *Operational SOPs*
- *Clause 23 - Readiness of Performance Measurement Plan*
- *Schedule H - to obtain ACI Membership*
- *Schedule I - Submission of Aerodrome Emergency Plan prior to COD*
- *18.15.4 Establishing Airport Safety Management Unit (ASMU)*
- *Formation of various committees - JCC for CNS ATM, MoU, Capex, Right of Way*
- *Aeronautical Information Services*
- *Apron Management Unit*

(c) *Further, we had provided the details of various professional consultancies and expenses incurred as part of Pre-COD expenses as below:*

| Particulars | Amount (Rs. Cr.) | Remarks and Comments |
|---|---|---|
| **Category 1: Expenses till letter of award** | **1.72** | |
| Project cost for Setup for Airport Business (Expenses upto Sep'20) - Allocation by parent companies | 1.72 | |
| **Category 2: Expenses from letter of award to COD** | **8.13** | |
| Project cost for setup for Airport Business (Munich Airport Service) - Allocation by parent companies | 1.86 | This was consultancy provided for organization set up, master plan review, Staff Capacity Building & Training Need Analysis, Transition Management. |
| Consultancy for Traffic Study | 1.31 | The report was used to make master plan which is mandatory requirement under CA |
| Pre-COD Payroll Cost (salary cost incurred by GIAL) | 1.08 | Allowed by the Authority |
| Project cost for Setup for Airport Business - Allocation by parent companies | 0.50 | Allocation by parent companies for providing group resources. The similar cost was approved in Ahmedabad, Lucknow and Mangaluru Airport |
| IT Assessment & Transition - M/s Wipro | 0.30 | The consultant was engaged to assess the AAI existing IT infrastructure and what are the gaps. |
| Bank Charges for PBG | 1.29 | These are charges paid to Bank for arranging Performance Bank Guarantee which is to be provided to AAI at least 2 months before the COD as required under CA |
| Consultancy for verification of CWIP from AAI - M/s Ernst & Young | 0.22 | The report is used to verify the CWIP works transferred by AAI to GIAL as mandated under clause 4.6.5 of the CA |
| Consultancy for Master Planning | 0.99 | The report was used to make master plan which is mandatory requirement under CA |
| Misc Exp (incl. beautification of terminals, one-time expenses for handover, Printing Stationery, Vehicle Hiring etc) | 0.58 | Miscellaneous Expenses incurred as a run-up to achieve COD. |
| **Total Pre-COD Exp** | **9.86** | |

*As can be seen in the above table, payment for professional consultancy during Pre-COD period included payment for various services including Master Plan review, IT assessment, Traffic Study, Design brief, Verification of CWIP from AAI, Rewards and workplace policies from HR perspective, to name a few. All these services were essential to achieve the successful transition of the airport* *from AAI to AO. Further, the pre-COD expenses also included the bank charges and commission paid to Woori Bank for Issuance of Performance Bank Guarantee as required under CA.*

(d) *From the foregoing submissions, the Authority would appreciate that without having proper manpower and professional support, it would not have been possible to achieve transition of airport from AAI to AO as mandated under the CA. These activities were required to be performed prior to COD. Hence, the expenditure incurred by the AO to achieve successful COD are essential, genuine, and legitimate. Hence, allowing salary expenses for a part period only ignoring the other legitimate expenses on professional fees etc. is not logical.*

***In view of the above, we request the Authority to at least take into account the actual expenditure incurred post issue of LOA by AAI till COD i.e. Rs. 8.13 crores against Rs. 9.86 crores claimed.***

**Authority's analysis of GIAL's comments on True up of Pre-COD expenses for post-COD period from COD till March 31, 2022**

5.7.9 The Authority has examined the comments raised by GIAL regarding the inclusion of pre-COD expenses for the purpose of tariff determination and has provided its views as given hereunder:

5.7.10 The Authority has studied the provisions of the Concession Agreement and its decisions in this Tariff Order are based on merit.

5.7.11 There is no provision in the Concession Agreement to consider these costs incurred by GIAL prior to Letter of Award. It would not be appropriate to draw a comparison with Operational Readiness and Airport Transfer (ORAT) activity which is a widely accepted practice for operationalizing greenfield airports and for which specific provisions and scope of inclusion is defined in the respective airport's Concession Agreement.

5.7.12 The authority took cognizance of the fact that the purpose of AAI deputing its senior personnel prior to COD and their continuation at the airport for the period of three months after COD is primarily to ensure that the relevant knowledge and experience of the operation and management of LGBIA is transferred to GIAL. Therefore, the deputation of such staff is relevant towards the objective of smooth transition of the airport from AAI to GIAL, and fulfillment of the terms of the Concession Agreement.

5.7.13 Furthermore, the Authority also notes that as per clause 15.1.2 of the Concession Agreement, the concessionaire is mandated to achieve COD within 180 days from the date of the Concession Agreement.

5.7.14 The Authority notes that AAI had deputed its staff and management personnel to the airport during the transition period, including prior to the COD. Additionally, Adani group also had to depute its own manpower from other group entities. Therefore, the Authority has accordingly considered salary expenses pertaining to such Adani group entities for the period of six months prior to COD, i.e., from 9th April 2021 to 8th October 2021 included in pre-COD expenses, for the purpose of tariff determination.

5.7.15 Also, as stated in the consultation stage, the Authority has considered an on-roll employee cost of Rs. 1.08 Crores incurred by GIAL as the salary expenses were incurred during the observation period of 60 days (August 2021 to October 2021) as per clause 16.5 of the Concession Agreement, where in the new Concessionaire's team had to work along with AAI's team to understand the Airport operations. Therefore, the aforementioned costs have been considered by the Authority for determining the pre-COD expenses.

5.7.16 The Authority notes that ₹ 0.50 Crores relating to project cost for setting up the airport business was incurred for the provision of group-based resources to GIAL by its parent company. The Authority decides to consider the same for determining the pre-COD expenses.

5.7.17 Further, the Authority notes that Rs. 1.29 Crores relate to BG commission and Facility Charges paid to the bank for arranging Performance Bank Guarantee which was to be provided to AAI at least two (2) months before the COD as required under CA. Therefore, the aforementioned costs have also been considered by the authority in tariff determination process.

5.7.18 The Authority notes that AAI had been successfully running LGBIA in compliance with the requirements of BCAS and DGCA. LGBIA is a brownfield airport which is already in operation and cannot be considered akin to a greenfield airport. The various activities mentioned by GIAL are part of routine regular activities performed by the Airport Operator and are small in nature and all the relevant SOPs are already in place.

5.7.19 The manpower deployed by AAI in the airport earlier has efficiently taken care of the activities mentioned by GIAL. Hence the Authority is not convinced that there is a need for additional Manpower primarily on account of the activities mentioned by GIAL.

5.7.20 Based on the consideration of the above factors, the Authority decides to allow Rs. 2.87 crores of Pre-COD expenses as part of the aeronautical O&M expenses for true up of the post-COD period from COD till 31st March 2022.

5.7.21 **Reallocation of O&M expenses**

The Authority had conducted an independent study to determine efficient Aeronautical Operation and Maintenance costs for the period FY 2016-17 till FY 2021-22 and used the outcome of the study to true up the O&M expenses for the period from COD till March 31, 2022 for GIAL.

All O&M expenses had been allocated as Aeronautical by GIAL. The Authority had analyzed the submission made by GIAL on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by GIAL *(refer Table 41 for Allocation of O&M expenses of Airport Operator as per the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport)*. Accordingly, the following expenses had been re-allocated by the Authority by using appropriate ratios such as Terminal Building ratio, Gross Fixed Assets ratio, Employee Head Count ratio and Electricity ratio *(Refer para 5.3 of the Study report on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport* regarding the ratios used by the Authority for allocation of common expenses.*)*

i. **Manpower expenses**

<u>**Manpower expenses – AAI employees**</u>

**Observation:** The Authority noted that pursuant to Clause 6.5 of the Concession Agreement read with Clause 28.4.3 entered into between AAI and Guwahati International Airport Limited, the cost of AAI employees deputed at LGBIA shall be eligible for pass-through in the determination of Aeronautical charges. The Authority noted that GIAL had considered the Manpower expenses as 100% Aeronautical. However, the Authority proposed to re-allocate the same in the ratio of Employee Head Count of AAI employees (99.19:0.81), resulting in a downward adjustment of ₹ 0.11 crores.

**Impact:** The impact of the re-allocation resulted in reduction of Manpower expenses by ₹ 0.11 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.1 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

**Manpower expenses – GIAL employees**

**Observation:** It was observed that the total manpower expenses of the employees of GIAL had been considered as 100% Aeronautical. However, the Authority proposed to allocate the total manpower expenses of GIAL based on GIAL's Employee Ratio of 95:5. The impact of such difference was a downward adjustment of ₹ 0.24 crores.

**Impact:** The impact of the re-allocation resulted in reduction of Manpower expenses by ₹ 0.24 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.1 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

ii. **Corporate Allocation Cost**

**Observation:** It was observed that the Aeronautical Corporate Allocation Cost of ₹ 4.24 crores had been incurred by GIAL towards Corporate Support Services received from the Companies, namely, Adani Enterprises Limited (AEL) and Adani Airports Holding Limited (AAHL) for the period from Post-COD till March 31, 2022. This cost included ₹ 2.07 crores from AAHL and ₹ 2.17 Crore from AEL.

AAHL had been referred as one of the Concessionaire for all NAR activites and the services provided by AAHL & AEL are mainly in the nature of provided specialised resources and knowledge which benefits the whole airport ecosystem, therefore the cost needed to be allocated in the same ratio as the employee cost of GIAL manpower cost had been allocated. The impact of such difference was a decrease of ₹ 0.21 crores

Further, it was noted that the Corporate Allocation Cost claimed by GIAL included an amount of ₹ 0.03 crores allocated towards In-house Legal department, which was in addition to the cost of one (01) employee of Legal department, already considered under the manpower expenses of GIAL and is not justified. Hence, the Study proposed to exclude this ₹ 0.03 crores from the Corporate Allocation cost submitted by GIAL.

**Impact:** The impact of the reallocation resulted in reduction of Corporate Allocation expenses by ₹ 0.24 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

iii. **Administrative Expenses - Others**

**Observation:** GIAL had submitted administrative expenses of ₹ 3.58 crores incurred towards Professional & Consultancy, Travelling & Conveyance, Auditing and Miscellaneous expenses and had considered these expenses as 100% Aeronautical. The Authority proposed to reallocate these expenses based on Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses and also consider AOCC services as Aeronautical, in line with the ratio allocation followed for AAI up to COD.

**Impact:** The impact of such reallocation was a decrease of ₹ 0.16 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.3 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

iv. **Repair and Maintenance Expenses**

**Observation:** GIAL had incurred an amount of ₹ 9.71 crores towards Repairs & Maintenance which included maintenance of various assets and had considered these expenses as 100% Aeronautical. The Authority proposed to reallocate these expenses based on Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses.

**Impact:** The impact of such reallocation was a decrease of ₹ 0.42 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.4 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

v. **Other Operating Expenses such as IT, Rates & Taxes, Insurance etc.**

**Observation:** It was observed that the Other Operating expenses totalling to ₹ 7.59 crores included amount incurred towards IT expenses, Rates & Taxes, Security expenses, Collection Charges, Insurance, Outsource manpower, Housekeeping, Bank & Finance Charges. GIAL had considered Other Operating expense as 100% Aeronautical. The Authority proposed to reallocate these expenses based on the Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses.

**Impact:** The impact of the reallocation resulted in reduction of Other Operating Expenses by ₹ 0.45 crores for the period from COD till March 31, 2022.

**Reference:** Para 5.4.5 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

vi. The impact on the Aeronautical O&M expenses of GIAL on account of the proposed reallocation of expenses is as follows:

**Table 61: Impact of proposed reallocation of GIAL's Aeronautical O&M expenses**

*(₹ crores)*

| Particular | Net Impact |
|---|---|
| Manpower expenses - AAI employees | (0.11) |
| Manpower expenses - GIAL employees | (0.24) |
| Corporate Allocation | (0.24) |
| Administrative Expenses – Others | (0.16) |
| R&M | (0.42) |
| Other Operating Expenses | (0.45) |
| **Total** | **(1.65)** |

5.7.22 Based on the above adjustments and reclassification, the revised Aeronautical O&M expenses considered by the Authority at the Consultation Stage for the period from COD to March 31, 2022 is summarized in the table below:

**Table 62: Reallocated Aeronautical O&M expenses of GIAL from COD to March 31, 2022 at Consultation Stage**

*(₹ crores)*

| Particular | Aero Expense |
|---|---|
| Manpower expenses - AAI employees | 14.08 |
| Manpower expenses - GIAL employees | 4.48 |

| Particular | Aero Expense |
|---|---|
| Utility expenses | 2.62 |
| IT expenses | 1.41 |
| Rates & taxes | 0.31 |
| Security expenses | 1.37 |
| Corporate Allocation | 4.00 |
| Administrative Expenses - Collection Charges on UDF | 0.09 |
| Administrative Expenses - Others | 3.42 |
| Insurance | 0.94 |
| R&M | 9.29 |
| Others | 2.52 |
| Independent Engineer Fees | 1.69 |
| **Total** | **46.22** |

**Stakeholders' comments on True up of O&M Expenses for post-COD period from COD till March 31, 2022**

5.7.23 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to the true up of O&M Expenses for the post-COD period till 31st March 2022. The comments by the Stakeholders are presented below.

**GIAL's Comments on True up of O&M Expenses for the post-COD period till March 31, 2022**

5.7.24 With respect to Allocation of O&M expenses, GIAL submitted that:

*Under the Shared-Till (or Hybrid Till) model as proposed in National Civil Aviation Policy, 2016, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. There is no mention of allocation of RAB, allocation of Operation and Maintenance etc. Therefore, there is no need to apply the allocation ratio whereby capital and operating expenditure is reduced, which acts as a dual burden for the Airport Operator. Also, the AERA Guidelines do not provide for applying the allocation ratio.*
*Relevant extract of National Civil Aviation Policy, 2016 is reproduced below: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges.*
*For ease of reference, the relevant clause regarding the 'Shared Till' approach from the Concession Agreement is reproduced hereunder:*
*"28.3.2. The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."*
*Further as per AERA Order No. 14/2016-17 issued on 23rd January 2017, the Authority has adopted the Hybrid Till whereas 30% of non-aeronautical revenues are used to cross-subsidize aeronautical charges. The order only provides for cross subsidization of 30% from non-aeronautical revenues. The relevant extract of the order is as: -*
*The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that:*
*(i) The Authority will in future determine the tariffs of major airports under "Hybrid-Till"* ***wherein*** *30% of non-aeronautical revenues will be used to cross-subsidise aeronautical charges.*

*Accordingly, to that extant 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. **(emphasized)***

*The Authority, however, in addition to the cross subsidy of 30% of Non-Aero revenue, has reduced the RAB and O&M expenses by allocating the same to Aero & Non-Aero which is neither provided in the NCAP nor provided in the AERA guidelines. If the intent of the same is to reduce, then the same should have been explicitly provided in the NCAP or AERA Guidelines.*

***Therefore, we request AERA to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Non-Aeronautical, which are not required either in AERA Guidelines or in NCAP.***

5.7.25 With regard to the Authority's proposal to exclude cost of legal employees from Corporate Support Services cost, GIAL submitted that:

*as Authority has allowed corporate cost allocation for other departments like Operations, Finance, etc. it is logical that corporate cost allocation for legal department should also be allowed.*

*AERA has mentioned in the CP, example of distinct roles and responsibilities of other functions like Finance, IT etc. at Airport Company and at Corporate Level. Likewise Legal department also has different roles and responsibilities at Airport company and Corporate Level.*

***Roles and Responsibilities at Corporate Level***

- *Providing business and legal perspective and advice on a wide range of strategic, tactical, and operational issues to all Airports teams*
- *Determination of legal interests and options and counsel to top leadership on legal matters*
- *Coordinating and giving directions with external counsels*
- *Participating in the formulation of general management policy as a member of the executive management team*
- *Developing and leading internal audit and corporate compliance programs*

***Roles and Responsibilities at Airport Level***

- *Transaction support, including in relation to contracting and compliance*
- *Drafting and vetting of RFP/RFQs*
- *Applicability and compliances of local laws applicable to the Airport and maintaining proper corporate interactions with the relevant local, state and federal governmental bodies, legislatures*

*We would like to take reference from Consultation Paper No. 15/2020-21 for Delhi Airport where Corporate Cost Allocation without any deduction of legal corporate cost is allowed by AERA in tariff order. It is to be noted that DIAL has Legal team employed at Airport Company also and there is no redundancy between the Corporate legal team and Airport Legal team. The extract from DIAL Consultation Paper No. 15/2020-21 is provided as follows:*

***DIAL Corporate Level Structure***

**13.6.1 GMR AIRPORTS LIMITED**

*Table 80Cost Objected allocated from GAL to DIAL*

| S.NO. | [illegible] | [illegible] | [illegible] |
|---|---|---|---|
| 1 | GCM Office | Fully Chargeable | Weighted Average Ratio of Assets* |
| 2 | BCM Office | Fully Chargeable | Weighted Average Ratio of Assets |
| 3 | CEO Office | Fully Chargeable | Weighted Average Ratio of Assets |
| 4 | Stakeholder Management | Fully Chargeable | Weighted Average Ratio of Assets |

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| S.NO | DEPARTMENT COST CHARGED | COST TYPE | BASIS OF APPORTIONMENT |
|---|---|---|---|
| 5 | Commercial and RD | Semi- Chargeable* | Weighted Average Ratio of Assets |
| 6 | Legal | Fully Chargeable | Weighted Average Ratio of Assets |
| 7 | Sector HR | Semi- Chargeable* | Weighted Average Ratio of Assets |
| 8 | Sector IT | Semi- Chargeable* | Weighted Average Ratio of Assets |
| 9 | Strategic Planning Group | Fully Chargeable | Weighted Average Ratio of Assets |
| 10 | Finance and Accounts | Semi- Chargeable* | Weighted Average Ratio of Assets |
| 11 | Regulatory | Fully Chargeable | Weighted Average Ratio of Assets |

***DIAL Airport Company Structure***

*Table 42 Manpower Count for DIAL during Second Control Period*

| S. No | Department | Functions | FY15 | FY16 | FY17 | FY18 |
|---|---|---|---|---|---|---|
| 1 | Operations (DIAL) | Airport Operations | 465 | 437 | 471 | 570 |
| 2 | BCM/CEO Office | Senior Management | 12 | 12 | 32 | 60 |
| 3 | Commercial (Aeronautical & Non-Aeronautical) | Support Functions | 88 | 82 | 81 | 89 |
| 4 | Corporate Communication | Support Functions | 12 | 11 | 10 | 14 |
| 5 | Corporate Relations | Support Functions | 24 | 21 | 20 | 21 |
| 6 | SPG/Business Integration & Planning | Support Functions | 20 | 20 | 20 | 20 |
| 7 | Ethics &Intelligence & GMRVF | Support Functions | 26 | 27 | 35 | 37 |
| 8 | Finance & Accounts | Support Functions | 62 | 69 | 73 | 107 |
| 9 | Human Resources & FMS | Support Functions | 34 | 35 | 31 | 73 |
| 10 | Guest Relations | Support Functions | 25 | 24 | 23 | 21 |
| 11 | IT | Support Functions | 17 | 12 | 7 | 6 |
| 12 | Legal | Support Functions | 15 | 13 | 13 | 21 |
| 13 | MAG | Support Functions | [illegible] | 5 | 7 | 16 |
| 14 | Project & Engineering | Airport Operations | 27 | 23 | 21 | 15 |
| 16 | Quality, Service & Delivery | Airport Operations | 15 | 14 | 11 | 13 |
| 17 | Baggage Screeners | Airport Operations | 438 | 422 | 316 | 319 |
| 18 | Security | Airport Operations | 55 | 67 | 91 | 106 |
| 19 | Trolley retriever | Airport Operations | 215 | 204 | 220 | 226 |
| Total Manpower (Excluding CPD) | | | 1,588 | 1,518 | 1,450 | 1,737 |

*It is relevant to note that these services are not being provided by a third party and are the employees of GIAL`s parent company.*

***Based on the above facts, we request the Authority to allow the corporate cost allocation, the amount which has been actually incurred and paid, during the period from COD till 31st March 2022 without any downward adjustment for legal department cost.***

**Authority's analysis of Stakeholders' comments on True up of O&M Expenses for post-COD period from COD till March 31, 2022**

5.7.26 The Authority examined the comment of the AO on the allocation of RAB and O&M expenses and would like to state that the allocation of building blocks into Aeronautical and Non-Aeronautical as a practice is being followed uniformly at all the airports.

5.7.27 The tariff methodology adopted by the Authority segregates O&M expenses into Aeronautical, Non-Aeronautical and Common considering the nature and purpose of the services for which these expenses are incurred. However, in the absence of any specific information regarding segregation of expenses, due clarifications were sought from GIAL regarding calculation of various allocation ratios such as terminal area.

5.7.28 The AERA guidelines which advocated single till were issued in 2011. Whereas AERA adopted shared till based on NCAP 2016 in 2017. As per shared till by international standards, only aeronautical expenditure is considered for tariff determination, which means that common expenditure shall be allocated between aero and non-aero expenditure based on allocation ratio.

Accordingly, AERA has been considering the allocation and building blocks uniformly at all airports.

5.7.29 In view of the GIAL response, the Authority proposed that in case GIAL so desires, they may adopt Single Till methodology wherein all assets and operating expenses are considered as Aeronautical. However, GIAL has not opted for the same during the consultation process. Hence, the Authority has decided to allocate O&M expenses and CAPEX in line with the proposal at consultation stage.

5.7.30 Further, as per the established principle of inclusion or exclusion of asset from RAB. The Authority must ensure segregation of costs and revenues associated with the assets. This is primarily required to enable cost-relatedness for airport charges in line with established ICAO principles and policies on Charges for Airports and Air Navigation Services. Since, there are no separate regulatory accounts maintained by the Airport Operators the Authority has followed accepted allocation methodology to allocate asset and operating expenditure into Aeronautical and Non-Aeronautical.

5.7.31 As per clause 5.4.2 (a) of the tariff guidelines, the operation and maintenance expenditure to be assessed for tariff determination will be limited to only those expenditure that relates to assets and services taken into consideration for determination of Aggregate Revenue Requirement. Since, the ARR considers building block related to Aeronautical Services the cost needs to be considered only with respect to Aeronautical Services. As there are no separate regulatory accounts maintained by the Airport Operator, the Authority has to undertake allocation exercise based on internationally accepted principle to ensure compliance of tariff guidelines and principle of cost relatedness.

5.7.32 Further, the NCAP has introduced 30% hybrid till to ensure uniformity and level playing field across various operators. In this regard, it is to be noted that the hybrid till mechanism was followed in case of Delhi and Mumbai Airport. As per the State Support Agreement of Delhi and Mumbai Airport the RAB and Opex need to be considered only with respect to Aeronautical Services. Also, as per para 2.2. of the order no. 14/2016-17, the Authority noted that the ministry had considered Delhi and Mumbai tariff determination formula while deciding on adoption of hybrid till.

5.7.33 The Authority has reviewed the comments of GIAL with respect to the allocated cost towards in-house legal team under corporate support service cost. As mentioned in the Independent Study on O&M expenses for GIA (Refer para 5.4.2.(vii)), the Authority has already allowed the employee expenses towards the inhouse legal team of GIAL and therefore, is of the view that providing additional expenses towards legal department at the Corporate Level would result in redundancy. Hence, the Authority sees no reason to change its decision as taken in the Consultation stage (Refer para 5.7.22 of this Tariff Order).

## 5.8 True up of Non-Aeronautical Revenue (NAR)

**<u>Authority's examination of True up of NAR at Consultation Stage</u>**

5.8.1 GIAL had submitted the following components of NAR for the period from COD till March 31, 2022, which the Authority has verified with the Books of Account of GIAL.

**Table 63: NAR submitted by GIAL for True up from COD till March 31, 2022**

*(₹ crores)*

| Particulars | Revenue |
|---|---|
| Car parking | 0.34 |
| Lounge | - |
| Building rent | 1.99 |
| Other Income | 0.63 |
| Revenue from other than master concessionaire | - |
| Master Concessioner | 7.00 |
| **Total Non-Aero revenue** | **9.96** |

5.8.2 The Authority, on verification of the NAR of GIAL, noted that ₹ 0.16 crores was related to space rentals from airlines. The Authority was of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. The authority, therefore, proposed to exclude Space Rentals from airlines providing aeronautical services from the NAR for the post-COD period.

5.8.3 The Authority at the Consultation Stage proposed to consider NAR for the period from COD till March 31, 2022 as per table below:

**Table 64: NAR proposed by the Authority for True up from COD till March 31, 2022 at Consultation Stage**

*(₹ crores)*

| Particulars | Amount |
|---|---|
| Actual Non-Aeronautical Revenue as submitted by GIAL (A) | 9.96 |
| Less: Revenue from space rentals from airlines (B) | 0.16 |
| **Non-Aeronautical Revenue as per the Authority (A-B)** | **9.80** |

**Stakeholders' comments on true-up of NAR for the Second Control Period post-COD**

5.8.4 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to the true up of Non-Aeronautical Revenue for the post-COD period till 31st March 2022. The comments by the Stakeholders are presented below.

5.8.5 GIAL has submitted the following comments regarding the consideration of space rental income from airlines as Aeronautical Revenue.

(a) *In respect to the consideration of space rental income from airlines, we would like to submit that The AERA Act, 2008 and the AERA Guidelines do not categorize airline space rental as aeronautical revenue. As per AERA Act (a) "aeronautical service" means any service provided—*

   (i) *for navigation, surveillance and supportive communication thereto for air traffic management;*

   (ii) *for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;*

   (iii) *for ground safety services at an airport;*

   (iv) *for ground handling services relating to aircraft, passengers and cargo at an airport;*

   (v) *for the cargo facility at an airport;*

   (vi) *for supplying fuel to the aircraft at an airport; and*

   (vii) *for a stake-holder at an airport, for which the charges, in the opinion of the Central*

*Government for the reasons to be recorded in writing, may be determined by the Authority;*

(b) *We would also like to draw reference to the definition of Revenues from Non-Aeronautical sources read with Clause 4.23 of the International Civil Aviation Organization ("ICAO") Doc 9562 as below:*

*"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."*

*4.23 Rentals. 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"*

*In view of the above, it is clear that the space rental income is not an Aeronautical Service as per AERA Act, and also it is specified as Non-Aeronautical Service as per ICAO. Hence, we request the Authority to kindly consider revenues from space rentals as Non-Aeronautical.*

**Authority's analysis of Stakeholders' comments on true up of NAR for the Second Control Period post-COD**

5.8.6 The Authority has noted GIAL's comment on space rental income from airlines and would like to state that as the space rented out to airlines in the Terminal building is for ticketing and facilitation of passengers, which is an aeronautical activity, it has been uniformly considered as part of aeronautical revenue. This practice is being followed by AERA across all airports including PPP airports. Hence, GIAL's views are not agreed to by the Authority.

### 5.9 True up of Aeronautical Revenue

**Authority's examination of True up of Aeronautical Revenue at Consultation Stage**

5.9.1 GIAL had submitted the following components of Aeronautical Revenue for the period from COD till March 31, 2022, which the Authority through its independent consultant had verified with the Books of Account of GIAL and noted the same to be in order. The same is presented in the Table below:

**Table 65: Aeronautical Revenue submitted by GIAL for True up from COD till March 31, 2022**

*(₹ crores)*

| Particulars | Revenue |
|---|---|
| Landing revenue | 16.49 |
| Parking & housing revenue | 0.28 |
| Ground handling charges | 0.78 |
| Passenger UDF revenue | 40.17 |
| CUTE Revenue | 1.71 |
| CGF rentals | 0.52 |
| Cargo/Fuel/Other | - |
| **Total Aero revenues** | **59.95** |

5.9.2 The Authority proposed to include space rental from airlines amounting to ₹ 0.16 crores as aeronautical revenue. (refer para 5.8.2).

5.9.3 The Authority proposed to consider revised Aeronautical Revenue for the period from COD till 31st

March 2022 as per table given below:

**Table 66: Aeronautical Revenue proposed by the Authority for True up from COD till March 31, 2022 at Consultation Stage**

*(₹ crores)*

| Particulars | Amount |
|---|---|
| Actual Aeronautical Revenue as submitted by GIAL (A) | 59.95 |
| Add: Revenue from space rentals from airlines (B) | 0.16 |
| **Aeronautical Revenue as per the Authority (A+B)** | **60.11** |

**Stakeholders' comments on true-up of Aeronautical Revenue for the Second Control Period post-COD**

5.9.4 There were no Stakeholder comments with respect to true-up of Aeronautical revenue for the Second Control Period post-COD.

**Authority's analysis of Stakeholders' comments on true up of Aeronautical Revenue for the Second Control Period post-COD**

5.9.5 No Stakeholder comments were received regarding Aeronautical Revenue for the period from COD till 31st March. In this regard, the Authority has decided to consider the Aeronautical Revenue consistent with its proposal made in this regard in the Consultation Paper No. 01/2024-25. The Aeronautical Revenue considered by the Authority for true up of the period from COD till 31st March 2022 is as given in Table 66.

## 5.10 True up of Taxation

**Authority's examination of True up of Taxation at Consultation Stage**

GIAL had submitted Aeronautical Tax of ₹ 1.32 crores for the period from COD till March 31, 2022. Based on the proposals on various building blocks, revised calculation of taxation is presented in the table below:

**Table 67: Taxation proposed by the Authority for true up (COD till 31st March 2022) at Consultation Stage**

*(₹ crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Aero Revenues (refer Table *66*) | A | 60.11 |
| Aero O&M Expenses (refer Table *62*) | B | 46.22 |
| Bank & Finance Charges (refer Table *59* ) | C | 0.48 |
| Interest Expense | D | 2.55 |
| Depreciation as per IT Act | E | 9.25 |
| Aero Profit Before Tax | G=A-(B+C+D+E) | 1.61 |
| Previous loss adjustment | H | - |
| Taxable Profit | I=MAX (0, (G-H)) | 1.61 |
| Tax rate (%) | J | 25.17% |
| Aeronautical Tax | K=I*J | **0.41** |

**Stakeholders' comments on true-up of Taxation for the Second Control Period post-COD**

5.10.1 There were no Stakeholder comments with respect to true up of tax for the Second Control Period post-

COD.

**Authority's analysis of Stakeholders' comments on true up of Taxation for the Second Control Period post-COD**

5.10.2 No Stakeholder comments were received regarding tax for the period from COD till 31st March. However, as the Authority has considered the Working Capital Interest expense and the Pre-COD expense at the Tariff Order stage (refer Para 5.7.6 and Para 5.7.15 to Para 5.7.17), the aeronautical tax considered by the Authority for true up has been recomputed as per Table 68 below.

**Table 68: Taxation decided by the Authority for true up (COD till 31st March 2022)**

*(₹ crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Aero Revenues (refer Table 66) | A | 60.11 |
| Aero O&M Expenses (refer Table 62) | B | 46.22 |
| Bank & Finance Charges (refer Table 59 ) | C | 0.48 |
| Working Capital Loan Interest (refer Para 5.7.6) | D | 0.26 |
| Interest Expense | E | 2.55 |
| Pre-COD Expense | F | 2.87 |
| Depreciation as per IT Act | G | 9.25 |
| Aero Profit Before Tax | H=A-(B+C+D+E+F+G) | (1.52) |
| Previous loss adjustment | I | - |
| Taxable Profit | J=MAX (0, (H-I)) | 0.00 |
| Tax rate (%) | K | 25.17% |
| Aeronautical Tax | L=J*K | 0.00 |
| Opening Losses | M | 0.00 |
| Current Period (loss)/profit | N=H | (1.52) |
| **Closing Losses** | O=M+N | **(1.52)** |

## 5.11 True up of Aggregate Revenue Requirement (ARR)

**Authority's examination of True-up of ARR for period from COD till March 31, 2022 at Consultation Stage**

5.11.1 Based on its analysis of the various building blocks, the Authority had determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period and same is presented in the table below:

**Table 69: ARR and Shortfall proposed by the Authority (COD till March 31, 2022) at Consultation Stage**

*(₹ crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Average RAB (refer Table 56) | | 155.35 |
| FRoR on Average RAB (@ 14% for 175 days) | A | 10.43 |
| Operating expenses (Refer Table 62) | B | 46.22 |
| Bank and Finance Charges (refer Table 59) | C | 0.48 |
| Pre COD Expenses (refer Table 60) | D | 1.08 |
| Depreciation (refer Table 56) | E | 9.15 |

| Particulars | Ref. | Amount |
|---|---|---|
| Tax (refer Table 67) | F | 0.41 |
| ARR (Sum (A:F)) | G | 67.76 |
| Non-aeronautical revenue (refer Table 64) | H | 9.80 |
| Less: 30% of Non-aeronautical revenue | I | 2.94 |
| Net ARR (G-I) | J | 64.82 |
| Actual Aeronautical Revenue (refer Table 66) | K | 60.11 |
| Shortfall/ under-recovery (J-K) | L | 4.71 |
| Discount factor as on March 31, 2022 | M | 1 |
| PV of Under recovery as on March 31, 2022 (L*M) | N | **4.71** |
| Discount factor (@ 12.21%) as on March 31, 2023 | O | 1.122 |
| **PV of Underrecovery as on March 31, 2023= O*N** | P | **5.29** |

5.11.2 The Authority had proposed to consider under recovery of ₹ 5.29 crores for the post-COD period. The Authority had also proposed to consider the same as a post-COD true up while calculating ARR of LGBIA for the Third Control Period.

5.11.3 The ARR proposed by the Authority was ₹ 64.82 crores (refer Table 69), as against ₹ 83.53 crores (refer Table 51) submitted by GIAL. The variance was on account of the following

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.
ii. Revision in Useful Life of Assets considered by the Authority,
iii. Rationalization of O&M expenses claimed by GIAL,
iv. Exclusion of certain expenses such as working capital loan interest and Pre-COD expenses

**Stakeholders' comments on true-up of ARR for the Second Control Period post-COD**

5.11.4 There were no Stakeholder comments with respect to true up of ARR for the Second Control Period post-COD.

**Authority's analysis of ARR for the Second Control Period post-COD post Stakeholder Consultation**

5.11.5 The Authority. after careful analysis and examination of the Stakeholders' comments across various building blocks pertaining to true up of Second Control Period post COD, recomputed the true up of Second Control Period post-COD.

5.11.6 The adjustments that were made over and above the true up considered at the time of issuance of Consultation Paper No. 01/2024-25 are as below:

a. Inclusion of Interest on Working Capital Loan of ₹ 0.26 Cr. (Refer para 5.7.6)

b. Inclusion of pre-COD expenses of ₹ 2.87 Cr. related to Bank and Finance charges for obtaining PBG and Project cost for setup of airport business (Refer Para 5.7.15 to 5.7.17)

5.11.7 Based on the above, the revised ARR considered by the Authority for true up of Second Control Period post-COD is given below in Table 70.

**Table 70: ARR and Shortfall decided by the Authority for True up of Second Control Period post-COD**

*(₹ Crores)*

| Particulars | Ref. | Amount |
|---|---|---|
| Average RAB (refer Table 56) | | 155.35 |
| FRoR on Average RAB (@ 14% for 175 days) | A | 10.43 |
| Operating expenses (Refer Table 62) | B | 46.22 |
| Bank and Finance Charges (refer Table 59) | C | 0.48 |
| Working Capital Loan Interest (refer Para 5.7.6) | D | 0.26 |
| Pre-COD Expenses (refer Para **5.7.15** to **5.7.17**) | E | 2.87 |
| Depreciation (refer Table 56) | F | 9.15 |
| Tax (refer Table 68) | G | 0.00 |
| ARR (Sum (A:G)) | H | 69.41 |
| Non-aeronautical revenue (refer Table 64) | I | 9.80 |
| Less: 30% of Non-aeronautical revenue | J | 2.94 |
| Net ARR (H-J) | K | 66.47 |
| Actual Aeronautical Revenue (refer Table 66) | L | 60.11 |
| Shortfall/(Surplus) (K-L) | M | 6.36 |
| Discount factor as on March 31, 2022 | N | 1 |
| PV of Under-recovery as on March 31, 2022 (M*N) | O | 6.36 |
| Discount factor (@ 12.21%) as on March 31, 2023 | P | 1.122 |
| **PV of Under-recovery as on March 31, 2023= P*O** | Q | **7.13** |

## 5.12 Authority's decisions regarding True up for the period from COD till March 31, 2022

Based on the material before it and its examination, the Authority decides the following with respect to True up of the period from COD till March 31, 2022 for LGBIA:

5.12.1 To consider true up of CAPEX, depreciation and RAB for the period from COD till March 31, 2022 as per Table 56.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2022 as per Table 57.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2022 as per Table 62.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2022 as per Table 64.

5.12.5 To consider true up of Aeronautical revenue for the period from COD till March 31, 2022 as per Table 66.

5.12.6 To consider true up of Taxation for the period from COD till March 31, 2022 as per Table 68.

5.12.7 To consider under recovery of ₹ 7.13 crores as per Table 70 for Post-COD period, while calculating the ARR for the Third Control Period.

# EVALUATION OF MYTP FOR THE THIRD CONTROL PERIOD

# 6 TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

## 6.1 GIAL's submission regarding Traffic projections for the Third Control Period

6.1.1 The historical passenger traffic[3] and ATM at the Airport has been shown in the table below:

**Table 71: Historical passenger, ATM and Cargo traffic at LGBIA**

| Year | Passenger (in Nos.) | | | ATM (in Nos.) | | | Cargo (in MT) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Combined | Domestic | International | Combined | Domestic | International | Combined |
| Traffic | | | | | | | | | |
| 2010-11 | 1,920,227 | 14,523 | **1,934,750** | 26,715 | 226 | **26,941** | 8,520 | - | **8,520** |
| 2011-12 | 2,217,820 | 26,864 | **2,244,684** | 27,636 | 452 | **28,088** | 7,761 | - | **7,761** |
| 2012-13 | 2,055,128 | 21,810 | **2,076,938** | 26,522 | 416 | **26,938** | 5,919 | 94 | **6,013** |
| 2013-14 | 2,171,912 | 25,721 | **2,197,633** | 26,604 | 494 | **27,098** | 7,871 | 36 | **7,907** |
| 2014-15 | 2,206,037 | 27,564 | **2,233,601** | 26,397 | 474 | **26,871** | 10,445 | 15 | **10,460** |
| 2015-16 | 2,752,418 | 31,897 | **2,784,315** | 28,913 | 512 | **29,425** | 15,617 | 11 | **15,628** |
| 2016-17 | 3,759,494 | 30,162 | **3,789,656** | 37,383 | 490 | **37,873** | 17,283 | 3 | **17,286** |
| 2017-18 | 4,636,604 | 31,449 | **4,668,053** | 40,668 | 504 | **41,172** | 22,343 | 2 | **22,345** |
| 2018-19 | 5,714,561 | 31,067 | **5,745,628** | 49,845 | 643 | **50,488** | 23,813 | 27 | **23,840** |
| 2019-20 | 5,422,289 | 35,160 | **5,457,449** | 44,539 | 1,000 | **45,539** | 21,267 | 3 | **21,270** |
| 2020-21 | 2,188,767 | 368 | **2,189,135** | 23,422 | 20 | **23,442** | 15,933 | 18 | **15,951** |
| 2021-22 | 3,148,940 | 16 | **3,148,956** | 33,564 | 8 | **33,572** | 21,814 | 44 | **21,858** |
| 2022-23 | 5,039,315 | 12,165 | **5,051,480** | 45,701 | 208 | **45,909** | 22,823 | - | **22,823** |

6.1.2 The passenger traffic, ATM and cargo traffic along with their expected annual growth rates, as submitted by GIAL for the Third Control Period are as given in the table below:

**Table 72: Traffic and growth (%) Y-o-Y proposed by GIAL**

| Year | Passenger (in Nos.) | | | ATM (in Nos.) | | | Cargo (in MT) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Combined | Domestic | International | Combined | Domestic | International | Combined |
| Traffic | | | | | | | | | |
| 2022-23 | 5,039,315 | 12,165 | **5,051,480** | 45,701 | 208 | **45,909** | 22,823 | 0 | **22,823** |
| 2023-24 | 6,473,222 | 69,797 | **6,543,019** | 58,773 | 1,197 | **59,970** | 24,293 | 3 | **24,296** |
| 2024-25 | 6,596,891 | 67,022 | **6,663,913** | 59,356 | 1,171 | **60,527** | 23,699 | 1,300 | **24,999** |
| 2025-26 | 7,430,971 | 113,091 | **7,544,062** | 66,498 | 1,552 | **68,050** | 27,126 | 1,400 | **28,526** |
| 2026-27 | 8,958,026 | 136,180 | **9,094,207** | 80,216 | 1,893 | **82,109** | 33,301 | 1,500 | **34,801** |
| **Total** | **34,498,425** | **398,255** | **34,896,681** | **310,544** | **6,021** | **316,565** | **131,242** | **4,203** | **135,445** |
| **Growth rates** | | | | | | | | | |
| 2022-23 | - | - | - | - | - | - | - | - | - |
| 2023-24 | 28.45% | 473.75% | **29.53%** | 28.60% | 475.48% | **30.63%** | 6.44% | - | **6.45%** |
| 2024-25 | 1.91% | -3.98% | **1.85%** | 0.99% | -2.17% | **0.93%** | -2.44% | - | **2.89%** |
| 2025-26 | 12.64% | 68.74% | **13.21%** | 12.03% | 32.54% | **12.43%** | 14.46% | 7.69% | **14.11%** |
| 2026-27 | 20.55% | 20.42% | **20.55%** | 20.63% | 21.97% | **20.66%** | 22.76% | 7.14% | **22.00%** |

6.1.3 GIAL had also submitted that it expected to process certain cargo volumes out of the total volume at its own cargo facility. The following table summarizes the total cargo volumes proposed to be handled by GIAL out of the total cargo traffic at LGBIA during the Third Control Period.

[3] Source: Traffic News from AAI website

**Table 73: Cargo volumes to be handled by GIAL out of the total cargo traffic during the Third Control Period**

| Particulars (in MT) | FY 23 | FY 24 | FY 25 | FY 26 | FY 27 |
|---|---|---|---|---|---|
| Domestic - Interim Facility | - | 3,500 | 4,500 | 5,500 | - |
| International – Interim Facility | - | - | - | - | - |
| New Integrated Cargo Terminal | - | - | - | - | 30,000 |
| **Total by GIAL (A)** | - | **3,500** | **4,500** | **5,500** | **30,000** |
| **Total Cargo Traffic at LGBIA (B)** | - | **24,296** | **24,999** | **28,526** | **34,801** |
| **% Share (A/B)*100** | - | **14%** | **18%** | **19%** | **86%** |

6.1.4 GIAL had engaged an independent agency – M/s Mott Macdonald for assessing passenger traffic, aircraft movement and cargo traffic for LGBIA. Based on its analysis, Mott Macdonald had provided high, base, and low estimate scenarios of projected traffic for the Third Control Period. The traffic projections submitted by GIAL in Table 72 is adopted from Mott Macdonald's 'base case scenario'.

6.1.5 The Passenger traffic and ATM projected above had been adjusted by GIAL to account for billable passenger traffic (excluding certain categories of passengers such as Transit/transfer passengers, Children below 2 years, Diplomatic passport holders, Airline Crew etc. for whom UDF charges are not leviable) and billable domestic ATMs (other than ATMs pertaining to less than 80-seater capacity flights, and flights operating under Regional Connectivity Scheme (RCS); that are exempted from landing charges). Based on the historical trends, the exempt traffic had been submitted by GIAL as 10% of the total passengers, and 18% of total ATMs for the Third Control Period, as shown in the table below.

**Table 74: Traffic growth rates (Y-o-Y) submitted by GIAL, after adjustment of exempt traffic**

| Year | Passenger (in Nos.) | | | ATM (in Nos.) | | |
|---|---|---|---|---|---|---|
| | Domestic | International | Combined | Domestic | International | Combined |
| **Traffic** | | | | | | |
| 2022-23 | 4,535,384 | 7,907 | **4,543,291** | 37,475 | 208 | **37,683** |
| 2023-24 | 5,825,900 | 45,368 | **5,871,268** | 48,194 | 1,197 | **49,391** |
| 2024-25 | 5,937,202 | 43,564 | **5,980,766** | 48,672 | 1,171 | **49,843** |
| 2025-26 | 6,687,874 | 73,509 | **6,761,383** | 54,528 | 1,552 | **56,080** |
| 2026-27 | 8,062,224 | 88,517 | **8,150,741** | 65,777 | 1,893 | **67,670** |
| **Total** | **31,048,583** | **258,866** | **31,307,449** | **254,646** | **6,021** | **260,667** |
| **Growth rates** | | | | | | |
| 2022-23 | - | - | - | - | - | - |
| 2023-24 | 28.45% | 473.75% | 29.23% | 28.60% | 475.48% | 31.07% |
| 2024-25 | 1.91% | -3.98% | 1.86% | 0.99% | -2.17% | 0.92% |
| 2025-26 | 12.64% | 68.74% | 13.05% | 12.03% | 32.54% | 12.51% |
| 2026-27 | 20.55% | 20.42% | 20.55% | 20.63% | 21.97% | 20.67% |

## 6.2 Authority's examination regarding Traffic projections for the Third Control Period at Consultation stage

6.2.1 The Authority noted that GIAL appointed Mott Macdonald as its Consultant who had derived traffic forecast based on Regression forecast methodology, developed through econometric analysis of historical data combined with projections of key demand drivers as given below:

- Passenger forecasts were derived basis Gross Domestic Product (GDP) growth forecasts from the International Monetary Fund (IMF) World Economic Outlook April 2021, as well as the US

Department of Agriculture (USDA) and the Organization for Economic Co-Operation and Development (OECD).

- The aircraft movement forecasts for the Airport were derived based on the historical development of both domestic and international average passengers per ATM.
- For cargo forecasts, the historical development of both domestic and international average cargo per ATM metrics, along with the potential cargo-carrying capacity of aircraft using the airports were considered.

6.2.2 The Authority noted that GIAL had assumed the 'base case scenario' estimates of traffic forecasts submitted by Mott Macdonald for forecasting passenger traffic, ATM and cargo (both domestic and international).

6.2.3 The Authority noted that GIAL had considered only billable ATM, after excluding ATM traffic that are exempted from landing charges. However, the Authority was of the view that RCS scheme is promoted by the GoI with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, therefore the flights operating under this scheme were not eligible to be claimed as a passthrough/ exemption. The Authority noted that, as per GIAL's submission, out of 23% of less than 80-seater capacity category ATMs handled in FY23, approximately 8% of them fell under RCS category. Based on the above fact, the Authority had estimated traffic projections after excluding ATMs that pertain to less than 80-seater capacity flights which fell under non-RCS category and being exempted from landing charges. The Authority further noted GIAL's submission that Guwahati as capital city airport and gateway to North East states. It acts as a hub to destinations like Pasighat (IXT), Shillong (SHL), Rupsi (RUP), Tezpur (TEI) and other small sized airports in the vicinity. This regional connectivity model helps boost demand in the aforementioned destinations, which have restrictions for larger aircraft to operate. Further, limited traffic demand from regional cities restricts the seat loads on these routes and thus do not permit airlines to operate bigger aircraft.

6.2.4 The Authority, after rationalization had derived the exempted traffic as 15% for each tariff year and had considered the same for determining the billable domestic ATM. Based on the above factors, the exempt traffic considered by the Authority (after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category) for determining billable domestic ATM for the Third Control Period for LGBIA were as follows:

**Table 75: Exempt traffic considered by the Authority for the Third Control Period at Consultation stage**

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Exempt Domestic ATM considered by the Authority | 15% | 15% | 15% | 15% | 15% |

Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. GIAL cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across all Major Airports.

6.2.5 As part of its examination of traffic forecast submitted by GIAL, the Authority had calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic, ATM, and Cargo from, FY 2017-18 to FY 2019-20 (3-year CAGR), FY 2015-16 to FY 2019-20 (5-year CAGR), FY 2010-11 to FY 2018-

19 (9-year CAGR), and FY 2010-11 to FY 2019-20 (10-year CAGR)

6.2.6 The 3-year, 5-year and 10-year CAGRs had been computed for the respective periods up to FY 2019-20, as FY 2020-21 being an exceptional event year, would not have provided an appropriate basis for arriving at CAGR. However, the computation of 9-year CAGR was based on the periods FY 2010-11 to FY 2018-19, in order to remove certain extraneous events of FY 2019-20 as detailed in para 6.2.8 below. The table below provides the details of the CAGR for passenger traffic, ATM, and Cargo:

**Table 76: CAGR for passenger traffic, ATM, and Cargo**

| Year | Passenger | | | ATM | | | Cargo | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Combined | Domestic | International | Combined | Domestic | International | Combined |
| 3 year CAGR | 8.14% | 5.74% | **8.13%** | 4.65% | 40.86% | **5.17%** | -2.44% | 22.47% | **-2.44%** |
| 5 year CAGR | 18.47% | 2.46% | **18.32%** | 11.41% | 18.22% | **11.54%** | 8.03% | -27.73% | **8.01%** |
| 9 year CAGR | 14.61% | 9.97% | **14.57%** | 8.11% | 13.96% | **8.17%** | 13.71% | NA* | **13.73%** |
| 10 year CAGR | 12.23% | 10.32% | **12.21%** | 5.84% | 17.97% | **6.01%** | 10.70% | NA* | **10.70%** |

* *Nil international cargo in FY2010-11*

6.2.7 The Authority had noted that there was a variation in traffic and volatility in data, which caused the CAGR for 5-year and 3-year period to be inappropriate for future traffic projections.

6.2.8 The Authority noted that there had been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20, which was a pre-COVID year, mainly due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic towards the end of the FY 2019-20.

6.2.9 It was observed that there was a de-growth of 59.63% and 98.95% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (compared to FY 2019-20), due to the adverse impact of COVID-19 pandemic on the domestic and international travels (Refer Table 71). Similarly, it was observed that there was a de-growth of 47.41% and 98.00%, respectively in domestic ATM and international ATM for FY 2020-21 (compared to FY 2019-20) as well as a de-growth of 25.08% in domestic Cargo for FY 2020-21 (compared to FY 2019-20). (Refer Table 71)

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

The traffic forecasts had been computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by Mott Macdonald for LGBIA.

6.2.10 **Airports Council International (ACI)**

ACI in its latest report available has projected the following air passenger traffic outlook:

- *Prior to the COVID-19 pandemic, the global passenger volume was estimated to reach 10.5 billion passengers in 2023. However, the current projection of global passenger volume in 2023 is approximately 8.6 billion passengers, which is 94.2% of the 2019 level.*
- *The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level). Compared to the pre-COVID forecast that predicted 10.9 billion passengers in 2024, the effects of the pandemic represent a potential loss of 13.9%.*

- *While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. By the end of the year, the region is expected to reach 2.9 billion passengers, or 87.3% of the 2019 level. With the uncertainty from both upside and downside factors, the region is expected to reach approximately 3.4 billion passengers, or 99.5% of the 2019 level, in 2024.*

6.2.11 **International Air Transport Association (IATA)**

IATA in its latest market analysis report has reported the following:

- *Industry-wide revenue passenger-kilometers (RPKs) increased 29.7% year-on-year (YoY) in November and closed the gap to 2019 levels to within 1%.*
- *Available seat-kilometers (ASKs) rose by 28.6% YoY, recovering to 98.2% of pre-pandemic capacity. Global passenger load factor increased over the year and compared to 2019, now standing at 81.8%.*
- *Domestic RPKs grew 6.7% over pre-pandemic levels with an annual growth rate of 34.8%. International RPKs 94.5% of pre-pandemic levels and increased 26.4% YoY.*
- *Air passenger traffic, measured in revenue passenger-kilometers (RPKs), continued to grow in November with a 29.7% increase over the year. Global RPKs are now just 0.9% lower than pre-pandemic levels. In seasonally adjusted terms, growth continued although at a slightly slower pace compared to the previous months with 0.6% month-on-month (MoM) growth.*

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

6.2.12 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.10 and 6.2.11 for arriving at the revised traffic projections.

6.2.13 The Authority had reviewed the actual Passenger traffic, ATM and Cargo traffic data for FY 2022-23 (from AAI website) and had considered the same for estimating traffic for the Third Control Period:

**Table 77: Comparison of Passenger, ATM and Cargo traffic at LGBIA of FY2019-20 vs FY 2022-23**

| Traffic | FY'20 | | | FY'23 | | | Traffic of FY'23 as a % of FY'20 traffic | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Total | Domestic | International | Total | Domestic | International | Total |
| Passenger (in Nos.) | 5,422,289 | 35,160 | **5,457,449** | 5,039,315 | 12,165 | **5,051,480** | 92.94% | 34.60% | **92.56%** |
| ATM (in Nos.) | 44,539 | 1,000 | **45,539** | 45,701 | 208 | **45,909** | 102.61% | 20.80% | **100.81%** |
| Cargo (in MT) | 21,267 | 3 | **21,270** | 22,823 | - | **22,823** | 107.32% | 0.00% | **107.30%** |

6.2.14 The Authority noted that GIAL had considered the actual passenger traffic and ATM data for FY 2022-23 available on AAI's website (as shown in the table above). The Authority vide email dated April 20, 2024 requested GIAL to provide actual traffic of FY2023-24 and the same was provided by GIAL vide email dated April 20,2024. The Authority compared the same with the data available on AAI website and proposed to consider actual traffic for FY2023-24 as per Table 78.

**Table 78: Forecasted and Actual Passenger, ATM, Cargo traffic submitted by GIAL for FY'24**

| Year | Passenger (in Nos.) | | | ATM (in Nos.) | | | Cargo (in MT) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Combined | Domestic | International | Combined | Domestic | International | Combined |
| FY24 | | | | | | | | | |
| Forecasted by GIAL till Mar'24 | 6473222 | 69797 | **6543019** | 58773 | 1197 | **59970** | 24293 | 3 | **24296** |
| Actuals till Mar '24 | 5927288 | 30321 | **5957609** | 45578 | 570 | **46148** | 18851 | 0 | **18851** |

6.2.15 The Authority reviewed the CAGR (3-year, 5-year, 9-year and10-year) derived by it as per Table **76**, and considering the positive outlook provided by the Expert Agencies, the Authority proposed to consider the passenger, ATM, and cargo traffic proposed by GIAL for the last three (3) tariff years (FY 2025-26 till FY 2026-27).

6.2.16 The Authority noted that due to comissioning and operationalization of NITB in first quarter of FY2025-26, the terminal building area shall increase by 621% from the existing terminal area. Due to increase in area it is expected that traffic will pick up from FY2025-26 onwards and GIAL will be able to achieve the forecasted traffic.

6.2.17 Based on the above analysis, the Authority thus proposed to consider actual passenger traffic, ATMs, and cargo for FY2022-23 and FY2023-24 as per Table 77 and Table 78 respectively; and GIAL's submission with respect to the traffic in each category, for the remaining three tariff years of the Third Control Period. The ratio of domestic exempted and billable ATMs considered by the Authority is as per Table **75**.

6.2.18 GIAL had metioned in its MYTP submission that commisioning of new Integrated Cargo Terminal (ICT) shall be done in FY2024-25 while operationalization shall happen in FY2025-26, and had considered handling of cargo from the new ICT, from FY2026-27 onwards. The Authority proposed to consider the same. The Authority also proposed to consider volumes for FY25 and FY26 as submitted by GIAL.

The Authority had assumed the same volumes for FY24, FY25 and FY26 due to cargo being handled from interim facility in absence of ICT. The Authority further proposed to consider 50% of the total cargo volumes forecasted to be handled by GIAL in FY 2026-27.

6.2.19 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period at Consultation stage are given in the table below:

**Table 79: Traffic proposed to be considered by the Authority for the TCP at the Consultation stage**

| Domestic Passengers (Lacs) | FY'20 | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **Domestic PAX submitted by GIAL** | 54.22 | 50.39 | 64.73 | 65.97 | 74.31 | 89.58 | **344.98** |
| **Domestic PAX proposed by the Authority** | | 50.39 | 59.27 | 65.97 | 74.31 | 89.58 | **339.52** |
| **GIAL's submission as a % of FY 2019-20 traffic** | | 92.94% | 119.38% | 121.66% | 137.04% | 165.21% | |
| **Proposed traffic as per the Authority as a % of FY 2019-20 traffic** | | 92.94% | 109.31% | 121.66% | 137.04% | 165.21% | |
| **International Passengers (Lacs)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **International PAX submitted by GIAL** | 0.35 | 0.12 | 0.70 | 0.67 | 1.13 | 1.36 | **3.98** |
| **International PAX proposed by the Authority** | | 0.12 | 0.30 | 0.67 | 1.13 | 1.36 | **3.59** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| GIAL's submission as a % of FY 2019-20 traffic | | 34.60% | 198.51% | 190.62% | 321.65% | 387.32% | |
| Proposed traffic as per the Authority as a % of FY 2019-20 traffic | | 34.60% | 86.24% | 190.62% | 321.65% | 387.32% | |
| **Total passengers (Lacs)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| Total PAX as per GIAL's submission | 54.57 | 50.51 | 65.43 | 66.64 | 75.44 | 90.94 | **348.97** |
| Total PAX (Domestic and International) proposed by the Authority | | 50.51 | 59.58 | 66.64 | 75.44 | 90.94 | **343.11** |
| Proposed total PAX as per GIAL's submission as a % of FY 2019-20 traffic | | 92.56% | 119.89% | 122.11% | 138.23% | 166.64% | |
| Proposed total PAX as per the Authority as a % of FY 2019-20 traffic | | 92.56% | 109.16% | 122.11% | 138.23% | 166.64% | |
| **Domestic ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| Domestic ATM submitted by GIAL | 44.54 | 45.70 | 58.77 | 59.36 | 66.50 | 80.22 | **310.54** |
| Domestic ATM proposed by the Authority (A) | | 45.70 | 45.58 | 59.36 | 66.50 | 80.22 | **297.48** |
| AO's submission as a % of FY 2019-20 total ATM | | 102.61% | 131.96% | 133.27% | 149.30% | 180.10% | |
| Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM | | 102.61% | 102.33% | 133.27% | 149.30% | 180.10% | |
| **Domestic exempted ATM %** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| Submitted by GIAL | | 18% | 18% | 18% | 18% | 18% | |
| As per the Authority (B) | | 15% | 15% | 15% | 15% | 15% | |
| **Domestic Billable ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| Submitted by GIAL | | 37.47 | 48.19 | 48.67 | 54.53 | 65.78 | **254.65** |
| As per the Authority C = A*(1-B) | | 38.85 | 38.74 | 50.45 | 56.52 | 68.18 | **252.75** |
| **International ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| International ATM submitted by GIAL | 1.00 | 0.21 | 1.20 | 1.17 | 1.55 | 1.89 | **6.02** |
| International ATM proposed by the Authority | | 0.21 | 0.57 | 1.17 | 1.55 | 1.89 | **5.39** |
| GIAL's submission as a % of FY 2019-20 ATM | | 20.80% | 119.70% | 117.10% | 155.20% | 189.30% | |
| Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM | | 20.80% | 57.00% | 117.10% | 155.20% | 189.30% | |
| **Total ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| Total ATM (Domestic and International) as per GIAL's submission | 45.54 | 45.91 | 59.97 | 60.53 | 68.05 | 82.11 | **316.57** |
| Total ATM (Domestic and International) proposed by the Authority | | 45.91 | 46.15 | 60.53 | 68.05 | 82.11 | **302.74** |
| AO's submission as a % of FY 2019-20 total ATM | | 100.81% | 131.69% | 132.91% | 149.43% | 180.30% | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Proposed total ATM as per the Authority as a % of FY 2019-20 ATM** | | 100.81% | 101.34% | 132.91% | 149.43% | 180.30% | |
| **Domestic Cargo traffic (in MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Domestic cargo submitted by GIAL** | 21.27 | 22.82 | 24.29 | 23.70 | 27.13 | 33.30 | **131.24** |
| **Domestic cargo proposed by the Authority** | | 22.82 | 18.85 | 23.70 | 27.13 | 33.30 | **125.80** |
| **GIAL's submission as a % of FY 2019-20 total Domestic Cargo** | | 107.32% | 114.23% | 111.44% | 127.55% | 156.59% | |
| **Proposed total ATM as per the Authority as a % of FY 2019-20 Domestic Cargo** | | 107.32% | 88.64% | 111.44% | 127.55% | 156.59% | |
| **International Cargo (MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **International cargo submitted by GIAL** | 0.003 | 0.00 | 0.003 | 1.30 | 1.40 | 1.50 | **4.20** |
| **International cargo proposed by the Authority** | | 0.00 | 0.00 | 1.30 | 1.40 | 1.50 | **4.20** |
| **Total Cargo (MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Total cargo submitted by GIAL** | 21.27 | 22.82 | 24.30 | 25.00 | 28.53 | 34.80 | **135.44** |
| **Total cargo proposed by the Authority** | | 22.82 | 18.85 | 25.00 | 28.53 | 34.80 | **130.00** |
| **GIAL's submission as a % of FY 2019-20 total Cargo** | | 107.30% | 114.23% | 117.53% | 134.11% | 163.62% | |
| **Proposed Cargo traffic as per the Authority as a % of FY 2019-20 Cargo** | | 107.30% | 88.63% | 117.53% | 134.11% | 163.62% | |
| **GIAL's share of Cargo Traffic (MT in '000)** | | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **As per GIAL** | | | | | | | |
| **Domestic cargo** | | | 3.50 | 4.50 | 5.50 | | **13.50** |
| **International cargo** | | | | | | | |
| **Integrated Cargo Terminal** | | | | | | 30.00 | **30.00** |
| **Total cargo handled** | | | 3.50 | 4.50 | 5.50 | 30.00 | **43.50** |
| ***GIAL Market Share*** | | | **14%** | **18%** | **19%** | **86%** | |
| **As per the Authority** | | | | | | | |
| **Domestic** | | | 3.50 | 4.50 | 5.50 | | **13.50** |
| **International** | | | | | | | |
| **Integrated Cargo Terminal** | | | | | | 17.40 | **17.40** |
| **Total cargo handled** | | | 3.50 | 4.50 | 5.50 | 17.40 | **30.90** |
| ***GIAL Market Share*** | | | **14%** | **18%** | **19%** | **50%** | |

6.2.20 The Authority had considered the traffic proposed in Table 79 above, to assess the need for the Capital expenditure proposed by GIAL for the Third Control Period and accordingly, the Authority had rationalized the CAPEX submitted by GIAL for the Third Control Period for LGBIA.

## 6.3 Stakeholders' comments on Traffic for the Third Control Period

6.3.1 During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to Traffic for the Third Control Period. The comments by Stakeholders are presented below.

**GIAL's comments on Traffic for the Third Control Period:**

6.3.2 With respect to AERA's proposal as per Para 6.2.3 and 6.2.4 page 92 of CP relating to Exempted Traffic, GIAL's comment is as follows:

*In respect to exempted passengers, we would like to draw the attention of Authority on the Tariff order for Bangalore Airport for Third Control Period order no. 11/2021-22 dated para 4.5.9 onwards.*

**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 passengers 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.

4.6 **Authority's decisions regarding traffic projections for the Third Control Period**

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

4.6.1 To consider the passenger traffic, ATM traffic and cargo traffic as per Table 66 respectively which shall be trued up based on actuals.

4.6.2 To consider the share of transit passengers as per Table 67 for the Third Control Period.

*In the Bangalore Tariff order, AERA has accepted the contention that transit passengers are exempted from UDF, and the percentage share of transit passenger assume by Bangalore seems reasonable.*

*In AERA Order No. 46/2015-16, in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, AERA has suitably adjusted the billable passengers after deducting the exempted Passengers. The relevant extract from Order is provided as follows: -*

*Decision 5.b - To estimate the future billable passengers for both domestic and international passengers, as considered in Table 5.*

Table 5: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24

| Particulars (in millions) | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|---|---|---|---|---|
| Total domestic passengers (A) | 27.15 | 29.25 | 31.51 | 33.95 | 36.57 | 36.57 | 36.57 | 36.57 | 36.57 |
| Total international passengers (B) | 12.20 | 13.03 | 13.91 | 14.86 | 15.86 | 15.86 | 15.86 | 15.86 | 15.86 |
| Embarking Domestic Passengers (C) = (50% of A) | 13.58 | 14.63 | 15.76 | 16.98 | 18.29 | 18.29 | 18.29 | 18.29 | 18.29 |
| Embarking International Passengers (D) = (50% of B) | 6.10 | 6.52 | 6.96 | 7.43 | 7.93 | 7.93 | 7.93 | 7.93 | 7.93 |
| Billable domestic passengers (E) = (80% of C) | 10.86 | 11.70 | 12.60 | 13.58 | 14.63 | 14.63 | 14.63 | 14.63 | 14.63 |
| Billable international passengers (F) = (80% of D) | 4.88 | 5.21 | 5.57 | 5.94 | 6.35 | 6.35 | 6.35 | 6.35 | 6.35 |

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*As can be seen from above, the Authority has been consistently recognizing the exempted traffic and its impact in collection.*

*It is to be noted that AO has made adjustment in ATMs and Passengers to calculate only the billable traffic. The adjustment is necessitated to project the correct Aeronautical revenues.*

*Recent ATM data indicate that approx. 20% of Domestic Flights are operated through less than 80 seater aircraft which is exempt from landing charges. Refer the data provided below:*

| Month | Domestic | | | | |
|---|---|---|---|---|---|
| | Less than 80 seater (excluding RCS Flight) | RCS Flight | Total Exempted Flights | Other Flights | Total Domestic ATM |
| Apr-23 | 553 | 203 | 756 | 3,103 | 3,859 |
| May-23 | 510 | 241 | 751 | 3,075 | 3,826 |
| Jun-23 | 491 | 248 | 739 | 3,009 | 3,748 |
| Jul-23 | 560 | 249 | 809 | 3,125 | 3,934 |
| Aug-23 | 530 | 242 | 772 | 3,102 | 3,874 |
| Sep-23 | 545 | 229 | 774 | 3,026 | 3,800 |
| Oct-23 | 600 | 172 | 772 | 3,273 | 4,045 |
| Nov-23 | 502 | 52 | 554 | 3,288 | 3,842 |
| Dec-23 | 499 | 30 | 529 | 3,301 | 3,830 |
| Jan-24 | 500 | 22 | 522 | 3,087 | 3,609 |

| Month | Domestic | | | | |
|---|---|---|---|---|---|
| | Less than 80 seater (excluding RCS Flight) | RCS Flight | Total Exempted Flights | Other Flights | Total Domestic ATM |
| Feb-24 | 586 | 21 | 607 | 2,939 | 3,546 |
| Mar-24 | 585 | 15 | 600 | 3,153 | 3,753 |
| **Total** | **6,461** | **1,724** | **8,185** | **37,481** | **45,666** |
| **%age** | **14%** | **4%** | **18%** | **82%** | **100%** |

*Similarly, the recent data for Pax indicate that approx. 14% of Domestic Pax and 35% of International Pax pertains to exempt category (transfer, transit and infants), not liable for UDF charges. Refer the data provided below:*

***Break-up of Domestic Passengers***

| Month | Exempt Pax - Infant, Transfer, Transit | RCS Pax | Others | Total Domestic Pax | Exempt% |
|---|---|---|---|---|---|
| April'23 | 59,344 | 6,508 | 465,903 | 531,755 | 12% |
| May'23 | 56,616 | 6,979 | 429,766 | 493,361 | 13% |
| June'23 | 54,800 | 7,193 | 422,287 | 484,280 | 13% |
| July'23 | 54,979 | 7,683 | 438,518 | 501,180 | 13% |
| Aug'23 | 65,186 | 6,853 | 393,241 | 465,280 | 15% |
| Sep'23 | 62,795 | 8,515 | 387,275 | 458,585 | 16% |
| Oct'23 | 67,200 | 6,884 | 436,577 | 510,661 | 15% |
| Nov'23 | 69,768 | 2,212 | 430,363 | 502,343 | 14% |
| Dec'23 | 68,326 | 1,044 | 455,211 | 524,581 | 13% |
| Jan'24 | 64,689 | 1,050 | 426,849 | 492,588 | 13% |
| Feb'24 | 63,513 | 935 | 382,510 | 446,958 | 14% |
| Mar'24 | 63,822 | 1,302 | 450,592 | 515,716 | 13% |
| **Total** | **751,038** | **57,158** | **5,119,092** | **5,927,288** | **14%** |

***Break-up of International Passengers***

| Month | Exempt Pax - Infant, Transfer, Transit | RCS Pax | Others | Total International Pax | Exempt% |
|---|---|---|---|---|---|
| April'23 | 498 | | 1,591 | 2,089 | 24% |
| May'23 | 927 | | 1,115 | 2,042 | 45% |
| June'23 | 897 | | 914 | 1,811 | 50% |
| July'23 | 759 | | 1,009 | 1,768 | 43% |
| Aug'23 | 794 | | 717 | 1,511 | 53% |
| Sep'23 | 236 | | 116 | 352 | 67% |
| Oct'23 | 821 | | 1,072 | 1,893 | 43% |
| Nov'23 | 1,040 | | 1,042 | 2,082 | 50% |
| Dec'23 | 1,339 | | 2,546 | 3,885 | 34% |
| Jan'24 | 1,160 | | 3,398 | 4,558 | 25% |
| Feb'24 | 962 | | 2,809 | 3,771 | 26% |
| Mar'24 | 1,185 | | 3,374 | 4,559 | 26% |
| **Total** | **10,618** | | **19,703** | **30,321** | **35%** |

*In the recently approved tariff order for Thiruvananthapuram International Airport, the Authority has recognized that billable passenger is the correct way of projecting the Aeronautical Revenues and hence it will be taken care in true-up accordingly. The relevant portion of Para 6.5.1 and 6.5.2 of the Order No. 02/2024-25 is as follows: -*

*The Authority has not considered Exempt Passengers in Tariff orders issued in the recent past. Further, Authority notes that at the time of tariff determination for the next control period, the actual aeronautical revenue, which is based on the actual billable traffic, will automatically take care of the concerns expressed by the stakeholders with respect to exempt passengers.*

*The Authority has examined FIA's comment that total traffic should be considered without making any adjustments for exempt passengers. The Authority notes that it would not be fair to project aeronautical revenue based on total traffic at the airport as it would not reflect the true revenue potential of the airport. Further, the Authority would like to clarify that the consideration of billable traffic is only for the computation of aeronautical revenue and not for the projection of non-aeronautical revenue. The Authority had finalized its projections of NAR based on the total traffic at the airport.*

***We, therefore, request the Authority to consider deduction of exempted Passenger traffic of 14% for Domestic Passenger and 35% for International Passenger and 20% of Domestic Flights as exempted ATM, as per latest trends, while determining billable traffic for projection of aeronautical revenues. Accordingly, GIAL has prepared its ATP after considering only billable traffic. If we do not reduce the traffic which is not billable, the same will result in a known under-recovery since inception as projected ARR will not match with correct projected revenue.***

**Other Stakeholders' comments on Traffic for the Third Control Period:**

6.3.3 FIA stated the following with respect to exempted traffic, *"It is hereby submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis. It may be noted that it will not be a true indicator of the traffic projections at the GIAL and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue. FIA requests AERA to reconsider the same, in line with the AERA's consistent approach with all Major Airports. In view of the above, FIA proposes that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card should not be accepted."*

6.3.4 FIA additionally stated the following with regards to traffic forecasts, *"While FIA appreciates that AERA has considered the traffic report issued, ACI and IATA (refer para 6.2.9). FIA requests AERA to kindly conduct their own independent study, which may also include demand drivers that may not have been part of the report issued by ACI and IATA, as deemed fit, including factors such as the traffic that would be generated due to the forthcoming general elections. We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the COVID-19, revenge tourism, Geo-political causes, recent financial meltdown of banks in the USA, etc. Authority may kindly take the same into consideration (and appoint independent consultants to evaluate the same if deemed fit) while finalising the projected ATM and passengers."*

6.3.5 DIAL's comment is as follows:

*Exempt passengers for billing purposes: As per notification of MoCA Certain categories of passengers are exempted from UDF and other airport charges which Airport Operators are required to follow. AERA should consider the impact of these exempt passenger while framing the tariff card, else it will lead to known shortfall in the recovery.*

*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 10% of the traffic to be considered as exempt, which AERA had accepted citing that it had taken similar decisions in BIAL Traffic 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 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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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 [illegible]: Traffic decided by the Authority for the Third Control Period*

| Domestic Passengers (Lakh) | FY [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | 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 | 43.47 | 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 [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | FY [illegible] | 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 Lakh) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Total |

*Hence, we request AERA to allow consideration of only billable passengers while framing the tariff card.*

## 6.4 GIAL's responses to Stakeholders' comments regarding Traffic for the Third Control Period

6.4.1 GIAL's response to the various Stakeholders' comments with respect to Traffic for the Third Control Period is presented below.

6.4.2 With respect to FIA's comment on exempted traffic, GIAL has stated that – *"It is submitted that as per current and likely future mix of ATMs, out of the total exempted traffic submitted by the Airport Operator, 14% of the total domestic ATMs pertaining to non-RCS flights (i.e. less than 80-seater aircrafts) are exempted from landing charges as per GoI/MoCA guidelines. The details of which are* *already submitted as part of our comments to CP.*

*Similarly, there are certain categories of passengers who are exempt from payment of UDF charges. It is to be noted that AO has made the adjustment in ATMs/Passengers to calculate only the billable ATMs/Passengers as the same is necessitated to project the correct aeronautical revenues.*

*The Authority has reduced the ATMs, however has not reduced the passengers. We would like to highlight that this approach of the Authority, of not reducing RCS ATMs and exempted Passengers, is not in line with expected principle of regulatory framework which ensures timely and complete recovery of approved ARR by matching the expected revenue with ARR. If the exempted revenues are not taken into account by the Authority, the same will result in lower recovery from landing charges and UDF and consequently lead to mismatch of ARR and revenue from day one. This would lead to questioning of calculation by Authority.*

*Kindly refer to the detailed response in point 2.1* (refer para 6.3.2 of this Tariff Order) *in the stakeholders' comments submitted by GIAL.*

6.4.3 With respect to FIA's comment relating to traffic forecasts, GIAL has stated that – *"GIAL's submission of traffic projection was based on independent study conducted by expert consultant which has used various variables, permutations, combinations and generally accepted principles while performing regression analysis for deriving long term traffic scenarios. Similarly, the Authority through its independent consultant has also done a detailed analysis of various factor affecting traffic projections and accordingly adjusted the traffic forecast as required. The outcome of both studies in long term corroborates with each other. In view of the above, we feel that there is no requirement for conducting any further study on traffic projections."*

6.4.4 With respect to DIAL's comment relating to exempted traffic, GIAL has stated that – " *Airport Operators (such as DIAL, AAI), Industry Bodies (APAO) and Other Stakeholders (HPCPL) have supported GIAL's submissions and comments on certain key matters relating to estimation of Tariff and various Regulatory Principles etc. GIAL has also submitted its detailed explanations and justifications on all the above matters as part of its response to the Consultation Paper. GIAL requests the Authority to consider the well-reasoned comments provided by GIAL which are duly supported by the aforementioned stakeholders."*

### 6.5 Authority's analysis of Stakeholders' comments on Traffic for the Third Control Period

6.5.1 The Authority has carefully noted the comments of AO and DIAL and responses of AO and has the following views:

i. **Exempted ATMs (Non-RCS):** At the MYTP stage, GIAL had informed that in FY23 approximately 15% domestic flights (Non-RCS) are by aircraft having less than 80-seats, which are exempt from landing charges. The Authority had considered and proposed 15% flights as exempted for all tariff years at the Consultation Stage. Subsequently during consultation stage GIAL has submitted that non-RCS flights which are less than 80-seater constituted 14% of ATMs in FY2023-24. Accordingly, the Authority has decided to consider 15% and 14% as exempted flights for FY2022-23 and FY2023-24 respectively. Further, the Authority has decided to consider 13% exempted ATMs for the remaining tariff years, anticipating that, as ATM traffic increases, the share of 80-seater (exempted) aircraft will decrease. The Authority would true up the exempted ATMs in next control period based on actuals.

ii. **Exempted Passengers:** At Tariff Order stage, it is very difficult to visualize the quantum of exempted passengers. Such exemptions will be granted at the time of true up.

iii. **Exempted ATM (RCS):** RCS flight figures are dynamic in nature. Many a times, these flights are being discontinued by the Airlines. Hence, such exemption will be granted at the time of true up on the basis of actual. This approach is being followed by AERA uniformly.

6.5.2 The Authority has noted FIA's comments on conducting an independent study to include demand drivers, which may not be covered in the report issued by the agencies ACI and IATA. In this regard, the Authority has examined the response of the AO and is of the opinion that the 2024 general elections have already concluded and do not have any relevance in deciding the traffic projections for the Third Control Period.

The Authority is also of the view that the requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport.

Also, the Authority notes that GIAL has commissioned an Independent Study on Traffic which was conducted by Mott Macdonald based on which the traffic estimates were included in the MYTP as submitted by the AO. The Authority has reviewed the results of the study conducted by GIAL. Further, M/s Deloitte Touche Tohmatsu India LLP, independent consultants appointed by AERA, have also evaluated the traffic projections submitted by GIAL. The Authority has also taken cognizance of the actual traffic for the period and considered the same for FY 2022-23 and FY 2023-24 (refer Table 80 of this Tariff Order).

Further, the traffic estimates will be trued up at the time of determination of Aeronautical Charges for the next control period.

6.5.3 Based on the revision in exempt domestic ATM as discussed above, the recomputed traffic estimates decided by the Authority for tariff determination for the Third Control Period is shown in the table below.

**Table 80: Traffic decided by the Authority for the Third Control Period**

| Domestic Passengers (Lacs) | FY'20 | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **Domestic PAX submitted by GIAL** | 54.22 | 50.39 | 64.73 | 65.97 | 74.31 | 89.58 | **344.98** |
| **Domestic PAX proposed by the Authority** | | 50.39 | 59.27 | 65.97 | 74.31 | 89.58 | **339.52** |
| **GIAL's submission as a % of FY 2019-20 traffic** | | 92.94% | 119.38% | 121.66% | 137.04% | 165.21% | |
| **Proposed traffic as per the Authority as a % of FY 2019-20 traffic** | | 92.94% | 109.31% | 121.66% | 137.04% | 165.21% | |
| **International Passengers (Lacs)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **International PAX submitted by GIAL** | 0.35 | 0.12 | 0.70 | 0.67 | 1.13 | 1.36 | **3.98** |
| **International PAX proposed by the Authority** | | 0.12 | 0.30 | 0.67 | 1.13 | 1.36 | **3.59** |
| **GIAL's submission as a % of FY 2019-20 traffic** | | 34.60% | 198.51% | 190.62% | 321.65% | 387.32% | |
| **Proposed traffic as per the Authority as a % of FY 2019-20 traffic** | | 34.60% | 86.24% | 190.62% | 321.65% | 387.32% | |
| **Total passengers (Lacs)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Total PAX as per GIAL's submission** | 54.57 | 50.51 | 65.43 | 66.64 | 75.44 | 90.94 | **348.97** |
| **Total PAX (Domestic and International) proposed by the Authority** | | 50.51 | 59.58 | 66.64 | 75.44 | 90.94 | **343.11** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **YoY Growth in Total PAX proposed by the Authority** | | | 17.94% | 11.86% | 13.21% | 20.55% | |
| **Proposed total PAX as per GIAL's submission as a % of FY 2019-20 traffic** | | 92.56% | 119.89% | 122.11% | 138.23% | 166.64% | |
| **Proposed total PAX as per the Authority as a % of FY 2019-20 traffic** | | 92.56% | 109.16% | 122.11% | 138.23% | 166.64% | |
| **Domestic ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Domestic ATM submitted by GIAL** | 44.54 | 45.70 | 58.77 | 59.36 | 66.50 | 80.22 | **310.54** |
| **Domestic ATM proposed by the Authority (A)** | | 45.70 | 45.58 | 59.36 | 66.50 | 80.22 | **297.48** |
| **AO's submission as a % of FY 2019-20 total ATM** | | 102.61% | 131.96% | 133.27% | 149.30% | 180.10% | |
| **Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM** | | 102.61% | 102.33% | 133.27% | 149.30% | 180.10% | |
| **Domestic exempted ATM %** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Submitted by GIAL** | | 18% | 18% | 18% | 18% | 18% | |
| **As per the Authority (B)** | | 15% | 14% | 13% | 13% | 13% | |
| **Domestic Billable ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Submitted by GIAL** | | 37.47 | 48.19 | 48.67 | 54.53 | 65.78 | **254.65** |
| **As per the Authority C = A*(1-B)** | | 38.85 | 39.20 | 51.64 | 57.85 | 69.79 | **257.32** |
| **International ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **International ATM submitted by GIAL** | 1.00 | 0.21 | 1.20 | 1.17 | 1.55 | 1.89 | **6.02** |
| **International ATM proposed by the Authority** | | 0.21 | 0.57 | 1.17 | 1.55 | 1.89 | **5.39** |
| **GIAL's submission as a % of FY 2019-20 ATM** | | 20.80% | 119.70% | 117.10% | 155.20% | 189.30% | |
| **Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM** | | 20.80% | 57.00% | 117.10% | 155.20% | 189.30% | |
| **Total ATM (in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Total ATM (Domestic and International) as per GIAL's submission** | 45.54 | 45.91 | 59.97 | 60.53 | 68.05 | 82.11 | **316.57** |
| **Total ATM (Domestic and International) proposed by the Authority** | | 45.91 | 46.15 | 60.53 | 68.05 | 82.11 | **302.74** |
| **AO's submission as a % of FY 2019-20 total ATM** | | 100.81% | 131.69% | 132.91% | 149.43% | 180.30% | |
| **Proposed total ATM as per the Authority as a % of FY 2019-20 ATM** | | 100.81% | 101.34% | 132.91% | 149.43% | 180.30% | |
| **Domestic Cargo traffic (in MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Domestic cargo submitted by GIAL** | 21.27 | 22.82 | 24.29 | 23.70 | 27.13 | 33.30 | **131.24** |
| **Domestic cargo proposed by the Authority** | | 22.82 | 18.85 | 23.70 | 27.13 | 33.30 | **125.80** |
| **GIAL's submission as a % of FY 2019-20 total Domestic Cargo** | | 107.32% | 114.23% | 111.44% | 127.55% | 156.59% | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Proposed total ATM as per the Authority as a % of FY 2019-20 Domestic Cargo** | | 107.32% | 88.64% | 111.44% | 127.55% | 156.59% | |
| **International Cargo (MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **International cargo submitted by GIAL** | 0.003 | 0.00 | 0.003 | 1.30 | 1.40 | 1.50 | **4.20** |
| **International cargo proposed by the Authority** | | 0.00 | 0.00 | 1.30 | 1.40 | 1.50 | **4.20** |
| **Total Cargo (MT in '000)** | **FY'20** | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **Total cargo submitted by GIAL** | 21.27 | 22.82 | 24.30 | 25.00 | 28.53 | 34.80 | **135.44** |
| **Total cargo proposed by the Authority** | | 22.82 | 18.85 | 25.00 | 28.53 | 34.80 | **130.00** |
| **GIAL's submission as a % of FY 2019-20 total Cargo** | | 107.30% | 114.23% | 117.53% | 134.11% | 163.62% | |
| **Proposed Cargo traffic as per the Authority as a % of FY 2019-20 Cargo** | | 107.30% | 88.63% | 117.53% | 134.11% | 163.62% | |
| **GIAL's share of Cargo Traffic (MT in '000)** | | **FY'23** | **FY'24** | **FY'25** | **FY'26** | **FY'27** | **Total** |
| **As per GIAL** | | | | | | | |
| **Domestic cargo** | | | 3.50 | 4.50 | 5.50 | | **13.50** |
| **International cargo** | | | | | | | |
| **Integrated Cargo Terminal** | | | | | | 30.00 | **30.00** |
| **Total cargo handled** | | | 3.50 | 4.50 | 5.50 | 30.00 | **43.50** |
| ***GIAL Market Share*** | | | **14%** | **18%** | **19%** | **86%** | |
| **As per the Authority** | | | | | | | |
| **Domestic** | | | 3.50 | 4.50 | 5.50 | | **13.50** |
| **International** | | | | | | | |
| **Integrated Cargo Terminal** | | | | | | 17.40 | **17.40** |
| **Total cargo handled** | | | 3.50 | 4.50 | 5.50 | **17.40** | **30.90** |
| ***GIAL Market Share*** | | | **14%** | **18%** | **19%** | **50%** | |

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

Based on the available facts and analysis thereupon, the Authority decides the following with regard to traffic forecast for the Third Control Period:

6.6.1 To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for LGBIA as per Table 80.

6.6.2 To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

# 7 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

## 7.1 Background

7.1.1 RAB is one of the essential elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. 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.

7.1.2 The Authority noted that as part of the Concession Agreement (CA), GIAL needs to develop LGBIA in a phased manner during the Concession period, as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections. Further, development of the airport includes construction and procurement of various assets as described in the Concession Agreement such as:

- Runways, taxiways, apron, aircraft parking bays, air traffic control tower, Cargo facilities, Parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative offices and associated facilities.
- Construction and procurement of Terminal Building and facilities and
- Construction of required approach roads.

7.1.3 The Authority noted that GIAL 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 23.7.1 of the CA -*" The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council international ("ACI") or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the world in such survey within 5 (five) years from the COD and maintain the same throughout the rest of the Concession Period."*

7.1.4 The Authority understood that as part of the Concession Agreement (CA), GIAL shall be liable to pay AAI the amount incurred by AAI as on the COD in respect of works-in-progress as set forth in Schedule T of the CA. As per section 3.5 of the MYTP submitted by GIAL, the AAI had raised an invoice of ₹430.89 Crore (excluding GST). As per GIAL, these assets are capitalized in the books of account as and when completed. Accordingly, the Authority noted that these assets are captured in Fixed Asset Register and forms part of Regulatory Asset Base.

7.1.5 The Independent Consultant appointed by the Authority has performed an in-depth analysis of the submissions made by GIAL towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

i. Reviewed construction plan submitted by GIAL in view of various technical studies undertaken by GIAL, Airport Master Plans, BOQs (wherever provided), Copies of Letter of Intent (LOI), Letter of Award (LOA), Purchase Orders and Work Orders etc., wherever provided. The Independent Consultant also considered the responses of GIAL to the clarification sought in relation with CAPEX plan from time to time.

ii. Sought documentary evidence and the process of approval of capital addition projects including competitive bidding process for award of various work orders to the contractors, if applicable.

iii. The consultants also visited LGBIA for a site visit on 10th October'2023 and 21st-22nd March 2024 focusing specifically on review of current airport operation and proposed airport development plans.

Based on the review of documents as stated above and the essentiality and necessity for Airport operations, the Authority had rationalized the CAPEX projects submitted by GIAL, by shifting the capitalization date of some of the projects in view of the project progress, verification of item rates and optimization of the capacity augmentation proposed by GIAL for various assets.

7.1.6 In the background of the facts stated above, the Authority through its independent consultant had examined the capital expenditure proposed by GIAL, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period. This was done with a view to encourage the investment and maintain a balanced approach between sustainable operations of the GIAL and the interest of the airport users. Further, the Authority took cognizance of the fact that, if any excessive capex is allowed in this Control Period, it would be against the regularity 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 end users.

Hence, the Authority through its independent consultant had examined the entire CAPEX plan in detail including CWIP projects and the New CAPEX for LGBIA, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investors and maintain a balanced approach between the sustainable operations of GIAL and the interest of the airport users.

7.1.7 Based on the above, the Authority had rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period. Further, the Authority has adjusted the capitalization timelines for some of the project based on project progress.

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

i. Capital Additions initiated by AAI during the pre-COD period and transferred to GIAL as part of the Concession Agreement and Capital expenditure proposed by GIAL for the Third Control Period.
ii. Interest during Construction/financing allowance
iii. Aeronautical allocation of capital expenditure for the Third Control Period
iv. Aeronautical Depreciation for the Third Control Period
v. Regulatory Asset Base for the Third Control Period

7.1.9 The Authority observed that GIAL had submitted various Minor Projects/works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period. The Authority noted that for certain minor projects, GIAL had provided POs and BOQs for only portion of the cost. For the remaining amounts, which consist of multiple line items, cost estimates had not been submitted by GIAL to justify the proposed costs.

7.1.10 The Authority's Independent Consultant, interacted with the technical team of GIAL on the aspects of airport planning, traffic estimation and its short, mid and long term impact on Airport Economics as provided in the Concession Agreement.

Based on the response provided by GIAL, the Authority observed that prima facie, GIAL had not demonstrated desired understanding of optimal planning and execution of capex projects related to airport. This was evident from the fact that the proposed CAPEX had not been linked with expected outturn of traffic and is multifold as compared to other airports which handle similar traffic levels. GIAL had projected a CAPEX to the tune of ₹ 6107 crores (including soft cost and CWIP project) for passenger traffic of 6.66 MPPA in FY'25 (forecasted by GIAL) to 13.1 MPPA, which had no rational justification. This approach of the Airport Operator is not in the overall interest of the stakeholders of the airport. It appears that the CAPEX had been projected by GIAL without linking it with the mandate provided under Schedule B of the Concession Agreement.

In view of these facts, the Authority noted that the Capital Expenditure estimates submitted by GIAL were not reasonable / their need was not justifiable. Therefore, the Authority had considered various applicable factors such as current capacity, traffic estimates, normative cost benchmarks, need assessment, alternatives etc. together with the need for modular development of facilities as mandated by the Concession Agreement and had rationalized the Capital Expenditure.

## 7.2 GIAL's submission regarding Capital Expenditure proposed for the Third Control Period

7.2.1. As per the MYTP, GIAL had submitted following Aeronautical Capital addition for the third control period:

**Table 81: Asset-wise Aero Capitalisation submitted by GIAL for the Third Control Period**

*(₹ crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Terminal Building | 1.98 | 7.88 | 3073.68 | 0.00 | 0.00 | 3083.54 |
| Runway, Taxiway & Apron | 10.04 | 3.31 | 496.21 | 1234.85 | 0.04 | 1744.45 |
| Boundary walls | 0.00 | 0.24 | 0.00 | 180.62 | 0.00 | 180.86 |
| Software | 1.58 | | | | | 1.58 |
| IT equipment | 9.11 | 15.72 | 1.60 | 1.66 | 1.66 | 29.75 |
| Security Equipment | 0.00 | 0.80 | 25.86 | 7.74 | 7.01 | 41.41 |
| Plant & Machinery | 8.28 | 12.93 | 49.06 | 124.22 | 27.78 | 222.27 |
| Other Buildings | 6.14 | 7.53 | 34.82 | 44.88 | 113.95 | 207.32 |
| Access Roads | 0.05 | | | | | 0.05 |
| Furniture | 2.35 | 0.74 | 0.37 | 0.26 | 0.56 | 4.28 |
| Vehicle | 2.55 | 17.22 | 21.89 | 6.15 | 5.56 | 53.37 |
| Office equipment | 4.98 | 0.00 | 0.00 | 0.00 | 0.00 | 4.98 |
| Cargo | 0.57 | 3.77 | 0 | 28.45 | 0 | 32.79 |
| Fuel | 0 | 15.84 | 0 | 397.13 | 0 | 412.97 |
| **Total** | **47.63** | **85.98** | **3703.49** | **2025.96** | **156.56** | **6019.62*** |

***excluding runway strengthening works of ₹ 87.28 crores considered as part of opex**

## 7.3 Authority's examination regarding Capex, Depreciation and RAB for the Third Control Period

The Authority as part of its examination of the Aeronautical Capital Expenditure submitted by GIAL for the Third Control Period, had raised various queries and sought clarification on the essentiality of the capital expenditure and enquired for necessary documents such as project cost estimates, Technical Consultant's report and inspection report issued by various authorities etc., substantiating the capital expenditure proposed by GIAL in the MYTP. The aforementioned documents and clarifications were provided in a phased manner by GIAL. The Consultation Process was an exhaustive exercise which involved analysis of significant data and facilitates, in reaching conclusions and recording the resultant proposals keeping in mind the interest of all stakeholders. Accordingly, the Authority had relied on the information made available by GIAL and made appropriate analysis and changes wherever necessary.

7.3.1 The Authority noted that out of total Aeronautical CAPEX submitted by GIAL as part of MYTP, around 47% pertains to terminal works which was taken over from AAI and the balance 53% pertains to the new CAPEX proposed by GIAL for the Third Control Period. While analyzing the MYTP of LGBIA regarding Capital Expenditure for the Third Control Period, the Authority had taken into consideration the traffic as per Table 79. The capex had been rationalized based on various factors viz. normative cost, demand, inflation adjustment etc.

7.3.2 The capital additions as stated in para 7.2 above were further explained as project wise in the table below and evaluated by the Authority in the same sequence:

**Table 82: Project wise Capital Expenditure submitted by GIAL for the Third Control Period**

(₹ crores)

| S. No. | | Particular | Year of Capitalization (as per GIAL) | Base Cost | Capex with Indexation |
|---|---|---|---|---|---|
| A | | **Passenger Terminal and Associated Works** | | | |
| | A.1 | NITB (Including Opening CWIP as per financials) | 2025 | 2,194.38 | 2194.38 |
| | A.2 | Kerbside Development | 2025 | 138.60 | 138.60 |
| | A.3 | Existing Terminal Building development/modification | 2024-2025 | 9.05 | 9.64 |
| | | **Total** | | **2,342.03** | **2,342.62** |
| B | | **Runways, Taxiway & Aprons** | | | |
| | B.1 | Apron-2 (Demolition and new-construction) | 2026 | 410.55 | 466.21 |
| | B.2 | Airside Storm Water Drainage works | 2025 | 192.68 | 208.38 |
| | B.3 | Construction of Part Parallel Taxiway and Link Taxiways | 2026 | 178.66 | 199.02 |
| | B.4 | Land Development works | 2026 | 167.90 | 189.73 |
| | B.5 | Widening of Runway Strip | 2025 | 79.06 | 87.17 |
| | B.6 | Construction of Second Part Parallel Taxiway | 2026 | 71.37 | 81.64 |
| | B.7 | Extension of Runway 02–20 towards RWY 20 | 2025 | 47.96 | 51.61 |
| | B.8 | Construction of new Isolation Bay (Rigid Pavement) | 2025 | 28.01 | 30.89 |
| | B.9 | Construction of Rapid Exit Taxiway | 2026 | 17.21 | 19.73 |
| | B.10 | Other Minor Airside Capex | | | |
| | B.10.1 | Construction of Runway End Safety Area (RESA) after RWY 20 Threshold | 2025 | 3.97 | 4.21 |
| | B.10.2 | Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20 | 2025 | 3.94 | 4.24 |
| | B.10.3 | Relocation of Simple Approach Lighting System for Runway 20 | 2025 | 0.70 | 0.78 |
| | B.10.4 | Installation of Category-I Approach Lighting System towards Runway 02 | 2025 | 6.99 | 7.38 |
| | B.10.5 | Off-Stand GSE | 2026 | 4.05 | 4.60 |
| | B.10.6 | Apron stand surface revamping work in old apron | 2024 | 0.30 | 0.32 |
| | B.10.7 | Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard | 2025 | 0.20 | 0.22 |

| S. No. | | Particular | Year of Capitalization (as per GIAL) | Base Cost | Capex with Indexation |
|---|---|---|---|---|---|
| | B.10.8 | Provision of new Earthing system for Runway and other associated works at Guwahati Airport | 2025 | 0.17 | 0.19 |
| | B.10.9 | SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport | 2024 | 0.38 | 0.40 |
| | B.10.10 | Upgradation of flexible pavements in Operational area | 2026 | 0.75 | 0.87 |
| | B.10.11 | Runway Graded Strip and RESA strengthening (up to 300mm Depth) | 2024 | 0.17 | 0.18 |
| | B.10.12 | Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron) | 2024-2026 | 1.58 | 1.73 |
| | B.10.13 | Apron Control | 2024 | 0.20 | 0.21 |
| | B.10.14 | Airside Equipments | 2024-2026 | 1.54 | 1.65 |
| | B.11 | Runway strengtheing works | 2026 | 65.00 | 75.25 |
| | | **Total** | | **1,283.36** | **1,436.60** |
| C | | **Construction of Boundary Wall** | | | |
| | C.1 | New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip | 2026 | 33.75 | 38.33 |
| | C.2 | New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip | 2026 | 68.13 | 77.37 |
| | C.3 | PIDS System | 2026 | 22.88 | 26.24 |
| | C.4 | Boundary Wall | 2024 | 0.20 | 0.21 |
| | | **Total** | | **124.97** | **142.14** |
| D | | **Cargo Complex** | | | |
| | D.1 | Interim Cargo Facility | 2024 | 3.07 | 3.22 |
| | D.2 | New Cargo Terminal | 2026 | 20.00 | 23.15 |
| | | **Total – Cargo Complex** | | **23.07** | **26.37** |
| E | | **Fuel Farm Infrastructure** | | | |
| | E.1 | Fuel storage farm | 2026 | 119.97 | 135.07 |
| | E.2 | Fuel hydrant line | 2026 | 142.72 | 160.68 |
| | E.3 | Equipment cost | 2024 | 3.00 | 3.15 |
| | | Cost of procurement of IOCL and RIL assets | 2024 | 10.00 | 10.50 |
| | | Dead Stock | 2026 | 13.94 | 16.14 |
| | | **Total – Fuel** | | **289.63** | **325.55** |
| F | | **Vehicles** | | | |
| | F.1 | Vehicles | 2024-2027 | 11.00 | 12.58 |
| | F.2 | Modified vehicle for BDDS equipment | 2025-2026 | 3.00 | 3.39 |
| | F.3 | Vehicle recovery Van | 2024 | 0.15 | 0.16 |

| S. No. | | Particular | Year of Capitalization (as per GIAL) | Base Cost | Capex with Indexation |
|---|---|---|---|---|---|
| | F.4 | 2 Nos.Tractor withTrolleys & electric buggies to shuttle nursery between the two terminals | 2025-2027 | 0.20 | 0.23 |
| | F.5 | Ambulance | 2025 , 2027 | 0.75 | 0.87 |
| | F.6 | Crash Fire Tender | 2024 , 2025 | 23.98 | 25.81 |
| | F.7 | Quick Reaction Team (QRT) Vehicle | 2025 | 0.70 | 0.77 |
| | | **Total – Vehicles** | | **39.78** | **43.81** |
| G | | **Plant and Machinery** | | | |
| | G.1 | 5 nos. OWS | 2026 | 23.60 | 26.80 |
| | G.2 | Triturator | 2025 | 3.47 | 3.83 |
| | G.3 | Hazardous Waste Storage | 2026 | 0.49 | 0.55 |
| | G.4 | Reticulation of utilities to new facilities | 2027 | 8.39 | 9.78 |
| | G.5 | SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati. | 2024 | 0.06 | 0.06 |
| | G.6 | Laying of GLF light cables approximate 6500 mtrs | 2025 | 0.85 | 0.94 |
| | G.7 | Laser unit for AVDGS-2NO | 2025 | 0.40 | 0.44 |
| | G.8 | SITC of A-VDGS at Bay no. 4 | 2025 | 0.71 | 0.78 |
| | G.9 | Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52) | 2024 | 1.52 | 1.60 |
| | G.10 | SITC of Repair and Maintenance work for Airside | 2024 | 0.30 | 0.32 |
| | G.11 | Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc) | 2024-2027 | 3.07 | 3.36 |
| | G.12 | PVC coated Chain net for Operation area drains | 2025 | 1.00 | 1.10 |
| | G.13 | Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certification, RE 100 etc) | 2024-2027 | 6.60 | 7.34 |
| | G.14 | EV Charging Stations for E Buses , Apron Cars , Tugs along with their installation . | 2024-2027 | 5.70 | 6.48 |
| | G.15 | carbon sequestration | 2024-2027 | 3.40 | 3.95 |
| | G.16 | Biodiversity preservation projects | 2024-2027 | 2.15 | 2.50 |
| | G.17 | Fire Fighting Equipment | 2024-2027 | 3.55 | 3.86 |
| | G.18 | Disable Aircraft Removal Kit | 2025 | 17.69 | 19.50 |
| | G.19 | Hand Baggae X-Ray - 60cmX40cm | 2025, 2026 | 2.55 | 2.89 |

| S. No. | | Particular | Year of Capitalization (as per GIAL) | Base Cost | Capex with Indexation |
|---|---|---|---|---|---|
| | G.20 | Explosive Trace Detector(ETD) | 2024-2026 | 1.35 | 1.49 |
| | G.21 | Hand Held Metal Detector(HHMD) | 2024-2027 | 0.18 | 0.21 |
| | G.22 | Door Frame Metal Detector(DFMD) | 2024-2027 | 0.59 | 0.68 |
| | G.23 | Security Operation Control Center (CISF) | 2025-2027 | 2.77 | 3.29 |
| | G.24 | Security Surveillance Centre (SSC) | 2025 | 1.50 | 1.65 |
| | G.25 | Close Circuit Television (CCTV) Setup | 2025-2027 | 3.20 | 3.71 |
| | G.26 | Access Control system, Adani | 2025-2027 | 2.40 | 2.78 |
| | G.27 | Container Tubular shooting Range | 2025 | 1.30 | 1.43 |
| | G.28 | Video Surveillance system | 2024-2027 | 3.59 | 4.23 |
| | G.29 | Body Scanner | 2025-2026 | 44.57 | 51.49 |
| | G.30 | VDGS | 2026 | 12.00 | 13.89 |
| | | **Total – Plant and Machinery** | | **158.95** | **180.93** |
| H | | **Other Buildings** | | | |
| | H.1 | Relocation of Localiser 02 | 2024 | 0.20 | 0.21 |
| | H.2 | CCR Building new construction | 2026 | 12.86 | 14.46 |
| | H.3 | 5 Airside Gates | 2026 | 5.79 | 6.51 |
| | H.4 | SMR Facilities (New Construction) | 2025 | 0.91 | 1.00 |
| | H.5 | Fuel/ EV Charging Station | 2026 | 2.49 | 2.76 |
| | H.6 | Satellite ARFF Station (New Construction) | 2025 | 12.35 | 13.61 |
| | H.7 | Modification of MT workshop into Admin office building (Interim arrangement) | 2025 | 2.14 | 2.36 |
| | H.8 | Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office | 2027 | 8.84 | 10.34 |
| | H.9 | Airport Administration Building (5,000 Sqm) | 2027 | 47.52 | 55.57 |
| | H.10 | Airport Maintenance Office (1,200 Sqm) | 2027 | 11.41 | 13.34 |
| | H.11 | Solid Waste Facility | 2026 | 2.50 | 2.82 |
| | H.12 | Water Supply system | 2027 | 4.66 | 5.43 |
| | H.13 | Sewerage System | 2027 | 1.16 | 1.35 |
| | H.14 | Modification of watch tower at operational area L.G.B.I. Airport Guwahati | 2024 | 0.35 | 0.37 |
| | H.15 | Earth filling of low using areas and other miscellaneous works at operational area related to DGCS compliance from time to time at L.G.B.I. Airport Guwahati | 2025 | 0.40 | 0.44 |
| | H.16 | Fire Station Improvement | 2024-2025 | 4.20 | 4.57 |
| | H.17 | Other Building - Admin Office | 2024 | 1.50 | 1.58 |
| | H.18 | Sewage Treatment Plant | 2025 | 0.36 | 0.40 |

| S. No. | | Particular | Year of Capitalization (as per GIAL) | Base Cost | Capex with Indexation |
|---|---|---|---|---|---|
| | H.19 | Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building | 2024-2025, 2027 | 2.89 | 3.26 |
| | H.20 | Installation of LGB Statue | 2024 | 0.15 | 0.16 |
| | H.21 | CISF accommodation | 2025-2027 | 13.50 | 15.64 |
| | H.22 | Nursery Development | 2027 | 0.60 | 0.73 |
| | H.23 | Misc Horticulture Improvements | 2024-2027 | 1.46 | 1.64 |
| | H.24 | Administrative Building | 2024-2026 | 3.64 | 3.91 |
| | H.25 | Anti Hijacking Control Room (AHCR) upgradation | 2025-2026 | 1.22 | 1.40 |
| | | **Total – Other Buildings** | | **143.09** | **163.85** |
| I | | **IT equipment** | | | |
| | I.1 | IT Equipments | 2024-2027 | 16.57 | 17.80 |
| | | **Total – IT equipment** | | **16.57** | **17.80** |
| J | | **Furniture & fixtures** | | | |
| | J.1 | Furniture & Fixtures for Terminal, Office, Security etc. | 2024-2027 | 1.48 | 1.66 |
| | | **Total – Furniture & fixtures** | | **1.48** | **1.66** |
| sK | | **Security equipment** | | | |
| | K.1 | Procurement of Security Equipments (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc) | 2024-2027 | 2.62 | 2.96 |
| | K.2 | Threat Containment Vessel (TCV) | 2025 | 14.00 | 15.44 |
| | K.3 | BDDS | 2025-2027 | 4.00 | 4.61 |
| | K.4 | Misc Security Equipments (Quick Reaction Team Equipments, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc) | 2024-2027 | 10.99 | 12.70 |
| | | **Total – Security equipment** | | **31.61** | **35.70** |
| L | | Sustaining capex already spent (FY22-23) | | **47.64** | **47.64** |
| **Total Project Cost as submitted by GIAL** | | | | **4,502.17** | **4,765.00** |

Apart from the base cost, GIAL had proposed soft cost, IDC and Financing allowance as part of total capex. The details of total capex are as follows:

**Table 83: Details of Total CAPEX as submitted by GIAL**

*(₹ Crore)*

| S. No. | Particular | Cost |
|---|---|---|
| I | Basic cost (Including indexation) as tabled above | 4765.00 |
| II | Soft Cost | 682.00 |
| III | Interest During Construction | 412.00 |
| IV | Financing Allowance | 248.00 |
| | **Grand Total** | **6107.00** |

Note: The above amount includes Runway Recarpeting expenses which is claimed as OPEX by AO, balance amount of ₹ 6019.64 crores is considered as capital expenditure.

### 7.3.3 Airport User Consultation Committee (AUCC)

i. The Authority noted that GIAL conducted Airport User Consultation Committee (AUCC) Meetings on July 06, 2023 and March 27, 2023. The AUCC meeting held on July 06, 2023 which was for proposed capex including related to fuel farm capex for the third control period. The meeting held on March 27, 2023 is for the capital expenditure planned toward Air Cargo Facilities. The meeting was attended by various airport stakeholders including but not limited to International Airport Transport Association (IATA), Federation of Indian Airlines (FIA), The Associated Chambers of Commerce & Industry of India (ASSOCHAM), Indigo, Spicejet, FlyBig, Vistara, Akasa Air, AirAsia, BAOA, Blue Dart, IOCL, HPCL, BPCL, Reliance, AAI, Immigration, Local Trade Bodies among others. As per the minutes of the meeting, the Authority observed that the GIAL had broadly discussed the following with the stakeholders:

   a. Background of the projects and GIAL future strategy
   b. Traffic forecast
   c. Existing infrastructure and proposed master plan.
   d. Capex project including passenger terminal improvement and kerbside development works, ancillary building works, airside improvement work and other minor projects.

ii. From the perusal of the minutes, it turns out that the stakeholders made important observations in relation to the aspects of normative costing, cost estimates for the capex projects, fuel farm, airside works and drainage system.

iii. Some of the key observations made by the stakeholders are as below:

   a. IATA insisted on adoption of AERA normative norms for capital projects and maximise airside capacity of the Airport efficiently.
   b. Indigo inquired about GIAL plans in increasing airside capacity, possibility of CAT-III operations and following normative approach with respect to project cost.
   c. FIA insisted upon increasing non-aero revenue to optimize airport charges.
   d. IMD inquired about the drainage system in and around the airport.
   e. Fuel farm operator inquired about the availability of open access facility, hydrant line. IOCL mentioned that considering remote location of Guwahati, the AO should plan 7-10 days storage capacity. The stakeholder also enquired about fuel farm cost as same seem to be on higher side which may lead to higher fuel farm charges.

iv. The Authority noted from the Minutes of the AUCC meeting that, stakeholders have emphasized to improvisation of airside capacity, terminal building space and fuel farm facility. The Authority also noted that certain observations were made by some of the stakeholders relating to the aspects of normative costing, cost estimates projected for the capex projects, improvement of existing facilities, and to bring economy of scale in its overall operation, costing etc.

v. The Authority also noted GIAL response to the stakeholder comments, some of the responses to the key observations raised by the stakeholders are as below:

   a. GIAL has planned comprehensive airside improvement works including drainage system.
   b. The project cost has been estimated at a particular time and same will be submitted to the Authority for their review.
   c. GIAL will take appropriate steps to increase non-aero revenue.
   d. In case of fuel farm, GIAL has planned 8-10 days storage capacity, the cost has been benchmarked with market rates and the work already carried out by at other airports.

vi. The Authority had examined the capital expenditure projects submitted by GIAL and rationalized it based on present and future designated capacity of the Airport to handle the forecasted traffic and with the perspective of keeping the tariff rates at a reasonable level.

### 7.3.4 Inflation-adjusted normative cost for capital projects

i. The Authority vide its Order No. 07 / 2016-17 dated June 6, 2016 (Normative Order), had considered normative cost of ₹ 65,000/- per Sqm. for Terminal Building. The normative cost specification provided as Annexure-1 of Normative Order. This mainly includes cost toward structural works of the terminal building, air conditioning, fire-fighting system, water supply, sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening , BHS for arrival and departure, Escalators, Elevators, Travellators and PBB. The cost of other items required for terminal building such as elevated road connection to the terminal building etc. is not covered in the aforementioned list. The cost of such items will be derived separately and added to the overall cost of the project.

ii. In this respect, the Authority noted that it had considered a normative cost of ₹ 1,00,000 per sqm for FY 2020-21 in some of the recent tariff orders based on the superior specifications, processes and the architectural features of modern Terminal Buildings. In view of the same, the Authority in case of GIAL, proposed to consider ₹ 100,000 per sqm in the base year FY'2021 for terminal building works.

iii. The proposed capital expenditure for third control period is spread across the control period. GIAL had applied the inflation index of 5% over the base cost to capture inflationary impact. As per GIAL the 5% YoY growth had been considered based on RBI forecaster survey Dec 2022. The Authority had reviewed the same and observed that same needs to be aligned as per latest inflation index data issued by RBI Forecaster Survey (refer Table **140**)

iv. The Authority had derived the inflation adjusted normative rates for the proposed capex in the current Control Period by considering the rate of inflation as follows:

- FY 2021-22 –The Authority observed that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority feels that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18'2022, by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority has considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions.
- FY 2022-23 – 9.42% (considered as per the data published by the Office of the Economic Advisor, Department for Promotion of Industry and Internal Trade) and
- FY 2023-24 to FY 2026-27 – (-)0.70% in FY 2023-24, 3.10% for FY 2024-25 and 3.70% thereafter (considered as per 87th Round of Survey of Professional Forecasters on macroeconomic indicators).

In the Order No.07/2016-17 dated 13th June 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports – Capital costs Regarding" the ceiling cost mentioned is inclusive of taxes applicable at that time i.e. 12%. Subsequently, GST had been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost was worked out below by considering the additional 6% resulting in a total GST rate of 18%. The Authority, in this regard noted that the proposed normative cost of ₹ 1,00,000 per sqm is inclusive of GST, Accordingly, the Authority first arrived normative cost excluding of GST and then applied 18% GST which came to ₹ 1,05,357 per sqm, the amount so arrived is indexed with inflation to arrive normative rates for following years.

The inflation adjusted normative costs, thus derived is presented in the below table:

**Table 84: Inflation Adjusted normative rates computed for the Terminal Building by the Authority at Consultation stage**

| Financial Year | Inflation rate | Inflation adjusted normative rates (in ₹ per sqm) | Inflation adjusted normative cost @18% GST (in ₹ per sqm) |
|---|---|---|---|
| FY'21 | - | 100000 | 105357 |
| FY'22 | 7.14% | 107140 | 112880 |
| FY'23 | 9.42% | 117233 | 123513 |
| FY'24 | -0.70% | 116412 | 122648 |
| FY'25 | 3.10% | 120021 | 126451 |
| FY'26 | 3.70% | 124462 | 131130 |
| FY'27 | 3.70% | 129067 | 135981 |

**Note*

*Inflation adjusted base amount (inclusive of 12% GST) (A) = Rs. 1,00,000 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = Rs. 89,286 per sqm*
*Add GST @ 18% (C=B*18%) = Rs. 16,071 per sqm*
*Normative cost including GST (D = B+C) = Rs. 1,05,357 per sqm*

The Authority had considered normative cost for the terminal expansion projects considered in this control period. In view of the above, the Authority had considered the applicable normative cost as per the project schedule submitted by GIAL.

Further, the Normative Order also provide normative cost for pavement related works for Apron, taxiway, runway. The normative cost for the Runway/taxiway/Apron (excluding earthwork up to sub grade level) was ₹ 4700/- per sqm based on the project executed in FY 2015-16. The Authority had adjusted the normative cost on account of additional tax impact of 6% on account of GST in line with the adjustment made in arriving normative cost for terminal cost across all Airports uniformly. The inflation adjusted normative rate for Runway/taxiway/Apron excluding earthwork up to sub grade level proposed to be as follows:

**Table 85: Inflation adjusted Normative rates computed for runway/taxiway/apron by the Authority at Consultation stage**

| Financial Year | Inflation rate | Inflation adjusted normative rates (in ₹ per sqm) | Inflation adjusted normative cost @18% GST (in ₹ per sqm) |
|---|---|---|---|
| FY'16-Base Year | | 4700 | 4952 |
| FY'17 | 1.73% | 4781 | 5038 |
| FY'18 | 2.96% | 4923 | 5187 |
| FY'19 | 4.26% | 5133 | 5408 |
| FY'20 | 1.67% | 5219 | 5498 |
| FY'21 | 1.31% | 5286 | 5570 |
| FY'22 | 7.14% | 5664 | 5968 |
| FY'23 | 9.42% | 6198 | 6530 |
| FY'24 | -0.70% | 6155 | 6484 |
| FY'25 | 3.10% | 6346 | 6685 |
| FY'26 | 3.70% | 6543 | 6932 |
| FY'27 | 3.70% | 6746 | 7188 |

**Note*

*Inflation adjusted base amount (inclusive of 12% GST) (A) = Rs. 4700 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = Rs. 4196 per sqm*

*Add GST @ 18% (C=B*18%)* *= Rs. 756 per sqm*
*Normative cost including GST (D = B+C)* *= Rs. 4952 per sqm*

7.3.5 The Authority noted that there are capital projects initiated by AAI during the Pre-COD period and subsequently handed over to GIAL as part of the Concession Agreement (Schedule T and U of the Concession Agreement). The Authority had considered the capital additions of such projects also.

7.3.6 The Authority's examination of the Capital Expenditure projected for the Third Control Period had been explained in detail in the ensuing paragraphs:

## A. Passenger Terminal and Associated works

### A.1 New Integrated Terminal Building (NITB) (₹ 2194.38 crores)

#### i. Project Background

The LGBIA currently has only one operational Terminal (T1), which caters to both domestic and international traffic. T1 was constructed in 1998 over approx. 20,000 sqm of area with peak hour capacity of 850 passengers (departure + arrival) and designated capacity of approx. 2 million passengers per annum. However, it has handled about 5.96 million passengers in FY 2023-24 which was highest traffic handled by LGBIA.

The Authority in the Second Control Period Tariff order no. 38/2017-18 dtd. 16th February'2018 for LGBIA had in principle allowed capex towards new terminal building. However, as per the order, same would be considered on incurrence while determining tariff for third control period. In view of constraint capacity, AAI initiated construction of NITB in 2018. As on COD, AAI achieved 34% project progress. Further, owing to operate LGBIA on PPP mode, AAI had to transfer the asset to new airport operator i.e. GIAL. As per clause 6.4.5 of the Concession Agreement, the under-construction projects as on COD (majorly NITB and its associated works) were novated to GIAL.

The NITB is currently under construction since March 2018. The planned area for NITB is 1,46,292 sqm area against the initial estimate of terminal building by AAI as 130,333 sqm. The new terminal building is expected to have peak hour passenger handling capacity (arrival +departure, domestic and international put together, segregated peaks) of approx. 4,527 PHP (from 4,500 PHP) with increase in area. The new terminal building will have design capacity of 13.1 MPPA.

The NITB has two main operational levels, with arrivals at the lower / apron level and departures at the upper level. A mezzanine floor is proposed, part of which is proposed to serve as the airside arrival corridor for passengers alighting from the PBBs and the other part is proposed to act as a service floor for the baggage handling system used for outbound baggage. Following are the salient features of NITB:

- Efficient design with all modern facilities and amenities;
- Centrally air-conditioned building with provision of Building Management System (BMS) to ensure energy efficiency;
- Features designed to comply with Green Buildings norms;
- Dedicated toilets and drinking water facility in Departure, Arrival, Security Hold and Concourse Areas;
- Baggage conveyer with inline X-ray inspection and other equipment and facilities will be provided in departure area and inclined carousels at Arrival Hall;
- Adequate Escalators, Elevators, Automatic Sliding Doors, Passengers Boarding Bridges etc.;

- Fire detection, alarm and protection system with fire control room;
- Public Address System, CCTV System, Flight Information Display System (FIDS) for passenger convenience;
- Security equipment as per requirement specified by BCAS; and interventions for unique user experience such as adequate landscaping, etc.

**ii. Design improvement or changes undertaken by GIAL:**

As per GIAL, AAI design required certain modification in view of stakeholders requirements, environmental sustainability and technological interventions. As per GIAL, the proposed interventions will significantly contribute to achieving the Service quality requirements specified in the Concession Agreement. Following are the floor wise changes as proposed by GIAL:

**a. Improvement in layout- Arrival floor**

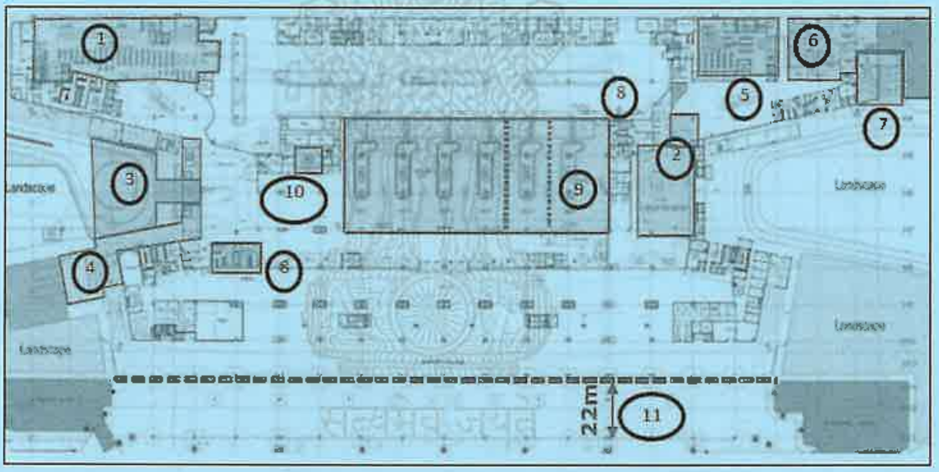



**Figure 2: Proposed layout for Arrival Floor**

*Notes:*

1. Domestic Bus Gate Lounge more area relocated for seating.
2. International Arrival Hand baggage screening (X Ray) provided more immigration counter.
3. Domestic Arrival Bus Gate location changed for streamlined flow.
4. Domestic loading and unloading area redesigned, goods elevators added.
5. International Bus Gate Lounge proposed.
6. Increase area for Ceremonial Lounge along with dedicated parking.
7. International loading and unloading platform area increased.
8. New Restrooms are proposed for Domestic and International
9. Swing gates proposed between reclaim belts 4 & 5 as provision to cater to Peak Demand.
10. Reserve Lounge proposed.
11. Façade 20 m away compliant with BCAS norms.

**b. Improvement in layout – Mezzannine Floor at 5.5 meter**

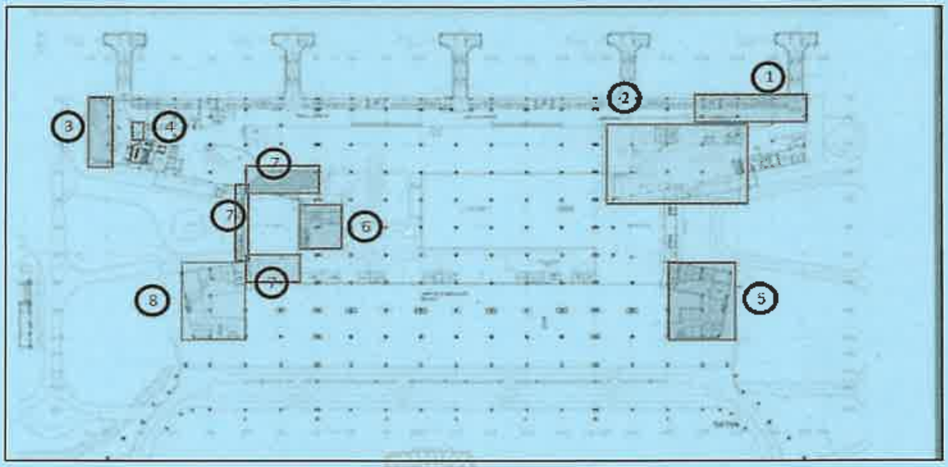



**Figure 3: Proposed layout for Mezzanine Floor**

Note:

1. Swing gate for Contact stands 9 & 10 for domestic arrival peak operations proposed, in addition to arrival corridor.
2. Area increased for AOCC, SOCC, IT, ALCR Room, Toilet modifications etc.
3. BOH Store added, SHA circulation added for last boarding bridge (FLB#1)
4. Baby Care Room Added.
5. Landside canteen, Staff Lockers added.
6. Re-arrangement of X-Ray, AHU Rooms, addition of Central Screening Room.
7. Storage space & garbage storage (cold store) added.
8. Mobile network control, IT rooms added, AHU room shifted.

### c. Improvement in layout – Departure Floor at 10 meter

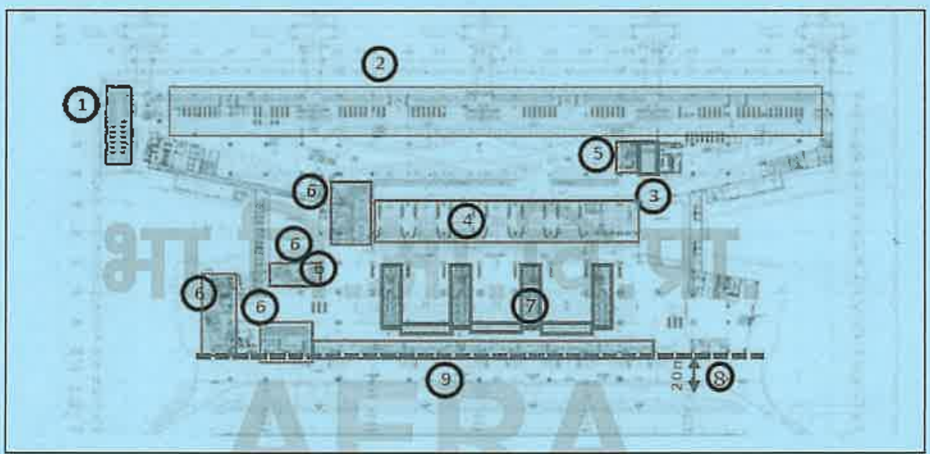



**Figure 4: Proposed layout for Departure Floor**

Notes:

1. SHA Gate seating and circulation added for Gate 1 boarding bridge (FLB#1)
2. Boarding gate rearrangement proposed, by rearranging seating.
3. Addition of Visual Level-4 check rooms for domestic & international.
4. Introduction of ATRS Machines, Modifications in emigration area.
5. New Restrooms, drinking water facility proposed to reduce walking distance.
6. Airline ticketing counter with passenger seating space, reserve lounge, Airport Operator Seating added.

7. Check-in Island -Dual takeaway conveyors with set of power curves to offset the distance from cutout.
8. Compliance with BCAS norms (façade distance from alighting point).
9. Vestibule –5 Nos.

**d. Improvement in layout – Departure Mezzanine Floor at 15 meter**

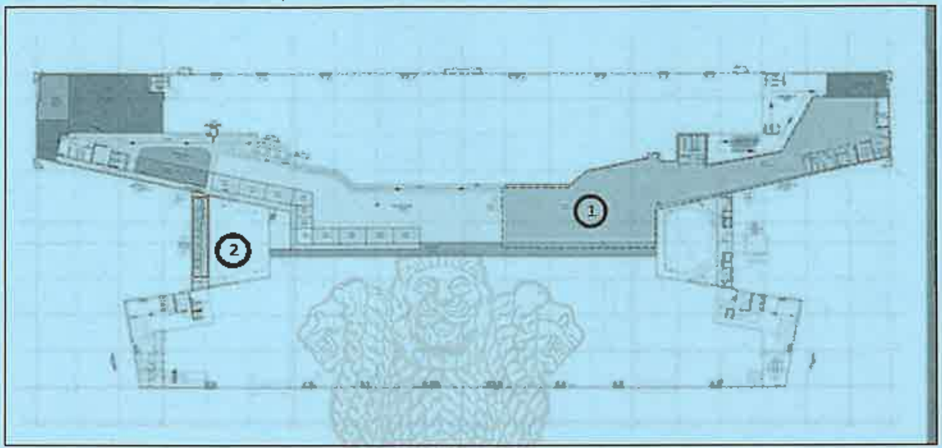



**Figure 5: Proposed layout for Departure Mezzanine Floor**

Notes:

1. Proposed the Day/ Retiring room along with services.
2. Storage space & garbage storage (cold store) added.

**iii. A comparison of previous design and proposed design by GIAL for NITB**

The proposed change in the design will lead to marginal increase in Peak Hour Capacity (PHP) of the terminal. As per GIAL submission, Following is the area wise comparison between previous and proposed design:

**Table 86 : Details of Change in area proposed by GIAL over previous design**

| S. No. | Floor/Component wise | Built up area (sqm) | | Remarks |
|---|---|---|---|---|
| | | Previous design | Revised design | |
| 1. | Basement | 8240 | 9471 | In order to adhere to fire safety regulations, there is a proposal to expand the fire corridor. |
| 2 | Arrival | 43144 | 54418 | In the proposal by GIAL, compliance with BCAS Norm w.r.t. maintaining the Arrival Façade 20m away from alighting point has been maintained. |
| 3 | Arrival Mezzanine | 19775 | 21000 | For better passenger experience, gate lounge area has been included. Storage area has been proposed (Goods, Cold storage, Garbage etc.). |
| 4 | Departure | 39410 | 41052 | For better passenger experience, gate lounge area has been proposed. Further the |

| S. No. | Floor/Component wise | Built up area (sqm) | | Remarks |
|---|---|---|---|---|
| | | Previous design | Revised design | |
| | | | | compliance with the BCAS norm, as mentioned at Sl. No. 2 of this Table above, is proposed to be complied with. |
| 5 | Departure Mezzanine Floor | 14406 | 14993 | Enhanced facilities for better user experience. |
| 6 | Utility Block | 5358 | 5358 | No Change in area from previous design |
| | **Total Area-NITB** | **130333** | **146292** | |

The Authority, through its independent consultant had reviewed the additional area requirement. GIAL team had also demonstrated the requirement of the additional area during site visit. In view of the above, the Authority noted that the additional area will improve passenger facility and also it is required to comply with applicable norms. Accordingly, the Authority proposed to consider additional area proposed by GIAL for NITB.

**iv. Cost proposal of NITB**

AAI had awarded contract for New Integrated Terminal Building to M/s. Shapporji Pallonji Company Limited (SPCL). The scope of work of SPCL included civil and structural works. As part of MYTP, GIAL submitted that the contract for construction of NITB was awarded by the AAI on 26th Mar'2018, i.e. before COD. As per the MYTP submission of GIAL, the cost of the project has increased significantly post award of works on account of increase in quantities in reinforced cement concrete owing to difference in initial drawing at the time of contract and the Good for Construction (GFC) drawings, time overrun on account of COVID-19 pandemic and supply chain disruption owing to pandemic. Also, the design changes proposed by GIAL led to increase in project cost towards NITB. The Authority observed that GIAL has submitted a revised cost of NITB as ₹ 2333 crores. A cost comparison of original sanctioned cost of AAI vis-à-vis project awarded by AAI and the cost projected by GIAL is provided below:

**Table 87: Cost comparison of NITB sanctioned originally, awarded and project by GIAL**

(₹ crores)

| S. No. | Project detail | AAI sanctioned cost | Awarded by AAI | Projected by GIAL | Remarks |
|---|---|---|---|---|---|
| **A** | **Civil & structural works** | | | | |
| (i) | Civil & structural works by M/s SPCL includes CIVIL and MEP contract for Terminal and Elevated Road | 1166 | 1007 | 1541 | The cost is revised on account of area increase from 90000 sqm to 146000 sqm (including design related changes of 15,959 sqm), GFC drawings, increase in quantity, rate escalation due to COVID pandemic etc. |
| | **Sub-Total - A** | **1166** | **1007** | **1541** | |

| S. No. | Project detail | AAI sanctioned cost | Awarded by AAI | Projected by GIAL | Remarks |
|---|---|---|---|---|---|
| **B** | **Packages considered in AAI design but not awarded** | | | | |
| (i) | Baggage Handling System | | - | 120 | |
| (ii) | Passenger Boarding Bridge | 66 | - | 41 | These equipment are required for airport operation. AAI has considered these in design however, not awarded due to expected PPP arrangement. |
| (iii) | VDGS | | - | 5 | |
| (iv) | Augmentation of power supply | | - | 41 | |
| (v) | Interior decoration, furnishing & furniture (excluding art work) | - | - | 4 | |
| (vi) | Signages | - | - | 24 | |
| | **Sub-Total - B** | **66** | **-** | **235** | |
| **C** | **Costs/Scope less considered/not considered by AAI but which are essential for Airport operations** | | | | |
| (i) | IT packages | - | - | 149 | |
| (ii) | Security package | - | - | 166 | |
| (iii) | Further augmentation of Power is required to cater additional load demand for Business Lounges, Airport Villages & F&B | - | - | 115 | These projecs are subject to anticipated overall airport operation plan and stakeholder requirement, accordingly could not be planned by AAI at initial stage. |
| (iv) | Artwork | - | - | 30 | |
| (v) | ORAT Cost | - | - | 30 | |
| (vi) | Trolleys, furniture, dustbin etc. | - | - | 22 | |
| (vii) | Misc. item | - | - | 33 | |
| | **Sub-Total -C** | **-** | **-** | **545** | |
| **D** | **Culvert Work -D** | **-** | **-** | **12** | Initial estimate |
| | **Total (A+B+C+D)** | **1232** | **1007** | **2333** | |

v. The Authority noted that the NITB work has been awarded by AAI in 2018 and owing to operation of LGBIA through PPP mode, the ongoing works had been novated to GIAL. The construction progress and cost impacted due to change in design, COVID-19 and supply chain disruption. Further, GIAL has undertaken some of the modification in the previous design which resulted into increase in terminal area by 15,959 sqm. The Authority through its independent consultant had reviewed GIAL MYTP and conducted site visit of LGBIA. In view of the GIAL submission and site visit, the Authority observed that the proposed area would improve passenger facility and also will be required to comply with statutory compliances. Accordingly, the Authority proposed to accept the 146,292 sqm terminal area proposed by GIAL.

The Authority noted that the works towards terminal building are still underway and not yet capitalized. As per GIAL, terminal building is expected to be completed in the FY'25 (Jan'25). However, during the site visit, the Authority observed that significant work is pending towards terminal building. The project progress of NITB is ~57 % as on 31st Mar'2024. Further, ORAT testing will also require 1-2 month before commissioning of the terminal. In view of the above, the Authority believe that the terminal capitalization may be achieved in FY'26 (April'25) instead of FY'25 (Jan'25) proposed by GIAL.

Further, The Authority is of the view that the cost of terminal building should be completed within the inflation adjusted normative cost basis on its normative order i.e. order no. 7/2016-17 dated June 6, 2016. Accordingly, the Authority proposed terminal cost as per applicable normative rates plus the cost towards the works which doesn't form part of normative cost. As per the normative order, the normative cost proposed is excluding land cost, diversion of facilities and site development activities namely earther filling cost and Electricity Board Deposit. Following are the additional cost component evaluated by the Authority through its independent consultant for the purpose of determination of cost of NITB:

- Kerbside road – GIAL proposed ₹ 138.60 crores towards this works. The Authority through its Independent Consultant evaluated the estimates of the cost proposed and found reasonable. The Authority proposed to consider this cost.
- Electricity Board Deposit – As per the applicable electricity regulation, GIAL had to pay mandatory deposit to DISCOM to avail additional load. Considering the mandatory requirement, the Authority proposed to consider the same.
- Earth filling and piling works- GIAL had proposed ₹ 77 crores towards earth work and piling works to be considered extra over normative cost. The Authority believed that the site preparation works including earthwork was already undertaken by AAI and the cost as proposed by AAI was within normative cost. Accordingly, this cannot be considered separately now.
- Artwork – GIAL had proposed ₹ 30 crores towards art works. The Authority noted that Artwork is not a mandatory expense and can be done in phases. Accordingly, the Authority proposed to consider ₹ 5 crores towards Artworks at this stage.
- ORAT – GIAL had proposed ORAT cost of ₹ 30 crores. In view of the decision taken at other Airports, the Authority proposed not to allow any cost towards ORAT.

Following is the proposed normative cost for the terminal building:

**Table 88 : Details of cost of Terminal Building proposed by the Authority at Consultation stage**

(₹ crores)

| Particular | | Amount |
|---|---|---|
| Proposed Terminal Area (in sqm) | 146,292 | |
| Normative Cost (FY'25-26) (Refer Table *84*) | 131,130 | |
| **Terminal cost as per Normative Order-A** | | **1918.33** |
| Component over and above Normative cost | | |
| Kerbside road | 138.60 | |
| Artwork | 5.00 | |
| **Sub-Total (B)** | | **143.60** |
| **Total (C=A+B)** | | **2061.93** |
| **Additional allowance due to North-East region** | | |
| Disturbed area allowance @ 5% over (C)* | 103.10 | |
| Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25% labour cost) over (C)* | 64.44 | |
| **Sub-Total (D)** | | **167.54** |
| **Electricity Board deposit (E)** | | **41.00** |
| **Cost proposed by the Authority towards NITB** | | **2270.46** |

| Particular | | Amount |
|---|---|---|
| **F=(C+D+E)** | | |

**Also Considered in the Second Control Period Tariff order no. 38/2017-18 dtd. 16th February'2018 for LGBIA (refer para 9.20)*

vi. In view of the above, the Authority proposed to consider the NITB cost based on normative benchmarks. Thereby, the cost of NITB is proposed to be ₹ 2131.86 crores (Indexed to FY'26) excluding kerb side (₹ 2270.46 crores - ₹ 138.60 crores) against ₹ 2194.40 crores (₹ 2333.00 crores - ₹ 138.60 crores) submitted by GIAL. As on Mar'22, the CWIP towards NITB was ₹ 453.67 crores. The Authority accordingly considered balance cost of NITB to be incurred during the Third Control Period as ₹ 1678.19 crores (₹ 2131.86 crores -₹ 453.67 crores).

### A.2 Kerbside Development works (₹ 138.60 crores)

GIAL to facilitate smooth traffic circulation, had proposed grade separation between departure and arrival. The overall general arrangement had been worked out to ensure smooth traffic circulation and to cater to the estimated traffic (peak hour traffic on the main access road is estimated as approx. 3,058 Passenger Car Unit (PCU).

At the Arrival Access level, peak hour traffic is estimated as approx. 1,080 PCUs. To cater to this demand, three lane road is proposed as main entry road. This three lane road is proposed to flare up to total six lane road to form about 300 mtr of Kerb to facilitate smooth passenger transition from vehicles to the New Integrated Terminal Building (NITB). Out of the six lanes, two lanes are proposed to be reserved for VIPs separated by 5.2 mtr of raised platform from four lanes open for public.

At Departure Ramp (elevated), peak hour traffic is estimated as approx. 1,079 PCUs. To cater to this demand, two lanes are proposed to be reserved for the VIP movement with an additional dedicated Stop Lane. The Stop Lane will ensure that parked vehicles do not affect traffic circulation in the two dedicated lanes for the VIP movement. For public, three dedicated lanes are provided for traffic circulation with one dedicated Stop Lane.

As per MYTP, the project was awarded by AAI and carried forward by GIAL. The Authority had reviewed the project cost and benchmarked it with similar works at another Airport. Further, the Authority had sought detailed BoQ for the work by GIAL, GIAL had submitted Basis of rate and following details:

**Table 89: Details of cost for kerbside development**

| Particular | Guwahati Airport | | |
|---|---|---|---|
| | Area | FY'25 indexed rates | Amount in ₹/crores |
| Elevated Road | 10726 | 84200 | 90.31 |
| At-Grade road | 50582 | 7400 | 37.43 |
| **Sub-Total** | | | **127.74** |
| Add: Culvert cost | | | **11.00** |
| **Total Cost** | | | **138.74** |

*Note: As part of clarification, GIAL had submitted above BoQ which provides ₹ 138.74 crores cost towards kerbside development instead of ₹ 138.60 crores submitted initially.*

The Authority noted that the Culvert is outside airport boundary and the connectivity should be provided by the State Government. As part of subsequent clarification it is understood that the state govt already initiated the construction of culvert. In view of the same, the Authority proposed to exclude cost considered towards culvert. Further, the project cost proposed by GIAL is compared with the cost allowed for similar work at other Airport, the Authority observed that same is in line considering northeast region (refer Table *88*) . In view of the above, the Authority proposed to consider kerb side development cost as ₹ 127.74 Crore (inflation adjusted cost) against GIAL submission of ₹ 138.60 crores (inflation adjusted cost).

**A.3 Existing Terminal Building Development (₹ 9.64 crores)**

GIAL as part of improvement in existing terminal building proposed capex is towards fire hydrant system, replacement of old ACs, AHU modification, fire control room related repair, upgradation of BBA, BMA, BHS and Check in counters for smooth passenger operation, signages, terminal refurbishment activities etc.. The Authority, through its independent consultant had reviewed the list of capex proposed by GIAL under this head and have following observations:

- GIAL had estimated ₹ 1.50 crores worth of terminal auxiliary equipment. However, it had not shared any detailed list of BoQ against this item. Since the AO had not shared any detail against this capex and the new terminal building is expected shortly at LGBIA, the AO should optimize any capex on existing terminal building which is not going to be used post commissioning of NITB.
- GIAL had estimated ₹ 2.50 crores worth of facelift & refurbishment works of existing terminal. In view of the ongoing development of NITB, the Authority believed that this capex should not be planned.
- GIAL had considered some of the routine repair and modification works as capex, same should be considered as part of normal repair works. These include:
    i. Shifting of Repeater panel to fire control room and minor repair of existing Fire alarm and Fire Detection system - ₹ 0.10 crores
    ii. Upgradation of retiring room in terms of tiling, painting, furnishing etc. - ₹ 0.10 crores

In view of above, the Authority proposed inflationary adjusted cost as ₹ 4.82 crores (lower than the estimated base cost on account of de-growth in inflation factor) against ₹ 9.64 crores submitted by GIAL.

**B. Runways, Taxiways & Aprons:**

Following are the details of work towards Runway, Taxiway and Apron:

**B.1 Apron-2 (Demolition and new-construction) (₹ 466.21 crores)**

At present LGBIA has 20 nos. of Code-C equivalent stands, this comprises (Apron-1: 9 Nos. and Apron 2: 11 Nos.). In view of the estimated demand, total 34 nos. of Code C equivalent stands are proposed on Apron-2, considering that all commercial aircraft operation will be facilitated from the NITB post commissioning.

As per GIAL, the existing Apron-2 is non-compliant and need to be demolished entirely (total approx. 1,18,088 Sqm including rigid and flexible pavements) and re-construct the same. GIAL has envisaged total Apron area of 2,66,535 Sqm of area, including approx. 34,196 Sqm of Head of Stand Road considering future traffic demand.

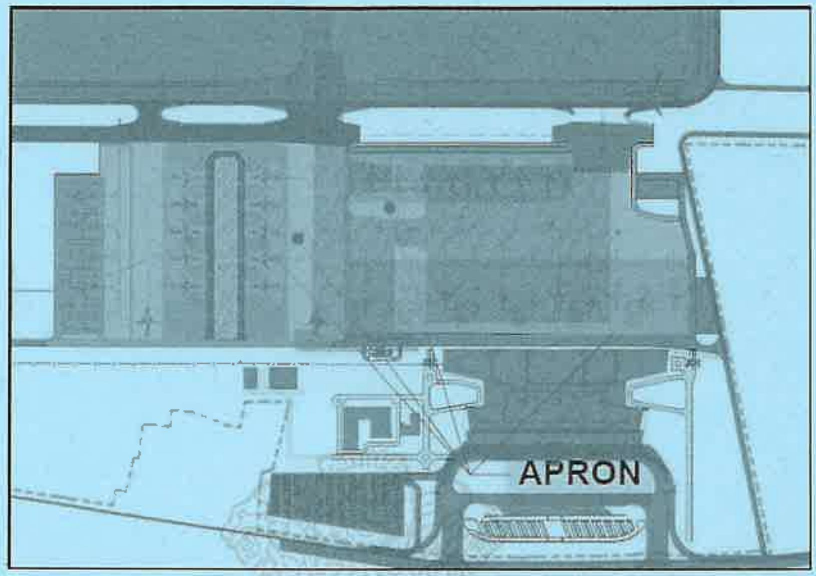



**Figure 6: Proposed layout for Apron 2 at LGBIA**

The Authority along with its independent consultant conducted site visit of LGBIA and believed that GIAL should explore innovative ways to revive Apron 2 for operational use. The Authority believed that the Apron-2 can be made fit for use by applying a PQC overlay, adopting new drainage technology with pre-fabricated drains and adopting trenchless technology for underground utilities and pipelines. These advices were agreed in-principle by the AO for necessary examination and consideration, as otherwise dismantling in operational area could have posed an operational hazard and created many operational constraints/issues. Accordingly, the Authority after site visit along with its Consultant and AO had considered re-examining the restoration of existing Apron by providing pre-cast drains, recasting the apron wherever required, and constructing an additional apron area of only 148,447 sqm.

In term of cost, The Authority, through its consultant also verified the estimate provided by GIAL. The Authority noted that the rates adopted by GIAL are more than the inflation adjusted normative rates provided at para 7.3.4. The inflation adjusted normative rates of FY'2026 (based on expected start date of works) had been considered by the Authority for completion of new Apron Area. In case of repair works, the Authority had considered 50% of the rates adopted for new construction. While arriving the normative cost, the Authority adjusted the normative cost as per para 7.3.4 on account of disturbed area allowance of 5% and extra labour cost component of 12.5% on account of north east region. Following is the adjusted normative cost for FY'2026:

**Table 90: Details of normative cost for Runway/Taxiway/Apron works at Consultation stage**

| Particular | Amount in Rs/Sqm | |
|---|---|---|
| Inflation adjusted normative cost for FY'26 | | 6932 |
| **Additional allowance due to North-East region** | | |
| Disturbed Area allowance @ 5% | 347 | |
| Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25%* labour cost) | 217 | 564 |
| **Inflation and NER adjusted normative cost** | | **7496** |
| Add: Airside working area constraints @ 5% | | 375 |
| **Propose normative cost per sqm** | | **7871** |

Similarly, in case of drainage works, the Authority proposed GIAL to optimise cost by adopting innovative technology and design to minimise cost. The Authority for the purpose of drainage works proposes to consider 50% of the rates proposed by GIAL. Further, the Authority noted that as per the normative order the normative cost excludes earth work cost upto sub-grade level and AGL works. Accordingly, these have been considered over and above the normative cost. As per GIAL submission the estimated base cost of the project is ₹ 410.55 crores and inflation adjusted cost is ₹ 466.21 crores. The summary of the Authority's proposal in this regard is detailed below vis a vis GIAL submission:

**Table 91: Details of the cost submitted by GIAL and proposed by the Authority towards Apron works at Consultation stage**

(₹ crores)

| Particular | UoM | As pre GIAL | | | As per the Authority | | |
|---|---|---|---|---|---|---|---|
| | | Rate | Qty | Amount | Rate | Qty | Amount |
| Demolition of flexible Pavement | Sqm | 1400 | 7086* | 0.99 | - | - | - |
| Demolition of Rigid Pavement | Sqm | 4070 | 111002* | 45.18 | - | - | - |
| **New Pavement (Apron)** | | | | | | | |
| Rigid Pavement | Sqm | 13800 | 232339 | 320.63 | 7871 | 121337 | 95.50 |
| Flexible | Sqm | 7800 | 34196 | 26.67 | 7871 | 27110 | 21.34 |
| **Repair works** | | | | | | | |
| Rigid Pavement | Sqm | - | - | - | 3936 | 111002 | 43.68 |
| Flexible | Sqm | - | - | - | 3936 | 7086 | 2.79 |
| Drainage | Rmt | 125000 | 1366 | 17.08 | 60000 | 1366 | 8.20 |
| **Sub-Total (A)** | | | | **410.55** | | | **171.51** |
| Cost towards earthwork upto sub-grade level | | | | Included above | | | 52.15 |
| AGL cost @15% towards new apron works | | | | Included above | | | 17.53 |
| Inflation adjustment | | | | 55.66 | | | Factored in normative cost |
| **Total Cost** | | | | **466.21** | | | **241.19** |

*As discussed during site visit, the existing apron dismantling can be avoided by usage of prefabricated drains to optimize this expenditure.

In view of the above, the Authority proposed to rationalise the cost and the scope of this project. The Authority proposed to consider inflation adjusted cost of ₹ 241.19 crores against ₹ 466.21 crores submitted by GIAL towards Apron-2 works.

**B.2 Airside Storm Water Drainage work (₹ 208.38 crores)**

GIAL as part of MYTP and during site visit submitted that existing drainage system is insufficient to runoff storm water. Some of the section of the Airport has temporary drainage system and there is no operational airside drainage system. Additionally, the existing airside drainage system lacks continuity, and GIAL intends to establish connectivity and create a closed-loop system. Following are few pictures of drainage system available at GIAL:

**Figure 7: Existing drainage system at LGBIA**

The Authority had noted the points raised by GIAL in MYTP proposal. The Authority through its independent consultant has taken a note of the drainage condition at LGBIA and believes that in order to have faster run off of storm water it is necessary to have robust storm water drainage system in place. However, the Authority also raised a point to GIAL that the drainage system will be successful only if the airport system is connected to well-planned external drainage system outside Airport. The GIAL has clarified that the AO is already working/coordinating with local body to make integrated drainage system so that the storm water does not push back to the Airport. In view of the above, the Authority proposed to consider the capex towards storm water drainage system. During the cost analysis, the Authority observed that some of the rates proposed by GIAL consider 10% overhead on account of airside working area constraints. The same had been revised by the Authority to 5%. Rates considered by GIAL are in line with rates allowed by the Authority at other Airports. Following is the basis of the base cost considered by the Authority towards this project:

**Table 92: Authority's examination of Airside Storm Water Drainage cost at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| Drainage | 16632 | 96000 | 159.67 | 16632 | 92000 | 153.01 |
| Culvert | 2220 | 138125 | 30.66 | 2220 | 138125 | 30.66 |
| Pipe crossing | 460 | 51000 | 2.35 | 460 | 51000 | 2.35 |
| **Base Cost** | | | **192.67** | | | **186.02** |
| Inflation adjustment | | | 15.71 | | | **8.66** |
| **Total** | | | **208.38** | | | **194.68** |

Further, during the site visit it was observed that no work has started against this project. Accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26.

The Authority had further adjusted cost on account of inflation. In view of the above analysis the Authority proposed to consider ₹ 194.68 crores as inflation adjusted cost as against ₹ 208.38 crores submitted by GIAL towards this project.

**B.3 Construction of Part Parallel Taxiway and Link Taxiways (₹ 199.02 crores)**

The existing peak capacity of the Runway 02-20 is 18 ATMs (Arrival & Departure) per hour. The peak ATM per hour is estimated to be 22 (Arrival & Departure) in FY 2026-27. To facilitate this increase in ATM and ensure operational efficiency, it is proposed that a Part Parallel Taxiway of total 1,00,861 Sqm including shoulders. Further, GIAL had also proposed additional three link taxiways, with total area of 15,845 sqm. As per GIAL the additional three link taxiways will improve operational efficiency.

The Authority noted GIAL submission and as per site visit as well as GIAL presentation it is observed that additional link taxiways are proposed at both side of the runways 02 and 20. This will enable faster exit of aircrafts from the runway and increasing runway availability for airport operation. Also, one of the link taxiways towards runway 20 end will be required to give additional access to Apron 2 in front of NITB. In view of the operational requirement, the Authority proposed to consider the capex towards part parallel taxiway and link taxiways.

The Authority through it's independent consultant analysed the cost proposed by GIAL towards this capex and observed that the cost proposed is higher than the normative cost provided under order no. 07/2016-17 dtd. 6th June,2016. In view of this, the Authority proposed to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project. The Authority, further adjusted inflation adjusted normative cost on account of disturbed area allowance of 5%, extra labour cost component of 12.5% of 25% labour cost on account of north east region and 5% on account of airside working area constraints and arrive at a normative cost of ₹ 7871 per sqm (refer Table ***90***). Further, the Authority noted that as per the normative order the normative cost excludes earth work cost upto sub-grade level and AGL works. Accordingly, these have been considered over and above the normative cost. Following is the basis of the cost considered by the Authority towards this project:

**Table 93: Authority's examination of Part Parallel Taxiway and Link Taxiway cost at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| Main Pavement (Flexible) | 81275 | 15400 | 125.16 | 81275 | 7871 | 63.97 |
| Shoulder (Flexible) | 35431 | 15100 | 53.50 | 35431 | 7871 | 27.89 |
| **Total** | | | **178.66** | | | **91.86** |
| Add: Excavation till subgrade | | | Included above | | | 48.11 |
| Add: AGL@ 15% base cost | | | Included above | | | 13.78 |
| Inflation adjustment | | | 20.36 | | | Factored in normative cost |
| **Total Cost** | | | **199.02** | | | **153.75** |

Further, during the site visit it was observed that no work has started against this project, accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26.

In view of the above, the Authority proposed ₹ 153.75 crores as inflation adjusted cost against GIAL submission of ₹ 199.02 crores inflation adjusted cost.

**B.4 Land Development Works (₹ 189.73 crores)**

As per GIAL, a significant portion of the LGBIA lies at lower elevation. Accordingly, GIAL had proposed filling and site grading area of around 605,750 sqm to prevent the risk of flooding and to make these areas suitable for various airside and associated facilities. A figure below provides details of low-lying area at LGBIA:

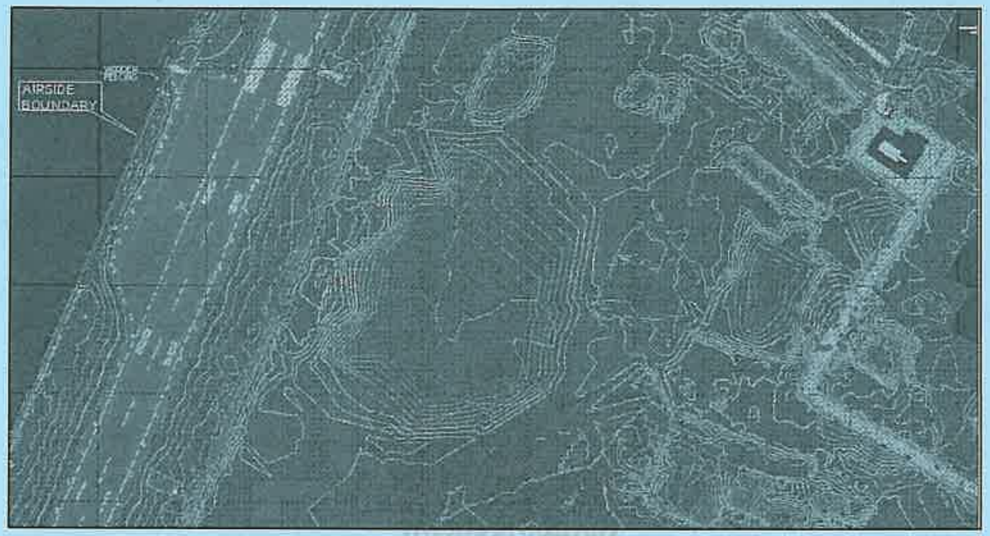



**Figure 8: Low lying area at LGBIA**

As per GIAL submission and the site visits of LGBIA Airport, the Authority noted that the identified low-lying areas are required in airside works in this control period and may be required for future expansions. GIAL had divided the low-lying areas in four zones. The Authority noted from GIAL submission and also on the basis of the site visit, that the proposed land development work can be done in phased manner and also the AO need to optimise on the proposed cost towards land development. Further, the Airport Operator had not demonstrated the concrete plan to overcome this low lying area, no topographical analysis was shared and possibility of phasing of the proposed plan have not been shared. Upon reviewing the site-level charts, the approach to filling low-lying areas remains unclear. Consequently, the consultant independently identified these areas, as marked in Figure 8. Accordingly, the Authority proposed to consider 25% cost for land development works for the purpose of third control period. AO can plan the land development for the balance portion after assessing the critical operational requirements. Following is the basis of the base cost considered by the Authority towards this project:

**Table 94: Authority's examination of cost pertaining to land development works at Consultation stage:**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| **A. Earth Work Package-Site Clearance** | | | | | | |
| Clearing and Grubbing Airfield Land. (Clearing and grubbing airfield land by dozer and grader including uprooting vegetation, grass, bushes, shrubs and saplings etc, removal of slush including top soil not exceeding 150 mm in thickness and disposal of organic unserviceable soil/materials at designated location & spreading in the low lying areas approved by engineer in charge within project | 605750 | 70.80 | 4.29 | 151438 | 70.80 | 1.07 |

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| site and stacking of serviceable material to be used or auctioned with all lifts and lead. Item includes the compaction of ground surface as per specifications section 201 of MORTH specification for Road and Bridge works (5th Revision) [Item no. 1.02 shall be operative for removal of slush/sludge having depth more than 300 mm] | | | | | | |
| Removal of slush/sludge including dewatering and disposal of the same in designated areas conforming environmental norms with all labours, equipments, consumables, tool tackles, leads and lifts etc. complete as per instruction of the Engineer In charge. | 122065 | 300.90 | 3.67 | 30516 | 300.90 | 0.92 |
| Providing, installing and maintaining required capacity dewatering pumps with all accessories, pipelines, labour, materials, consumables, tools tackles etc. complete along with construction of temporary trenches/ditches (if require any) for draining out water from the project battery limits, including obtainment of all statutory permissions from the concerned authorities. | 25000 | 129.80 | 0.32 | 6250 | 0.08 | 0.08 |
| **B. Earth work package-Earthwork** | | | | | | |
| Excavation in all types of soil (excluding soft and hard rock) for airfield work upto a depth of 500 mm, including cutting and loading, trimming bottom and side slopes, in accordance with requirements of lines, grades and cross sections as per drawings and Technical Specifications section 301 of MORTH specification for Road and Bridge works (5th Revision) and disposal of the excavated earth to the designated location(s) with an average lead of 4 Km or as directed by the Engineer in charge. | 138850 | 282 | 3.91 | 34713 | 282 | 0.98 |
| Supplying, filling, spreading and compacting of Moorum borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 95% of MDD & the requirements of | 218070 | 1392 | 30.35 | 54518 | 1392 | 7.59 |

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| technical specifications. Borrowed moorum shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge.The unit rate shall be deemed to include cost of all material, labour, equipments, tools tackles, royalty, transportation and sampling, testing and supervision required for the work. | | | | | | |
| Supplying, filling, spreading and compacting of River sand borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 90% of MDD & the requirements of technical specifications. Borrowed river sand shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge. The unit rate shall be deemed to include cost of all material, labour, equipments, tools tackles, royalty, transportation and sampling, testing and supervision required for the work. | 545175 | 1392 | 75.87 | 136294 | 1392 | 18.97 |
| Supplying, filling, spreading and compacting of Hilly soil borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 95% of MDD & the requirements of technical specifications. Borrowed Hilly soil shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge. The unit rate shall be deemed to include cost of all material, labour, | 327105 | 1392 | 45.52 | 81776 | 1392 | 11.38 |

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| equipments, tools tackles, royalty, transportation and sampling, testing and supervision required for the work. | | | | | | |
| Providing & Laying of Geotextile (specs as per Dhamra Airport) | 215798 | 183 | 3.95 | 53949 | 183 | 0.99 |
| **Base Cost** | | | **167.88** | | | **41.97** |
| Inflation adjustment | | | 21.85 | | | 1.80 |
| **Total Cost** | | | **189.73** | | | **43.77** |

The Authority had further adjusted the base cost derived above on account of inflation. Accordingly, the Authority proposed to revise the inflation adjusted cost to ₹ 43.77 crores against GIAL submission of ₹ 189.73 crores respectively.

**B.5 Widening of Runway Basic Strip (₹ 87.17 crores)**

GIAL as part of MYTP submitted that the width of existing runway strip is 75m on both sides from the center line of the Runway. Existing runway width does not meet DGCA compliance standards. As per the standards for Precision Approach Runway, the Runway Strip shall, wherever practicable, be extended laterally to a distance of at least 140m on each side of the centre line of the runway and its extended centre line throughout the length of the strip. Accordingly, to comply with the statutory requirement, widening of the Runway Basic Strip to 140m is proposed. For this, site grading works will be required to be carried out over approx. 5,41,530 Sqm of area.

The Authority, in view of the safety and compliance with applicable standards proposed to consider this capex. However, the Authority observed that while calculating of the cost for the works, GIAL had considered 10% additional cost on account of airside working area constraints. This had been revised by the Authority to 5% while arriving cost for this work. Following is the basis of the base cost considered by the Authority towards this project:

**Table 95: Authority's examination of widening of Runway Basis Strip at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| Site Grading | 541530 | 1460 | 79.06 | 541530 | 1390 | 75.27 |
| **Base Cost** | | | **79.06** | | | **75.27** |
| Inflation adjustment | | | **8.11** | | | **1.79** |
| **Total Cost** | | | **87.17** | | | **77.06** |

The Authority further adjusted the above cost on account of inflation. Accordingly, the Authority proposed inflation adjusted cost of widening of Runway Basic Strip as ₹ 77.06 crores against GIAL submission of ₹ 87.17 crores.

**B.6 Construction of Second Part Parallel Taxiway (₹ 81.64 crores)**

Second Part Parallel Taxiway of Code C (total area: approx. 46,546 Sqm) is proposed to ensure safety and operational efficiency. The Second Part Parallel Taxiway will facilitate seamless operation, i.e. movement of departing aircrafts can take place irrespective of movement of arriving aircrafts, which is imperative to facilitate the projected ATMs.

The Authority noted that LGBIA is a gateway to eastern India and keeping in view the expected growing demand, it is important to increase airside capacity. GIAL submitted that in lieu of Second

Part parallel taxiway the Apron 2 will have only one connection due to which departing aircraft has to wait for pushback until clearance of parallel taxiway by the arriving aircraft.

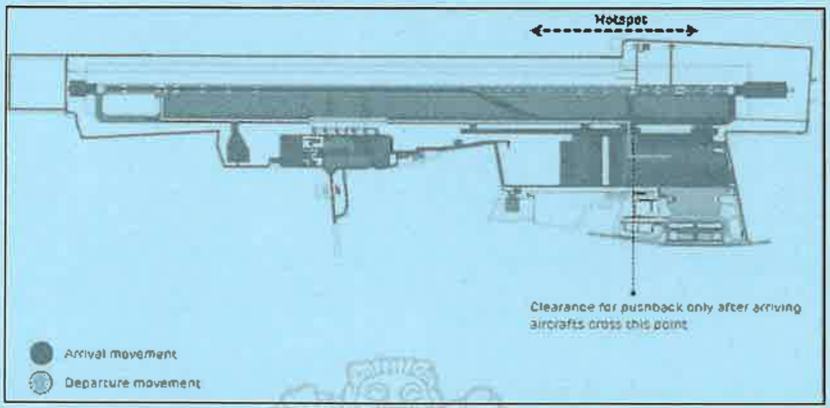



**Figure 9: Proposed aircraft movement at part parallel taxiway**

In view of this Authority proposed to consider this capex. However, the Authority observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposed to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table ***90***. The normative cost thus arrived is ₹ 7871 per sqm.

In view of the above, the Authority proposed inflation adjusted cost as ₹ 60.84 crores against ₹ 81.64 crores submitted by GIAL.

**B.7 Extension of Runway 02-20 towards RWY 20 (₹ 51.61 crores)**

LGBIA has a single runway, 02-20, which is 3,103 meter in length and 45 meter in width. GIAL proposes to extend it by 557 meter (admeasuring total 33,420 Sqm, out of which 25,065 Sqm is runway pavement and 8,355 Sqm is shoulder), to ensure compliance and improve operational efficiency of the proposed Apron-2.

The Authority noted that this capex is required in line with newly constructed NITB. The Authority, through its independent consultant reviewed the BoQ submitted by GIAL. The cost of the project is derived considering demolition of 600 sqm pavement area and construction of 33420 flexible pavement area. While doing rate analysis, it was observed that the rates considered by GIAL for pavement works are higher than the rates provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposed to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table ***90***. The normative cost thus arrived is ₹ 7871 per sqm. Further, during the site visit it was observed that no work has started against this project. Accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26. Following is the basis of the cost considered by the Authority towards this project:

**Table 96: Authority's examination of Extension of Runway cost at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| Demolition of Flexible Pavement | 600 | 1400 | 0.08 | 600 | 1340 | 0.08 |
| New Pavement | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Main Pavement (Flexible) | 25065 | 15400 | 38.60 | 25065 | 7871 | 19.73 |
| Shoulder Pavement (Flexible) | 8355 | 11100 | 9.27 | 8355 | 7871 | 6.58 |
| Total | | | **47.96** | | | **26.39** |
| Add: Excavation till subgrade | | | Included above | | | 9.39 |
| Add: AGL@ 15% base cost (excluding demolition if any) | | | Included above | | | 3.95 |
| Inflation Adjustment | | | 3.65 | | | Factored in normative cost |
| **Total** | | | **51.61** | | | **39.72** |

In view of the above, the Authority proposed inflation adjusted cost of ₹ 39.72 crores against GIAL submission of ₹ 51.61 crores.

### B.8 Construction of new Isolation Bay (Rigid Pavement) (₹ 30.89 crores)

At LGBIA, currently, the Isolation Bay is accommodated on the Apron-2, in front of existing Hangar. As per the MYTP the area of isolation bay will be required for aircraft stands. Accordingly, GIAL had proposed to construct a new Isolation Bay beside the Apron-1, towards RWY 02 end (vacant land) to meet the regulatory requirement. As per GIAL, this is also in line with the AAI proposal.

Isolation bay is a mandatory parking space required at the Airport to handle aircraft facing an exigency like hijack or bomb threat, In view of the statutory requirement and compliance, the Authority proposed to consider this capex. However, it was observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposed to consider inflation adjusted normative cost as derived under 7.3.4 above. Further, it is noted that the proposed work is expected to complete in FY'25, Accordingly, the Authority considered the normative cost as arrived for FY'25. Following is the adjusted normative cost proposed for isolation bay related works:

**Table 97: Normative cost for Apron (FY'25) at Consultation stage**

| Particular | Amount in Rs/Sqm | |
|---|---|---|
| Inflation adjusted normative cost for FY'25 | | 6685 |
| **Additional allowance due to North-East region** | | |
| Disturbed Area allowance @ 5% | 334 | |
| Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25%* labour cost) | 209 | 543 |
| **Inflation and NER adjusted normative cost** | | **7228** |
| Add: Airside working area constraints @ 5% | | 361 |
| **Propose normative cost per sqm** | | **7589** |

The Authority proposed to consider ₹ 7589 per sqm to arrive cost towards isolation bay. Following is the detailed basis of the cost considered by the Authority towards this project:

**Table 98: Authority's examination of Cost towards new isolation bay at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| New Pavement | | | | | | |
| Main Pavement (Flexible) | 20300 | 13800 | 28.01 | 20300 | 7589 | 15.41 |
| Add: Excavation till subgrade | | | Included above | | | 4.13 |
| Add: AGL@ 15% base cost (excluding demolition if any) | | | Included above | | | 2.31 |
| Inflation adjustment | | | 2.88 | | | Factored in normative cost |
| **Total** | | | **30.89** | | | **21.84** |

In view of the above, the Authority proposed inflation adjusted cost of ₹ 21.84 crores for this project against GIAL submission of inflation adjusted cost as ₹ 30.89 crores.

### B.9 Construction of Rapid Exit Taxiway (₹ 19.73 crores)

To improve operational efficiency through reduction in Runway Occupancy Time (ROT), a Rapid Exit Taxiway (RET) is proposed at Chainage 1,970m measured from the threshold of RWY 02 till point of curvature of RET [length: about 305m, area: approx. 11,238 Sqm]. The proposed chainage will facilitate exit of maximum number of Code C aircrafts.

The Authority noted that RET will be an important project to improve runway efficiency as they allow faster exit of aircrafts and thus minimise runway occupancy. Accordingly, proposed to consider this project. While doing rate analysis, it is observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposed to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table 90. The normative cost thus arrived is ₹ 7871 per sqm.

**Table 99: Authority's examination of cost towards Rapid Exit Taxiway project at Consultation stage**

(₹ crores)

| Particular | GIAL submission | | | Authority Examination | | |
|---|---|---|---|---|---|---|
| | Quantity | Rate | Amount | Quantity | Rate | Amount |
| New Pavement | | | | | | |
| Main Pavement (Flexible) | 7935 | 15400 | 12.22 | 7935 | 7871 | 6.25 |
| Shoulders Pavement (Flexible) | 3303 | 15100 | 4.99 | 3303 | 7871 | 2.60 |
| Total | | | 17.21 | | | 8.85 |
| Add: Excavation till subgrade | | | Included above | | | **4.62** |
| Add: AGL@ 15% base cost (excluding demolition if any) | | | Included above | | | **1.33** |
| Inflation adjustment | | | 2.52 | | | Factored in normative cost |
| **Total** | | | **19.73** | | | **14.79** |

In view of the above, the Authority proposed ₹ 14.79 crores inflation adjusted cost for RET against GIAL submission of ₹ 19.73 crores.

**B.10 Other Minor Airside Capex (₹ 26.98 crores)**

GIAL had proposed various minor capital expenditure at airside. Following are the details of the capex proposed:

i. RWY 02-20 is proposed to be extended, as elaborated above. Accordingly, fresh construction of RESA for RWY 02 (after reserving 60m for Blast Pad from new RWY 20 threshold) is proposed. GIAL had proposed RESA area in line with CAR which is 21,600 sqm [240 m (L) X 90 m (W)]. The Authority proposed to consider the same. However, cost has been adjusted on account of revision of airside working area constraint overhead from 10% to 5%.

ii. Currently, Blast Pad of 30m (length, i.e. along runway centerline) x 60m (lateral) after RWY 02 threshold is provided. To reduce the erosive effects of jet blast and propeller wash from aircrafts, it is proposed to increase the length of the Blast Pad after RWY 02 to make the final dimension of the Blast Pad to 60m x 60m. Additional construction works of 1,800 Sqm is proposed in this regard. This is to comply with the specifications / guidelines as stipulated in the Aerodrome Design Manual (Doc 9157, Fifth Edition, 2020, Part 2), which is referred to at para 3.4.11 of the CAR.

   As regards RWY 20, it is proposed to construct new Blast Pad of 60m x 60m (fresh construction of 3,600 Sqm) after the new proposed threshold of RWY 20 (i.e. after extension of the runway).

   In view of the operational requirement, the Authority proposed to consider extension of blast pad area of 5400 sqm. The rate for the work had been adjusted on account of revision of working area constraint allowance from 10% to 5%.

iii. GIAL need to relocate simple approach lighting system for runway 20. The proposed work will be required due to extension of RWY 20. GIAL had submitted detailed BoQ. The Authority reviewed the same and proposes to consider the same subject to inflationary adjustment towards cost while indexation.

iv. Runway 02 is equipped with CAT-I Instrument Landing System (ILS) and accordingly, the Runway is treated as 'Precision Approach Runway'. However, currently, Simple Approach Lighting System is installed over a distance of approx. 152m from the RWY 02 threshold. Accordingly, to comply with the Civil Aviation Requirements, 'Precision Approach Category I Lighting System' is proposed over a distance of 900m from RWY 02 threshold.

   The Authority during site visit had sought clarification from GIAL on the feasibility of this project as the approach lighting need to be installed in a lake. GIAL had confirmed that the feasibility assessment had already been taken place and the project is feasible. In view of the operational requirement, the Authority proposed to consider this capex. The Authority had proposed to consider the capex based on the detailed BoQ submitted by GIAL subject to inflationary adjustment while arriving at indexed cost.

v. In order to serve proposed new stand GIAL had proposed additional area of 3935 sqm for GSE staging. GIAL had proposed Rigid pavement for the proposed GSE area. In view of the operational requirement, the Authority proposed to consider the cost proposed by GIAL against this head subject to inflationary adjustment while arriving indexed cost.

vi. In certain capex GIAL had not shared detailed BoQ. In view of the same, the Authority proposed 50% of the capex proposed against these heads. These capital expenditures include SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport, Runway Graded Strip and RESA strengthening (up to 300mm Depth) and Apron Control.

**Table 100: Details of other minor works proposed by GIAL and the Authority at Consultation stage**

(₹ crores)

| S. No. | Particular | Year of Capitalization | Inflation adjusted cost as per GIAL | Inflation adjusted cost as per the Authority |
|---|---|---|---|---|
| B.10.1 | Construction of Runway End Safety Area (RESA) after RWY 20 Threshold | 2024-2025 | 4.21 | 3.80 |
| B.10.2 | Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20 | 2024-2025 | 4.24 | 3.89 |
| B.10.3 | Relocation of Simple Approach Lighting System for Runway 20 | 2025 | 0.78 | 0.72 |
| B.10.4 | Installation of Category-I Approach Lighting System towards Runway 02 | 2024-2025 | 7.38 | 7.18 |
| B.10.5 | Off-Stand GSE | 2025-2026 | 4.60 | 3.50 |
| B.10.6 | Apron stand surface revamping work in old apron | 2024 | 0.32 | 0.31 |
| B.10.7 | Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard | 2025 | 0.22 | 0.20 |
| B.10.8 | Provision of new Earthing system for Runway and other associated works at Guwahati Airport | 2025 | 0.19 | 0.17 |
| B.10.9 | SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport | 2024 | 0.40 | 0.19 |
| B.10.10 | Upgradation of flexible pavements in Operational area | 2026 | 0.87 | 0.80 |
| B.10.11 | Runway Graded Strip and RESA | 2024 | 0.18 | 0.09 |

| S. No. | Particular | Year of Capitalization | Inflation adjusted cost as per GIAL | Inflation adjusted cost as per the Authority |
|---|---|---|---|---|
| | strengthening (up to 300mm Depth) | | | |
| B.10.12 | Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron) | 2024-2026 | 1.73 | 1.64 |
| B.10.13 | Apron Control | 2024 | 0.21 | 0.10 |
| B.10.14 | Airside Equipment | 2024-2026 | 1.65 | 1.58 |
| | **Total** | | **26.98** | **24.17** |

The inflation adjusted cost for minor airside capex is proposed to be ₹ 24.17 crores against ₹ 26.98 crores submitted by GIAL.

**B.11 Runway Strengthening works (₹ 75.25 crores)**

GIAL had proposed Runway strengthening works for the Third Control Period. As per the MYTP, the runway re-carpeting work was undertaken by AAI in the Second Control Period. During the site visit, the Authority, along with its Independent Consultant, observed that the Runway does not require immediate re-carpeting except turning pad area for continued operation and runway strengthening work can be done in next control period. However, if the condition of the runway deteriorates, GIAL may undertake runway strengthening works in which case the Authority will consider the same on incurrence basis subject to the reasonableness and efficiency at the time of tariff determination of next control period.

**C. Construction of Boundary Wall**

**C.1 Construction of Airside perimeter and service road (₹ 38.33 crores)**

As per GIAL, due to widening of the Runway Strip, the existing airside roads at certain stretches (that fall within the area proposed for widening of the Runway Strip) will require to be demolished and new airside roads will require to be constructed. Total area of flexible pavement to be demolished works out as approx. 23,728 Sqm and that of rigid pavement works out as approx. 1,975 Sqm, whereas area of new airside roads works out as 47,989 Sqm.

GIAL as part of MYTP had submitted indexed cost of ₹ 38.33 crores with base cost of ₹ 33.75 crores. The Authority as part of clarification of MYTP has sought detailed BoQ for the project. As per the BoQ shared by GIAL, the base cost of the project had been revised to ₹ 32.13 crores. The Authority through its independent consultant had reviewed the BoQ shared by GIAL and observed that the quantity proposed by GIAL is in line with the proposal and the rates adopted is in line with the applicable standards. The Authority notes that the capex will be required owing to extension of airside and thus proposes to consider this capex. However, adjusted the cost on account of inflation factor. The inflation adjusted cost was proposed to be ₹ 33.63 crores instead of ₹ 38.33 crores initially submitted by GIAL.

**C.2 Construction of Airside Boundary Wall (₹ 77.37 crores)**

As per GIAL, owing to widening of the Runway Strip and other airside proposals, the existing airside boundary wall at certain stretches will require to be demolished and new airside boundary wall will require to be constructed. The proposed stretches for demolition and new airside boundary wall. Total approx. 11,692m of existing boundary walls are proposed to be demolished and 10,450m of new airside boundary wall is proposed to be constructed. Widening of the airside roads to 7.5m (5.5m carriageway and 1m earthen shoulder on both sides) is proposed on stretches where airside roads are not required to be demolished but width of the carriageway is less than 5.5m.

GIAL as part of MYTP had submitted ₹ 68.13 crores as base cost. The Authority as part of clarification sought detailed BoQ of the proposed capex. As per the BoQ submitted by GIAL, the base cost comes to ₹ 64.96 crores. The Authority through its independent consultant had reviewed the BoQ. GIAL had adopted CPWD rates which have been verified and found in line. The Authority noted that due to inclusion of new area within airside, the AO need to construct new boundary wall and demolish existing at selected areas. Accordingly, it was proposed to consider this capex.

In view of the above, the Authority proposed inflation adjusted cost of ₹ 67.98 crores against GIAL of ₹ 77.37 crores.

**C.3 Perimeter Intrusion Detection System (PIDS) system (₹ 26.24 crores)**

As per MYTP, the Authority notes that LGBIA currently does not have Perimeter Intrusion Detection System (PIDS) along / on its airside boundary wall. As per GIAL, the airport requires PIDS as part of its airport security infrastructure. Therefore, installation of PIDS is proposed for a stretch of 10,450m on the boundary wall.

GIAL as part of MYTP has submitted base cost as ₹ 22.88 crores. The Authority had sought detailed BoQ against this capex. As per GIAL submission, the cost of PIDS at LGBIA was estimated based on Lucknow Airport. GIAL had adjusted Lucknow Airport cost with inflation at 5% YoY and airside working area constraint allowance.

In view of the security requirement, the Authority proposed to consider this capex. However, adjusted the cost by considering correct inflation factors and removed airside working area constraint premium as this has already been considered in reference rate adopted from Lucknow Airport.

In view of the above, the Authority proposed inflation adjusted cost ₹ 20.50 crores against GIAL submission of ₹ 26.24 crores.

**C.4 Boundary Wall (₹ 0.21 crores)**

GIAL as per MYTP submitted that at some places boundary walls need to be made to protect airport land from illegal encroachment and fencing work needs to be done. GIAL had proposed ₹ 0.20 crores capex against this. The Authority noted that GIAL had not submitted any BoQ against this line item. Accordingly, it was proposed to consider only 50% of the capex proposed by GIAL.

**D. Cargo Facility**

As per AAI traffic news, LGBIA handled around 21,270 MT of Cargo in FY 2019-20 (Pre-Covid) level. This comprises of 21,267 MT domestic volume and 3 MT international volume. Prior to the CoD the cargo volumes are handled by AAICLAS (carved out facility).

Further, the Authority noted that as per clause 19.4.1 (a) of the Concession Agreement, Following is relevant provision for the Cargo facility at LGBIA:

*The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good Industry Practice.*

**GIAL as part of the MYTP has proposed following capex phasing with respect to cargo facility:**

**D.1 Interim Cargo Facility (₹ 3.22 crores)**

GIAL had started processing domestic cargo with capacity of 2,750 MT p.a. from June 2023 onwards. In this regard, AERA vide order no. 41/2023-24 dated 15th March 2024 allowed GIAL to levy the existing charges for Domestic Cargo Handling Services as per the approved Tariff for the other Cargo Service Provider at LGBIA till 30st September 2024 or tariff determination of third control period, whichever is earlier.

GIAL had proposed ₹ 2.31 crores towards procurement of Cargo equipment and ₹ 0.76 crores towards minor refurbishment of old cargo building. The Authority noted that the proposed capex is largely towards equipment and refurbishment. Further, in view of the interim cargo facility developed at similar airport, the Authority proposed to consider the proposed capex however adjusted on account of inflationary impact. The inflation adjusted cost comes to ₹ 3.05 crores, the Authority proposed to consider the same.

**D.2 Integrated Cargo Terminal (ICT) (₹ 23.15 crores)**

GIAL had planned a new Integrated Cargo Terminal (ICT) of approx. 8652 sq, mtr. with handling capacity of 43260 MT p.a. The planned facility is proposed to be made operational in FY25-26. The proposed ICT facility will house both domestic inbound and outbound, International Export & Import operations and will efficiently support regional distributions, besides facilitating the processing of special cargo such as perishables, pharma etc.

According to GIAL, the existing terminal building shall be refurbished and converted into a new Integrated Cargo Terminal (ICT). The estimated base cost for the refurbishment and equipment is ₹ 19.95 crores.

As per GIAL, the capacity planned is correlated with the market demand. As part of MYTP, GIAL proposed to commission this facility in FY'26. The Authority noted that there is an existing cargo facility operated by AAICLAS at Guwahati Airport. However, in view of the Concession requirement and encouraging market competition, the Authority proposed to consider second cargo terminal at LGBIA. GIAL had estimated 86% market share in first year. However, considering the AAICLAS facility, the Authority had considered 50% market share. At 50% market share, GIAL is able to utilize 40% of its facility in the first year (2026-27). Considering the long-term horizon, the Authority proposed to allow 43260 MT cargo facility to GIAL. Following is the market share and corresponding capacity submitted by GIAL and proposed by the Authority:

**Table 101: Air Cargo demand projections, capacity of LGBIA**

| Particular | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Volume in MT at LGBIA | 21270 | 15951 | 21858 | 22823 | 24296 | 24999 | 28526 | 34801 |
| ATMs in No. | 44539 | 23442 | 33572 | 45909 | 59970 | 60527 | 68050 | 82109 |
| Ton/ATM | 0.44 | 0.68 | 0.65 | 0.50 | 0.41 | 0.41 | 0.42 | 0.42 |
| **As per GIAL** | | | | | | | | |
| Market share | | | | | 14% | 18% | 19% | 86% |
| **GIAL expected Volume (In MT)** | | | | | **3500** | **4500** | **5500** | **30000** |
| GIAL capacity (In MT) | | | | | | | | |
| Domestic-Interim | | | | | 2750 | 2750 | 2750 | |
| Integrated Cargo Complex | | | | | - | - | - | 43260 |

| Particular | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **GIAL Capacity** | | | | | **2750** | **2750** | **2750** | **43260** |
| **As per the Authority** | | | | | | | | |
| GIAL Market Share | | | | | 14% | 18% | 19% | 50% |
| GIAL expected volume (In MT) | | | | | 3500 | 4500 | 5500 | 17400 |
| GIAL Capacity (In MT) | | | | | **2750** | **2750** | **2750** | **43260** |

As per GIAL, the cost of new cargo facility of similar size costs much higher than the proposed cost of T-I refurbishment. Since, the cargo terminal is refurbished, GIAL had considered ₹ 10.10 crores as part of infrastructure changes towards existing terminal building:

**Table 102: Cost proposed by GIAL towards ICC Facility at Consultation stage**

*(₹ crores)*

| Particular | Amount |
|---|---|
| **Other Infrastructure change at Terminal** | 10.10 |
| Additional Equipment for ICT | 5.20 |
| Site Circulation/Vehicle Movement Area (10,000 sqmt @ ₹ 4700/Sqm) | 4.71 |
| **Total** | **19.95** |

The Authority noted that an additional air cargo facility/complex at Guwahati Airport will bring in more competition which will lead to better service quality and price discovery. It will benefit north east region and aviation stakeholders. The Authority through its independent consultant evaluated the proposed cargo capex in line with the similar projects undertaken at other Airports and noted that the proposed project is line with the airport requirement. in view of the same, the Authority proposed to consider the proposed capex towards Cargo facility. However, the cost had been adjusted on account of inflationary impact. The inflation adjusted cost proposed to be ₹ 3.05 crores for interim cargo facility and ₹ 21.18 crores for new cargo terminal against ₹ 3.22 crores and ₹ 23.15 crores submitted by GIAL respectively.

## E. Fuel Farm Infrastructure

At present various Oil Marketing Companies (OMCs) (IOCL, RIL, BPCL and HPCL with storage facility of 800KL, 140KL, 800KL and 200KL respectively) have their respective fuel tanks and refuelling facilities at Guwahati Airport. OMCs manage the operations on their own, and currently operating expenditure and other charges are embedded in Aviation Turbine Fuel (ATF) fuel price. Therefore, as on date there is no concept of open access facility at the Airport. IOCL and RIL are located within the Airport premises whereas BPCL and HPCL are located outside. GIAL in line with the Concession Agreement had planned open access facility for fuel farm. It proposed following capital expenditure for Fuel Farm infrastructure at LGBIA during third control period:

**Table 103: Details of Fuel farm capex submitted by GIAL**

*(₹ crores)*

| S. No. | Particular | Base Cost as per GIAL | Remarks |
|---|---|---|---|
| E.1 | Fuel Storage tank | 119.97 | New facility proposed by GIAL |
| E.2 | Fuel Hydrant line | 142.72 | |

| S. No. | Particular | Base Cost as per GIAL | Remarks |
|---|---|---|---|
| E.3 | Equipment Cost | 3.00 | GIAL planned to procure three refueller as part of interim arrangement |
| E.4 | Procurement of IOCL and RIL assets | 10.00 | GIAL had estimated procurement of IOCL and RIL asset in line with AMD and LKO. |
| E.5 | Dead Stock | 13.94 | Required for operating new facility |
| | **Total** | **289.63** | |

GIAL planned new Fuel Farm Facility near to Apron 1 which is very far from upcoming Apron 2. This will require construction of approximately 7 Km hydrant system.

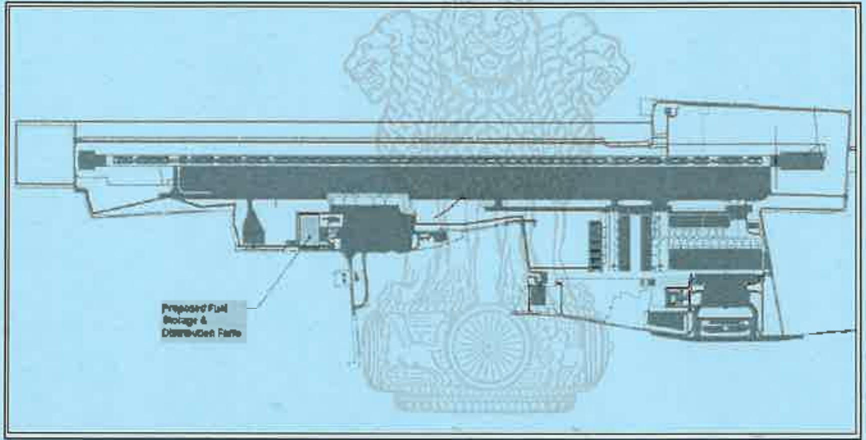


**Figure 10: Proposed Hydrant System at LGBIA**

The Authority, during the site visit asked GIAL to evaluate alternate location for fuel farm which can be closer to the Apron 2. In case the facility is planned closer to Apron 2, there will be significant saving toward construction of hydrant line. However, GIAL had not proposed any alternative plan or cost benefit analysis.

Secondly, there is a proposal by Petroleum & Natural Gas Regulatory Board (PNGRB) to connect Brown field and Green field Airports with dedicated ATF pipeline network. On such connection, Fuel Tank requirements will reduce substantially.

GIAL was directed to examine shifting of fuel farm near to Apron 2 and proposal of PNGRB. Hence, the Authority proposed not to consider any capital expenditure towards new facility for the fuel farm at this stage. However, if fuel facility is developed after examining both the issues, cost will be trued up in next control Period, subject to reasonability and efficiency.

As CAPEX had been allowed on incurrence basis, subject to reasonability and efficiency, corresponding revenue and OPEX has been considered. In order to support operational requirement, the Authority proposed to consider capex toward procuring of three refueler and procurement of IOCL and RIL assets. GIAL had considered the cost in line with the similar cost in case of Lucknow and Ahmedabad Airport. The Authority, through its independent consultant had verified the same and found in order. GIAL had estimated ₹ 13.00 crores as base cost and ₹ 13.65 crores inflation adjusted cost. The Authority had adjusted the base cost considering the proposed work will get completed in FY'25. The inflation adjusted cost as per inflation factors considered in para 7.3.4 comes to ₹ 13.31

crores. The Authority proposed to consider ₹ 13.31 crores towards this project against ₹ 13.65 crores estimated by GIAL.

**F. Vehicles (₹ 39.78 crores)**

As part of MYTP, GIAL proposed to procure various vehicles during third control period for operational requirement. The Authority reviewed the list of vehicles provided by GIAL and had following observations:

i. GIAL had planned conversion of diesel cars to electric vehicles. It is estimated that total 17 vehicles will be required by GIAL including one large EV i.e. Bus. GIAL had shared online quotation of electric bus which is around ₹ 2.00 crores. GIAL had estimated total cost of ₹ 11.00 crores for these 17 vehicles. The Authority believed that same is on higher side, accordingly, the estimated cost of E-vehicles other than large EV considered to be 50%, i.e. ₹ 4.5 crores. The cost is thus proposed to be ₹ 6.50 crores against ₹ 11.00 crores requested by GIAL.

ii. GIAL estimated two tractors for shifting from nursery and other site-based work requirements. Also, added two electrical buggies with loader attachment and trolleys for plants movement. The base cost estimated to be ₹ 0.20 crores. Same seem to be on higher side compared to market rates. Thus, the Authority proposed to consider ₹ 0.10 crores.

iii. GIAL had planned to procure two ambulances during third control period to replace existing ones. GIAL has proposed ₹ 0.75 crores for two ambulances. The Authority, in line with the market rates proposed to consider ₹ 0.50 crores for these ambulances.

iv. In case of CFT, GIAL submitted that LGBIA has 3 Rosenbauer CFTs which are more than 12 years old. Hence, it is planned to procure two new CFTs in FY-24 and FY-25 to replace 2 CFTs. GIAL had proposed base cost of ₹ 23.98 crores for two CFTs and shared supporting purchase order and custom duty details. The Authority through its independent consultant reviewed the same and found in order. In view of the operational requirement, the Authority proposed to consider this capex.

v. For other vehicles, cost and requirement, as submitted by GIAL had been accepted, subject to inflationary adjustment.

vi. In view of the above, the Authority proposed ₹ 34.93 crores as base cost toward vehicles proposed to be procured during third control period against the cost of ₹ 39.78 crores estimated by GIAL. The proposed cost was also adjusted on account of inflation adjustment indexation. Following is the asset wise comparison of GIAL proposal vis a vis cost proposed by the Authority:

**Table 104: Cost proposed toward Vehicles by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| S. No. | Particular | Year of capitalization | GIAL | | Authority | |
|---|---|---|---|---|---|---|
| | | | Base cost | Indexed Cost | Base cost | Indexed Cost |
| F.1 | Vehicles | 2024-2027 | 11.00 | 12.58 | 6.50 | 6.73 |
| F.2 | Modified vehicle for BDDS equipment | 2025-2026 | 3.00 | 3.39 | 3.00 | 3.13 |
| F.3 | Vehicle recovery Van | 2024 | 0.15 | 0.16 | 0.15 | 0.15 |
| F.4 | 2 Nos. tractor with trolleys & electric buggies to shuttle nursery between the two | 2025-2026 | 0.20 | 0.23 | 0.10 | 0.10 |

| S. No. | Particular | Year of capitalization | GIAL | | Authority | |
|---|---|---|---|---|---|---|
| | | | Base cost | Indexed Cost | Base cost | Indexed Cost |
| | Terminals | | | | | |
| F.5 | Ambulance | 2025 | 0.75 | 0.87 | 0.50 | 0.52 |
| F.6 | Crash Fire Tender | 2024-2025 | 23.98 | 25.81 | 23.98 | 25.00 |
| F.7 | Quick Reaction Team (QRT) Vehicle | 2025 | 0.70 | 0.77 | 0.70 | 0.72 |
| | **Total** | | **39.78** | **43.81** | **34.93** | **36.36** |

## G. Plant & Machinery (₹ 180.93 crores)

GIAL had proposed procurement of various equipment for operational requirements. The Authority noted that GIAL had planned for the procurement of machinery and equipment towards achievement of green initiatives norms and to ensure safety and security of operations and the fulfilment of regulatory requirements mandated by agencies like BCAS. Following are the key capital items proposed in third control period:

**Oil Water Separator (OWS)** – As part of environment compliance, GIAL had proposed to install oil water separator at select locations on the airside. It separates oil from the wastewater from aprons, hangar, cargo facility, GA & GSE workshop etc.. GIAL had planned 5 units of oil water separator. Keeping in view the tariff level, the Authority believes that there is a need to rationalize capital expenditure. Accordingly, the Authority proposed to consider three OWS instead of five OWS sought by GIAL.

**Triturator**- As per GIAL, this facility is required for safe and hygienic disposal of waste from aircraft toilets to ensure compliance with safety and environment regulations. Liquid waste from aircraft shall be treated at Triturator as a primary treatment & further will be pumped to STP for secondary treatment. This facility was proposed on the northeast side of T2. The Authority through its independent consultant had evaluated the capex submitted by GIAL and observed that GIAL had considered 15% additional mark up over the base cost of Triturator which was not supported by any requirement. The Authority, in view of the capex optimization proposed to remove 15% mark up and proposed base cost of ₹ 3.06 crores against ₹ 3.47 crores initially submitted by GIAL.

**Body Scanner** – GIAL had estimated requirement of 13 body scanner at LGBIA. The Authority noted that GIAL estimates on higher side as even the major Airport hub in India doesn't have such magnitude of body scanner. In view of this, the Authority proposed to consider only 5 body scanners at LGBIA. In terms of costing, GIAL had considered ₹ 3.40 crores each. The Authority had examined the cost estimated by GIAL. The Authority noted that in case of Lucknow Airport, the cost towards body scanner had been allowed as ₹ 3.00 crores each. In view of the same, the Authority proposed to consider rates allowed in case of Lucknow Airport with inflationary adjustment. The inflation adjusted cost came to ₹ 3.21 crores each at FY'23 level and the overall cost for the project during third control period proposed to be ₹ 16.99 crores against ₹ 51.49 crores submitted by GIAL.

**Safety and Security related project** – GIAL had submitted various projects related to safety and security of the Airport. This included firefighting equipment, disable aircraft removal kit, X-Ray, HHMD, DFMD, ETDs. In view of the safety and security requirement, the Authority proposed to consider this capital expenditure. However, the cost of these items had been corrected on account of inflationary adjustments. Further, GIAL had also proposed capital expenditure towards Security Operational Control Center (CISF), Security Surveillance Centre (SSC), CCTV set up, Container Tubular Shooting range and Video Surveillance system. The Authority noted that GIAL had not shared any further break up or basis against this capex. Further, it was believed that there was scope of cost optimization against these capex. Accordingly, minimize impact on tariff, the Authority proposed 50% cost against GIAL submission.

**Repair & Maintenance work** - GIAL had considered repair and maintenance work of airside amounting to ₹ 0.32 crores as capital expenditure. The Authority proposed to not consider the same as part of capex as it was not in the nature of capital expenditure.

**Miscellaneous works** – GIAL had provided list of minor plant & machinery works. The Authority had reviewed the list of minor works shared by GIAL and noted that these are mainly for upgradation and modification of existing facility. In view of the operational requirement, the Authority proposed to consider the same.

**Visual Docking Guidance System (VDGS)** – GIAL had estimated 24 nos of new VDGS and supported cost of VDGS with price quotation. As per the document the VDGS is expected to cost ₹ 0.50 crores each. In view of the price discovery document submitted by GIAL, the Authority proposed to consider this capex. The proposed inflation adjusted cost is ₹ 12.74 crores against GIAL submission of ₹ 13.89 crores.

**Others** – GIAL had also estimated various equipment. However, not shared any details for the estimates. In view of the absence of further details and optimisation of tariff levels, the Authority proposed 50% cost towards this capex. Further, in view of the project priority and minimal impact on tariff, the Authority proposed not to consider some of the environment related project related to carbon sequestration and biodiversity preservation projects.

Further, the cost proposed by the Authority towards plant & machinery was further adjusted on account of inflation while arriving indexed cost. Following is the comparison of capex proposed by the Authority vis a vis GIAL:

**Table 105: Details of Plant and Machinery submitted by GIAL and proposed by the Authority at Consultation stage**

*(₹ crores)*

| S. No. | Particular | Year of Capitalization (as per GIAL) | GIAL | | Authority | |
|---|---|---|---|---|---|---|
| | | | Base Cost | Indexed Cost | Base Cost | Indexed Cost |
| G.1 | Oil Water Separator-5 nos. | 2025, 2026 | 23.60 | 26.80 | 13.50 | 14.13 |
| G.2 | Triturator | 2025 | 3.47 | 3.83 | 3.06 | 3.13 |
| G.3 | Hazardous Waste Storage | 2025, 2026 | 0.49 | 0.55 | 0.24 | 0.25 |
| G.4 | Reticulation of utilities to new facilities | 2026, 2027 | 8.39 | 9.78 | 4.19 | 4.48 |
| G.5 | SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati. | 2024 | 0.06 | 0.06 | 0.03 | 0.03 |
| G.6 | Laying of GLF light cables approximate 6500 mtrs | 2025 | 0.85 | 0.94 | 0.43 | 0.44 |
| G.7 | Laser unit for AVDGS-2NO | 2025 | 0.40 | 0.44 | 0.20 | 0.20 |
| G.8 | SITC of A-VDGS at Bay no. 4 | 2025 | 0.71 | 0.78 | 0.35 | 0.36 |
| G.9 | Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52) | 2024 | 1.52 | 1.60 | 0.76 | 0.78 |
| G.10 | SITC of Repair and Maintenance work for Airside | 2024 | 0.30 | 0.32 | 0.0 | 0.0 |

| S. No. | Particular | Year of Capitalization (as per GIAL) | GIAL | | Authority | |
|---|---|---|---|---|---|---|
| | | | Base Cost | Indexed Cost | Base Cost | Indexed Cost |
| G.11 | Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc) | 2024-2027 | 3.07 | 3.36 | 3.07 | 3.19 |
| G.12 | PVC coated Chain net for Operation area drains | 2025 | 1.00 | 1.10 | 0.50 | 0.51 |
| G.13 | Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certification, RE 100 etc) | 2024-2027 | 6.60 | 7.34 | 4.05 | 4.22 |
| G.14 | EV Charging Stations for E Buses , Apron Cars , Tugs along with their installation . | 2024-2027 | 5.70 | 6.48 | 2.85 | 2.97 |
| G.15 | carbon sequestration | 2024-2027 | 3.40 | 3.95 | 0.00 | 0.00 |
| G.16 | Biodiversity preservation projects | 2024-2027 | 2.15 | 2.50 | 0.00 | 0.00 |
| G.17 | Fire Fighting Equipments | 2024-2027 | 3.55 | 3.86 | 3.55 | 3.63 |
| G.18 | Disable Aircraft Removal Kit | 2025 | 17.69 | 19.50 | 17.69 | 18.11 |
| G.19 | Hand Baggage X-Ray - 60cmX40cm | 2025, 2026 | 2.55 | 2.89 | 2.55 | 2.66 |
| G.20. | Explosive Trace Detector(ETD) | 2024-2025 | 1.35 | 1.49 | 1.35 | 1.40 |
| G.21 | Hand Held Metal Detector(HHMD) | 2024-2027 | 0.18 | 0.21 | 0.18 | 0.19 |
| G.22 | Door Frame Metal Detector(DFMD) | 2024-2027 | 0.59 | 0.68 | 0.59 | 0.62 |
| G.23 | Security Operation Control Center (CISF) | 2025-2027 | 2.77 | 3.29 | 1.38 | 1.47 |
| G.24 | Security Survilience Centre (SSC) | 2025 | 1.50 | 1.65 | 0.75 | 0.77 |
| G.25 | Close Circuit Television (CCTV) Setup | 2025-2027 | 3.20 | 3.71 | 1.60 | 1.66 |
| G.26 | Access Control system, Adani | 2025-2027 | 2.40 | 2.78 | 1.20 | 1.24 |
| G.27 | Container Tubular shooting Range | 2025 | 1.30 | 1.43 | 0.65 | 0.67 |
| G.28 | Video Surveillace system | 2024-2027 | 3.59 | 4.23 | 1.80 | 1.89 |
| G.29 | Body Scanner | 2025-2027 | 44.57 | 51.49 | 16.07 | 16.99 |
| G.30 | VDGS | 2026 | 12.00 | 13.89 | 12.00 | 12.74 |
| | **Total** | | **158.95** | **180.93** | **94.59** | **98.74** |

## H. Other Buildings (₹ 163.85 crores)

GIAL had proposed construction of various building owing to security requirements, new expansion, administrative building, police station and various utilities etc. The Authority had reviewed the same and had following observations:

i. In case of administrative building, the GIAL had proposed to construct 5000 Sqm office building. As part of clarification the Authority had sought further detail and business case for requirement of this much area for an administrative office. However, as part of response, no further clarity was shared by GIAL. In view of this, the Authority noted that a significant part of staff requirement of GIAL will be operational such as airport operation, screening, security, runway operation etc. which will be deployed at respective work location outside administrative building. Accordingly, considering the staff strength there was significant optimization required in the administrative office space area. In absence of adequate plan, the Authority proposed to consider 50 % of the admin building i.e. 50% of employee which were expected to deployed at admin building to overall staff. The Authority had accordingly revised the building area to 2500 sqm. However, the Authority had maintained the same quantities related to demolition works, landside road and site circulation. Further, GIAL had considered the rates as per the rates derived in case of some of the office building at Ahmedabad Airport. The Authority has reviewed the rates submitted by GIAL with the comparable statistics issued by CBRE[4] and found the same in the range of similar kind of construction. Following is the comparison of the cost details submitted by GIAL and proposed by the Authority:

**Table 106: Cost of administrative building as per GIAL and proposed by the Authority at Consultation stage**

*(₹ crores)*

| Particular | UoM | GIAL | | | Authority | | |
|---|---|---|---|---|---|---|---|
| | | Rate | Qty | Amount | Rate | Qty | Amount |
| **New Pavement** | | | | | | | |
| Perimeter Road | Sqm | 5100 | 770 | 0.39 | 4800 | 770 | 0.37 |
| **Structure** | | | | | | | |
| New Building | Sqm | 92000 | 5000 | 46.00 | 69200 | 2500 | 17.30 |
| Site circulation | Sqm | 4700 | 2405 | 1.13 | 4700 | 2405 | 1.13 |
| **Total** | | | | **47.52** | | | **18.80** |

ii. GIAL had proposed an integrated building for Airport Police Station, Airport Health Office and Airport Post Office. An integrated building is planned with an area of approx. 925 sqm. The Authority, through its consultant had sought further detailed BoQ against this capex. However, GIAL had shared a blended rate against this building. The Authority noted that these building will be largely office like structure and accordingly in absence of further details proposed to consider the rate equivalent to admin building. Following is the summary of the Authority proposal:

**Table 107: Details of Integrated building submitted by GIAL and proposed by the Authority at Consultation stage**

(₹ crores)

| Particular | UoM | GIAL | | | Authority | | |
|---|---|---|---|---|---|---|---|
| | | Rate | Area | Amount | Rate | Area | Amount |
| Police Station | Sqm | 98940 | 260 | 2.57 | 69200 | 260 | 1.80 |
| Airport Health Office | Sqm | 94219 | 600 | 5.65 | 69200 | 600 | 4.15 |
| Airport Post Office | Sqm | 95046 | 65 | 0.62 | 69200 | 65 | 0.45 |

[4] India Construction Cost Trends 2023 issued by CBRE

| Particular | UoM | GIAL | | | Authority | | |
|---|---|---|---|---|---|---|---|
| | | Rate | Area | Amount | Rate | Area | Amount |
| | | | | **8.84** | | | **6.40** |

iii. The Authority, while reviewing cost for CCR Room observed that GIAL had considered 10% overhead on account of airside constraints. The Authority had revised the same to 5% in view of public works guidelines (generally where NOTAM is issued).

iv. GIAL had proposed new ARFF satellite building on account of proposed airside and associated development. As per GIAL, it is required to meet the response time as the current fire station is almost 5 KM away from the edge of the new runway and will not be able to meet the response time. In view of the safety requirement, the Authority proposed to consider this capex. However, the rates had been revised on account of adjustment of airside working area constraint overhead from 10% to 5%.

v. GIAL had proposed various other office building such as airport maintenance office, other building-admin office and administrative building. The total base cost proposed against these structures is ₹ 16.54 crores. The Authority noted that GIAL had already proposed new office building and terminal building. The existing structure of office building and terminal building will be idle once these have been shifted to new premises. GIAL should evaluate and consider utilization of these building for additional proposed offices. Accordingly, the Authority proposed not to consider any capex for additional offices.

vi. GIAL had further considered various other building and structures such as airside gates, SMR facilities, fuel/EV station, Modification of MT shop into interim office, Solid waste facility, water supply system, sewerage system, watch tower, earth filling, CISF accommodation, nursery development, horticulture, Anti hijacking Control Room etc. The Authority noted that GIAL had not shared any further details on these capex. There was scope in cost optmisation and also in view of keeping tariff at optimum level, the Authority proposed 50% of the proposed capex.

vii. In view of the above, the Authority proposed inflation adjusted cost of ₹ 77.28 crores against GIAL submission of ₹ 163.85 crores. Following is the asset wise comparison of GIAL proposal vis a vis inflation adjusted (indexed) cost proposed by the Authority:

**Table 108: Capex proposed toward Other Buildings by the Authority for Third Control Period at Consultation stage**

*(₹ crores)*

| S. No. | Particular | Year of Capitalization (as per GIAL) | GIAL | | The Authority | |
|---|---|---|---|---|---|---|
| | | | Base Cost | Indexed Cost | Base Cost | Indexed Cost |
| H.1 | Relocation of Localiser 02 | 2024 | 0.20 | 0.21 | 0.10 | 0.10 |
| H.2 | CCR Building new construction | 2025-2026 | 12.86 | 14.46 | 12.11 | 12.58 |
| H.3 | Airside Gates – 5 nos. | 2025-2026 | 5.79 | 6.51 | 2.90 | 3.01 |
| H.4 | SMR Facilities (New Construction) | 2025-2026 | 0.91 | 1.00 | 0.45 | 0.47 |
| H.5 | Fuel/ EV Charging Station | 2025-2026 | 2.49 | 2.76 | 1.24 | 1.28 |
| H.6 | Satellite ARFF Station (New Construction) | 2025 | 12.35 | 13.61 | 11.65 | 11.92 |
| H.7 | Modification of MT workshop into Admin office building (Interim arrangement) | 2025 | 2.14 | 2.36 | 1.07 | 1.09 |
| H.8 | Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office | 2026-2027 | 8.84 | 10.34 | 6.40 | 6.85 |

| S. No. | Particular | Year of Capitalization (as per GIAL) | GIAL | | The Authority | |
|---|---|---|---|---|---|---|
| | | | Base Cost | Indexed Cost | Base Cost | Indexed Cost |
| H.9 | Airport Administration Building (5,000 Sqm) | 2026-2027 | 47.52 | 55.57 | 18.80 | 20.11 |
| H.10 | Airport Maintenance Office (1,200 Sqm) | 2026-2027 | 11.41 | 13.34 | 0.00 | 0.00 |
| H.11 | Solid Waste Facility | 2025-2026 | 2.50 | 2.82 | 1.25 | 1.30 |
| H.12 | Water Supply system | 2026 | 4.66 | 5.43 | 2.33 | 2.48 |
| H.13 | Sewerage System | 2026 | 1.16 | 1.35 | 0.58 | 0.62 |
| H.14 | Modification of watch tower at operational area L.G.B.I. Airport Guwahati | 2024 | 0.35 | 0.37 | 0.18 | 0.18 |
| H.15 | Earth filling of low using areas and other miscellaneous works at operational area related to DGCS compliance from time to time at L.G.B.I. Airport Guwahati | 2025 | 0.40 | 0.44 | 0.20 | 0.20 |
| H.16 | Fire Station Improvement | 2024-2025 | 4.20 | 4.57 | 4.20 | 4.41 |
| H.17 | Other Building - Admin Office | 2024 | 1.50 | 1.58 | 0.00 | 0.00 |
| H.18 | Sewage Treatment Plant | 2025 | 0.36 | 0.40 | 0.36 | 0.37 |
| H.19 | Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building | 2024-2025, 2027 | 2.89 | 3.26 | 1.45 | 1.48 |
| H.20 | Installation of LGB Statue | 2024 | 0.15 | 0.16 | 0.08 | 0.08 |
| H.21 | CISF accommodation | 2025-2027 | 13.50 | 15.64 | 6.75 | 7.04 |
| H.22 | Nursery Development | 2027 | 0.60 | 0.73 | 0.30 | 0.33 |
| H.23 | Misc Horticulture Improvements | 2024-2027 | 1.46 | 1.64 | 0.73 | 0.75 |
| H.24 | Administrative Building | 2024-2026 | 3.64 | 3.91 | 0.00 | 0.00 |
| H.25 | Anti Hijacking Control Room (AHCR) upgradation | 2025-2026 | 1.22 | 1.40 | 0.61 | 0.63 |
| | **Total** | | **143.09** | **163.85** | **73.72** | **77.28** |

## I. IT Equipment (₹ 17.80 crores)

As part of MYTP, GIAL had submitted proposal to procure various IT equipment for operational requirement and upgradation. The Authority had reviewed the same and have following observations:

i. GIAL had proposed ₹ 13.12 crores worth of IT Strategic projects towards passenger flow management, queue monitoring system to provide advance information to operation team for better flow management, wheelchair tracking, trolley tracking, IOT & Digiyatra. The Authority noted that the cost proposed for the planned project are very high. Also the technology like IoT, trolley tracking are still to be implement at major airport in India. In view of the insufficient details, the Authority proposed to consider 20% of the cost proposed by GIAL.

ii. GIAL had estimated ₹ 0.35 crores toward other IT projects and shared no further details. Since there were no details provided, the Authority proposed not to consider this capex. Also, GIAL had proposed ₹ 0.20 crores for innovation lab. The Authority noted that GIAL is supported by corporate team which are involved in strategy formulation, have access to various industry information and expertise and the cost of this already been allocated to GIAL as part of corporate allocation. In view of the duplication of cost, the Authority proposed to not consider this capex.

iii. Following are the details of capex along with corrected cost by the Authority:

**Table 109: Capex proposed toward IT equipment by the Authority for Third Control Period at Consutlation stage**

*(₹ crores)*

| S. No. | Particular | Year of Capitalization (as per GIAL) | GIAL | | The Authority | |
|---|---|---|---|---|---|---|
| | | | Base Cost | Indexed Cost | Base Cost | Indexed Cost |
| I.1 | Active component (Network Switches, Firewall, Router) | 2024-2027 | 0.10 | 0.11 | 0.10 | 0.10 |
| I.2 | Passive Components (Network CAT-6 and OFC cabling) | 2024-2027 | 0.45 | 0.45 | 0.45 | 0.42 |
| I.3 | Data center Infrastructure and Wi-Fi setup | 2024-2027 | 0.41 | 0.44 | 0.41 | 0.41 |
| I.4 | Cyber Security | 2024-2027 | 0.10 | 0.11 | 0.10 | 0.10 |
| I.5 | Voice Infra (EPABX & IP Phone) & Recording Solutions | 2024-2027 | 0.05 | 0.05 | 0.05 | 0.05 |
| I.6 | New User - Laptop / Desktop | 2024-2027 | 0.26 | 0.28 | 0.26 | 0.26 |
| I.7 | SAP licenses | 2024-2027 | 0.44 | 0.47 | 0.44 | 0.44 |
| I.8 | Other IT Cost | 2024-2027 | 0.35 | 0.38 | 0.00 | 0.00 |
| I.9 | 1. FIDS: Flight Information Display System<br>2. PA (Public Announcement System<br>3. LED Walls,<br>4. Video Walls | 2024-2027 | 0.10 | 0.11 | 0.10 | 0.10 |
| I.10 | Strategic Projects (Pax Count, Flow & Queue Monitoring. Wheelchair, Buggy & Trolley Tracking (IOT), OT) & Digi Yatra | 2024-2027 | 13.12 | 14.11 | 2.62 | 2.97 |
| I.11 | Innovation & Technology Lab | 2024-2027 | 0.20 | 0.22 | 0.00 | 0.00 |
| I.12 | SMS Software | 2024-2027 | 1.00 | 1.08 | 1.00 | 1.01 |
| | **Total** | | **16.57** | **17.80** | **5.53** | **5.87** |

iv. In view of the above, the Authority proposed ₹ 5.87 crores inflation adjusted cost toward IT project against GIAL submission of ₹ 17.80 crores.

### J. Furniture & fixtures (₹ 1.66 crores)

GIAL had proposed to procure various furniture & fixtures for terminal operations during third control period. The Authority in view of the new proposed terminal and office complex proposed to consider the capex and the cost estimated by GIAL. The base cost proposed the Authority is ₹ 1.48 crores which was in line with the submission made by GIAL. The indexed cost had been adjusted on account of inflationary adjustment. The Authority proposed to consider inflation adjusted cost of ₹ 1.56 crores against ₹ 1.66 crores submitted by GIAL.

### K. Security Equipment's (₹ 35.70 crores)

i. GIAL had proposed procurement of bullet proof jackets, bullet proof helmet, bullet proof shield, bullet proof morcha, binocular device etc. In this regard GIAL had collectively estimated an amount of ₹ 2.62 crores as base cost and ₹ 2.96 crores as inflation adjusted cost. The Authority noted that there was no justification provided by GIAL for the amount estimated. In view of the security requirement and absence of supporting details, the Authority proposed to consider 50% of the capex proposed by GIAL. The inflation adjusted cost proposed to be ₹ 1.34 crores.

ii. Threat Containment Vehicle (TCV) – GIAL had proposed to procure TCV for LGBIA at ₹ 15.44 crores. In this regard GIAL had shared a quotation of USD 1.3 Mn plus duty/taxes. In view of the security requirement and available quotation, the Authority proposed to consider the same. However, the cost of the proposed vehicle was adjusted on account of inflationary adjustment in 2025 i.e. ₹ 14.33 crores.

iii. As per MYTP, GIAL had estimated ₹ 4.00 crores as base cost (₹ 4.61 crores indexed cost) towards BDDS which were required as per security requirements. GIAL had not shared any further supporting details against this line item. In view of the same, the Authority proposed to consider 50% of the proposed cost by GIAL, the inflation adjusted cost comes to ₹ 2.09 crores.

iv. GIAL as part of MYTP had submitted requirement of miscellaneous security equipment such as quick reaction team equipment, radiological detection equipment, network switch and cabling tech refresh, OFC network CCTV etc.. GIAL had estimated ₹ 10.99 crores as base cost for these items collectively. GIAL had shared following list of security equipment:

**Table 110: Details of miscellaneous security equipment**

(₹ crores)

| S. No. | Particulars | ₹/Cr | Justification / Remarks |
|---|---|---|---|
| 1 | RT Sets | 2.91 | Considering cost of Tetra Set<br>Requirement as per AVSEC Order 06/2018 |
| 2 | Server and Storage Tech Refresh | 2.90 | Tech refresh of Video Surveillance system at terminal building. Replacement of EOL camera (AvSec Circular 05/2017) |
| 3 | Network Switch and Cabling Tec Refresh, OFC network CCTV, Other building connectivity's | 3.69 | Tech refresh of Video Surveillance system, network cable, city side camera. Installation of AI facility camera. Installation of bar coded scanner for labor at Cargo gate as per AEP Guidelines 2022<br>(AvSec Circular 05/2017, AEP Guidelines 2022) |
| 4 | Centralized Access Control System (CACS) | 0.29 | Installation of Bio Metric Access Control System at existing terminal building<br>(Avsec Circular 02/2007, Appendix-J) |
| 5 | Quick Reaction Team Equipment | 0.21 | QRT equipment for CISF<br>(Avsec Order 06/2018) |
| 6 | Radiological Detection Equipment. | 1.00 | 1. BCAS regulatory compliance & CISF requirements<br>2. Avsec Circular 01/2020. Radiological Detection Equipment will be operationalized by Aviation Security Group (ASG) with immediate effect and upkeep & maintenance will lie with Airport Operator. |
| | **Total** | **10.99** | |

The inflation adjusted cost for the above projects is ₹ 12.70 crores as per GIAL submission. In view of the security requirement, the Authority proposed to consider this capex however the cost has been adjusted on account of inflationary adjustment. The cost was accordingly revised to ₹ 11.66 crores.

In view of the security requirement and compliance, the Authority proposed to consider inflation adjusted cost of ₹ 29.43 crores against GIAL submission of ₹ 35.70 crores.

**L. Sustaining capex (₹ 47.64 crores)**

As per MYTP, GIAL had incurred sustaining capex of ₹ 47.64 crores in FY'23. The capex was mainly on account of earth filling work at runway strip as required by DGCA, stamp duty payment as required under Concession Agreement, SAP license, administrative buildings, IT networking, terminal building works, X-ray, security, furniture & fixture and office equipment. Following are the details of capex incurred during FY'23:

**Table 111: Details of sustaining capex for FY'23**

(₹ crores)

| Particular | Amount in (₹ crores) | Remarks |
|---|---|---|
| Runway, Taxiway and Apron | 10.04 | Earth filling works as per DGCA, Apron refurbishment works, Stamp duty allocation |
| IT equipment | 9.11 | SAP license, IT networking, workstation, laptops and other office related IT equipment |
| Plant and Machinery | 8.28 | Passenger trolleys, electrical installation, X-ray baggage, rubber removal machine, STP, stamp duty allocation etc. |
| Other Buildings | 6.14 | Office building, horticulture, parking, stamp duty allocation etc. |
| Office equipment | 4.98 | FIDS, Trace detector, LED displays, UG water system, CCTV, office equipments |
| Notional Lease Asset | 3.95 | Right of Use of leashold building |
| Vehicles | 2.55 | QRT vehicles, Electric vehicle, stamp duty allocation etc. |
| Furniture & fixtures | 2.35 | Office and terminal related furniture |
| Intangilble Assets | 2.13 | Airport Concession Rights |
| Terminal Building | 1.98 | Terminal roof waterproofing, refurbishment work at existing terminal, stamp duty allocation etc. |
| Software | 1.58 | Various enterprise software, SITA license |
| Cargo building | 0.57 | Civil works towards domestic cargo |
| Access Road | 0.05 | Improvement of internal roads |
| **Total** | **53.73** | |
| Less: Notional asset & intangible assets | 6.08 | Right of use and airport concession rights |
| **Net Amount** | **47.64** | |

The Authority had reviewed the capital expenditure incurred by GIAL in FY'23 for sustainable operation. It is noted that the capital expenditure was mainly related to airside works, stamp duty payable as per concession requirement, IT licenses like SAP, SITA etc, office building, equipment and furniture, terminal related refurbishment works, borrowing cost etc.. In view of the operational requirement, the Authority proposed to consider this capex.

7.3.7 Based on above proposals, the summary of New Capital Expenditure projects proposed by the Authority for the Third Control Period is as follows:

**Table 112: Capital Expenditure proposed by the Authority for the Third Control Period at Consultation stage**

(₹ crores)

| S. No. | | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | As per GIAL | Proposed by the Authority | | | | |
| | | **Passenger Terminal Building and Associated Works** | | | | | | |
| A | A.1 | NITB (Including Opening CWIP as per financials) | 2025 | 2026 | 2194.38 | 2131.86 | (62.52) | Cost adjusted as per Normative |
| | A.2 | Kerbside Development | 2025 | 2026 | 138.60 | 127.74 | (10.86) | Reduction of culvert cost and benchmarking with other airports |
| | A.3 | Exisiting Terminal Building Development | 2024-2025 | 2024-2025 | 9.64 | 4.82 | (4.82) | Adjusted cost in view of NITB and repair related works |
| | | **Total** | | | **2342.62** | **2264.41** | **(78.20)** | |
| | | **Runways, Taxiway & Aprons** | | | | | | |
| B | B.1 | Apron-2 (Demolition and rew-construction) | 2025-2026 | 2025-2026 | 466.21 | 241.19 | (225.02) | Cost adjusted as per Normative & inflationary adjustment |
| | B.2 | Airside Storm Water Drainage works | 2025 | 2026 | 208.38 | 194.68 | (13.70) | Inflationary adjustment |
| | B.3 | Construction of Part Parallel Taxiway and Link Taxiways | 2025 | 2026 | 199.02 | 153.75 | (45.27) | Cost adjusted as per Normative & inflationary adjustment |
| | B.4 | Land Development works | 2026 | 2026 | 189.73 | 43.77 | (145.97) | Cost optimisation and phase wise work |
| | B.5 | Widening of Runway Strip | 2025 | 2025 | 87.17 | 77.06 | (10.10) | Adjusted on account of reduction in working area constraint factor from 10% to 5% |
| | B.6 | Construction of Second Part Parallel Taxiway | 2026 | 2026 | 81.64 | 60.84 | (20.80) | Cost adjusted as per Normative & inflationary adjustment |
| | B.7 | Extension of Runway 02–20 towards RWY 20 | 2025 | 2026 | 51.61 | 39.72 | (11.90) | Cost adjusted as per Normative & inflationary adjustment |
| | B.8 | Construction of new Isolation Bay (Rigid Pavement) | 2025 | 2025 | 30.89 | 21.84 | (9.04) | Cost adjusted as per Normative & inflationary adjustment |
| | B.9 | Construction of Rapid Exit Taxiway | 2026 | 2026 | 19.73 | 14.79 | (4.94) | Cost adjusted as per Normative & inflationary adjustment |
| | B.10 | Other Minor Airside Capex | | | | | | |

| S. No. | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|
| | | As per GIAL | Proposed by the Authority | | | | |
| B.10.1 | Construction of Runway End Safety Area (RESA) after RWY 20 Threshold | 2025 | 2026 | 4.21 | 3.80 | (0.41) | Adjusted on account of reduction in working area constraint factor from 10% to 5%, inflationary adjustment or adjusted cost to 50% in absence of BoQ/details. |
| B.10.2 | Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20 | 2025 | 2026 | 4.24 | 3.89 | (0.36) | |
| B.10.3 | Relocation of Simple Approach Lighting System for Runway 20 | 2025 | 2025 | 0.78 | 0.72 | (0.06) | |
| B.10.4 | Installation of Category-I Approach Lighting System towards Runway 02 | 2025 | 2026 | 7.38 | 7.18 | (0.19) | |
| B.10.5 | Off-Stand GSE | 2026 | 2026 | 4.60 | 3.50 | (1.10) | |
| B.10.6 | Apron stand surface revamping work in old apron | 2024 | 2024 | 0.32 | 0.31 | (0.01) | |
| B.10.7 | Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard | 2025 | 2025 | 0.22 | 0.20 | (0.02) | |
| B.10.8 | Provision of new Earthing system for Runway and other associated works at Guwahati Airport | 2025 | 2025 | 0.19 | 0.17 | (0.01) | |
| B.10.9 | SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport | 2024 | 2024 | 0.40 | 0.19 | (0.20) | |
| B.10.10 | Upgradation of flexible pavements in Operational area | 2026 | 2026 | 0.87 | 0.80 | (0.07) | |
| B.10.11 | Runway Graded Strip and RESA strengthening (up to 300mm Depth) | 2024 | 2024 | 0.18 | 0.09 | (0.09) | |

| S. No. | | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | As per GIAL | Proposed by the Authority | | | | |
| | B.10.12 | Airside works ( Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron) | 2024-2026 | 2024-2026 | 1.73 | 1.64 | (0.10) | |
| | B.10.13 | Apron Control | 2024 | 2024 | 0.21 | 0.10 | (0.11) | |
| | B.10.14 | Airside Equipments | 2024-2026 | 2024-2026 | 1.65 | 1.58 | (0.08) | |
| | B.11 | Runway strengthening works | 2026 | - | 75.25 | 0.00 | (75.25) | As per existing runway condition and other planned work, it is propose to defer this work. |
| | | **Sub-Total** | | | **1436.60** | **871.81** | **(564.79)** | |
| C | | **Construction of Boundary Wall** | | | | | | |
| | C.1 | New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip | 2025-2026 | 2025-2026 | 38.33 | 33.63 | (4.70) | Cost adjusted on account of revised submission by GIAL and inflationary adjustment |
| | C.2 | New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip | 2025-2026 | 2025-2026 | 77.37 | 67.98 | (9.38) | |
| | C.3 | PIDS System | 2025-2026 | 2025-2026 | 26.24 | 20.50 | (5.74) | |
| | C.4 | Boundary Wall | 2024 | 2024 | 0.21 | 0.10 | (0.11) | In absence of BoQ adjusted cost to 50% |
| | | **Sub-Total** | | | **142.14** | **122.21** | **(19.94)** | |
| D | | **Cargo Complex** | | | | | | |
| | D.1 | Interim Cargo Facility | 2024 | 2024 | 3.22 | 3.05 | (0.17) | Adjusted cost on account of inflationary adjustment |
| | D.2 | New Cargo Terminal | 2026 | 2026 | 23.15 | 21.18 | (1.97) | |
| | | **Sub-Total** | | | **26.37** | **24.23** | **(2.14)** | |
| E | | **Fuel Farm Infrastructure** | | | | | | |
| | E.1 | Fuel storage farm | 2025-2026 | - | 135.07 | 0.00 | (135.07) | It is proposed to re-evaluate fuel farm location and fuel |
| | E.2 | Fuel hydrant line | 2025-2026 | - | 160.68 | 0.00 | (160.68) | |
| | E.3 | Equipment cost | 2024 | 2025 | 3.15 | 3.07 | (0.08) | |

| S. No. | | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | As per GIAL | Proposed by the Authority | | | | |
| | | Cost of procurement of IOCL and RIL Assets | 2024 | 2025 | 10.50 | 10.24 | (0.26) | storage tank capacity due to dedicated line. Project has been allowed on incurrence basis. |
| | | Dead Stock | 2026 | - | 16.14 | 0.00 | (16.14) | |
| | | **Sub-Total** | | | **325.55** | **13.31** | **(312.24)** | |
| F | | **Vehicles** | | | | | | |
| | F.1 | Vehicles | 2024-2027 | 2024-2027 | 12.58 | 6.73 | (5.85) | Adjustment in rates/qty and inflation adjustment |
| | F.2 | Modified vehicle for BDDS equipment | 2025-2026 | 2025-2026 | 3.39 | 3.13 | (0.26) | |
| | F.3 | Vehicle recovery Van | 2024 | 2024 | 0.16 | 0.15 | 0.00 | |
| | F.4 | 2 Nos.Tractor withTrolleys & electric buggies to shuttle nursery between the two Terminals | 2025-2026 | 2025-2026 | 0.23 | 0.10 | (0.13) | |
| | F.5 | Ambulance | 2025 | 2025 | 0.87 | 0.52 | (0.35) | |
| | F.6 | Crash Fire Tender | 2024-2025 | 2025-2026 | 25.81 | 25.00 | (0.80) | |
| | F.7 | Quick Reaction Team (QRT) Vehicle | 2025 | 2025 | 0.77 | 0.72 | (0.06) | |
| | | **Sub-Total** | | | **43.81** | **36.36** | **(7.46)** | |
| G | | **Plant and Machinery** | | | | | | |
| | G.1 | 5 nos. OWS | 2026 | 2026 | 26.80 | 14.13 | (12.67) | Adjustement on account of inflationary adjustment, 50% consideration of work where BoQ is not provided, project need assessment and Cost optimization. |
| | G.2 | Triturator | 2025 | 2025 | 3.83 | 3.13 | (0.70) | |
| | G.3 | Hazardous Waste Storage | 2026 | 2026 | 0.55 | 0.25 | (0.30) | |
| | G.4 | Reticulation of utilities to new facilities | 2027 | 2027 | 9.78 | 4.48 | (5.30) | |
| | G.5 | SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati. | 2024 | 2024 | 0.06 | 0.03 | (0.03) | |
| | G.6 | Laying of GLF light cables approximate 6500 mtrs | 2025 | 2025 | 0.94 | 0.44 | (0.50) | |
| | G.7 | Laser unit for AVDGS-2NO | 2025 | 2025 | 0.44 | 0.20 | (0.24) | |
| | G.8 | SITC of A-VDGS at Bay no. 4 | 2025 | 2025 | 0.78 | 0.36 | (0.42) | |

| S. No. | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|
| | | As per GIAL | Proposed by the Authority | | | | |
| G.9 | Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52) | 2024 | 2024 | 1.60 | 0.78 | (0.82) | |
| G.10 | SITC of Repair and Maintenance work for Airside | 2024 | 2024 | 0.32 | 0.00 | (0.32) | |
| G.11 | Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc) | 2024-2027 | 2024-2027 | 3.36 | 3.19 | (0.17) | |
| G.12 | PVC coated Chain net for Operation area drains | 2025 | 2025 | 1.10 | 0.51 | (0.59) | |
| G.13 | Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certificationn, RE 100 etc) | 2024-2027 | 2024-2027 | 7.34 | 4.22 | (3.12) | |
| G.14 | EV Charging Stations for E Buses , Apron Cars , Tugs along with their installtion . | 2024-2027 | 2024-2027 | 6.48 | 2.97 | (3.51) | |
| G.15 | carbon sequestration | 2024-2027 | - | 3.95 | 0.00 | (3.95) | |
| G.16 | Biodiversity preservation projects | 2024-2027 | - | 2.50 | 0.00 | (2.50) | |
| G.17 | Fire Fighting Equipments | 2024-2027 | 2024-2027 | 3.86 | 3.63 | (0.23) | |
| G.18 | Disable Aircraft Removal Kit | 2025 | 2025 | 19.50 | 18.11 | (1.39) | |

| S. No. | | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | As per GIAL | Proposed by the Authority | | | | |
| | G.19 | Hand Baggae X-Ray - 60cmX40cm | 2025, 2026 | 2025, 2026 | 2.89 | 2.66 | (0.22) | |
| | G.20 | Explosive Trace Detector(ETD) | 2024-2026 | 2024-2025 | 1.49 | 1.40 | (0.09) | |
| | G.21 | Hand Held Metal Detector(HHMD) | 2024-2027 | 2024-2027 | 0.21 | 0.19 | (0.02) | |
| | G.22 | Door Frame Metal Detector(DFMD) | 2024-2027 | 2024-2027 | 0.68 | 0.62 | (0.05) | |
| | G.23 | Security Opration Control Center (CISF) | 2025-2027 | 2025-2027 | 3.29 | 1.47 | (1.82) | |
| | G.24 | Security Survilience Centre (SSC) | 2025 | 2025 | 1.65 | 0.77 | (0.89) | |
| | G.25 | Close CircuitTelevision (CCTV) Setup | 2025-2027 | 2025-2027 | 3.71 | 1.66 | (2.05) | |
| | G.26 | Access Control system, Adani | 2025-2027 | 2025-2027 | 2.78 | 1.24 | (1.54) | |
| | G.27 | Container Tubular shooting Range | 2025 | 2025 | 1.43 | 0.67 | (0.77) | |
| | G.28 | Video Surveillace system | 2024-2027 | 2024-2027 | 4.23 | 1.89 | (2.34) | |
| | G.29 | Body Scanner | 2025-2027 | 2025-2027 | 51.49 | 16.99 | (34.50) | |
| | G.30 | VDGS | 2026 | 2026 | 13.89 | 12.74 | (1.15) | |
| | | **Sub-Total** | | | **180.93** | **98.74** | **(82.19)** | |
| H | | **Other Buildings** | | | | | | |
| | H.1 | Relocation of Localiser 02 | 2024 | 2024 | 0.21 | 0.10 | (0.11) | Adjustement on account of working area constraint, inflationary adjustment, 50% consideration of work where BoQ is not provided, project need assessment, Cost optimisation on account of reduction in area of admin and other associated buildings |
| | H.2 | CCR Building new construction | 2026 | 2026 | 14.46 | 12.58 | (1.88) | |
| | H.3 | 5 Airside Gates | 2026 | 2026 | 6.51 | 3.01 | (3.50) | |
| | H.4 | SMR Facilities (New Construction) | 2025 | 2025 | 1.00 | 0.47 | (0.54) | |
| | H.5 | Fuel/ EV Charging Station | 2026 | 2026 | 2.76 | 1.28 | (1.48) | |
| | H.6 | Satellite ARFF Station (New Construction) | 2025 | 2025 | 13.61 | 11.92 | (1.69) | |
| | H.7 | Modification of MT workshop into Admin office building (Interim arrangement) | 2025 | 2025 | 2.36 | 1.09 | (1.26) | |
| | H.8 | Integrated Building for Airport Police | 2027 | 2027 | 10.34 | 6.85 | (3.49) | |

| S. No. | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|
| | | As per GIAL | Proposed by the Authority | | | | |
| | Station, Airport Health Office and Airport Post Office | | | | | | |
| H.9 | Airport Administration Building (5,000 Sqm) | 2027 | 2027 | 55.57 | 20.11 | (35.46) | |
| H.10 | Airport Maintenance Office (1,200 Sqm) | 2027 | - | 13.34 | 0.00 | (13.34) | |
| H.11 | Solid Waste Facility | 2026 | 2026 | 2.82 | 1.30 | (1.52) | |
| H.12 | Water Supply system | 2026 | 2026 | 5.43 | 2.48 | (2.94) | |
| H.13 | Sewerage System | 2027 | 2027 | 1.35 | 0.62 | (0.73) | |
| H.14 | Modification of watch tower at operational area L.G.B.I. Airport Guwahati | 2024 | 2024 | 0.37 | 0.18 | (0.19) | |
| H.15 | Earth filling of low using areas and other miscellaneous works at operational area related to DGCA compliance from time to time at L.G.B.I. Airport Guwahati | 2025 | 2025 | 0.44 | 0.20 | (0.24) | |
| H.16 | Fire Station Improvement | 2024-2025 | 2024-2025 | 4.57 | 4.41 | (0.15) | |
| H.17 | Other Building - Admin Office | 2024 | 2024 | 1.58 | 0.00 | (1.58) | |
| H.18 | Sewage Treatment Plant | 2025 | 2025 | 0.40 | 0.37 | (0.03) | |
| H.19 | Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building | 2024-2025, 2027 | 2024-2025, 2027 | 3.26 | 1.48 | (1.78) | |
| H.20 | Installation of LGB Statue | 2024 | 2024 | 0.16 | 0.08 | (0.08) | |
| H.21 | CISF accomodation | 2025-2027 | 2025-2027 | 15.64 | 7.04 | (8.60) | |
| H.22 | Nursery Development | 2027 | 2027 | 0.73 | 0.33 | (0.40) | |
| H.23 | Misc Horticulture Improvements | 2024-2027 | 2024-2027 | 1.64 | 0.75 | (0.90) | |

| S. No. | | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | As per GIAL | Proposed by the Authority | | | | |
| | H.24 | Administrative Building | 2024-2026 | - | 3.91 | 0.00 | (3.91) | |
| | H.25 | Anti Hijacking Control Room (AHCR) upgradation | 2025-2026 | 2025-2026 | 1.40 | 0.63 | (0.77) | |
| | | **Sub-Total** | | | **163.85** | **77.28** | **(86.57)** | |
| I | | **IT equipment** | | | | | | |
| | I.1 | IT Equipments | 2024-2027 | 2024-2027 | 17.80 | 5.87 | (11.92) | Adjustment toward strategic project and inflationary adjustment |
| | | **Sub-Total** | | | **17.80** | **5.87** | **(11.92)** | |
| J | | **Furniture & fixtures** | | | | | | |
| | J.1 | Furniture & Fixtures for Terminal, Office, Security etc. | 2024-2027 | 2024-2027 | 1.66 | 1.56 | (0.10) | |
| | | **Sub-Total** | | | **1.66** | **1.56** | **(0.10)** | |
| K | | **Security equipment** | | | | | | |
| | K.1 | Procurement of Security Equipments (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc) | 2024-2027 | 2024-2027 | 2.96 | 1.34 | (1.61) | Cost adjusted to 50% where insufficient details provided; inflationary adjustment |
| | K.2 | Threat Containment Vessel (TCV) | 2025 | 2025 | 15.44 | 14.33 | (1.10) | |
| | K.3 | BDDS | 2024-2027 | 2024-2027 | 4.61 | 2.09 | (2.52) | |
| | K.4 | Misc Security Equipments (Quick Reaction Team Equipments, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc) | 2025-2026 | 2025-2026 | 12.70 | 11.66 | (1.04) | |
| | | **Sub-Total** | | | **35.70** | **29.43** | **(6.27)** | |
| L | | Sustaining capex already spent (FY22-23) | | | 47.64 | 47.64 | **0.00** | |

| S. No. | Particular | Financial Year of Capitalization | | Cost as per GIAL (A) | Cost as per the Authority (B) | Difference C=(A-B) | Remarks |
|---|---|---|---|---|---|---|---|
| | | As per GIAL | Proposed by the Authority | | | | |
| Total Capex | | | | 4764.66 | 3592.84 | (1171.83) | |

*Note: The variation in the capex (excluding soft cost) allowed by the Authority vis a vis submitted by GIAL is mainly on the account of adjustment of cost towards airside works, inflation adjustment, adoption of rates based on industry benchmarks and capacity optimization.*

### 7.3.8 Capital Work in Progress (CWIP)

i. In terms of the clause 6.4.5 of the Concession Agreement, GIAL had to take over CWIP from AAI and reimburse the cost of such CWIP to AAI. Following is the relevant extract of the Concession Agreement:

*"6.4.5 Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire to the Authority within a period of 90 (ninety) days thereon.*

*The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.*

*Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.*

*The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."*

ii. As per MYTP for third control period, GIAL received CWIP invoices from AAI totaling ₹ 430.89 crores. As on 31st Mar'22 the GIAL CWIP was ₹ 453.67 crores. The Authority understood from the MYTP submission made by GIAL that these CWIP will be capitalized along with terminal building. The Authority had accordingly considered the capitalization of this CWIP along with terminal building.

iii. The Authority noted that GIAL had not paid any GST amount (on the value of RAB and CWIP invoices) to AAI. Further, in future, if AAI is required to bear the GST, then based on the indemnity bond provided by GIAL, the same will be recovered by AAI from GIAL. As the GST amount had not been paid by GIAL, the Authority had not considered the same for determining RAB for the

Third Control Period. However, the Authority will consider the statutory payments relating to GST amount on RAB and CWIP invoices, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.9 The Authority noted that GIAL would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expects that GIAL 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 Third 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 Fourth Control Period.

7.3.10 **Soft Cost – Technical Consultancies, Contingencies, Pre-Operative cost, design cost, PMC, Preliminary expenses**

i. GIAL as part of proposed project cost for third control period had considered soft cost of ₹ 682 crores. GIAL had considered 16% of capital expenditure as soft cost on account of technical consultancies, contingencies, preoperative Cost, design cost, PMC, preliminary expenses.

ii. The Authority upon review of GIAL's explanation and relevant documents had the following views with respect to soft cost:

a. The Authority noted that for other PPP airports such as HIAL, BIAL, DIAL etc. the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16% claimed by GIAL was on the higher side, as compared to other PPP Airports and hence not justified.

b. Many of the capex allowed to GIAL were bought out items, wherein orders were placed on Supply, installation, Testing & Commissioning (SITC) basis, Hence, soft cost such as Project Management Consultancy (PMC), Design etc. need not be incurred on such items.

c. New Capital Expenditure allowed to GIAL included works on airside. On airside works such as Apron, Taxiway, Runway overlay, Fuel farm etc. PMC charges are normally in the range of 1% to 3% maximum.

d. Soft cost claimed by the GIAL included, contingencies also, which do not come as a separate line item while capitalizing the assets and is not to be claimed without any contingent activity.

e. GIAL had considered 16% soft cost unilaterally on overall capex items. However, the consideration of soft cost vary asset wise. Following are the observations of the Authority in this regard:

**Table 113: Asset head wise analysis and observation regarding soft cost**

| Asset Head | Items | Analysis and Observations |
|---|---|---|
| Air Side works | Airside/landside drain works, Earth filling, Basic strip development with earth boundary wall, Apron, taxiways, airside improvement work, security gates and other airside works etc. | On airside works, PMC charges are in the range of 1% to 3% |
| Bought Out Items | BDDS equipment, Tractor, Ambulance, Crash Fire Tender, QRT vehicles, Fuel Farm Equipment, ETD, HHMD, DFMD, CCTV, VDGS, Fire Fighting equipment, Bullet | Items are purchased on Supply, Installation, Testing & Commissioning (SITC) basis. Soft costs are bare minimum (i.e., in the range of 1%-3%) and are mostly not applicable on such items. |

| Asset Head | Items | Analysis and Observations |
|---|---|---|
| | Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device, Threat containment vehicle etc. | |
| Contingencies | | GIAL has included contingencies also in soft cost, Contingencies are not applicable after commissioning of Assets. |

In view of the above, the Authority proposed to consider the aforementioned costs to the extent of 8% of the Aero CAPEX of the projects allowed by the Authority for the current Control Period. The Authority had thus derived the amount proposed to be allowed towards the aforementioned costs as ₹ 283.62 crores against ₹ 682 crores proposed by GIAL.

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

7.3.12 **Financing Allowance/Interest During Construction**

As part of the MYTP, GIAL had considered 65% debt funding for the proposed capex and balance 35% from equity portion. GIAL hds considered Interest During Construction at the rate of 12% over debt portion and financing allowance at the rate of 12% over equity portion. As per MYTP, GIAL had considered IDC over 65% of funding source and financing allowance over balance funding source. The details of FA and IDC submitted by GIAL is given below:

**Table 114: FA and IDC submitted by GIAL**

*(₹ crores)*

| Particular | FY'22 | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| IDC | | 18.30 | 113.68 | 187.76 | 90.52 | 1.73 | 412.00 |
| Financing Allowance | 26.25 | 9.86 | 61.21 | 101.10 | 48.74 | 0.93 | 248.10 |
| **Total** | **26.25** | **28.16** | **174.90** | **288.86** | **139.26** | **2.67** | **660.10** |

The Authority examined GIAL's claim as well as the justification provided for the same in detail and has summarized its view as shown below:

i. The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.

ii. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

iii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. GIAL was adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

iv. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority had never provided financing allowance in the case of brownfield airports in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

v. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where GIAL brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and GIAL keeps on enjoying the charges from the users. In the case of LGBIA, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which in the opinion of the Authority would not be eligible for an allowance on the equity portion of newly funded capital projects.

vi. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

vii. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) of the AERA Act states 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) of Section 13 (1) (a)".

viii. In respect of IDC, the Authority was inclined to allow the same and accordingly, the Authority has considered IDC to be provided on the debt portion of the value of average CWIP derived on the basis of revised Capitalization schedule proposed by the Authority. Further, the Authority proposed to consider the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% (refer para 8.2.5 onwards) for the Third Control Period for calculating the value of IDC. Based on the same, the Authority had derived an amount of ₹ 179.42 crores and proposed to allow the same as against ₹ 660.10 crores (as Financing Allowance and IDC) claimed by GIAL for the Third Control Period. Following is the asset category wise IDC for the proposed capex programme.

**Table 115: Asset category wise details of Interest During Construction as per the Authority at Consultation stage**

*(₹ crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Land Development Works | - | - | 0.38 | 1.14 | - | 1.52 |
| Airside Improvement Works | - | 0.04 | 7.78 | 25.32 | 5.03 | 38.17 |
| Ancillary Building Development Works | - | - | - | 0.46 | 0.27 | 0.73 |
| ATF storage and distribution system | - | - | 0.13 | - | - | 0.13 |
| Development of Cargo Facilities | - | 0.01 | - | 0.49 | - | 0.50 |
| Environment Related | - | - | 0.17 | 0.56 | 0.02 | 0.75 |
| Passenger Terminal & Associated works | - | 23.46 | 50.03 | 64.02 | - | 137.51 |
| Utilities | - | - | - | 0.08 | 0.03 | 0.11 |
| **Total** | - | **23.51** | **58.49** | **92.08** | **5.34** | **179.42** |

ix. GIAL estimated IDC of ₹ 412.00 crores against which the Authority proposed ₹ 179.42 crores for IDC. The reduction in IDC amount is on account of adjustment towards cost of debt, change in gearing ratio, optimization in capex amount and revised phasing.

x. The IDC proposed by the Authority towards the capital expenditure for the Third Control Period is given below:

**Table 116: IDC proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| IDC | - | 23.51 | 58.49 | 92.08 | 5.34 | 179.42 |

### 7.3.13 Summary of the Capital expenditure proposed by the Authority for Third Control Period:

a. With reference to above following is the summary of the capex proposed by the Authority for the purpose of regulatory asset base for third control period in case of LGBIA:

**Table 117: Summary of the CAPEX proposed by the Authority for Third Control Period at Consultation stage**

*(₹ crores)*

| S. No. | Project Name | Reference | Amount in ₹ Crore | |
|---|---|---|---|---|
| | | | GIAL | Authority |
| A | Basic cost (Including indexation) as tabled above | Para 7.3.7 | 4717.36 | 3545.20 |
| B | Soft Cost | Para 7.3.10 | 682.00 | 283.62 |
| C | Interest During Construction | Para 7.3.12 | 412.00 | 179.42 |
| D | Financing Allowance | Para 7.3.12 | 248.00 | 0 |
| | **Total – New Capex** | | **6059.36** | **4008.24** |
| E | FY'23 as per actual capex incurred | | 47.64 | 47.64 |
| | **Grand Total** | | **6107.00** | **4055.88** |

### 7.3.14 Allocation of capital expenditure into Aeronautical and Non-Aeronautical

a. GIAL had submitted following with respect to RAB allocation methodology for third control period:

*9.1 As per AERA Order No 14/2016-17 and as mandated under the Concession Agreement, the Hybrid-Till with 30% cross subsidization of non-Aeronautical revenues is the applicable methodology. The relevant extract from AERA order and Concession Agreement is as follows:*

*9.1.1 Extract from AERA order:*

*The authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory of India Act 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that: -*

*(i) The Authority will in future determine the tariffs of major airports under "Hybrid Till" where in 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extent the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same.*

*(ii) In case of Delhi and Mumbai airports, tariff will continue to be determined as per the SSA entered into between Government of India and the respective airport operators at Delhi and Mumbai.*

*9.1.2 Extract from Concession Agreement:*

*28.3.2 The GOI has, through the National Civil Aviation Policy dated June 15,2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/ Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval.*

*28.3.3 The Aeronautical Charges shall be regulated and set/ re-set, in accordance with the Shared-Till Approval, terms of this Agreement including the terms set out in Schedule R (Memorandum of Understanding) and the Applicable Laws.*

*9.1.3 Extract from Schedule R of the Concession Agreement:*

*2.2 Principles for Determination and Revision of Fees*

*2.2.1 The GOI has, through the National Civil Aviation Policy dated June 15, 2016 approved the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all Airports in India ("Shared-Till Approval"), and the same shall be accordingly considered by AERA, for the purposes of the determination of the Fees/ Aeronautical Charges pursuant to the provisions of this Agreement.*

*2.2.2 The Aeronautical Charges shall be regulated and set/ re-set, in accordance with the Shared-Till Approval, the terms of the Concession Agreement and the Applicable Laws.*

*9.2 As per Clause 5.2 of the AERA Guidelines:*

*5.2.1. Scope of the RAB*

*(a) In normal course, all airport fixed assets will come under the scope of the RAB. However, the Authority may, based on due consideration of relevant factors, include or exclude certain fixed assets from the scope of RAB.*

*(b) The relevant RAB assets shall be all the fixed assets proposed by the Airport Operator(s), after providing for such exclusions therefrom or such inclusions therein, as may be determined by the Authority in respect of specific assets based on following principles:-*

*(i) The assets that substantially provide amenities / facilities/ services that are not related to, or not normally provided at an airport, may be excluded from the scope of RAB;*

*(ii) The assets that in the opinion of the Authority do not derive any material commercial advantage from the airport (for example from being located close to the airport) may be excluded from the scope of RAB;*

*(iii) Responses by stakeholders in relation to their inclusion or exclusion during consultations.*

*(iv) Specification of, to the Authority's satisfaction, sufficient accounting separation to ensure that the costs and revenues associated with the assets shall be clearly identified for the preparation and audit of regulated airport accounts;*

*(v) Specification of, to the Authority's satisfaction wherever appropriate (where the Authority considers there may be substantial financial risks associated with any asset), sufficient legal separation to protect the Airport Operators, and thus airport Users, in the event of any substantial financial risks materialising. The Authority shall require the Airport Operator(s) to insulate the Users by suitably ring fencing the assets excluded from the scope of RAB. The principles governing the ring fencing are mentioned in the paragraph 7.5 of Order Number 13/2010-11 of the Authority issued on 12-Jan-2011.*

*(vi) Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB.*

*(c) Any exclusion/ inclusion shall only be considered if it is proposed to be executed in the Control Period for which the Multi Year Tariff Proposal is submitted.*

*(d) The Authority may also, in its discretion, consider any other relevant factors for exclusion or inclusion of assets.*

*(e) The assets related to any service(s) provided by the Airport Operator that are subject to separate control and regulated as per Clause 5.7, shall be excluded from the scope of RAB.*

*9.2.1 It is observed that as per AERA Guidelines, 5.2.1 (b) (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB /Aeronautical asset and not required to be allocated into Aero and Non-Aero.*

b. The Authority had examined GIAL submission and had following observations:

   i. As per tariff guidelines 2011 for Airport Operators the tariff for an Airport needs to be calculated as per single till methodology. According to which all building block of ARR considered 100% as aeronautical.

   ii. The Authority in order to adopts uniform tariff policy across all major airports had amended its tariff guideline to the extent of adoption of Hybrid Till instead of Single Till prescribed in the guidelines vide order 14/2016-17. The Hybrid Till in principle considers only aeronautical portion of OPEX and CAPEX as pass through in tariff with 30% cross subsidy from Gross Non-Aero Revenue.

   iii. The revenue, cost and asset are interlinked and should be aligned in accordance with the till methodology adopted for tariff determination. Thus, as part of asset allocation exercise, we would require identification and allocation of Assets and OPEX into Aero and Non-Aero

   iv. The Authority had adopted following basis for allocation of RAB addition during third control period:

   **Terminal Building Ratio -** It was observed that GIAL had classified the entire area of the terminal building as aeronautical. Upon enquiry, GIAL stated that this was done in accordance with the AERA Act.

   Terminal Building Area is planned in an airport considering the facilities to be provided for Aeronautical activities and provision of space for certain Non-Aeronautical activities such as Food & Beverage, Duty Free etc. Also, in case of PPP airports, the focus on Non-Aeronautical activities is expected to be more as these would generate revenues and a part of the same would also cross subsidize the Aeronautical charges. The Non-Aeronautical activities are over 10% of terminal building area at other similar size PPP airports. Prescriptions of IMG norms also provide for non-aeronautical area to be between 8% and

12%, with the range being higher for larger airports. Considering the above, the Authority proposed to consider the ratio of 90:10 towards Aeronautical and Non-Aeronautical in line with its decision in Order No. 03 /2017-18 dated 2nd June 2017 for GIAL for the Third Control Period and recommendation in independent study on asset allocation.

**Employee Ratio-** GIAL had submitted expected deployment of employees during third control period. Basis on employment schedule and rationalization, the employee ratio had been calculated at operating expense chapter (please refer Table ***155*** of O&M chapter of this consultation paper for detailed calculation). The effective employee ratio for third control period comes to 96.01%.

**Gross Block Asset Ratio –** As per the asset allocation study the gross block asset ratio is 95.39% as on 31st Mar'2022, same had been considered for third control period for the purpose of asset allocation.

v. It is to be further noted that the Authority had considered above ratios to allocate assets planned to be procured as part of third control period, the allocation ratio will be revised as per asset allocation exercise undertaken by the Authority in the next control period.

Following is the asset wise allocation for asset addition proposed in third control period:

**Table 118: Asset wise allocation for asset addition proposed in third control period**

| Particular | Allocation Basis | Aeronautical portion |
|---|---|---|
| Terminal Building | Terminal Ratio | 90.00 % |
| Runway, Taxiway and Apron | Aeronautical | 100.00 % |
| Cargo building | Aeronautical | 100.00 % |
| Cargo Equipment | Aeronautical | 100.00 % |
| Boundary wall | Aeronautical | 100.00 % |
| Software | Employee Ratio | 96.01 % |
| IT equipment | Employee Ratio | 96.01 % |
| Security equipment | Aeronautical | 100.00 % |
| Plant and Machinery | Gross Block Asset | 95.39 % |
| Other Buildings | Gross Block Asset | 95.39 % |
| Access Road | Aeronautical | 100.00 % |
| Fuel | Aeronautical | 100.00 % |
| Furniture & fixtures | Gross Block Asset | 95.39% |
| Vehicles | Employee Ratio | 96.01% |
| Office equipment | Employee Ratio | 96.01% |

## 7.4 Capital addition for the Third Control Period

Total capital addition as per the Authority for third control period is ₹ 4055.89 Crore. The Authority considers following capitalization schedule for the purpose of third control period.

**Table 119: Capitalization schedule proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particular | FY'23* | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Terminal Building | 1.98 | 5.20 | - | 2,431.96 | - | 2,439.15 |
| Runway, Taxiway and Apron | 10.04 | - | 113.78 | 861.88 | - | 985.71 |
| Cargo Facility | 0.57 | 3.30 | - | 23.37 | - | 27.24 |
| Boundary wall | - | - | 0.11 | 136.50 | - | 136.61 |
| Software | 1.58 | - | - | - | - | 1.58 |
| IT equipment | 9.11 | - | 2.04 | 2.11 | 2.19 | 15.46 |
| Security equipment | - | - | 22.27 | 5.25 | 4.26 | 31.78 |

| Particular | FY'23* | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Plant and Machinery | 8.28 | - | 44.03 | 58.11 | 5.23 | 115.65 |
| Other Buildings | 6.14 | 0.11 | 23.85 | 27.68 | 33.63 | 91.41 |
| Access Road | 0.05 | - | - | 145.92 | - | 145.97 |
| Fuel | - | - | 14.50 | - | - | 14.50 |
| Furniture & fixtures | 2.35 | - | 0.99 | 0.22 | 0.47 | 4.03 |
| Vehicles | 2.55 | - | 21.27 | 17.99 | - | 41.81 |
| Office equipment | 4.98 | - | - | - | - | 4.98 |
| **Total** | **47.65** | **8.61** | **242.86** | **3,710.99** | **45.77** | **4,055.89** |

*actual

Capital addition proposed above is further allocated into Aeronautical asset for the purpose of Regulatory Asset Base for third control period. The year wise details for Regulatory Asset Base are as follows:

**Table 120: Year wise details for Aeronautical capex proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23* | FY'24 | FY'25 | FY'26 | FY'27 | |
| | | **Passenger Terminal and Associated Works** | | | | | | |
| A | A.1 | NITB (Including Opening CWIP as per financials) | 0.00 | 0.00 | 0.00 | 2188.77 | 0.00 | 2188.77 |
| | A.2 | Kerbside Development | 0.00 | 0.00 | 0.00 | 145.92 | 0.00 | 145.92 |
| | A.3 | Exisiting Terminal Building Development | 0.00 | 4.68 | 0.00 | 0.00 | 0.00 | 4.68 |
| | | **Sub-Total – (A)** | **0.00** | **4.68** | **0.00** | **2334.68** | **0.00** | **2339.36** |
| | | **Runways, Taxiway & Aprons** | | | | | | |
| B | B.1 | Apron-2 (Demolition and rew-construction) | 0.00 | 0.00 | 0.00 | 269.89 | 0.00 | 269.89 |
| | B.2 | Airside Storm Water Drainage works | 0.00 | 0.00 | 0.00 | 217.40 | 0.00 | 217.40 |
| | B.3 | Construction of Part Parallel Taxiway and Link Taxiways | 0.00 | 0.00 | 0.00 | 174.76 | 0.00 | 174.76 |
| | B.4 | Land Development works | 0.00 | 0.00 | 0.00 | 48.79 | 0.00 | 48.79 |
| | B.5 | Widening of Runway Strip | 0.00 | 0.00 | 84.88 | 0.00 | 0.00 | 84.88 |
| | B.6 | Construction of Second Part Parallel Taxiway | 0.00 | 0.00 | 0.00 | 68.07 | 0.00 | 68.07 |
| | B.7 | Extension of Runway 02–20 towards RWY 20 | 0.00 | 0.00 | 0.00 | 44.61 | 0.00 | 44.61 |
| | B.8 | Construction of new Isolation Bay (Rigid Pavement) | 0.00 | 0.00 | 24.06 | 0.00 | 0.00 | 24.06 |
| | B.9 | Construction of Rapid Exit Taxiway | 0.00 | 0.00 | 0.00 | 16.55 | 0.00 | 16.55 |
| | B.10 | Other Minor Airside Capex | | | | | | |
| | B.10.1 | Construction of Runway End Safety Area (RESA) after RWY 20 Threshold | 0.00 | 0.00 | 0.00 | 4.23 | 0.00 | 4.23 |
| | B.10.2 | Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20 | 0.00 | 0.00 | 0.00 | 4.32 | 0.00 | 4.32 |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23* | FY'24 | FY'25 | FY'26 | FY'27 | |
| | B.10.3 | Relocation of Simple Approach Lighting System for Runway 20 | 0.00 | 0.00 | 0.79 | 0.00 | 0.00 | 0.79 |
| | B.10.4 | Installation of Category-I Approach Lighting System towards Runway 02 | 0.00 | 0.00 | 0.00 | 7.90 | 0.00 | 7.90 |
| | B.10.5 | Off-Stand GSE | 0.00 | 0.00 | 0.00 | 3.92 | 0.00 | 3.92 |
| | B.10.6 | Apron stand surface revamping work in old apron | 0.00 | 0.00 | 0.33 | 0.00 | 0.00 | 0.33 |
| | B.10.7 | Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard | 0.00 | 0.00 | 0.22 | 0.00 | 0.00 | 0.22 |
| | B.10.8 | Provision of new Earthing system for Runway and other associated works at Guwahati Airport | 0.00 | 0.00 | 0.19 | 0.00 | 0.00 | 0.19 |
| | B.10.9 | SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 0.21 |
| | B.10.10 | Upgradation of flexible pavements in Operational area | 0.00 | 0.00 | 0.00 | 0.86 | 0.00 | 0.86 |
| | B.10.11 | Runway Graded Strip and RESA strengthening (up to 300mm Depth) | 0.00 | 0.00 | 0.09 | 0.00 | 0.00 | 0.09 |
| | B.10.12 | Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron) | 0.00 | 0.00 | 1.19 | 0.57 | 0.00 | 1.77 |
| | B.10.13 | Apron Control | 0.00 | 0.00 | 0.11 | 0.00 | 0.00 | 0.11 |
| | B.10.14 | Airside Equipments | 0.00 | 0.00 | 1.70 | 0.00 | 0.00 | 1.70 |
| | B.11 | Runway strengtheing works | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | **Sub-Total – (B)** | **0.00** | **0.00** | **113.78** | **861.88** | **0.00** | **975.66** |
| C | | **Construction of Boundary Wall** | | | | | | |
| C | C.1 | New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip | 0.00 | 0.00 | 0.00 | 37.62 | 0.00 | 37.62 |
| C | C.2 | New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip | 0.00 | 0.00 | 0.00 | 76.05 | 0.00 | 76.05 |
| C | C.3 | PIDS System | 0.00 | 0.00 | 0.00 | 22.84 | 0.00 | 22.84 |
| C | C.4 | Boundary Wall | 0.00 | 0.00 | 0.11 | 0.00 | 0.00 | 0.11 |
| C | | **Sub-Total (C)** | **0.00** | **0.00** | **0.11** | **136.50** | **0.00** | **136.61** |
| D | | **Cargo Complex** | | | | | | |
| D | D.1 | Interim Cargo Facility | 0.00 | 3.30 | 0.00 | 0.00 | 0.00 | 3.30 |
| D | D.2 | New Cargo Terminal | 0.00 | 0.00 | 0.00 | 23.37 | 0.00 | 23.37 |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23* | FY'24 | FY'25 | FY'26 | FY'27 | |
| | | **Sub-Total (D)** | **0.00** | **3.30** | **0.00** | **23.37** | **0.00** | **26.67** |
| E | | **Fuel Farm Infrastructure** | | | | | | |
| | E.1 | Fuel storage farm | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | E.2 | Fuel hydrant line | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | E.3 | Equipment cost | 0.00 | 0.00 | 3.35 | 0.00 | 0.00 | 3.35 |
| | | Cost of procurement of IOCL and RIL assets | 0.00 | 0.00 | 11.16 | 0.00 | 0.00 | 11.16 |
| | | Dead Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | **Sub-Total (E)** | **0.00** | **0.00** | **14.50** | **0.00** | **0.00** | **14.50** |
| F | | **Vehicles** | | | | | | |
| | | **Sub-Total (F) (F1-F5)** | **0.00** | **0.00** | **20.42** | **17.27** | **0.00** | **37.70** |
| G | | **Plant and Machinery** | | | | | | |
| | | **Sub-Total (G) (G1-G30)** | **0.00** | **0.00** | **42.00** | **55.43** | **4.99** | **102.42** |
| H | | **Other Buildings** | | | | | | |
| | | **Sub-Total (H) (H1-H25)** | **0.00** | **0.10** | **22.75** | **26.40** | **32.08** | **81.34** |
| I | | **IT equipment** | | | | | | |
| | I.1 | IT Equipment | 0.00 | 0.00 | 1.96 | 2.03 | 2.10 | 6.09 |
| | | **Total – IT equipment** | **0.00** | **0.00** | **1.96** | **2.03** | **2.10** | **6.09** |
| J | | **Furniture & fixtures** | | | | | | |
| | J.1 | Furniture & Fixtures for Terminal, Office, Security etc. | 0.00 | 0.00 | 0.95 | 0.21 | 0.45 | 1.60 |
| | | **Total – Furniture & fixtures** | **0.00** | **0.00** | **0.95** | **0.21** | **0.45** | **1.60** |
| K | | **Security equipment** | | | | | | |
| | K.1 | Procurement of Security Equipment (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc) | 0.00 | 0.00 | 1.45 | 0.00 | 0.00 | 1.45 |
| | K.2 | Threat Containment Vessel (TCV) | 0.00 | 0.00 | 15.48 | 0.00 | 0.00 | 15.48 |
| | K.3 | BDDS | 0.00 | 0.00 | 1.11 | 1.15 | 0.00 | 2.25 |
| | K.4 | Misc Security Equipment (Quick Reaction Team Equipment, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc) | 0.00 | 0.00 | 4.24 | 4.10 | 4.26 | 12.60 |
| | | **Total – Security equipment** | **0.00** | **0.00** | **22.27** | **5.25** | **4.26** | **31.78** |
| L | | Sustaining capex already spent (FY22-23) | 45.95 | | | | | 45.95 |
| | **Total** | | **45.95** | **8.09** | **238.76** | **3463.03** | **43.87** | **3799.70** |

*Note-Above cost is aeronautical and includes inflation, soft cost, IDC*
**as per actuals*

## 7.5 Depreciation for the Third Control Period

**GIAL's submission**

7.5.1 GIAL follows the policy of determining the rates of depreciation based on the 'useful life' of different asset classes. While submitting the Multi-Year Tariff Proposal for the Third Control Period for LGBIA, GIAL has taken cognizance of the rates of depreciation approved by the Authority in its order vide Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 / 2017-18 on 'Determination of Useful Life on Airport Assets'. However, GIAL has considered different rates for certain asset classes based on the recommendations by independent technical evaluation for Lucknow and Ahmedabad Airports and the same are as per the table given below -:

**Table 121: Depreciation rates determined by GIAL for the Third Control Period**

| Asset Class | Depreciation as per GIAL's submission |
|---|---|
| Terminal Building | 4.00% |
| Runway, Taxiway and Apron | 5.00% |
| Cargo Building | 4.00% |
| Cargo Equipment | 13.33% |
| Boundary wall | 20.00% |
| Computer Servers, networks, etc. | 33.33% |
| Computer End-user devices | 33.33% |
| Security equipment | 13.33% |
| Plant and Machinery | 13.33% |
| Other buildings | 3.33% |
| Access road | 10.00% |
| Fuel farm facility assets | 13.33% |
| Furniture & fixtures | 14.29% |
| Vehicles | 20.00% |
| Office Equipment | 20.00% |

7.5.2 Depreciation has been computed separately on opening block of assets and on the proposed additions. For the additions to RAB, GIAL has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the financial year).

7.5.3 The depreciation amount submitted by GIAL for the Third Control Period has been presented in the table below.

**Table 122: Depreciation submitted by GIAL for the Third Control Period**

(₹ crores)

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Terminal Building | 0.26 | 0.45 | 62.07 | 123.53 | 123.53 | 309.85 |
| Runway, Taxiway and Apron | 5.38 | 5.73 | 18.21 | 61.48 | 92.35 | 183.16 |
| Cargo Facillity | 0.01 | 0.10 | 0.17 | 0.74 | 1.31 | 2.34 |
| Boundary wall | 2.86 | 0.70 | 0.12 | 18.18 | 36.17 | 58.02 |
| Software | - | 0.53 | 0.53 | 0.53 | 0.00 | 1.58 |
| IT equipment | 1.23 | 6.86 | 9.45 | 9.68 | 4.49 | 31.70 |
| Security equipment | - | 0.05 | 1.83 | 4.07 | 5.05 | 11.01 |
| Plant and Machinery | 9.24 | 9.71 | 12.34 | 22.74 | 30.18 | 84.21 |
| Other Buildings | 1.38 | 1.62 | 2.32 | 3.64 | 6.29 | 15.25 |
| Access Road | 0.03 | 0.03 | 0.03 | 0.01 | 0.01 | 0.11 |
| Fuel | - | 1.06 | 2.11 | 28.58 | 55.05 | 86.79 |
| Furniture & fixtures | 0.38 | 0.76 | 0.83 | 0.77 | 0.75 | 3.51 |

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Vehicles | 2.10 | 3.99 | 6.51 | 8.95 | 10.12 | 31.67 |
| Office equipment | 0.24 | 1.24 | 1.23 | 1.22 | 1.15 | 5.08 |
| **Total** | **23.11** | **32.83** | **117.76** | **284.13** | **366.46** | **824.29** |

**Authority's examination regarding Depreciation for the Third Control Period**

7.5.4 The Authority duly examined the recommendations of the Technical Study Report on 'useful life of assets' submitted by GIAL and observed that the expert appointed by GIAL has prescribed the useful lives of assets component wise after technical assessment.

7.5.5 The Authority noted the methodology adopted by the Valuer to evaluate the useful lives of assets is as follows:

- *"Physical inspection of some of the assets*
- *Detailed discussions with the Projects, Finance & Engineering and Maintenance team of MIA and the General Manager (Engineering – Civil) of Airports Authority of India pertaining to usage of the assets.*
- *Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, Airports Economic Regulatory Authority of India ("AERA"), Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA)*
- *Our understanding and experience as qualified engineers "*

7.5.6 The Authority had observed the recommendations given in the study report for adopting shorter useful life and noted the following:

- The Independent Expert appointed by GIAL had considered the various components of the Terminal Building such as False Ceiling, Sanitation works, Glass façade, Flooring works etc. for assessing the useful life of the Terminal Building. The Expert has calculated the contribution of each of the components to the overall structure of the Terminal Building along with the estimated useful life of such components wherein shorter useful lives have been adopted for False Ceiling, Sanitation works, Glass façade and Flooring works due to frequent renovation works in the building, weather conditions, wear and tear, etc., and arrived at the weighted average useful life of the entire structure of Terminal Building as approximately 25 years Further, the Authority notes that GIAL has adopted the same shorter useful life of 25 years for the projected capital expenditure on construction of new Cargo Terminal Building.

- Similarly, the Independent Expert had recommended shorter useful life for Runways, Taxiways and Apron based on the useful life followed by various international regulators and associations.

- Further, in respect of Plant and machinery items, as per the technical report, these items are broadly used at LGBIA for 24 hours per day as the Airport is working all three shifts and hence, as prescribed under the Companies Act 2013, Schedule II for assets used during the year for double shift or triple shift, the Expert has recommended to adopt useful life of 7.5 years instead of 15 years. The Authority also notes that GIAL has adopted the same shorter useful life of 7.5 years for Cargo and Security Equipment.

- GIAL had adopted shorter useful life of 3 years for Flight Information Display System (FIDS) and AOCC Equipment (included under the category of 'Information and Technology equipment') in its MYTP submission.

7.5.7 Apart from the above, the Authority noted that in respect of Fuel Farm facility, GIAL had adopted 'weighted average' useful life of 7.5 years. Since the major portion of the assets are in the nature of Plant and Machinery, GIAL has estimated the useful life of the Fuel facility as 7.5 years and adopted higher depreciation of 13.33% for the entire capital expenditure projected for this facility.

7.5.8 The Authority on perusal of all the above, had summarized its view as under:

Asset class - Building: The Expert had recommended shorter life for False Ceiling, Sanitation works, Glass façade and Flooring works which appear to be integral part of the Airport Terminal Building. The Authority's Order No.35 does not provide for reducing the life of assets under Asset class -Buildings. The Authority observed that various components mentioned above were also an integral part of the Terminal Building and should be added to the Terminal Building cost by applying the same rate of depreciation as that of buildings. While the technical report provided by GIAL had determined the shorter life to be adopted, it had not provided sufficient rationale for adopting such shorter useful life. Since these assets were all part of the building, the Authority was of the view that the same rate applicable to building should be applied to these assets and no reduction in life of these assets are called for. Further, the Authority noted that adequate maintenance expenditure is allowed to enable GIAL to maintain the assets in good working condition during its entire life. The Authority had issued Order No.35 as part of its normative approach to various Building Blocks in Economic regulation of Major Airports where it had stated that, "The Authority has been of the considered view, that it would be preferable to have as far as practicable, a broad year to year consistency in what Depreciation is charged by the companies as certified by the relevant statutory auditors and what the Authority would take into account in its process of tariff determination. Issue of a notification will ensure this objective." In view of all the above, the Authority was not inclined to deviate from ensuring this objective and therefore proposed not to consider the shorter useful life of 25 years claimed by GIAL for both the Terminal Building and newly projected Cargo terminal building.

Asset Class -Runways, Taxiways and Aprons: The Expert had recommended adopting a shorter life of 20 years based on useful life followed by certain international associations and regulators, like, Federation Aviation Administration -US Department of Transportation, Civil Aviation Authority – UK, Australian Airports Association – Australia etc., which the Authority felt did not provide proper justification for adopting a shorter useful life. Therefore, the Authority found no reason to reduce the life of the Runway which enhances the burden of Airport users by increasing the tariff.

Other Asset Classes: Order No.35 provides for specific determination of life through technical evaluation for specific assets other than those listed in the Order based on specific requirement of the Airport. The Authority found that none of the asset in these classes where a shorter life has been adopted as specific assets are based on specific requirement of the Airport. Therefore, the Authority found no merit in reducing the life of such asset for tariff purposes.

7.5.9 Based on all the above, the Authority had proposed the following useful life for all the assets of LGBIA during the Third Control Period:

**Table 123: Useful Life proposed by the Authority for all the assets in the Third Control Period at Consultation stage**

*(In Years)*

| Asset Class | Useful life submitted by GIAL | Useful life proposed by the Authority |
|---|---|---|
| Terminal Building | 25 | 30 |
| Runway, Taxiway and Apron | 20 | 30 |
| Cargo Building | 25 | 30 |
| Cargo Equipment | 7.5 | 15 |
| Boundary wall | 5 | 5 |
| Computer Servers, networks, etc. / Software | 3 | 3 |

| Asset Class | Useful life submitted by GIAL | Useful life proposed by the Authority |
|---|---|---|
| Computer End-user devices / IT equipment | 3 | 3 |
| Security equipment | 7.5 | 15 |
| Plant and Machinery | 7.5 | 15 |
| Other buildings | 30 | 30 |
| Access road | 10 | 10 |
| Furniture & fixtures | 7 | 7 |
| Vehicles | 5 | 8 |
| Office Equipment | 5 | 5 |

7.5.10 Considering the above changes in depreciation rates, revision in the value of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Third Control Period.

**Table 124: Aeronautical depreciation proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Terminal Building | 0.17 | 0.27 | 0.35 | 36.83 | 73.31 | 110.94 |
| Runway, Taxiway and Apron | 2.97 | 3.15 | 5.04 | 21.30 | 35.66 | 68.12 |
| Cargo building | 0.01 | 0.07 | 0.13 | 0.52 | 0.91 | 1.64 |
| Boundary wall | 2.85 | 0.66 | 0.06 | 13.72 | 27.32 | 44.62 |
| Software | - | 0.51 | 0.51 | 0.51 | 0.00 | 1.52 |
| IT equipment | 1.18 | 4.06 | 4.11 | 4.47 | 2.46 | 16.28 |
| Security equipment | - | - | 0.74 | 1.66 | 1.98 | 4.38 |
| Plant and Machinery | 3.62 | 4.00 | 5.35 | 8.41 | 10.18 | 31.56 |
| Other Buildings | 1.47 | 1.58 | 1.95 | 2.77 | 3.75 | 11.53 |
| Access Road | 0.03 | 0.03 | 0.03 | 7.31 | 14.60 | 22.00 |
| Fuel | - | - | 0.36 | 0.73 | 0.73 | 1.81 |
| Furniture & fixtures | 0.37 | 0.68 | 0.74 | 0.72 | 0.69 | 3.20 |
| Vehicles | 1.02 | 1.17 | 2.43 | 4.76 | 5.81 | 15.19 |
| Office equipment | 0.23 | 1.19 | 1.18 | 1.17 | 1.11 | 4.88 |
| **Total** | **13.93** | **17.37** | **22.99** | **104.88** | **178.51** | **337.68** |

7.5.11 The depreciation claimed by GIAL in comparison with that proposed by the Authority for each financial year is shown in the table below:

**Table 125: Depreciation claimed by GIAL and proposed by the Authority for the Third Control Period at Consutlation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Depreciation claimed by GIAL | 23.11 | 32.83 | 117.76 | 284.13 | 366.46 | 824.29 |
| Less: Adjustments made by the Authority on account of change in useful life and revision in asset addition. | -9.18 | -15.46 | -94.77 | -179.25 | -187.95 | -486.61 |
| **Depreciation proposed by the Authority** | **13.93** | **17.37** | **22.99** | **104.88** | **178.51** | **337.68** |

The Authority proposed to consider depreciation for LGBIA for the Third Control Period as ₹ 337.68 crores.

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

GIAL has submitted RAB for the Third Control Period as follows:

**Table 126: RAB proposed by GIAL for LGBIA for the Third Control Period**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **Opening RAB (1)** | 140.28 | 164.82 | 217.99 | 3803.72 | 5545.53 | |
| **Additions (2)** | 47.65 | 86.01 | 3703.48 | 2025.95 | 156.55 | **6019.64** |
| **Disposal/Transfers (3)** | - | - | - | - | - | |
| **Depreciation (4)** | 23.11 | 32.83 | 117.76 | 284.13 | 366.46 | **824.29** |
| **Closing RAB (5) = [(1) +(2) – (3) – (4)]** | 164.82 | 217.99 | 3803.72 | 5545.53 | 5335.63 | |
| **Average RAB = [(1) + (5)]/2** | **152.55** | **191.41** | **2010.85** | **4674.63** | **5440.58** | |

**Authority's examination regarding RAB for the Third Control Period**

### 7.6.1 Opening RAB

The Authority noted that the Opening RAB amounting to ₹ 140.38 crores (as submitted by GIAL) had been revised to ₹ 151.90 crores based on the adjustments made to the RAB as mentioned in Table **56** of this Consultation Paper. Following are the key consideration in revision of opening RAB:

- Adjustment on account of revision in asset classification as detailed in asset allocation study.
- GIAL had considered higher useful life of asset which has been aligned to the useful life recommended as per order no 35/2017-18 dated 12th Jan'2018. This is resulted into reduction in depreciation and increase in regulatory asset base.
- As part of asset transfer to GIAL, AAI had to pay ₹ 5.94 crores towards payment of vacation of quarters from CPWD. Since, CPWD asset handed over to GIAL as part of transition process, same had been considered by the Authority as part of opening RAB.
- The Authority in line with above consideration proposed following Regulatory Asset Base schedule for the Third Control Period:

**Table 127: RAB proposed by the Authority for LGBIA for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | Ref. | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | Total |
|---|---|---|---|---|---|---|---|
| **Opening RAB (1)** | Table 56 | 151.90 | 183.92 | 174.64 | 390.40 | 3748.55 | |
| Capital Additions (2) | Table 120 | 45.95 | 8.09 | 238.76 | 3463.03 | 43.87 | 3799.70 |
| Depreciation (3) | Table 125 | 13.93 | 17.37 | 22.99 | 104.88 | 178.51 | 337.68 |
| **Closing RAB (4) = [(1) +(2) – (3)]** | | 183.92 | 174.64 | 390.40 | 3748.55 | 3613.92 | |
| **Average RAB = [(1) + (4)]/2** | | 167.91 | 179.28 | 282.52 | 2,069.48 | 3,681.24 | |

7.6.2 The Authority proposed to consider RAB for the LGBIA for the Third Control Period as detailed in Table 127.

## 7.7 Stakeholder's comments on Capex, Depreciation and RAB for the Third Control Period

7.7.1 During the Stakeholder consultation process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to Capex, Depreciation and RAB for the Third Control Period. The comments by Stakeholders are presented below:

**GIAL's comment on Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period:**

7.7.2 GIAL has commented on AERA's observation relating to optimal planning and execution of capex projects as per para 7.1.10 of this tariff order:

*3.1.1 With respect to the Authority's comment on GIAL not demonstrating understanding of optimal planning and execution of capex projects, we would like to submit as below:*
*3.1.1.1 It is to be noted that out of total projects proposed by GIAL around 80% of Capex (in value terms) are related to projects planned by AAI or projects mandated by Concession Agreement such as New Terminal Building, Extension of Runway, open access fuel facility at the airport etc.*

*3.1.1.2 At present LGBIA has one operational terminal with capacity to handle ~2 mm pax per annum. Last year i.e. FY 24 LGBIA handled around 5.96 mm pax (i.e. around 300% of its capacity). AAI in Second Control Period had envisaged the current Terminal 1 to be saturated and had proposed building New Integrated Terminal Building (NITB). The Authority had even allowed the project on incurrence basis.*
*Reference from LGBIA SCP Order issued by the Authority*

**9.2.4.5. Construction of integrated terminal building (₹ 1,232 crores total, ₹ 616 crores total under Building Terminal in FY 2020-21 and ₹ 616 crores total under Electrical installation in FY 2020-21)**

**The existing terminal building has saturated. In view of the future traffic growth at Guwahati airport, there is a requirement for construction of integrated terminal building. The integrated terminal building with area of**

9.21. The Authority noted that as per AAI submission the capital expenditure for new integrated terminal building is likely to be completed by Feb 2021 and is tentative. The Authority is of the view that there are reasonable chances that the terminal may not be commissioned in the 2nd control period due to time overrun. The tariffs proposed by AAI at Guwahati Airport are lower than the allowable tariffs to recover the ARR determined by the Authority. Hence, the Authority noted that there will be shortfall in the 2nd control period even after excluding the aeronautical capital expenditure of terminal building from RAB and the shortfall will further increase if the capital expenditure for terminal building is included in the 2nd control period and return is given for remaining 2 months of FY 2020-21. Hence, the Authority had proposed to exclude the capital expenditure towards new integrated terminal building from aeronautical RAB while determining the tariffs for 2nd control period. In case, AAI incurs the capital expenditure towards expansion of terminal building and capitalizes the same during the 2nd control period, it will be trued up while determining tariff for 3rd control period.

*AAI had also proposed other airside projects which were linked to construction of NITB such as extension of runway, construction of part parallel taxi way, shifting of isolation bay, construction of link taxiway, storm water drain etc. These projects were also proposed by erstwhile Airport Operator in second control period.*

*Reference from LGBIA SCP Order issued by the Authority.*

9.24. In the 2nd control period, project works related to construction of parallel taxi track and ancillary works, extension of runway and strengthening of runway, taxiway and apron, perimeter road and lighting watch tower, construction of integrated terminal building, expansion and modification of terminal building, city side expansion of terminal building, construction of E&M work shop, construction of fire station, construction of quarters for AAI's staff and construction of boundary land around acquired land are proposed to be taken up. AAI has provided AUCC document for all the major development works except for construction of quarters for AAI's staff. These require user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as part of the consultation process with users.

*3.1.1.4 Further there was no comment from the Authority with respect to planning and execution of the then Airport Operator being sub-optimal. The Authority had even allowed the projects in second control period.*

*3.1.1.5 It is to be noted that GIAL as a part of the transition received NITB at CWIP stage as the construction of NITB was already started by AAI prior to COD.*

*3.1.2 Further, with respect to the Authority's comment about capex not linked with requirements mandated under Schedule B to the Concession Agreement (CA), we would like to submit that GIAL has* *gone through detailed process of master planning with consideration to various requirements mandated under CA including Schedule B. The same is detailed in following paragraphs.*

*3.1.3 The Concession Agreements (CA), signed with Airport Authority of India (AAI) for Guwahati Airport in 2021 is the base documents on which planning, and operations of the airport is carried out. The CA and its schedules mandate the following obligations on the Concessionaire / Airport Operator (AO) which must be mandatorily undertaken while preparing the Master Plan and development of facilities at the Airports: -*

*a. Para 12.2.2 of CA, requires that the Master Plan for the Airport must be consistent with all the regulatory requirements, and it shall be made pursuant to full consultation with all major stakeholders, in accordance with the terms of the Applicable Laws and this Agreement.*

*b. Para 12.5.1 of CA, states that the Concessionaire shall undertake construction at the Airport in conformity with Schedule A, Schedule B, the Specifications and Standards set forth in Schedule C, and the Master Plan.*

*The Master Plan is to be prepared using the AAI perspective Master Plan as provided in the Para 4 of Annex II of Schedule A.*

*c. Para 23.1.1 of CA, the AO is required to achieve or exceed the performance indicators specified in Article 23 of the CA and service quality requirements specified in Schedule H ("Key Performance Indicators"). As per Schedule A, the Concessionaire shall plan its development activities and Construction Works for any Phase such that there is no breach of Key Performance Indicators, IATA Level of Service – C (optimal standards), Safety Requirements and any other statutory and regulatory requirements under the Applicable Laws, which are required to be followed for the operations of the Airport.*

*d. Para 4.1.3 (h) of the CA, Airport Operator is required to undertake Construction Works within first 7 years of Concession Period (Phase I), having due regard to the works (a) currently being implemented by the Authority and (b) proposed to be implemented by the Authority as on the date of signing the Agreement (and as set forth in Schedule U).*

*Annex II of Schedule A provides that the Concessionaire shall plan and develop Phase I of the Airport in the manner set out in the Agreement, as well as cater to annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections.*

*"Phase I" means all the Construction Works proposed to be undertaken by the Concessionaire pursuant to Clause 4.1.3(h), as per the Master Plan, and shall, for the avoidance of doubt, include the works-in-progress handed over to the Concessionaire by the Authority pursuant to Clause 6.4.5;*

*Based on above AO has prepared the Master Plan and subsequently MYTP, adopting the following process: -*

*1. The traffic projections were prepared by an independent global expert (M/s Mott McDonalds) in 2021 which provides detailed analysis with different scenarios of traffic. The traffic projections are an outcome of various factors considered during forecast including Catchment Area Analysis, Airline Analysis, Historical Data Analysis, COVID 19 impact, Design Day Flight Schedule Development and it categorically includes likely impact due to competing airports.*

*2. Schedule U of the CA provides the list of projects which were planned by AAI before privatization in 2018 and some of those major projects were discussed / approved by the Authority in its tariff order for previous control period. These have been duly considered in Phase I.*

*3. The Key Performance Indicators, ICAO requirements, DGCA / BCAS observations, applicable laws etc. were analyzed and deliberated in detail.*

*4. After detailed analysis of obligations mandated under the CA, AO with the support of global experts (Ms AECOM) prepared the phase wise Master Plan. The Master Plan was discussed with all the stakeholders like AAI, DGCA, BCAS, state government, local state bodies etc. for taking their inputs and then submitted to AAI.*

*5. AO critically assessed the projects planned for Phase I (first 7 years of CA) and accordingly prioritized the projects to be undertaken during the 5 years third control period (from 1st April 2022 to 31st March 2027).*

*6. A fresh AUCC was conducted to appraise the users and stakeholders about the vision of the Airports, phase wise Master Plan and the upcoming facilities (including the projects which were already approved or discussed in AERA's previous control period orders).*

*7. AO prepared the MYTP and submitted it to the Authority for consideration in July 2023.*
*As evident, AO has done a comprehensive exercise before submission of MYTP.*
***3.1.4 In view of the above, we request the Authority to kindly consider removing this comment while issuing the final order.***

7.7.3 GIAL has commented following on AERA proposal relating to Inflation-adjusted normative cost of terminal, Runway, Apron and Airside works as per para 7.3.4 iv of this tariff order:

*Reconsideration of GST*
*3.2.1 This is to bring to your kind notice that in view of the increase in the GST rate from 12% to 18%, CPWD had issued O.M. No. 158/SE(TAS)/GST/2022/331-H dtd. 10.08.2022 (attached herewith as Annexure 1) wherein the multiplying factor of 1.0633 (i.e. 6.33%) is provided. Accordingly, the base value for terminal works would be Rs. 106,330 per sqm instead of Rs. 105,357 as calculated in CP.*
*Reconsideration of Inflation*
*3.2.2 Further, as indicated in CP, the inflation value for FY22 is considered as 7.14% (i.e. Average of 1.29% (FY21) and 12.97% (FY22) in view of extraordinarily high inflation of FY22. It is observed that AERA guidelines on Normative Costing do not provide for averaging of inflation.* ***Notwithstanding the AERA Guidelines. if the Authority has considered averaging of inflation for FY21 and FY22, from a consistency and fairness perspective, we request that for FY24 wherein the inflation is extraordinarily low (i.e. negative 0.70% for FY24) similar averaged out inflation for FY24 to be considered. Hence, the inflation factor for FY24 would come to 4.36% (i.e. Average of 9.42% (FY23) and -0.70% (FY24).*** *In the said para, the Authority has itself provided range of reasonable and justifiable inflation. For quick reference the statement is reproduced "However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority feels that the inflation rate of FY 2021-22 needs to be rationalized."*
*3.2.3 In view of the aforementioned justifications, we request the Authority to consider the inflation-adjusted normative cost as below:*

| *Year* | *Inflation (%)* | *Inflation adjusted normative rates (Rs.)* | *Inflation adjusted normative cost @18% GST** |
|---|---|---|---|
| *Base Amount* | | *100000* | *106333* |
| *FY22* | *7.14%* | *107140* | *113925* |
| *FY23* | *9.42%* | *117233* | *124657* |
| *FY24* | *4.36%* | *122344* | *130092* |
| *FY25* | *3.10%* | *126137* | *134125* |
| *FY26* | *3.70%* | *130804* | *139087* |
| *FY27* | *3.70%* | *135643* | *144234* |

*Thus, Inflation-adjusted normative cost for FY26 is Rs. 1,39,087 per sqm. Revised computation as per normative cost is tabulated below:*

| ***Particular*** | | ***Amount (Rs Crs)*** |
|---|---|---|
| *Proposed Terminal Area (in sqm)* | *146,292* | |
| *Normative Cost (FY'26) (Rs) (A)* | *139,087* | |
| ***Subtotal (A)*** | | ***2035*** |
| *Component over and above Normative cost* | | |
| *Kerbside road* | | *139* |
| *Artwork* | | *5* |
| ***Sub-Total (B)*** | | ***144*** |

| ***Particular*** | | ***Amount (Rs Crs)*** |
|---|---|---|
| ***Total (C=A+B)*** | | ***2178*** |
| ***Additional allowance due to North-East region*** | | |
| *Disturbed area allowance @ 5% over (C)** | | *109* |
| *Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25% labour cost) over (C)** | | *67* |
| ***Sub-Total (D)*** | | ***176*** |
| ***Electricity Board deposit (E)*** | | ***41*** |
| ***Cost proposed by the Authority towards NITB F=(C+D+E)*** | | ***2395*** |

3.6.2 *Similarly, the inflation-adjusted normative cost for apron works out as indicated in below table:*

| ***Year*** | ***Inflation (%)*** | ***Inflation adjusted normative rates (in ₹ per sqm)*** | ***Inflation djusted normative cost @18% GST (in ₹ per sqm)*** |
|---|---|---|---|
| *FY16* | | *4,700* | *4,998* |
| *FY17* | | *4,781* | *5,084* |
| *FY18* | | *4,923* | *5,235* |
| *FY19* | | *5,133* | *5,458* |
| *FY20* | | *5,218* | *5,549* |
| *FY21* | | *5,287* | *5,622* |
| *FY22* | *7.14%* | *5,664* | *6,023* |
| *FY23* | *9.42%* | *6,198* | *6,590* |
| *FY24* | *4.36%* | *6,468* | *6,877* |
| *FY25* | *3.10%* | *6,668* | *7,091* |
| *FY26* | *3.70%* | *6,915* | *7,353* |
| *FY27* | *3.70%* | *7,171* | *7,625* |

*3.2.5 We hereby request the Authority to consider the inflation-adjusted normative costs for terminal and apron as explained above after recalculating the Average Inflation and GST Component.*

***Notwithstanding the above, our additional points relating to Normative costing are as:***
*3.2.6 The Authority has been using Rs 1,00,000 per sq mtr as a Normative Costing based on the study conducted which prescribed range from Rs 95,000 to 1,25,000 sq tr. It is also observed that the Authority has never issued the study in the public domain for comments by the stakeholders. The relevant extracts from some of the orders are as: -*
***Extract from Patna Order No. 13/2019-20 dated 24th Oct. 2019***

7.2.2.2 The Authority examined the rationale behind the proposed capital expenditure, along with its status. Further, the Authority sought and observed a detailed break-up of the expected costs for this capital expenditure.

7.2.2.3 The Authority has adopted the 'normative approach' towards determination of cost of terminal building. The Authority has considered a normative cost of INR 100,000 per sq. meters. The Authority has given clarification regarding this normative cost in previous tariff orders pertaining to other airports such as Guwahati, Lucknow. The Authority undertook studies for a few major airports for determining the reasonableness of the capital expenditures for their respective terminal buildings. As per these studies, the cost worked out to be in the range of 0.95 to 1.25 lakhs per sq. meter. Accordingly the Authority decided to adopt INR 100,000 per sq. meter for terminal buildings of this design and specifications. This cost is subject to review during the determination of tariff for the 2nd control period.

***Extract from Amritsar order No. 56/2020-21 dated 24.12.2020***

**7.2 Authority's examination regarding Capital Expenditure for the First Control period at Consultation stage**

7.2.1 The Authority examined the proposed capital expenditure including its rationale, detailed line item wise breakup, current progress including procurement steps and future planning.

7.2.2 The Authority analyzed the expansion of existing terminal building being proposed including the need and objectives, proposed capital expenditure, and, scope of work. The Authority noted that the CAPEX proposals are in the planning stage and yet to be awarded. Accordingly, the key takeaways noted below.

- As per AAI's submissions, the expansion of existing PTB shall be spread across an area of 16,000 sqm (Ground Level – 8,000 sqm and First Floor– 8,000 sqm) with a cost estimate of INR 243.28 crores. The unit area cost for the expansion of terminal worked out to INR 152,050 per sqm.
- The Authority has adopted the normative approach towards determination of cost of terminal building and has considered a normative cost of INR 100,000 per sq. meters in line with previous tariff orders pertaining to other airports such as Guwahati, Lucknow, Chennai and Patna. The Authority conducted a study of few Major Airports for determining the reasonableness of the capital expenditures for respective terminal buildings. As per these studies, the cost worked out to be in the range of 0.95 to 1.25 lakhs per sqm. Accordingly, the Authority decides to adopt INR 100,000 per sqm for terminal buildings of similar design and specifications.

*3.2.7 In respect to inclusion/exclusion of Service Tax/GST in Normative Cost, we submit that-*

*3.2.7.1 In the Order No. 43/2021-22 dated 15th March 2022 for Kolkata Airport, AAI submitted the Normative Cost benchmarking whereby GST has been excluded in the calculation. The same was duly noted and acknowledged by the Authority.*

6.2.43. The cost per sq.m. for the above terminal building work was submitted by AAI vide an email correspondence dated 09.12.2021 ("Normative cost for Capacity Enhancement at Terminal Building"). The Authority had noted that the normative cost working submitted by AAI did not include the cost of modification works pertaining to cut-out fillings, piling foundation work, and basement work. The details of the same are provided in the table below:

**Table 85: Normative cost calculation for capacity enhancement at terminal building submitted by AAI**

| Description | Amount (in Rs. Cr.) | Area (in sq.m.) | Rate per sq.m. |
|---|---|---|---|
| Cost excluding modification work, consultancy charges, Corporate Environment Responsibility, and GST (A) | 80.90 | 11,774 | 68,711 |
| Cost per sq. m for piling work (B) | - | | 10,371 |
| Cost per sq. m. (C = A - B) | - | | 58,340 |
| Normative Cost benchmark | - | | 1,21,665 |

*Refer the extract from RITES report for Analysis of Capital Expenditure on Expansion of Bangalore International Airport (Terminal Building, Taxiway and Apron) for the second control period (01/04/2016 to 31/03/2021) conducted in Jan-2018, where it is mentioned that in order to compare the project cost against the normative costing,* ***the project cost without Service tax is analyzed.***
***Extract from RITES REPORT***
*"The cost of terminal building is proposed at Rs.1,00,800 per sqm at June 2014 price level as against AERA prescribed norms of Rs. 65,000/sqm. This rate has further been adjusted for cost escalation* ***and service tax which*** *works out to Rs. 1,30,745/sqm. Inclusive of ICT costs."*

***Therefore, the contention of the Authority that Normative Cost includes the erstwhile Service Tax is not correct. Hence, we request the Authority to kindly add GST of 18% instead of adding 6% differential between GST and Service Tax while calculating the Normative Cost benchmark.***

7.7.4 GIAL has commented following on the capex related to Apron-2 (demolition and new construction) detailed at point B.1 of para 7.3.6 of this Tariff Order:

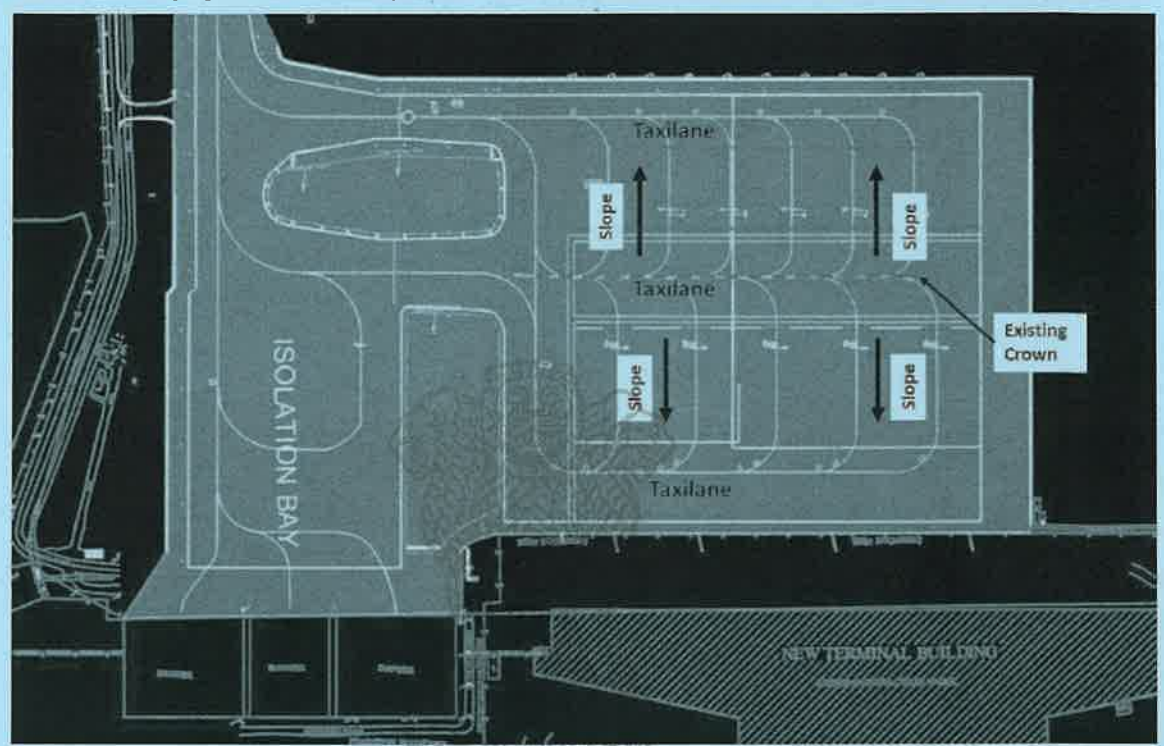
*3.3.1 First of all, we would like to mention that we had shared the technical reports from independent consultants (AECOM and JACOBs) during the review process. For quick reference the copies of the same are re-attached as Annexure 2. We observed that Authority has not raised any reference to these reports in the consultation paper.*
*3.3.2 During site visit in March 2024, the Authority had advised that the following should be examined and considered to restore Apron-2 for operational use:*

- *By applying a PQC overlay;*
- *Adopting new drainage technology with pre-fabricated drains; and*
- *Adopting trenchless technology for underground utilities and pipelines.*

*3.3.3 GIAL got the above examined through IIT-Guwahati (report of IIT-Guwahati enclosed for reference in Annexure 3). Key findings and recommendations of IIT-Guwahati and GIAL are submitted below for consideration of the Authority.*
*3.3.3.1* ***Background***
*Apron-2 was constructed by the AAI in 2008 (i.e. the apron has already served 16 years). While constructing, the crown was kept at the center of the apron and slope towards both ends – this indicates that the apron was designed with an objective of utilizing it as remote parking bays with power in – power out operation, whereas currently, the NITB is under construction with Contact Stands, with power in – pushback arrangement1. Therefore, the slope will have to be altered to make the slope away from the NITB to make it compliant. The subsequent section will elaborate if this is technically feasible*

*considering the PQC overlay requirement. The existing arrangement of Apron-2 is indicated in Figure below:*

*Figure: Existing Apron-2 indicating crown and slope*




***3.3.3.2 Strength of existing Apron 2***

*Apron-2 was designed with consideration of flexural strength of 3.5 MPa. Confirmatory assessment of strength has been carried out by IIT-Guwahati by means of extracting core and the obtained flexural strength was 2.5 MPa, which is far less than its design value. Detailed methodology of carrying out the Core Test is given in the IIT-Guwahati report.*

*Further, the existing pavement of Apron-2 was evaluated by IIT-Guwahati using advanced FAARFIELD software to ascertain its suitability for Code-C and Code-E aircrafts. As sample aircrafts, B737-900 ER and A321-Neo were taken as inputs for Code-C and B777-300 ER for Code-E respectively. The inference of the study has been that (i) the existing pavement configuration of Apron-2 is deficient to carry the load of the above-mentioned aircrafts; (ii) the PQC thickness is less than the requirement of the specified aircrafts; (iii) the existing pavement has already reached "end of life", therefore it is neither suitable for Code-C nor Code-E operations.*

***3.3.3.3 Implications of expansion of Apron-2 (i.e. constructing new apron) as per current slope of existing Apron-2***

*As briefly mentioned above, the existing slope of the Apron-2 is non-compliant, since the slope is towards the NITB. Provisions of ICAO and NFPA are mentioned below for reference:*

*Clause 3.2.6.2 of ICAO Doc 9157 Part 2 specifies the following w.r.t. apron slope:*

*"Apron slope should be 0.5 to 1.0 percent in the Aircraft stand away from building or Apron service area"*

*Clause 5.1.1 of NFPA 415, (Standard on Airport Terminal Buildings, Fuelling Ramp Drainage, and Loading Walkways)*

> *"Slope of Apron shall be away from terminal buildings, aircraft hangar, aircraft loading walkways, or other structures, with maximum slope of 1% for first 15 Mtr, beyond this distance, the ramp slope to drainage inlets shall be permitted to be reduced to a minimum of 0.5 percent (1:200)"*

*Therefore, expansion of Apron-2, i.e. constructing new portion of Apron-2 as per existing slope will render the entire Apron-2 (i.e. existing + new) non-compliant.*

***3.3.3.4 Rectification of slope through PQC overlay***

*Rectifying the slope of Apron-2 by means of PQC overlay is not technically feasible. As per the IIT-Guwahati study, PQC overlay of 370mm (unbonded) will be required to retrofit the existing Apron-2 to enhance its strength. However, as can be seen from Figure 2 and Figure 3 below, PQC overlay of 370mm with the required slope on the apron for drainage purpose, will lead to overlay of approx. 1.15m-1.24m towards the aircraft nosewheel (elaboration given in the subsequent paragraph). Technically, PQC overlay of such significant depth is not feasible, since in case of unbonded overlay, concreting is to be done in layers of not more than 50-60mm. The numerous layers of concreting will lead to serious performance issues of the PQC.*

*As can be seen from Figure 2, rectifying the slope (i.e. making the slope away from NITB) with PQC overlay of 370mm till the nosewheel point will lead to overlay thickness of 1.15m – this, in turn, will lead to a slope of 5.16% from the HOS Road grated drain top level, since for drainage purpose, the proposed ridge (i.e. nosewheel portion) will have to be connected with nearby storm water drain. This arrangement will not be suitable for GSE vehicles operations, for example, GPU equipment cannot be placed and operated in the space when PBB is docked.*

*With an objective of addressing the above-mentioned issue, i.e. to ascertain if it is technically feasible to reduce the slope from aircraft nosewheel portion till HOS road drain, GIAL explored the possibility of keeping the ridge away from the NITB. An rrangement is shown in Figure 3 below, where the ridge (blue firm line) location has been optimally ascertained to ensure that there is no fuel spillage towards the HOS road drain (to ensure environmental safeguard requirement). This arrangement is also not technically feasible since the aircraft nosewheel will not touch the apron surface, with the ridge maintained away from NITB (i.e. till a point where PQC overlay of 1.09m).*

*Accordingly, if the slope is extended (blue dashed line), even with a milder / flat slope till nosewheel, the depth of PQC overlay works out as 1.24m and this leads to a slope of 5.55% from nosewheel portion to the HOS road drain. As mentioned in the preceding paragraph, GSE/GPU operation is not possible in this arrangement.*

*In view of the above, it may be concluded that slope correction of the existing Apron- 2 by PQC overlay is not technically feasible, particularly because NITB Plinth Level, as per previous design by AAI, must be kept sacrosanct at 50m AMSL, which governs the drainage design levels nearby.*

*Figure 1: Implications of slope correction of Apron-2 with PQC overlay: Scenario-I*


| CHAINAGE | 0+000 | 0+010 | 0+020 | 0+030 | 0+040 | 0+050 | 0+060 | 0+070 | 0+080 | 0+090 | 0+100 | 0+110 | 0+120 | 0+130 | 0+140 | 0+150 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FG ELEVATIONS | | 49.395 | 49.245 | 49.095 | 49.189 | 49.195 | 49.144 | 49.094 | 49.044 | 48.994 | 48.944 | 48.894 | 48.844 | 48.820 | 48.884 | 48.948 |
| EG ELEVATIONS | | 49.636 | 49.617 | 49.481 | 49.296 | 49.302 | 49.363 | 49.383 | 49.436 | 49.469 | 49.508 | 49.551 | 49.607 | 49.647 | 49.688 | 49.719 |
| LEVEL DIFFERENCE | | -0.240 | -0.372 | -0.385 | -0.107 | -0.108 | 0.218 | -0.289 | -0.392 | -0.475 | -0.564 | -0.657 | -0.763 | -0.827 | -0.804 | -0.771 |

*Figure 2: Implications of slope correction of Apron-2 with PQC overlay: Scenario-II*


| CHAINAGE | 0+000 | 0+010 | 0+020 | 0+030 | 0+040 | 0+050 | 0+060 | 0+070 | 0+080 | 0+090 | 0+100 | 0+110 | 0+120 | 0+130 | 0+140 | 0+150 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FG ELEVATIONS | | 49.395 | 49.245 | 49.095 | 49.189 | 49.195 | 49.144 | 49.094 | 49.044 | 48.994 | 48.944 | 48.894 | 48.844 | 48.820 | 48.884 | 48.948 |
| EG ELEVATIONS | | 49.636 | 49.617 | 49.481 | 49.296 | 49.302 | 49.363 | 49.383 | 49.436 | 49.469 | 49.508 | 49.551 | 49.607 | 49.647 | 49.688 | 49.719 |
| LEVEL DIFFERENCE | | -0.240 | -0.372 | -0.385 | -0.107 | -0.108 | -0.218 | -0.289 | -0.392 | -0.475 | -0.564 | -0.657 | -0.763 | -0.827 | -0.804 | -0.771 |

***3.3.3.5 Trenchless Technology for underground utilities and pipelines***

*Existing Apron-2 does not have any apron furniture and underground utilities such as storm water, AGL, Ducts, Fuel Hydrant, etc. Accordingly, significant area will be required to be demolished. However, as per advice received from the Authority during site visit, GIAL, through IIT-Guwahati has also explored the option of horizontal directional drilling works.*

*IIT-Guwahati Study has recommended that though main hydrant pipe can pass through existing apron by horizontal boring method, but to connect Fuel Hydrant systems with underlaid main hydrant (through horizontal boring), major panels will be required to be demolished. In addition, this will entail lots of re-work (like cathodic protection, insulation cleaning of main pipes, etc.). To address this, worldwide, Aviation Fuel Hydrant System at Apron is installed through open cut method which will require major demolition and extensive cutting work.*

*The above said, GIAL will integrate precast premoulded storm water drains, ducts, etc., wherever possible and practicable, as a general practice.*

*3.3.4 In view of the foregoing section, it is concluded that:*

- *Retaining existing Apron-2 with existing slope: Constructing new portion of Apron-2, as per slope of existing Apron-2, will render slope of entire Apron-2 (existing + new) non-compliant.*
- *PQC overlay on existing Apron-2 is not advisable from operation, cost and time perspective.*

*3.3.5 In view of the above, we request that the full cost as requested by GIAL in the MYTP for reconstruction of Apron-2 be permitted by the Authority.*

7.7.5 GIAL has commented following on the capex related to land development works detailed at point B.4 of para 7.3.6 of this Tariff Order:

*3.4.1 GIAL has divided Land Development Works in four zones. All the four zones are low lying area and are enabling works for important airside works.*

*3.4.1.1 Zone 1 Landfilling is required for construction of Isolation Bay*

*3.4.1.2 Zone 2 Landfilling is required for construction second part parallel taxiway and* *expansion of Apron 2*

*3.4.1.3 Zone 3 and Zone 4 Landfilling are required for construction of part parallel taxi track.*

*3.4.2 It is to be noted that Isolation Bay, Expansion of Apron 2, Construction of part parallel taxiway and second part parallel taxiway has been proposed by the Authority for Third Control Period. Refer Para 7.3.6 B1, B3, B6 and B8 of the CP.*

*3.4.3 Land filling of all the 4 zones are pre-requisite for completion of above-mentioned airside works.*

*3.4.4 GIAL has shown all the low-lying areas to independent consultant and the Authority during their site visits.*

*3.4.5 We request the Authority to allow full cost for Land Development Work as proposed by GIAL instead of 25% proposed by the Authority. This is an enabling cost for the projects for which operational requirement is already established and agreed by the Authority.*

7.7.5.1 GIAL has commented following on the capex related to fuel farm detailed at point E of para 7.3.6 of this Tariff Order:

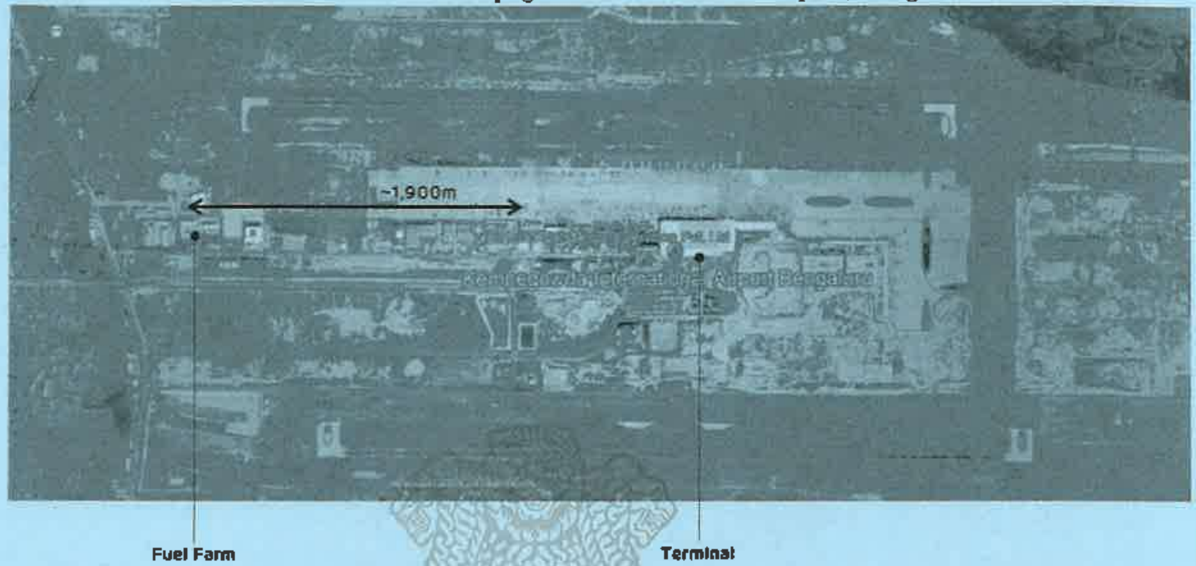
*3.5.1 The proposed location of the Fuel Farm has been earmarked in the Master Plan considering several factors, such as efficient utilization of land, operational safety and efficiency, good industry practice across airports, etc. In pursuance of the provisions of the Concession Agreement, the Master Plan was submitted to the AAI and the Master Plan stands approved. Subsequently, the location was also presented in the AUCC stakeholder consultation meeting and was accepted by the stakeholders. Further, it may be noted that vendor for installation of the Fuel Farm has already been onboarded and execution works are expected to be initiated soon.*

*3.5.2 As per traffic forecast, 25 MPPA are projected in Guwahati Airport in the ultimate phase. Out of this, the currently under-construction NITB will have capacity of approx. 13 MPPA. Accordingly, future terminal development needs to accommodate for approx. 12 MPPA. It may be noted that location of the under-construction NITB is at the extreme portion of the available land of LGBIA. Terminal expansion can only take place Southward. Accordingly, GIAL intends to reserve the entire area to the South of the NITB for expansion of terminal and associated uses (such as Main Receiving Substation, utility block, etc.). GIAL is in process of discussion with concerned Authorities for making available additional land / swapping of land to ensure that maximum land is available for terminal expansion and associated uses in the future. After reserving land for these uses, there will not be any land available for Fuel Farm.*

*3.5.3 In addition, it is always advisable to locate the Fuel Storage Facility as far away from the Apron / terminal building. In most of the new greenfield airports, this is the prevalent practice (e.g. Rajiv Gandhi International Airport, Hyderabad and Kempegowda International Airport, Bengaluru, as shown in figures below).*

***Fuel Farm Location at Rajiv Gandhi International Airport, Hyderabad***

***Fuel Farm Location at Kempegowda International Airport, Bengaluru***




*3.5.4 With respect to the Authority's observation on PNGRB's proposal to connect brownfield and greenfield airports with dedicated ATF pipeline network our submission is as follows: -*

*3.5.4.1 First of all, the proposal is at consultation stage to assess the pipeline integrated network.*

*3.5.4.2 After taking inputs from all the stakeholders, government will assess the feasibility of the project.*

*3.5.4.3 Once feasibility report is done, then sanction of projects, procedural steps will start.*

*3.5.4.4 Ultimately the actual construction of project pipeline will start.*

*3.5.4.5 This will take at least 4-5 years and may be more years for hilly terrain like Guwahati.*

*3.5.5 Based on IATA Guidance Note, assessment has been made that 8-9 days of storage facility is required. Accordingly, GIAL has proposed overall 6,000 KL facility over next 10 year time frame, out of which 4,000 KL facility is proposed in existing/third control period.*

*3.5.6 In the last few years, various states have reduced the VAT on ATF (refer below the VAT analysis). In our view, over a period of time Government of Assam will also take necessary steps to increase the passengers' footfalls and one such step is reduction in VAT on ATF. It is to be noted that above fuel consumption demand does not factor the additional fuel uptake demand to be generated if VAT at the state is reduced.*

VAT on ATF and various action taken by Govt to reduce the burden

| S.No | Top 10 States[1] (basis pax) | PAX % (FY23) | Current VATF (%) | Remarks |
|---|---|---|---|---|
| | Maharashtra | 17% | 18% | Reduced from 25% in 2023 |
| 1. | Telangana | 7% | 1% | Reduced from 16% in 2018 |
| 2. | Kerala[2] | 5% | 1% | Reduced from 5% in 2021 |
| 3. | Gujarat | 4% | 5% | Reduced by 20% in 2022 |
| 4. | Uttar Pradesh | 3% | 1% | Reduced from 21% in 2022 |
| 5. | Goa | 3% | 8% | Reduced from 18% in 2023 |
| 6. | Rajasthan | 2% | 2% | Reduced from 26% in 2023 |
| 7. | Punjab | 2% | 4% | Reduced from 13% |
| 8. | Odisha | 1% | 5% | Reduction to 1% in RCS Aiports |
| 9. | Madhya Pradesh | 1% | 4% | Reduced from 25% in 2022 |
| 10. | Bihar[3] | 1% | 4% | Reduced from 29% in 2023 |

*3.5.7 Considering all the above factors, GIAL has proposed to provide the optimal storage of 4,000 KL storage which will take care of requirement for next 4-5 years when the pipeline network is under construction. If Pipeline network eventually happens, then GIAL will re-assess the demand whether to increase the storage further or not in the next phase. We thereby request the Authority to allow Capex for Fuel Hydrant and Storage as proposed by GIAL in Third Control Period instead of allowing the same on actual incurrence basis.*

7.7.6 GIAL has commented following on the Authority's consideration of 50% of capex towards various minor project and sustainable capex detailed at para 7.3.6 of this Tariff Order:

*3.6.1 In the recent order issued by the Authority for Thiruvananthapuram Airport (Order No. 02/2024-25) and Ahmedabad Airport (Order No.40/2022-23), the Authority has acknowledged that detailed estimated and POs may not be available at this stage thus Authority had partially allowed the capex and mentioned that balance portion of the capex will be considered by the Authority at actual incurrence basis.*

*Extract of Para 7.3.8 of order for Thiruvananthapuram Airport for TCP:*

7.3.8 The Authority observed that TKIAL has submitted various Minor Projects/Works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period. The Authority noted that for certain Minor Projects, TKIAL had provided POs and BOQs for only a portion of the cost. For the remaining amounts, which consist of multiple line items, cost estimates have not been submitted by TKIAL to justify the proposed costs. The Authority noted that these are budgets for various procurements and minor works over the Third Control Period. Therefore, detailed estimates and POs may not be available at this stage. In the absence of such details, it is not possible to assess the reasonableness of these expenses. Thus, the Authority proposed to rationalize the capital expenditure for some of the projects/ capital items at this stage. In the event that such projects are necessary and critical to airport operations, TKIAL may incur the remaining amounts and the same would be taken into due consideration on actual incurrence basis subject to evaluation of efficiency and reasonableness, by the Authority, at the time of determination of tariffs for the Fourth Control Period (refer Annexure 4 for the list of such projects not considered as addition to RAB in the current control period).

*Extract of Para 7.3.6 of order for Ahmedabad Airport for TCP:*

*The Authority noted that for each Minor Project, AIAL has provided POs and BOQs for only a portion of the cost. For the remaining amounts which consist of multiple line items, no documents or cost estimates were submitted by AIAL to justify the proposed costs. The Authority noted that these are budgets for various procurements and minor works over the Third Control Period, therefore, detailed estimates and POs may not be available at this stage. In the absence of such details, it was not possible to assess the reasonableness of these expenses. Therefore, the Authority proposed to rationalise the amount for such projects/items at this stage. In the event that such projects are necessary and critical to airport operations, the Airport Operator may incur the remaining amounts and the same would be taken into due consideration by the Authority for true up at the time of determination of tariffs for the Fourth Control Period subject to cost efficiency and reasonableness.*

*3.6.2. In view of the above, we request that similar clause to be mentioned for GIAL.*

7.7.7 GIAL has proposed to consider construction of new ATC building based on request received from ATC (AAI):



*3.7.1 AAI is managing the ATC services at LGBIA. It has informed GIAL regarding various operational hurdles faced by them and requested GIAL to construct new ATC tower at LGBIA Airport in the current control period.*

*3.7.2 AAI in its mail to GIAL (attached as Annexure 4) has summarized the operational challenges faced by them which are as follows:*

- *Due to limited space, the workplace of ATC Tower has become very congested. There is not even sufficient space to accommodate chairs for the working controllers.*
- *Sufficient space is not available to accommodate Meteorological official and meteorological equipment and displays are all kept in a bunch in one corner of the tower.*
- *Insufficient space has also made it difficult to place the various display monitors which are to be viewed and referred by working controllers.*
- *Noise Level in Tower is high due to space constraint, as pointed out in DGCA inspection in 2021.*
- *Lack of basic amenities such as washroom etc.*
- *No space for keeping almirah for keeping documents which are to be mandatorily kept in tower.*
- *Tower supervisor cannot be provided with working table and chairs due to space constraint.*

- *The present state of the tower building is not in good shape. During heavy rain, often the terrace leaks and water enters the tower. Due to the presence of various electrical installations, it may lead to fire incident as well as damage to the various equipment.*
- *Runway extension, parallel taxiway and new terminal building are likely to be commissioned within one year. With most of the operations shifting to the new apron when the new terminal building is commissioned, the visual reference and monitoring of aircraft and other vehicles in the movement area will not be very clear due to distance, especially during fog and heavy rains. The proposed location of the new ATC tower will give better view of the movement area to the tower controller, thus enhancing safety.*

*3.7.3 GIAL in its Master Plan has envisaged construction of New ATC building in the next control period i.e. Forth Control Period, but AAI has requested GIAL to prepone the construction of New ATC building to Third Control Period.*

*3.7.4 Based on request received from AAI, we request the Authority to allow initiating construction for New ATC building in the third control period and true-up the cost on actual incurrence basis, subject to reasonableness and efficiency, during the tariff determination in the next control period.*

7.7.8 GIAL has commented following towards Soft Cost – Technical Consultancies, Contingencies, Pre-Operative cost, design cost, PMC, Preliminary expenses as explained at para 7.3.10 of this Tariff Order:

*3.8.1 As per recent released CPWD SOP 2022 dated 13.07.2022 https://cpwd.gov.in/Publication/sop2022.pdf, the Project Estimation should take of the following requirements: -*

*10. Preliminary estimate (PE) is to be prepared on the basis of Plinth Area Rates or length of road etc. worked out on the rate per unit area/length/number, or such other method adopted for ready and rough calculation, so as to give an idea of the approximate cost involved in the proposal.*

*11. Prevailing Cost Index over the plinth area rates, effect of ESI & EPF leviable (rates as given in Annexure -14, Contingencies and Departmental Charges (if applicable) are to be added in the PE.*

*As per CPWD norms the various costs to be considered while preparing the preliminary estimates and should include the following components: -*

a) *Planning Consultancy 4% and Project Management Consultancy 5% (refer below PART 1 as the relevant extract from CPWD SOP2022)*
b) *Other Technical Services like Preliminary Sketches, Detailed Drawings, Preliminary Estimates, Structural Design, Execution, Audit & Account etc. is ranging between 7% to 24% depending upon size of the project (refer below PART 2 as the relevant extract from CPWD SOP2022)*
c) *Contingency cost is 3% (refer below PART 3 as the relevant extract from CPWD SOP2022)*
d) *ESI & EPF ranging between 0.85% to 4.2%, say average of 2% (refer below PART 4 as the relevant extract from CPWD SOP2022)*

*3.8.2 As per accounting standards (refer extract as PART 5 below) the costs relating to the Project Team are required to be capitalized. These costs have been approved by AERA in various orders for PPP and AAI Airports ranging between 2-3% of the project cost (refer below PART 6 for few Airports examples). The same is recognized by AERA in its Guidelines Form F11 (b) (refer below PART 7 as the extract from AERA Guidelines).*

*The overall Soft Costs based on above point 3.8.1 and 3.8.2 above is minimum 18-20%.*

*3.8.3 As per "Airport Capital Improvements: A Business Planning and Decision-Making Approach" study conducted by Airport Cooperative Research Program (ACRP), Transport Research Board (sponsored by US Government's Federal Aviation Administration). The soft costs range between 10% to 30%. The extract from Page 48 the report is as follows: -*

*Soft costs typically range from 10% to 30% of total project costs. These include design fees, permitting fees, utilities, costs associated with inspections and land acquisition, costs associated with the bidding and procurement process, and project administration and management costs.*

*Full study report is provided as Annexure 5 - ACRP Report - Airport Capex*

*3.8.4 Further, in Tariff Order No. 27/2023-24 dated 07th December 2023 issued for Goa Airport, "In the matter of determination of aeronautical tariff for Manohar International Airport, MOPA, GOA (GOX) for the First Control Period" the Authority has approved soft cost (design consultancy, PMC* *expenses, pre-operative expenses and contingencies) at 13%-16%. (refer below table 73 of the Tariff order, the cost approved at Consultation Paper is considered in the tariff order). During the stakeholder consultation meeting held on 21st June 2024, the independent consultant M/s Deloitte has asked to share the information relating to MoPA Airport, which is now duly provided, and it was also provided as the response to consultation paper for Jaipur Airport where Deloitte is supporting the Authority in the assessment of MYTP.*

**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 to 15)** | 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 |

**Soft Cost Rs. 405 Crs over the Project Cost of Rs. 3,169 Crs (approx. 13%). If the Site Preparation/ Earthwork of Rs. 628 Crs is removed from the project cost as it is not applicable for GIAL, then the like-to-like soft cost will be approx.**

*3.8.5 In the consultation paper, the Authority has mentioned that there are certain items which are relating to Airside works, bought out items or are of operational requirements, which does not require such magnitude of soft cost. If the same logic is applied, then MoPA GoA Airport also has similar items which are bought out and mandatory for operating the Airport, MoPA GoA also has similar Airside works required for operational reasons. then the 16% actual cost allowed would have been more than that if these bought out items are eliminated. We have requested for blended soft cost of 16% based on domestic standards, international standards and actual cost being incurred by Airport Operators.*

*3.8.6 Based on information from reputed agencies from India and Overseas and recent tariff orders, it is evident that soft costs requested by GIAL is based on rational estimates and within the acceptable reasonable range. We therefore request the Authority to allow the soft cost which is based on best practices subject to true-up on actual incurrence basis.*

***PART 1***

***SOP No. 8/7: Levy of Fees by CPWD for Consultancy Services (Para 8.20)***

*CPWD handles consultancy works of planning and designing (with or without construction) of various projects including high-rise buildings, housing complexes etc. of Public Sector Undertakings and other organizations to undertake construction on turnkey basis, or for Mission's buildings abroad, etc. at negotiated rates. Fee for the Consultancy Services is charged by CPWD as given below.*

***FEES FOR CONSULTANCY SERVICES***

*(a) Planning 4%*

*(b) Construction Management 5%*

*(c) Visits of CPWD Officers from India 1%*

***For planning and designing work, the following charges is levied:***

*(i) Development of Master Plan Rs.10000/- per hectare*

*(ii) Architectural plans and drawings 3 % for original work ½ % for repetition*

*(iii) Structural designs and drawings 1% for original work ½ % for repetition*

***PART 2***

**ANNEXURE- 5**

**(Reference Para 3.1.1.4 (1))**

**RATES OF DEPARTMENTAL CHARGES**

| Objectives of works | All maintenance works, and minor works costing upto Rs. one lakh | Construction works costing upto Rs. Two Crores | Construction works costing between Rs. Two and five Crores | Construction works costing more than Rs. five crores |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| (A) Establishment Charges | | | | |
| 1. Preparation of preliminary sketches | ½% | ¼% | ¼% | ¼% |
| 2. Preparation of detailed working drawings | 1% | ¾% | ½% | ¼% |
| 3. Preparation of preliminary estimates | ¼% | ¼% | ¼% | ¼% |
| 4. Preparation of detailed estimates | ½% | ¾% | ½% | ¼% |
| 5. Preparation of structural designs | 1% | 1% | ¾% | ¾% |
| 6. Execution | 19-¼% | 7-¾% | 4-¾% | 4-¼% |
| Total Establishment charges | 22-½% | 10-¾% | 7% | 6% |
| (B) T&P (Machinery Equipment) | ¾% | ¾% | ½% | ½% |
| (C) Audit & Account | ¼% | ¼% | ¼% | ¼% |
| (D) Pensionary | ¼% | ¼% | ¼% | ¼% |
| | 23-¾% | 12% | 8% | 7% |

***PART 3***

***SOP No. ¾: Provision for Contingencies and its Utilization (Refer Para 3.1.1.3 (3) )***

1. *In addition to the provision for all expenditure which can be foreseen for a work, a provision of contingency is kept as follows: (i) Estimated cost up to Rs. 1 Crore........... 5% (ii) Estimated cost more than Rs. 1 Crore ... 3%, subject to minimum of Rs. 5 Lakh*

***PART 4***

**ANNEXURE- 14**

**(Refer SOP No. 3/2)**

**STATEMENT SHOWING THE RATES OF EPF and ESI CHARGES TO BE INCLUDIED IN PRELIMINARY ESTIMATE**

| Category of work | Component of Labour | EPF @12.5 % of labour Component | ESI @ 4.5 %of labour Component | Total of EPF & ESI |
|---|---|---|---|---|
| Buildings | 25% | 3.125% | 1.125 % | 4.25% |
| Road Works & pavements in airfields | 5% | 0.625% | 0.225% | 0.85% |
| External sewerage | 10% | 1.25 % | 0.45% | 1.70% |
| External water supply | 5% | 0.625% | 0.225% | 0.85% |
| Bridge/Flyover works | 25% | 3.125% | 1.225% | 4.25% |
| Maintenance works engaging only labour component | 100% | 12.50 %. | 4.50% | 17.00 % |
| Other Maintenance work | 70% | 8.75% | 3.15% | 11.9% |

***PART 5***

*Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment*

***Elements of cost***

*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.*

***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.*

***PART 6***

*Extract from Chennai Airport Order No. 38/2021-22 for the Third Control Period*

| Grand Total of Capital Additions Proposed in the Third Control Period | | | | |
|---|---|---|---|---|
| Grand total of capital additions proposed to be considered in | Total | **3,882.58** | **2,139.82** | **(1,742.66)** |
| | Financing Allowance | 51.88 | - | (51.88) |
| | IDC | [illegible] | 21.93 | (86.27) |
| | Project division expenses capitalized (Exp. Cap) | **87.07** | 47.58 | (39.57) |

~2.25%

Order No. 38/2021-22 for the Third Control Period    **Page 137 of 231**

*Extract from Pune Airport Order No. 38/2021-22 for the Third Control Period*

the control of Pune International Airport or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period. Further, this proposal was applicable to all the projects forecasted to be capitalized in the Third Control Period given in this Consultation Paper. This will ensure timely adherence to the capital expenditure plan proposed in the Third Control Period.

4.2.33 Based on the discussion above, the total capital additions proposed to be considered by the Authority in the Third Control Period was as tabulated below:

4.2.34 Based on the Authority's analysis of capital expenditure deferred from Second Control Period (Para 4.2.9 to Para 4.2.24) and new capital expenditure proposed to be incurred in the Third Control Period (Para 4.2.25 to Para 4.2.31), the Authority considered a total Capital Expenditure of Rs. 52,540.93 lakhs as given below:

**Table 83: Capital Expenditure additions for the Third Control Period considered by the Authority**

| Reference | Project | No. | Particulars | Submitted by AAI | Proposed by the Authority | Difference |
|---|---|---|---|---|---|---|
| | | | | 1 | 2 | 3=2-1 |
| I | Capital additions deferred from the Second Control Period to the Third Control Period | I.A | New Integrated Terminal Building | 44,621.19 | 43,694.92 | -926.27 |
| | | I.B | PMC-Expansion of Terminal Building- (Tensile canopy) | | | |
| | | I.C | PMC-Expansion of Terminal Building-Electrical works (aerobridge) | | | |
| | | I.D | Baggage Trolley & XBIS | 508.47 | 508.47 | - |
| | | I.E | Financing Allowance | 3,337.57 | - | -3,337.57 |
| | | I.F | IDC | 2,023.22 | 2,005.96 | -17.26 |
| | | I.G | Project division expenses capitalized (Exp. Cap) | 1,651.26 | 1,630.60 | -20.67 |
| | | [illegible] | Sub Total | [illegible] | 47,839.95 | -4,301.77 |

~3.5%

***PART 7***

[illegible]

| S.N. | Particulars - with detailed breakup | Last available audited year^ | Financial Year before Tariff Year 1* | Tariff Year 1 | Tariff Year 2 | Tariff Year 3 | Tariff Year 4 | Tariff Year 5 |
|---|---|---|---|---|---|---|---|---|
| A | *Salaried and Wages* | | | | | | | |
| B | *PF Contribution* | | | | | | | |
| C | *Medical Expenses* | | | | | | | |
| D | *Overtime* | | | | | | | |
| E | *Staff Welfare Fund* | | | | | | | |
| F | | | | | | | | |
| 1 | Grand Total | | | | | | | |
| 2 | Employee expenses capitalised | | | | | | | |
| 3 | Net Employee expenses (1)-(2) | | | | | | | |

* Projected values to be provided
= Fields in italics are indicative only
^ information for last financial year for which audited accounts are available

7.7.9 GIAL has commented following towards readjustment of ARR in case any particular capital project is not completed/capitalized as per approved capitailsation schedule as detailed in para 7.3.11.

*3.9.1 The Authority has proposed to disincentivize the AO by reducing 1% of the project cost in case of delay in implementation of the project. Such a proposal puts GIAL in double jeopardy because any delay in completion of project implies denial of return on such asset and depreciation and added to it will be this reduction in cost. It is abundantly clear that it is in the interest of GIAL to complete the project as per schedule, however there could be delays due to various uncertainties. There may be shortage of manpower, funds, force majeure, and unforeseen event, for any reason including but not limited to the scarcity of raw material, finished goods and manpower due to after effect of Covid-19.*

*3.9.2 One of the principles for tariff fixation stipulates incentive for undertaking investment in a timely manner. Instead of providing an incentive for timely completion of the project the Authority is proposing a disincentive due to delay.*

*3.9.3. As per TDSAT Judgement dated 06th October 2023 in MIAL SCP and TCP*

*At the outset, this Hon'ble Tribunal decided the present issue in the MIAL SCP & TCP Judgment whereby it has been held that the decision of the Authority of carrying out 1% re-adjustment is improper and not justified. The relevant portion of the MIAL SCP & TCP Judgment is extracted below:*

*"308. Moreover, in absence of any provision for penalty under OMDA or SSA or AERA Act, 2008, no such penalty can be imposed, otherwise highly discriminatory position will prevail because today 1% of project cost penalty is imposed and subsequently it may be increased to 1.5%. If 1% penalty is allowed then 1.5% penalty would also have to be allowed then in forth coming years, as there are unguided powers, the penalty might be 3% also and, thereafter it can be 5% or more also. There will be no end to penalty in absence of any provision under OMDA, SSA and AERA Act, 2008. It ought to be kept in mind that unguided and uncontrolled power always leads to discrimination. In case of one airport operator penalty imposed will be 1% and in case of another airport operator it can be 2% because there is no law, there is no contract, there is no provision and there are no guidelines. The balance has already been created under OMDA and SSA in the methodology of true up in next control period and as stated hereinabove, as per the said methodology, excess amount recovered shall be trued up with carrying cost in next control period. Therefore, in the aforesaid example, if Rs.83 Crores has been recovered, the true up amount in the next control period, if the project is not commenced or completed within the time bound schedule, would be at Rs.121 Crores which is in fact more than sufficient revenue clawed back from the airport operator and perhaps for this very reason no powers have been given to AERA for imposing penalty. Hence, we hereby quash and set aside the decision of AERA of carrying out 1% of readjustment to project cost and applicable carrying cost in the target revenue at the time of determination of tariff for next control period.*

*309. Here in the facts of the present case, AERA has failed to appreciate the prevailing pandemic situation of COVID-19 and its aftermath. Curfew type situation or lockdown type situation was prevailing. Labourers were not available and hence, there is bound to be delay in execution of the project work. Such a big factor ought to have been appreciated by AERA. The genuine difficulty of airport operator ought to have been appreciated.*

*310. Thus, Issue No. XVII is answered in negative i.e. the decision of AERA of carrying out 1% re-adjustment to Project Cost and applicable carrying cost in the Target Revenue at the time of determination of Tariff for 4th Control Period is incorrect, improper and not justified."*

*3.9.4 Also, as per the HIAL TDSAT order dated 14th February 2024, a similar pronouncement has been made. Refer below extract from the TDSAT order.*
*508. AERA has penalized for delay in execution of projects, the airport operator – Appellant which is equal to reduction of 1% of the total cost of project from ARR.*
*509. Much has been argued out by the counsels for both the sides on this issue, it has also been submitted by Learned Senior Counsel for the Appellant that the issue of imposition of penalty has already been decided by this Tribunal by a detailed judgment and order dated 06.10.2023 in AERA Appeal No.2 of 2021 and AERA Appeal No.9 of 2016, in a discussion in Issue No. XVII of that Judgement.*
*510. Looking to the facts and circumstances of the present case and also keeping in mind the AERA Act, 2008 and Concession Agreement under dated 20.12.2024 (Annexure-A3 to the memo of this appeal) there is no provision under the AERA Act, 2008 nor in there is any provision in the Concession Agreement which contemplates the levy of penalty much less levy of penalty 1%there is no provision in the AERA Act nor in the Concession Agreement which contemplates the levy of any penalty and as such the levy of 1% penalty on delayed execution is beyond the power of AERA.*
*3.9.5 In light of the above reasons, we request the Authority not to include this proposal in the final Order.*

7.7.10 GIAL has commented following towards Authority's proposal for financing allowance at para 7.3.12:

*AERA Guidelines provides Financing Allowance for all Airports*
*First and foremost, whatever is not specifically mentioned in AERA Guidelines, the same cannot interpreted otherwise. AERA Guidelines does not specifically mention that Financing Allowance is to be provided only to the Greenfield Airports. No distinction has been carved out regarding the applicability of the Financing Allowance under greenfield or brownfield airport.*
*As per Authority HIAL, BIAL and CIAL are Greenfield Airports. In the recent tariff orders for various airports, the Authority has considered cost of equity as average of cost of equity considered for DIAL (15.41%), MIAL (15.13%), HIAL (15.17%), BIAL (15.03%) and CIAL (15.16%). The cost of equity for these Airports ranges between 15.13% to 15,41% and while considering average of both sets of Airports (brownfield and greenfield) Authority itself has implicitly treated both set of Airports as equal. This makes it further obvious that financing allowance is applicable for all categories of Airports.*
*3.10.1 Clause 5 of The AERA Guidelines (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a rétum on the value invested during the construction phase of an asset including the equity portion, before the asset is put to use.*
*3.10.2 Thus, Clause 5 provides an explicit, detailed elaboration of Financing Allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the financing allowance are elucidated in detail with examples. For your kind reference the relevant extracts from The AERA Guidelines are reproduced below:*

5.2.7. Work In Progress assets

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

$$WIPA_t = WIPA_{t-1}$$
$$+ Capital\ Expenditure\ (Capex)$$
$$+ Financing\ Allowance$$
$$- Capital\ Receipts\ of\ the\ nature\ of\ contributions\ from\ stakeholders\ (SC)$$

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$-Commissioned\ Assets\ (CA)$

Where:

WIPA$_t$: Work in Progress Assets at the end of Tariff Year t

WIPA$_{t-1}$: Work in Progress Assets at the end of Tariff Year t-1

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

The Financing Allowance shall be calculated as follows

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

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

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

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

*3.10.3 AERA Guidelines also provides illustration for RAB and Financing Allowance calculation. Refer illustration 4 and 7 of the AERA Guidelines as provided below.*

*3.10.3.1 It is clear from the Illustration that Commissioned Assets (CA) are identical numbers in (1) Addition during the year and (2) Calculation of Financing Allowance. Financing allowance is computed on the Work in Progress balance based on capital expenditure (irrespective of how it is funded) and is capitalized as part of commissioned assets for RAB computation.*

*3.10.3.2 The Illustration starts with Opening RAB (Rs. 22,750) available as on Year 2010-11 and then new commissioned assets including financing allowance are getting added over Year 1 to Year 5.. As per Para 5.2.4 the Opening RAB (Initial RAB) is to be calculated as Original Cost of fixed assets less accumulated depreciation. So, the example itself is of Brownfield Airport where Opening RAB (Initial RAB) is available and future projected asset cost along with Financing Allowance is added.*

*Illustration 4: The following example illustrates the approach for forecasting RAB for the Control period. The numbers in the illustration have been rounded to the nearest integers.*

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**Forecast RAB**

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

- *The example illustrates that $RAB_{t-1}$ for the first Tariff Year of the first Control Period is equal to the forecasted RAB at the end of the financial year 2010-11 and the Initial RAB, as calculated in Clause 5.2.4, is used as the opening RAB for 2010-11.*
- ***The example also illustrates that the RAB value, to be considered for the calculation of ARR for a Tariff Year t, shall be the average of the RAB value at the end of Tariff Year t and the RAB value at the end of the preceding Tariff Year t-1, as explained in the Clause 5.2.3.***

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

**Forecast Work in Progress Assets**

| | | 2010-11 | Tariff Year 1 | Tariff Year 2 | Tariff Year 3 | Tariff Year 4 | Tariff Year 5 |
|---|---|---|---|---|---|---|---|
| Opening WIP: $WIPA_{t-1}$ | OW | - | - | - | 558 | 638 | - |
| Capital Expenditure | CE | - | 633 | 521 | - | - | - |
| Financing Allowance | FA=Rd x (OW+(CE-CA-SC)/2) | - | - | 37 | 80 | 43 | - |
| Capital Receipts | SC | - | 200 | - | - | - | - |
| Commissioned Assets | CA | - | 633 | - | - | 681 | - |
| Closing WIP: $WIPA_t$ | CW = OW + CE + FA - SC - CA | - | - | 558 | 638 | - | - |

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

3.10.4 Further, Form No. F15 (b) of the AERA Guidelines requires that the airport operator has to *submit project-wise Financing Allowance. The AERA Guidelines mandate the airport operator to include the Financing Allowance in the claim. As per Clause 5.2.7, the value of a commissioned asset (which includes Financing Allowance) shall be used for the determination of forecasted RAB.*

*AERA has provided Financing Allowance to brownfield revenue generating Airport*

*3.10.5 It is pertinent to note that the Authority has allowed Financing allowance for Cochin Airport in AERA Order No. 07/2017-18 dated 13th July 2017 when it was operational, and it was generating revenues too. Cochin Airport made the first significant investment during Second Control Period when the Financing Allowance was provided. Further, it is important to note that at that time, the Cochin Airport was operational (Cochin Airport has been in operation since 1999 refer para 3.1.2 of Cochin Tariff Order) and generating revenues while the New Terminal Building was being constructed. Hence, the reason provided by the Authority that it has never provided Financing Allowance to non-revenue generating Airports is not correct.*

*3.10.6 The regulatory principles laid down by AERA by means of guidelines provide a fundamental foundation of regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated.*

*When the airport such as Guwahati is transitioned to a PPP model and handed over to the private operator for operation, management and development, the expectation from the private AO is to invest substantially in enhancing the infrastructure facilities. Having regard to the size of investment being made by AO vis-a-vis the investments made by AAI in the past several years, the proposed investment by AO is akin to development of greenfield airport facilities and financing allowance must be allowed for such projects. It is similar to Cochin Airport when it made the first significant investment during Second Control Period.*

*Concession Agreement mandates AERA Act and AERA Guidelines to be followed*

*3.10.7 As per the Concession Agreement, the tariffs are to be calculated as per the AERA Act, AERA Guidelines. Refer below the definitions from the Concession Agreement. AERA Guidelines provides for Financing Allowance without any differentiation for Greenfield or Brownfield Airport and hence Financing Allowance are to be provided to all Airport.*

> *"Fee" means the charge levied on and payable by a User for availing any or all of the: (a) Aeronautical Services, as per the rates determined or revised and approved by the Regulator, in accordance with the provisions of Regulatory Framework; and (b) Non-Aeronautical Services;*
>
> *"Regulatory Framework" means the framework adopted by the Regulator as per the Applicable Laws, including the AERA Act and Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011;*

*Non-application of AERA Guidelines will lead to Non-Adherence of Concession Agreement. It is a settled position in various jurisdiction that Concession Agreement need to be honored by the regulatory authority.*

*Notional concept is introduced by the Authority at various places in the CP (refer below the examples) where the actual result would be different than what is projected for the regulatory purposes. Hence the Authority's intention that financing allowance being notional should not be provided is contrary to the certain matters in the CP.*

*3.10.8 Refer Para 10.2.23 "In case such report is not submitted by GIAL, the Authority proposes to consider power recoveries at a notional rate while issuing the tariff order of the Third Control Period."*

*3.10.9 Refer Para 7.3.12 "Further, the Authority proposes to consider the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% (refer para 8.2.5 onwards) for the Third Control Period for calculating the value of IDC."*

*3.10.10 In light of above explanations, we request that the financing allowance should be computed as per formulae prescribed in the AERA Guidelines.*

7.7.11 GIAL has commented following towards Authority's proposal for Interest During Contruction at Para 7.3.12:

*To avoid repetition of comments on Cost of Debt, please refer comments provided in point 4.2. Further it is to be noted that IDC is calculated considering certain projected cash outflows. Whereas in actual, the cash outflows could be different*

*Therefore, we request authority to provide necessary true-up for actual IDC capitalized in the financial* *statements at the time of tariff determination of next control period, in addition to recalculation of IDC as requested above.*

7.7.12 GIAL has provided following comments towards calculation of Interest During Construction:

*The amount of Rs 179.42 Crs for IDC as proposed in the CP does not appear to be correct. Based on our calculation (considering the same assumptions as per CP), the IDC of NITB itself comes to Rs 205 Crs (refer calculation in the Table below) as against Rs 179 Crs proposed by the Authority for entire capex. It appears that the Authority has not considered IDC for FY23 and preceding years.*

| Particulars | Rs in Crs |
|---|---|
| Cost of NITB as proposed by the Authority | 2132 |
| Kerbside development | 128 |
| **Total** | **2260** |

Rs in Crs

| Year | Year wise CWIP | Cumulative CWIP | Aero Portion | Opening CWIP | Closing CWIP | Debt Potion | Interest Rate | IDC |
|---|---|---|---|---|---|---|---|---|
| | A | B | C=A*90% | D | E | F | G | H=(D+E)/2*F*G |
| FY22 | 443 | 443 | 399 | 399 | 399 | 48% | 9% | 17 |
| FY23 | 267 | 710 | 240 | 399 | 639 | 48% | 9% | 22 |
| FY24 | 374 | 1,084 | 336 | 639 | 976 | 48% | 9% | 35 |
| FY25 | 588 | 1,672 | 529 | 976 | 1,505 | 48% | 9% | 54 |
| FY26 | 588 | 2,260 | 529 | 1,505 | 2,034 | 48% | 9% | 76 |
| **Total** | **2,260** | **2,260** | | | | | | **205** |

*We request the Authority to recalculate IDC taking into considerations comments provided as above.*

7.7.13 GIAL has commented following on Authority's proposal towards allocation ratio including Terminal Building Ratio, explained in para 7.3.14 of this Tariff Order:

*AERA Act or AERA Guidelines do not provide allocation*
*In respect to Terminal Building Ratio, It is observed that as per The AERA Guidelines, 5.2.1 (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB / Aeronautical asset and not to be allocated into Aero and Non-Aero. For quick reference the relevant clause from the guidelines is reproduced as follows as "Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB."*
*3.13.2 Further, in respect to allocation of various capex and Operation & Maintenance expenses, we would like to submit that: -*
*3.13.2.1 Under the Shared-Till (or Hybrid Till) model as proposed in National Civil Aviation Policy, 2016, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. There is no mention of allocation of RAB, allocation of Operation and Maintenance etc. Therefore, there is no need to apply the allocation ratio whereby capital and operating expenditure is reduced, which acts as a dual burden for the Airport Operator. Also, the AERA Guidelines do not provide for applying the allocation ratio.*
*Relevant extract of National Civil Aviation Policy, 2016 is reproduced below:*
*"To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges."*
*For ease of reference, the relevant clause regarding the 'Shared Till' approach from the Concession Agreement is reproduced hereunder:*
*28.3.2.*
*The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till*

*Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."*

*3.13.3 As per AERA Order No. 14/2016-17 issued on 23rd January 2017, the Authority has adopted the Hybrid Till whereas 30% of non-aeronautical revenues are used to crosssubsidize aeronautical charges. However, it does not mention that capital and operating expenditure need to be allocated into Aeronautical and Non-Aeronautical which tantamount to cross subsidization of aeronautical charges to the extent nonaeronautical allocation is eliminated. The order only provides for cross subsidization of 30% from non-aeronautical revenues. The relevant extract of the order is as: -*

*The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that:*

*The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extant 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.*

*IMG Norms are not applicable to PPP Airports*

*Notwithstanding the above, it is submitted that norms of IMG report are not applicable to PPP airports, as per clause no. G of IMG Report. reproduced below:*

*3.13.4 "In case of airports developed through Public Private Partnerships the project authorities may adopt a case-by-case approach with respect to norms relating to unit area and unit costs. Based on the judicious consideration of international best practices and financial viability, the norms may be specified in each case prior to inviting bids for private participation."*

*3.13.5 No norms with respect to unit area and costs were mentioned in the bidding documents and Concession Agreement of Guwahati Airport. The Concession Agreement does not mention regarding the applicability of the IMG Norms. Therefore, we request the Authority not to apply IMG norms in the case of Guwahati Airport.*

*3.13.6 In view of the foregoing, we request the Authority to apply the Terminal Building Ratio, wherever it is factored in CP, as 100% Aeronautical which is in line with the Guidelines of 2011.*

*3.13.7 Without prejudice to the above and in the alternate, terminal building is built with certain length, breadth and height considering the passenger throughput and service level requirements. The structure of the terminal includes façade, ceiling, columns etc. which have no relation with leasable floor area. The commercial activities like retail, food and beverage, etc. require limited works where the cost is much lower than the cost required to build the terminal building. GIAL submits that terminal building allocation ratio should, at best, be based on cost of floor plate of commercial leased area in the terminal vis-à-vis total cost of the terminal building, instead of allocating entire terminal cost based on leasable area.*

*3.13.8 Without prejudice to the above, it is submitted that the terminal building allocation ratio cannot be a notional number as has been done in the Consultation Paper. The Authority has applied the actual capital expenditure and Operating Expenditure for FY22-23 while projecting the expenses for the control period, and it is logical that it should have used the actual terminal building ratio. The terminal building allocation ratio should not be different than actual.*

*3.13.9 Therefore, we request the Authority to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Non- Aeronautical, which are not required per se either in AERA Guidelines or NCAP.*

7.7.14 GIAL has commented following towards Depreciation detailed at para 7.5.4 onwards:

*3.14.1 In this regard, reference is made to the Useful life of Assets Order No. 35/2017-18 dated 12th January 2018, "... if the period of useful life of assets is considered differently, the Airport Operator shall document and provide the reasons/justification and the basis for the period considered in determining the useful life of assets for the purpose of tariff determination which shall be examined and considered by the Authority."*

*3.14.2 GIAL has considered the depreciation for the assets based on the useful life of the assets as per the Companies Act and useful life of various assets as recommended by independent technical evaluation for Lucknow and Ahmedabad Airports. The said technical report provided reasons as to why a shorter lifespan should be considered. GIAL also submits that the same is consistent with Authority's Order No. 35/2017-18 dated 12th January 2018 and amendment to the Order dated 09th April 2018.*
*3.14.3 We request the Authority to kindly allow the depreciation rates as assessed by the technical auditor, which is in line with the AERA Order.*

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

7.7.15 FIA has commented following:

FIA submits that the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct.
***Para 7.3.4 (i)***
*We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13 June, 2016 in order to keep the overall cost control and efficiencies in capex projects.*
*Further in para 7.3.4 (iv), AERA has considered INR 1,05,357 per sqm for the terminal building.*
*In this regard, it is submitted that in the recent orders for FY22, AERA has considered INR 1,00,000 or above per sqm, and with this increase there appears to be an incremental normative rate trend for capex projects. However, it does not appear to be backed by any study conducted by AERA for this control period or a justifiable rationale.*
*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.*
***Para 7.3 and 7.1.10***
*We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator by an independent consultant, which is appreciated.*
*However, it is requested that, 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.*
*Further, in case Airport operator wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines.*
*And lastly, we appreciate AERA's consideration of deferring a few proposed Capex projects from the Third Control Period to the Fourth Control Period.*
*We urge and request AERA to conduct an independent study on efficient and reasonableness of Capex at GIAL.*
***Fuel Infrastructure Charges Public Notice 38/2023-24:***
***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 absorbing all the cost related to fuel infrastructure themselves as part of Aviation Turbine Fuel (ATF) pricing.*
*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 airports where open access is available. At a lot of open access 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 multi-layered transactions between / among airport operators or their JVs or their Holding / Subsidiary / Sister Subsidiary companies. 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. There may be many more innovative structures as well.*

*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, FIC and ITP also suffer from payment of royalty /revenue share to the airport operator or its JV / Holding / Subsidiary / Sister Subsidiary.*

*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 the 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 ~ 13% 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 1.48 times i.e. airlines end up paying 48% 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.*

*Example:* *Amount (Rs.)*

| | |
|---|---|
| *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 13%* | *17.03* |

*Total cost with excise duty and VAT 148.01*

*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. 148.01 i.e. 48% 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 loss-making 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 to 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 lot of number of other infrastructure services / facilities like aircraft taxiways, runways, fire services and bird scarers etc., for which there is no separate charge as they are part of airport infrastructure however, the CP proposes separate charges for ATF in the shape of for 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 earlier being 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 creditable cost of Rs. 148.01 to the airlines.*

*Both the Ministry of Civil Aviation (MOCA) and Airport Economic Regulatory Agency (AERA) have abolished FTC vide their order dated 08 January 2020 and 15 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 farms and into-plane operations. This recommendation is revenue neutral for all the airport / fuel farm operators and OMCs and will in turn help the airlines to address the long pending issue of circuitous billing.*

*Thus, it is requested that the proposal of the GIAL in public Notice No. 38/2023-24 for the revised pricing for Fuel Farm Tariff (Fuel Infrastructure Cost, Aircraft Defueling and Re-fuelling 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.*

***Para 7.3.11***

*We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period.*

***Para 7.3.14 b (iv)***

*FIA submits that, AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for Third Control Period.*

*However, it is important to note the significance of Guwahati as a key tourist destination and the most populous city in Assam. Given its strategic location and role as a major gateway to Northeast India, GIAL has immense potential for higher non-aero revenue, the non-aeronautical ratio proposed by AERA appears to be on the lower side.*

*Further, as observed by AERA itself, in comparison to the other similar PPP airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%.*

*Hence, keeping in view the above-mentioned facts, GIAL should better utilize such aspects and space towards increasing their non-aeronautical activities.*

*We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to consider the highest possible non-aeronautical allocation in the case of GIAL (preferably higher than 10%).*

***Para 7.5.8 & 7.5.9, Table 114***

*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 useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years.*

*FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.*

*Further, as observed AERA itself feels that GIAL was not able to sufficiently explain the technical evaluation and is devoid of merits (refer para 7.5.8). Hence, in view of that AERA should conduct an independent study on depreciation, as the current depreciation rationale does not provide clarity on the depreciation applied.*

7.7.16 APAO has commented following:

*Soft Cost claimed towards technical services, PMC, Preliminaries and Preoperatives, Contingencies, Statutory approvals, Labor Cess, Site-preparation, Insurance etc.*

*AERA has allowed 8% of capex costs as cost claimed towards technical services, PMC, Preliminaries and Pre-operatives, Contingencies, Statutory approvals, Labour cess, Site-preparation, Insurance etc. as against 16% proposed the airport operator.*

*AERA has allowed the cost based on the past order issued for other PPP Airports in the previous control period. However, AERA in the recently issued order for MoPA Airport has approved cost which is much higher than these levels. It is understood that soft cost of 16% proposed by GIAL is based on cost structure and complexities prevalent in today's scenario. We request authority to take pragmatic view while deciding the level of soft cost in the projection which anyhow is subject to trueup/ down in the next control period.*

7.7.17 HPCL has commented following:

*As far as ATF suppliers are concerned, we look for a minimum storage capacity of 10 days, especially when the airport is serviced by road. For example, RGIA & MOPA are serviced by road. RGIA has a storage capacityof 28TKL vs a monthly sale of 60TKL & MOPA 9TKL vs a monthly sale of 10TKL. With GAU already handling 8 TKL and expected to rise to 12 TKL in the coming years, we do require a minimum of 4,000 KL storage capacity, as projected by GIAL.*

*Our view is 4000 KL of Storage with 4 Storage tanks of 1TKL each and at least 6 Unloading bays are required*

## 7.8 GIAL's responses to stakeholder's comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for Third Control Period.

7.8.1 GIAL has responded to FIA's comment as under:

*Airport Operator conducted the Airport User Consultation Committee (AUCC) Meeting on 6th July 2023, with all the stakeholders and discussed the Capital Expenditure proposed to be undertaken during the Third Control Period of FY 2022-23 to FY 2026-27 in detail.*

*The meeting was attended by various airport stakeholders such as International Airport Transport Association (IATA), Federation of Indian Airlines (FIA), The Associated Chambers of Commerce & Industry of India (ASSOCHAM), Indigo, Spicejet, FlyBig, Vistara, Akasa Air, AirAsia, BAOA, Blue Dart, IOCL, HPCL, BPCL, Reliance, AAI, Immigration, Local Trade Bodies among others. GIAL had given a detailed presentation and justification for the capital expenditure planned by the Airport Operator taking into account the existing challenges in GIAL pertaining to constraint capacity vis-à-vis passenger growth, location, topography, weather conditions, limited availability of land, etc.*

*Further, the Authority as part of its examination of the Aeronautical Capital Expenditure submitted by the Airport Operator had raised queries and sought clarification on the essentiality of the capital expenditure and had been provided the necessary documents such as project cost estimates, technical Consultant's report, design, drawings, plans, inspection report issued by various authorities etc., substantiating the capital expenditure proposed by the Airport Operator in the MYTP.*

*The Authority and its consultant had also conducted a site visit on 10th October 2023 and 21st – 22nd March 2024 for an independent assessment of the physical progress and to review the CAPEX.*

*Further, the Authority by themselves and through their consultant have analyzed each project from the perspective of requirement and cost efficiency very minutely which is reflected in the Authority's comments in the Consultation Paper as well.*

*Given the above steps taken by the Airport Operator and Authority, we feel there is no need to do another separate study on efficiency of capex.*

*Para 7.3. 4 (i)*

*We request the stakeholder to kindly refer to point 7.3.4 in the Consultation Paper. The Authority has applied the normative guidelines while assessing the costs of the new Capex projects submitted by the Airport Operator.*

*With respect to the reasonableness of capex, we request to refer the comments mentioned under point no. 1.9 above.*

*Para 7.3 and 7.1.10*

*In the previous paragraphs (point 1.8), we have already detailed the steps taken by the Airport Operator and the Authority on the basis of which the capital projects and cost estimates have been arrived at.*

*We would like to re-iterate what was mentioned in the minutes of the AUCC conducted on 6th July 2023, that the Master Plan had gone through a rigorous exercise. Also, GIAL would like to mention that the Master plan and proposed projects were appreciated by various stakeholder (including Airlines) during AUCC. GIAL is proposing only those projects which are critically required for safe and secure operations and customer experience.*

*We have provided all the information to the Authority and its consultant as and when requested by them. Accordingly, the Authority has taken considered view on the Capex proposal as provided in the Consultation Paper. In respect to both short term planning and long-term planning, the Master Plan is submitted to relevant authorities who have appreciated the meticulous planning done by GIAL.*

*We reiterate our view that there is no need to undertake a separate study on Efficient Capex at LGBIA.*

*<u>Fuel Infrastructure Charges Public Notice 38/2023-24:</u>*

*It is to clarify that as per CA, Fuel Storage infrastructure is to be built and operated by GIAL as an open access facility. Under the Concession Agreement, GIAL is not allowed to form any JV or Subsidiary.*

*Secondly in respect to taxation, we believe the relevant Authority has been mindful of the undue burdens on various players in the aviation ecosystem. This is substantiated by the fact, as highlighted by stakeholder also, that fuel throughput charges were abolished by the Authority / MoCA in January 2020 and airport operators were compensated by way of increase in landing charges and airlines were benefitted by way of lower tax burden. Having said the above, we will welcome any new steps that are* *taken by MoCA/GoI/ the Authority in this direction.*

*Para 7.3.11*
*To avoid repetition of comments on re-adjustment in ARR, please refer our comments to CP (refer point no. 3.9).*
*Para 7.3.14 b (iv)*
*To avoid repetition of comments on Terminal Building Ratio, please refer our comments to CP (refer point no. 3.13).*
*Para 7.5.8 & 7.5.9, Table 114*
*AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets' carries a note on the useful lives of buildings as follows:*

| | | | | |
|---|---|---|---|---|
| 3 | Terminal Building (including VIP Terminal, Bus Terminal, Haj Terminal) | 30/ 60 | 3.33/ 1.67 | Either 30 years or 60 years as evaluated by the Airport Operator |

*Further it is to be noted that the Concession Agreement is valid for 50 years. Therefore, the life of any asset cannot be more than the life of the Concession Agreement.*
*In GIAL's estimation, the useful life should be 25 years as substantiated by the technical study conducted by an independent expert. Given the GIAL estimation, the Authority has considered it to be 30 years in line with other Airports.*
*In view of the above, we feel there is no need to do any study on determining Depreciation for TCP.*

## 7.9 Authority's analysis of stakeholder's comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for Third Control Period.

7.9.1 The Authority has noted GIAL comment with respect to not demonstrating understanding of optimal planning and execution of CAPEX, The Authority has following view in this regard:

i. The Authority through its independent consultant has evaluated GIAL capex. It involved multiple discussions, clarification and site visits. The consultants have also carried out a thorough review of the available BOQs, and the submission made by GIAL. The Authority's Independent Consultant has also interacted with the technical team of GIAL on the aspects of airport planning, traffic estimation and its short, mid and long-term impact on Airport operation management as provided in the Concession Agreement.

ii. As part of this detailed exercise, the Authority observed that the proposed CAPEX has not been linked with the expected outturn of traffic and is multifold as compared to other airports which handle similar traffic levels. GIAL had projected a capex to the tune of ₹ 6107 Crores. Estimated passenger traffic is nine (9.09) Mn in the last tariff year of the control period i.e. FY 2026-27. This approach of the Airport Operator is not in the overall interest of the stakeholders of the airport. It appears that the CAPEX has been projected by GIAL without linking it with the mandate provided under Schedule B of the Concession Agreement.

iii. The Authority also notes that the capex proposed by the AO is much higher than the normative range.

iv. The Authority also observed during site visit in Oct'23 and Mar'24 that there is considerable delay in capex implementation. The Authority notes that GIAL achieved project progress of 57% as of Mar'24 over 34% as on CoD i.e. Oct. 8, 2021. The project progress post CoD remained sluggish, and the Airport Operator is expected to meet the project timeline. Any delay in project implementation leads to passenger inconvenience.

Airport Operator should be careful while proposing any Capex considering the passenger profile, economic factors etc. so that the aspect of cost relatedness of ICAO principle may not be breached and that user should only pay for the services availed by them.

The Authority also observed during site visit in Oct'23 and Mar'24 that there is considerable delay in capex implementation. The Authority notes that GIAL achieved project progress of 57% as of Mar'24 over 34% as on CoD i.e. Oct. 8, 2021. The project progress post CoD remained sluggish, and the Airport Operator is expected to meet the project timeline. Any delay in project implementation leads to passenger inconvenience as existing terminal is over-congested and handles much more than its designated capacity.

7.9.2 The Authority has noted GIAL comments on basis of adjustment made towards CAPEX as part of the Consultation Paper. The Authority has examined GIAL comments and have following views:

i. **Apron-2 (Demolition and new-construction)** - The Authority notes GIAL submission. However, the Authority is of the view that GIAL should further evaluate and strive to minimize cost by adopting innovative techniques and options if any. The Authority also expect GIAL to keep in mind the impact of capex over tariff while evaluating various options.
However, if no other alternative except demolition and reconstruction is feasible, GIAL may consider such proposal. In this case, cost will be trued up on the basis of actuals subject to reasonability and efficiency. Additionally, in the event of dismantling, the reuse of the existing earth and other items may be considered by the AO, to minimize costs as much as possible. Further, there should not be any duplication or doubling of the costs.

ii. **Land Development Work** - The Authority has reviewed AO comment and noted that the Airport Operator has still not provided a concrete plan to address these low-lying areas. There has been no topographical analysis shared, and the possibility of phasing the proposed plan has not been communicated. Upon reviewing the site-level charts, the approach to filling low-lying areas remains unclear.
In view of the same, Authority decides to consider no change towards the Authority's proposal at the consultation stage. However, considering the operational exigency, in case the AO has to undertake these cost then same will be considered by the Authority on incurrence basis at the time of tariff determination exercise of fourth control period subject to reasonableness and efficiency.

iii. **Fuel Farm** - During the site visit, it was suggested by the Authority that GIAL evaluate an alternative location for the fuel farm closer to Apron 2. Positioning the facility closer to Apron 2 could result in significant savings towards the construction of the hydrant line. However, no alternative plan or cost-benefit analysis has been proposed in this regard.
There is a proposal by the Petroleum & Natural Gas Regulatory Board (PNGRB) to connect brownfield and greenfield airports with a dedicated ATF pipeline network. This connection, once realized, would substantially reduce the fuel storage requirements and bring economy of scale in fuel operations. Given these considerations, at this stage, the Authority decides not to consider any capital expenditure towards the new facility for the fuel farm. However, if there is no feasible option with the AO then in such scenario the Authority will consider the fuel farm capex on incurrence basis subject to reasonableness and efficiency of the capex incurred.

iv. **Minor Project and sustainable Capex** - The Authority through its independent consultant and aviation expert has evaluated all the capex items proposed by the Airport Operator and suitably captured Authority's analysis with respect to each capex line item. It is to be noted that the BoQ and other details were not available for many minor capex items. In absence of further detailed BoQ, the Authority had restricted the capex amount of such minor capex at 50%. The cost will be trued up based on actual subject to reasonableness and efficiency.

7.9.3 The Authority notes the comments made by AO with respect to normative costs. The Authority has considered normative cost as prescribed in the order no. 07/2016-17 dtd. 13th Jun'2016 which was inclusive of service tax i.e. 12% at that time. Due to introduction of GST by the Govt. of India the Authority decided to consider the GST impact in the normative cost. Since, the original cost was inclusive of GST, the Authority in case of GIAL has first arrived the normative cost bereft of service tax i.e. 12% and then applied GST over the base price. The Authority has considered Rs 1,00,000 as inflation adjusted normative cost (inclusive of taxes) for FY'2021 adjusted the same on account of tax impact which comes to Rs. 105,357 for FY'21. Hence the Authority does not see any reason to change the estimate considered by it at the Consultation stage. The Authority notes GIAL's comments regarding consideration of 18% GST instead of adding 6% differential and would like to clarify that it had computed Normative Cost by considering GST at 18%. Further, on account of GIAL's comment on the basis of inflation impact considered by the Authority, it is to be noted that The Authority has been consistently applying WPI inflation rates as published by Reserve Bank of India as a constant benchmark for the purpose of the estimation. Accordingly, the Authority has considered the same for the purpose of estimating Capital Expenditure in the case of GIAL also. The Authority has considered 87th Round Report dated 5th April 2024 at the time of issuance of the Consultation Paper. The Authority notes that the 89th round report is also available now and accordingly, the Authority decides to consider the same for estimation purposes.

Regarding AO's comments on AERA's Order No. 43/2021-22 dated 15th March 2022 pertaining to Kolkata Airport, the Authority hereby clarifies that the Normative Cost derived from AAI's estimated cost excluding GST and certain other items (cost per sqm of piling work) was only 58,340 (for FY 2021-22) and the Normative Cost benchmark of AERA (including GST) is ₹1,21,665. Based on the above normative cost benchmark, AERA had accepted the cost projected by AAI.

7.9.4 The Authority notes GIAL submission and observes that the planning of new ATC is currently at very preliminary stage. Further, GIAL has simply shared a communication from the AAI without conducting any analysis. As per the tariff guidelines the capex of such magnitude has to undergo three stages viz. Need identification stage, Options development stage and Detailed project design stage. In view of the lack of information submitted by GIAL, the Authority is unable to appreciate the requirement of the proposed capex. Accordingly, the Authority decides not to consider capex towards ATC at this stage. However, in view of the operational exigency and safety concerns, GIAL may undertake the proposed capex toward ATC. However, GIAL should adhere to the AUCC process as stated in para-A1.4 of the tariff guideline. The Authority will consider the capex on incurrence basis subject to reasonableness and efficiency.

7.9.5 The Authority has noted GIAL comments regarding soft cost. The Authority has following views:

i. GIALhas unilaterally taken 16% soft costs on all capital works including bought out items. The Authority, in this regard had already undertaken a detailed analysis of the Costs claimed by AO towards Technical services, PMC, Contingencies, etc., and based on the same, proposed an average of 8% of allowable Aero CAPEX which constitutes all works including bought out items at the Consultation stage. For other PPP airports such as HIAL, BIAL, DIAL costs pertaining towards various technical services, preliminaries, pre-operatives, insurance/statutory payment, contingencies, etc. had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16% claimed by the Airport Operator is not justified and does not consider the efficiencies. The Authority clarifies that the an average of 8% allowed on Aero CAPEX is in addition to the cost of Independent Engineer (whose roles and responsibilities has been defined in Clause 24.1, 24.2 and Schedule L of the Concession Agreement) which has been considered while determining ARR of GIAL for the Third Control Period. The Authority has also taken into consideration the need for rationalization of CAPEX at GIAL based on the evaluation of various factors.

ii. Further, GIAL has referred to the soft cost allowed by the Authority in case of Mopa, Goa Airport. In this regard it is to be noted the soft costs allowed for Mopa, Goa Airport, were within the similar range. However, the soft costs of Mopa included various other expenditure and were influenced by unique circumstances due to the NGT ban.. Hence, the Authority notes that LGBIA is not directly comparable with Mopa, Goa.

iii. The Authority's view on soft cost on different capex is summarized in the following table:

**Table 128: Asset head wise analysis and observation regarding soft cost**

| Asset Head | Items | Analysis and Observations |
|---|---|---|
| Air Side works | Airside/landside drain works, Earth filling, Basic strip development with earth boundary wall, Apron, taxiways, airside improvement work, security gates and other airside works etc. | On airside works, PMC charges are in the range of 1% to 3% |
| Bought Out Items | BDDS equipment, Tractor, Ambulance, Crash Fire Tender, QRT vehicles, Fuel Farm Equipment, ETD, HHMD, DFMD, CCTV, VDGS, Fire Fighting equipment, Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device, Threat containment vehicle etc. | Items are purchased on Supply, Installation, Testing & Commissioning (SITC) basis. Soft costs are bare minimum (i.e., in the range of 1%-3%) and are mostly not applicable on such items. |
| Contingencies | | GIAL has included contingencies also in soft cost, Contingencies are not applicable after commissioning of Assets. |

Hence taking an overall view, average soft cost @ 8% of total aeronautical capital expenditure is reasonable and justified.

7.9.6 The Authority has taken note of GIAL's comments regarding the re-adjustment (reduction) of 1% of non-completed project costs in the ARR/Target Revenue. The Authority has drawn inference from other PPP airports, regarding a trend amongst airport operators, where capital projects are proposed in one Control Period and the same is postponed to the next Control Period. The Authority is of the view that such a practice is not in the interest of airport users as they start paying higher tariffs in anticipation of enhanced services against the proposed capital expenditure, which is eventually postponed to next Control period by the GIAL.The Authority also notes that the GIAL has to do due diligence while proposing the capitalization schedule upon which tariffs are determined for the Third Control Period. Thus, the contention of GIAL to not readjust ARR if projects are not completed, is not justified. Accordingly, the Authority decides to readjust (reduce) 1% of the uncapitalized project cost from ARR/target revenue during true-up exercise of the Fourth Control Period if any particular project is not capitalized as per the capex schedule approved in the tariff order.

Airports in India are a public utility and the Authority has to consider and balance the interests of all the stakeholders and not only that of the Airport Operator.As already stated at the Consultation stage, the Authority clarifies that in case there is delay in completion of the project beyond the approved timeline given in the Tariff Order due to any reason beyond the control of GIAL or its contracting agencies and is justified, the same would be considered by the Authority at the time of tariff determination of the Fourth Control Period.

Further, the Authority notes that the airport users pay a considerable price to avail services at the airport and any delay beyond its scheduled date of completion of the projects would result in the Airport Operator getting an undue advantage at the expense of the airport user. Since the Airport Operator would be able to recover the cost of investments without the investments happening in the first place or the investment not culminating in asset capitalization and the public i.e. Airport passengers would start to pay for the assets which are not created on the expense of airport users.

The Authority has considered this rationale consistently in past for other similar airports, to provide for an adjustment cost to the extent of 1% of the uncapitalized project cost while determining RAB in the case of delay in capitalization of the project beyond the stipulated dates.

The Authority considers that such a provision would ensure that efficiency standards are maintained by the Airport Operator and would dis-incentivize AO from allowing the project getting delayed beyond the committed timelines for implementation of the project thereby ensuring efficiency in the cost incurrence. The same is a balancing exercise which ensures that the Airport Operator meets the commitment to complete the Project as per the schedule mentioned in the Tariff Order.

The Authority also notes that stakeholders like FIA have supported its view in this regard as can be seen from their comment as given below:

*"We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period."*

In view of the above, GIAL submission of removal of 1% adjustment is not agreed to by the Authority.

7.9.7 The Authority post its examination of the comments of GIAL on financing allowance, states the following:

i. The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an Airport Operator and may require revisiting the return on equity allowed to Airport Operators as the investment in the asset class will then be equated to risk free rate of return. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

ii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The GIAL is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

iii. LGBIA is a brownfield airport, therefore, the operations at LGBIA are stabilized which reduces the construction and traffic risk as compared to a greenfield airport. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, Airport Operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for Financing Allowance in initial stages to such greenfield airports. It may be further noted that the Authority has never provided Financing Allowance in the case of brownfield airports in its any of the Tariff Orders. The Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which only Interest During Construction (IDC) was permitted on the debt portion of the proposed capital expenditure.

iv. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, in a scenario where the GIAL brings in additional investments, the airport facilities are mobilized and enabled to other parts of the airport, which remains functional, and the GIAL keeps on enjoying the charges from the users. In the case of GIAL, since the proposed projects include mobilization of existing operations, the Airport ought to be considered as a brownfield airport, which in the opinion of the Authority, would make GIAL not eligible for an allowance on the equity portion of newly funded capital projects.

v. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

vi. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on both equity and debt portion of the capital expenditure. The proviso to Section 13 (1) (a) states 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) of Section 13 (1) (a)".

Based on the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance at Consultation stage (Refer para 7.3.12 of this Tariff Order). Therefore, the Authority sees no merit in the GIAL's contention.

The Authority notes the comments of GIAL on true up of IDC at the time of tariff determination for the next Control Period. The Authority hereby clarifies that the IDC on the debt portion of the total value of the Aeronautical CAPEX will be considered at the time of true up of the Third Control Period, while determining tariff of the next Control Period, based on actual capitalization of the assets.

7.9.8 The Authority has reviewed GIAL's comment in relation to Interest During Construction. The Authority through its independent consultant has revisited the IDC calculation and observed that IDC was initially subsumed within the CWIP based on actuals. The Authority has now bifurcated CWIP into IDC and other CWIP components. Further, there is another correction regarding the construction period used for the IDC calculation, and this adjustment has now been incorporated. Following is the revised IDC for the Third Control Period:

**Table 129: Interest During Construction decided by the Authority**

*(₹ Crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Land Development Works* | - | 0.24 | 0.40 | 1.12 | - | **1.75** |
| Airside Improvement Works | - | - | 7.57 | 25.22 | 5.01 | **37.79** |
| Ancillary Building Development Works | - | - | - | 0.47 | 0.27 | **0.73** |
| ATF storage and distribution system | - | - | 0.13 | - | - | **0.13** |
| Development of Cargo Facilities* | - | 0.45 | - | 0.49 | - | **0.94** |
| Environment Related | - | - | 0.17 | 0.56 | 0.02 | **0.75** |
| Passenger Terminal & Associated works | 23.82 | 37.32 | 61.27 | 68.11 | - | **190.51** |
| Sustaining/Minor capex works* | | 3.35 | | | | **3.35** |
| Utilities | - | - | - | 0.08 | 0.03 | **0.11** |
| **Total** | **23.82** | **41.35** | **69.54** | **96.04** | **5.33** | **236.07** |

**The actual IDC of ₹ 4.03 Crores for FY'24 has been allocated in proportion to major capex incurred. ₹0.24 Crores towards land development works, ₹ 0.45 Crores towards Cargo, ₹ 1.46 Crores toward existing terminal works and ₹ 1.88 Crores towards IT equipment.*

7.9.9 The Authority has examined the GIAL and FIA's Comments with respect to the Terminal Building ratio. It is noted that the area identified for Non-Aeronautical activities are based on the scope for commercial activity and there are no specific restrictions stipulating that the area allocated for a particular non-aeronautical activity must be at a particular location (except on account of consideration of safety and security). Further, the guideline considers assets with fixed location, in case of commercial space, both the asset and location are dynamic and need to change or upgrade based on market demand and commercial strategies. Accordingly, the area used for Non-Aeronautical activities cannot be considered as fixed locations.

In the absence of any specific unit area and costs being mentioned in the Concession Agreement, the norms as per the IMG recommendations are the most appropriate basis for the purpose of tariff determination and the same has been considered accordingly.

Further, the Authority would like to state that for similar size of airports, the Authority had determined Terminal Building ratio of 90:10. This is the uniform approach followed by the Authority for the relevant Control Periods of these Airports.

The Authority noted the GIAL's comments on Shared-Till model. As per paragraph 5.2.1.(b)(i) of AERA Guidelines *"The assets that substantially provide amenities /facilities/ services that are not related to, or not normally provided at an airport, may be excluded from the scope of RAB".* The demarcation between Aeronautical and Non-aeronautical activities has been clearly defined in the AERA Guidelines and this is also required to ensure cost relatedness principle of ICAO. On this basis. AERA includes/excludes the capital items from the RAB and determines the tariff for the Airport, which is uniformly followed across Major Airports. GIAL has selectively referred and interpreted the Hybrid till order, GIAL should follow holistic approach and should keep in the mind the tariff principles and stakeholder's interest.

The Authority has examined the comments of GIAL regarding the length, breadth and height of the Terminal Building. The Authority is of the view that the ceiling height are part of the overall plan of the terminal building considering various factors, while the height used for commercial activities are based on the specific requirements of those vendors and not based on any other restriction. Further, the area used for commercial activities are leased based on the floor area only and hence the allocation of terminal building area based on the floor area utilized for Non-Aeronautical activities is the appropriate basis for allocation of common assets and the related common expenses.

Further, AERA does not agree with the argument of the GIAL that in the Terminal Building, all the assets should be considered as Aeronautical. If that is so, the GIAL should forgo the 70% Non-Aeronautical revenue, which the GIAL would be enjoying from the Non-aeronautical assets.

The Authority would also like to note the following with respect to comments submitted by GIAL:

i. As per tariff guidelines 2011 for Airport Operators the tariff for an airport needs to be calculated as per single till methodology, according to which all building block of ARR are considered 100% as Aeronautical.

ii. The Authority, in order to adopt uniform tariff policy across all major airports, had amended its tariff guideline to the extent of adoption of Hybrid Till instead of Single Till prescribed in the guidelines vide order 14/2016-17. The Hybrid Till in principle considers only aeronautical portion of OPEX and CAPEX as pass through in tariff with 30% cross subsidy from Gross Non-Aero Revenue.

iii. The revenue, cost and assets are interlinked and should be aligned in accordance with the till methodology adopted for tariff determination. Thus, as part of asset allocation exercise, the Authority would require identification and allocation of Assets and OPEX into Aero and Non-Aero.

iv. FIA, in its comments as put forward in para 7.3.14 has supported the Authority's view in this regard as reproduced below:

"*FIA submits that, AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for Third Control Period. However, considering that Guwahati is a tourist destination, while being the most populous city in Rajasthan, has the potential of higher non-aero revenue, the non-aeronautical ratio proposed by AERA appears to be on the lower side. Further, as observed by AERA itself, in comparison to the other similar PPP airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%. Hence, keeping in view the above-mentioned facts, GIAL shall better utilize such aspects and space towards increasing their non-aeronautical activities. We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to consider the highest possible non-aeronautical allocation in the case of GIAL (preferably higher than 10%).*"

Hence, the Authority decided to consider Terminal Building ratio of 90:10, as done at Consultation stage.

7.9.10 The Authority has taken a note on FIA and Airport Operator's comment on useful life of asset.

i. The Authority has noted the comments of the AO regarding depreciation and hereby clarifies that it had provided detailed justification for not considering the recommendations of the AO's Independent Expert for adopting a shorter useful life of the assets (refer para no. 7.5.4 onward of this Tariff Order). The Authority notes that the Authority's Order on the Useful Life of Airport Assets was issued after due consultation process and is being uniformly applied in all airports. Also, certain stakeholders like FIA have commented that the Terminal Building and the Aprons have useful life as long as sixty (60) years and ninety-nine (99) years respectively at international airports like London Heathrow, Sydney airport and Amsterdam airport. However, the Authority has considered a balanced approach and provide for the useful lives to be considered between 30 and 60 years with due reasoning.

ii. The Authority has examined the comments of FIA on the useful life of the Terminal Building and the response of the AO. As per Order No. 35/2017-18 dated 12th January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. The AO, based on its assessment, has submitted the useful life for terminal building as 25 years, which the Authority has revised to 30 years, in line with its consideration of useful life of the Terminal Building of other similar airports and as per the requirement of the aforementioned Order No. 35/2017 -18.

iii. The Authority also notes the comments of FIA on conducting an independent study on depreciation. In this regard, the Authority notes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of GIAL. For Kannur and Cochin airports, the AO has given option to choose the life of Terminal Building as 60 years, which was accepted by the Authority. Accordingly, the Authority has considered useful life of 60 years for the Terminal Building on the basis of request option available with the Airport Operator as per AERA Order No. 35/2017-18.

iv. Hence, the Authority decides to consider useful life of assets as proposed at Consultation stage.

7.9.11 The Authority has noted FIA's comments on CAPEX efficiency study and counter comments of GIAL on same. The Authority is of the view that the requirement for a study depends upon the size, scale and complexity of operation at the airport. The Authority through its Independent Consultant including its Aviation Expert, and AERA's in-house team, has done an in-depth analysis of the CAPEX proposals.

7.9.12 The Authority has examined the comments of FIA on conducting an independent study on the efficient capital expenditure in the Third Control Period and the response of the AO. The Authority has following comments in this regard:

i. The Authority, through its Independent Consultant including its Aviation expert, has examined in depth, the CAPEX proposals submitted by the AO for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements or necessitated by the terms of the Concession Agreement.

ii. It is also noteworthy to mention that Clause 24.1, 24.2 and Schedule L of the Concession Agreement defines the Roles and Functions of the Independent Engineer which includes review, inspection, monitoring of the construction works and determining cost of such works/ services and their reasonableness. Therefore, the Independent Engineer has been appointed by AAI to review the capital projects at LGBIA in accordance with the above-mentioned terms of the Concession Agreement.

iii. The Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations.

iv. CAPEX proposals for Aeronautical Assets are taken into RAB only after they are commissioned and put to use.

In view of the above, the Authority believes that there is enough mechanism in place to ensure review of capex. Also, considering the size and scale of operation at LGBIA, a separate study will not be required. Further, it is to be noted that in terms of AERA guidelines, the CAPEX proposals are taken into RAB only after they are commissioned and put to use.

7.9.13 The Authority has noted the comments of FIA and the response of the GIAL on application of normative guidelines for assessing capital expenditure projects of GIAL. The Authority would like to point out that as stated in the Consultation Stage (Refer para 7.3.4 of this Tariff Order) it has already made adjustments, wherever necessary, on the basis of inflation adjusted normative cost. Further, in case of FIA remark over consideration of Rs 1,05,537 per sqm over Rs 1,00,000 per sqm, the Authority would like to clarify that the normative cost of Rs 1,00,000 per sqm is without GST adjustment which was introduced by Govt of India post issuance of normative order. The Authority has accordingly adjusted Rs 1,00,000 normative cost to the extent of GST impact which effectively comes to Rs. 1,05,537 per sqm. The same approach being adopted by AERA uniformly across all airports. The Authority would like to reiterate that it has examined in depth the CAPEX proposals submitted by the AO for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential for safety/ security/ operational requirements or necessitated by the terms of the Concession Agreement.

7.9.13.1The Authority notes FIA's request to not allow the Fuel Farm Tariff. The Authority provides the flexibility to GIAL to consider different elements of charging which will then be evaluated by the Authority. For reasons stated above, the Authority cannot allow/ disallow a charge, only from the perspective of possible tax optimization.

7.9.14 For FIA's comments on higher TB ratio, Authority's analysis detailed in para 7.9.9 may be referred to.

7.9.15 For APAO's comment regarding soft cost, Authority's analysis detailed in para 7.9.5 may be referred to.

7.9.16 The Authority has noted HPCL's and GIAL's comments with regard to Fuel Farm storage capacity. The Autority is of the view that the GIAL should revaluate the location of the fuel farm, capacity and all other related factors along with various stakeholders. The minutes of such stakeholder meetings should be documented. The Authority, as stated in para 7.9.2 of this Tariff Order, will consider the fuel farm capex on incurrence basis subject to reasonableness and efficiency of the capex incurred.

7.9.17 The Authority noted that the capital expenditure for FY'24 is now actualized by the Airport Operator. In view of the same, the Authority has sought details of actual capitalization by the Airport Operator. On the basis of the details shared by the Airport Operator, the Authority noted that the actual capitalization is ₹ 65.17 Crores including IDC of ₹ 4.03 Crores against the earlier estimation of ₹ 8.09 Crores at Consultation stage and ₹ 86.01 Crores as per GIAL MYTP. The Authority has considered the actual capitalization for FY'24 as per GIAL submission and adjusted the remainder capex within balance duration of the Third Control Period. It is to be noted that the capitalization considered by the Authority for FY'23 and FY'24 are part of Third Control Period will be subject to review by the Authority at the time of true up exercise to be undertaken at the time of tariff determination exercise of next control period.

7.9.18 The updation of capex for FY'24, adjustment in capex schedule and revision of inflation factor resulted in to change in dependent factors such as soft cost and interest during construction. The Authority has updated to cost related to soft cost and IDC in line with the updated capex plan. The soft cost has been revised to ₹ 281.18 Crores from earlier ₹ 283.62 Crores at consultation stage (this is mainly due to actualization of FY'24 capex) and the IDC is revised to ₹ 236.07 Crores from earlier ₹ 179.42 Crores at consultation stage.

7.9.19 During the Third Control Period of LGBIA, one of the key assets is commissioning of the New Integrated Terminal Building (NITB). The capitalization and commissioning of the Terminal Building is critical from two perspectives:

i. Availability of amenities for passenger comfort and convenience

ii. Impact on tariff

Accordingly, it is imperative for the Authority to critically examine the Terminal Building progress.

GIAL vide email dated August 27, 2024, has intimated as under:

*"As of July '24, financial and physical progress of NITB are 57% and 62% respectively."*

The Authority based on the information provided by the Airport Operator believes that with the ongoing project progress and the testing and commissioning time required for a new Terminal Building, NITB may not get commissioned in April'25, as envisaged at the time of issuance of the Consultation Paper. However, keeping in view the current physical and financial progress as mentioned above, the expected timelines for the completion of the NITB and its associated works and its likely operationalization after due clearances from various agencies such as DGCA, BCAS, Customs/Immigration etc., is expected only w.e.f. January 1, 2026. The Authority further notes that as per ICAO principles (Doc 9082), the Aeronautical charges should be a reflection of the recovery of the cost of the service provided. It is to be highlighted that the airport users should not be burdened for the facilities and services that are not available for their usage.

Therefore, in order to adhere to the ICAO principle and maintain optimum tariff levels, the Authority decides to allow return on RAB and depreciation for NITB and other associated works for three-month period in FY'26, w.e.f. January 1, 2026. True up will be done based on AERA guidelines and instant practice whereby return on RAB is calculated on average of opening and closing RAB.

7.9.20 Based on the above analysis and the revision in the inflation rates (Refer **Table** 141), the aeronautical capital expenditure recomputed by the Authority for the Third Control Period is given below:

**Table 130: Aeronautical Capital Expenditure decided by the Authority for Third Control Period**

*(₹ crores)*

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| | | **Passenger Terminal and Associated Works** | | | | | | |
| A | A.1 | NITB (Including Opening CWIP as per financials) | 0.00 | 0.00 | 0.00 | 2221.88 | 0.00 | 2221.88 |
| | A.2 | Kerbside Development | 0.00 | 0.00 | 0.00 | 149.15 | 0.00 | 149.15 |
| | A.3 | Exisiting Terminal Building Development | 0.00 | 10.56 | 0.00 | 0.00 | 0.00 | 10.56 |
| | | **Total** | **0.00** | **10.56** | **0.00** | **2371.02** | **0.00** | **2381.58** |
| | | **Runways, Taxiway & Aprons** | | | | | | |
| B | B.1 | Apron-2 (Demolition and rew-construction) | 0.00 | 0.00 | 0.00 | 268.73 | 0.00 | 268.73 |
| | B.2 | Airside Storm Water Drainage works | 0.00 | 0.00 | 0.00 | 218.09 | 0.00 | 218.09 |
| | B.3 | Construction of Part Parallel Taxiway and Link Taxiways | 0.00 | 0.00 | 0.00 | 174.07 | 0.00 | 174.07 |
| | B.4 | Land Development works | 0.00 | 1.87 | 0.00 | 47.24 | 0.00 | 49.11 |
| | B.5 | Widening of Runway Strip | 0.00 | 0.00 | 85.39 | 0.00 | 0.00 | 85.39 |
| | B.6 | Construction of Second Part Parallel Taxiway | 0.00 | 0.00 | 0.00 | 67.80 | 0.00 | 67.80 |
| | B.7 | Extension of Runway 02–20 towards RWY 20 | 0.00 | 0.00 | 0.00 | 44.09 | 0.00 | 44.09 |
| | B.8 | Construction of new Isolation Bay (Rigid Pavement) | 0.00 | 0.00 | 24.04 | 0.00 | 0.00 | 24.04 |
| | B.9 | Construction of Rapid Exit Taxiway | 0.00 | 0.00 | 0.00 | 16.49 | 0.00 | 16.49 |
| | B.10 | Other Minor Airside Capex | | | | | | |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| | B.10.1 | Construction of Runway End Safety Area (RESA) after RWY 20 Threshold | 0.00 | 0.00 | 0.00 | 4.23 | 0.00 | 4.23 |
| | B.10.2 | Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20 | 0.00 | 0.00 | 0.00 | 4.34 | 0.00 | 4.34 |
| | B.10.3 | Relocation of Simple Approach Lighting System for Runway 20 | 0.00 | 0.00 | 0.80 | 0.00 | 0.00 | 0.80 |
| | B.10.4 | Installation of Category-I Approach Lighting System towards Runway 02 | 0.00 | 0.00 | 0.00 | 7.94 | 0.00 | 7.94 |
| | B.10.5 | Off-Stand GSE | 0.00 | 0.00 | 0.00 | 3.93 | 0.00 | 3.93 |
| | B.10.6 | Apron stand surface revamping work in old apron | 0.00 | 0.79 | 0.00 | 0.00 | 0.00 | 0.79 |
| | B.10.7 | Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard | 0.00 | 0.00 | 0.22 | 0.00 | 0.00 | 0.22 |
| | B.10.8 | Provision of new Earthing system for Runway and other associated works at Guwahati Airport | 0.00 | 0.00 | 0.19 | 0.00 | 0.00 | 0.19 |
| | B.10.9 | SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 0.21 |
| | B.10.10 | Upgradation of flexible pavements in Operational area | 0.00 | 0.73 | 0.08 | 0.00 | 0.00 | 0.81 |
| | B.10.11 | Runway Graded Strip and RESA strengthening (up to 300mm Depth) | 0.00 | 0.07 | 0.02 | 0.00 | 0.00 | 0.09 |
| | B.10.12 | Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron) | 0.00 | 1.27 | 0.44 | 0.00 | 0.00 | 1.72 |
| | B.10.13 | Apron Control | 0.00 | 0.00 | 0.11 | 0.00 | 0.00 | 0.11 |
| | B.10.14 | Airside Equipments | 0.00 | 0.73 | 0.96 | 0.00 | 0.00 | 1.69 |
| | B.11 | Runway strengtheing works | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | B.12 | Additional Airside works capitalised in FY'24 | 0.00 | 6.40 | 0.00 | 0.00 | 0.00 | 6.40 |
| | | **Total – Runway, Taxiway & Apron** | **0.00** | **11.86** | **112.48** | **856.96** | **0.00** | **981.30** |
| C | | **Construction of Boundary Wall** | | | | | | |
| | C.1 | New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip | 0.00 | 0.00 | 0.00 | 37.73 | 0.00 | 37.73 |
| | C.2 | New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip | 0.00 | 0.00 | 0.00 | 76.29 | 0.00 | 76.29 |
| | C.3 | PIDS System | 0.00 | 0.00 | 0.00 | 22.89 | 0.00 | 22.89 |
| | C.4 | Boundary Wall | 0.00 | 0.99 | 0.00 | 0.00 | 0.00 | 0.99 |
| | | **Total** | **0.00** | **0.99** | **0.00** | **136.91** | **0.00** | **137.90** |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| D | | **Cargo Complex** | | | | | | |
| D | D.1 | Interim Cargo Facility | 0.00 | 3.61 | 0.00 | 0.00 | 0.00 | 3.61 |
| D | D.2 | New Cargo Terminal | 0.00 | 0.00 | 0.00 | 23.39 | 0.00 | 23.39 |
| D | | **Total – Cargo Complex** | **0.00** | **3.61** | **0.00** | **23.39** | **0.00** | **27.01** |
| E | | **Fuel Farm Infrastructure** | | | | | | |
| E | E.1 | Fuel storage farm | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| E | E.2 | Fuel hydrant line | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| E | E.3 | Equipment cost | 0.00 | 0.00 | 3.37 | 0.00 | 0.00 | 3.37 |
| E | E.3 | Cost of procurement of IOCL and RIL assets | 0.00 | 0.00 | 11.23 | 0.00 | 0.00 | 11.23 |
| E | E.3 | Dead Stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| E | | **Total – Fuel** | **0.00** | **0.00** | **14.59** | **0.00** | **0.00** | **14.59** |
| F | | **Vehicles** | | | | | | |
| F | F.1 | Vehicles | 0.00 | 0.00 | 4.81 | 2.20 | 0.00 | 7.01 |
| F | F.2 | Modified vehicle for BDDS equipment | 0.00 | 1.01 | 0.48 | 1.73 | 0.00 | 3.22 |
| F | F.3 | Vehicle recovery Van | 0.00 | 0.00 | 0.16 | 0.00 | 0.00 | 0.16 |
| F | F.4 | 2 Nos.Tractor withTrolleys & electric buggies to shuttle nursery between the two terminals | 0.00 | 0.25 | 0.00 | 0.00 | 0.00 | 0.25 |
| F | F.5 | Ambulance | 0.00 | 0.00 | 0.37 | 0.17 | 0.00 | 0.54 |
| F | F.6 | Crash Fire Tender | 0.00 | 1.41 | 11.23 | 13.33 | 0.00 | 25.98 |
| F | F.7 | Quick Reaction Team (QRT) Vehicle | 0.00 | 0.66 | 0.00 | 0.00 | 0.00 | 0.66 |
| F | | **Total – Vehicles** | **0.00** | **3.34** | **17.05** | **17.43** | **0.00** | **37.82** |
| G | | **Plant and Machinery** | | | | | | |
| G | G.1 | 5 nos. OWS | 0.00 | 0.00 | 0.00 | 15.12 | 0.00 | 15.12 |
| G | G.2 | Triturator | 0.00 | 0.00 | 3.31 | 0.00 | 0.00 | 3.31 |
| G | G.3 | Hazardous Waste Storage | 0.00 | 0.00 | 0.00 | 0.27 | 0.00 | 0.27 |
| G | G.4 | Reticulation of utilities to new facilities | 0.00 | 0.00 | 0.00 | 0.00 | 4.72 | 4.72 |
| G | G.5 | SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati. | 0.00 | 0.00 | 0.03 | 0.00 | 0.00 | 0.03 |
| G | G.6 | Laying of GLF light cables approximate 6500 mtrs | 0.00 | 0.38 | 0.06 | 0.00 | 0.00 | 0.44 |
| G | G.7 | Laser unit for AVDGS-2NO | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 0.21 |
| G | G.8 | SITC of A-VDGS at Bay no. 4 | 0.00 | 0.00 | 0.38 | 0.00 | 0.00 | 0.38 |
| G | G.9 | Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52) | 0.00 | 0.00 | 0.81 | 0.00 | 0.00 | 0.81 |
| G | G.10 | SITC of Repair and Maintenance work for Airside | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| | G.11 | Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc) | 0.00 | 2.07 | 1.12 | 0.00 | 0.00 | 3.19 |
| | G.12 | PVC coated Chain net for Operation area drains | 0.00 | 0.00 | 0.53 | 0.00 | 0.00 | 0.53 |
| | G.13 | Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certificationn, RE 100 etc) | 0.00 | 0.17 | 2.12 | 2.07 | 0.00 | 4.36 |
| | G.14 | EV Charging Stations for E Buses , Apron Cars , Tugs along with their installtion . | 0.00 | 0.11 | 1.36 | 1.60 | 0.00 | 3.07 |
| | G.15 | carbon sequestration | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | G.16 | Biodiversity preservation projects | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | G.17 | Fire Fighting Equipments | 0.00 | 0.81 | 2.92 | 0.00 | 0.00 | 3.74 |
| | G.18 | Disable Aircraft Removal Kit | 0.00 | 0.00 | 18.77 | 0.00 | 0.00 | 18.77 |
| | G.19 | Hand Baggae X-Ray -60cmX40cm | 0.00 | 0.00 | 1.27 | 1.48 | 0.00 | 2.75 |
| | G.20 | Explosive Trace Detector(ETD) | 0.00 | 0.32 | 0.59 | 0.52 | 0.00 | 1.44 |
| | G.21 | Hand Held Metal Detector(HHMD) | 0.00 | 0.05 | 0.02 | 0.05 | 0.06 | 0.20 |
| | G.22 | Door Frame Metal Detector(DFMD) | 0.00 | 0.08 | 0.15 | 0.20 | 0.22 | 0.64 |
| | G.23 | Security Opration Control Center (CISF) | 0.00 | 0.00 | 0.04 | 1.47 | 0.00 | 1.51 |
| | G.24 | Security Survilience Centre (SSC) | 0.00 | 0.00 | 0.80 | 0.00 | 0.00 | 0.80 |
| | G.25 | Close CircuitTelevision (CCTV) Setup | 0.00 | 0.00 | 1.12 | 0.60 | 0.00 | 1.72 |
| | G.26 | Access Control system, Adani | 0.00 | 0.00 | 0.85 | 0.44 | 0.00 | 1.29 |
| | G.27 | Container Tubular shooting Range | 0.00 | 0.00 | 0.69 | 0.00 | 0.00 | 0.69 |
| | G.28 | Video Surveillace system | 0.00 | 0.00 | 0.42 | 1.53 | 0.00 | 1.95 |
| | G.29 | Body Scanner | 0.00 | 0.00 | 2.02 | 15.52 | 0.00 | 17.53 |
| | G.30 | VDGS | 0.00 | 0.00 | 0.00 | 13.14 | 0.00 | 13.14 |
| | | **Total – Plant and Machinery** | **0.00** | **3.99** | **39.61** | **54.01** | **5.00** | **102.60** |
| H | | **Other Buildings** | | | | | | |
| | H.1 | Relocation of Localiser 02 | 0.00 | 0.00 | 0.11 | 0.00 | 0.00 | 0.11 |
| | H.2 | CCR Building new constrution | 0.00 | 0.00 | 0.00 | 13.48 | 0.00 | 13.48 |
| | H.3 | 5 Airside Gates | 0.00 | 0.00 | 0.00 | 3.22 | 0.00 | 3.22 |
| | H.4 | SMR Facilities (New Construction) | 0.00 | 0.00 | 0.49 | 0.00 | 0.00 | 0.49 |
| | H.5 | Fuel/ EV Charging Station | 0.00 | 0.00 | 0.00 | 1.38 | 0.00 | 1.38 |
| | H.6 | Satellite ARFF Station (New Construction) | 0.00 | 0.00 | 12.60 | 0.00 | 0.00 | 12.60 |
| | H.7 | Modification of MT workshop into Admin office building (Interim arrangement) | 0.00 | 1.67 | 0.00 | 0.00 | 0.00 | 1.67 |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| | H.8 | Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office | 0.00 | 0.00 | 0.00 | 0.00 | 7.23 | 7.23 |
| | H.9 | Airport Administration Building (5,000 Sqm) | 0.00 | 0.00 | 0.00 | 0.00 | 21.24 | 21.24 |
| | H.10 | Airport Maintenance Office (1,200 Sqm) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | H.11 | Solid Waste Facility | 0.00 | 0.00 | 0.00 | 1.39 | 0.00 | 1.39 |
| | H.12 | Water Supply system | 0.00 | 0.00 | 0.00 | 0.00 | 2.62 | 2.62 |
| | H.13 | Sewerage System | 0.00 | 0.00 | 0.00 | 0.00 | 0.65 | 0.65 |
| | H.14 | Modification of watch tower at operational area L.G.B.I. Airport Guwahati | 0.00 | 0.34 | 0.00 | 0.00 | 0.00 | 0.34 |
| | H.15 | Earth filling of low using areas and other miscellaneous works at operational area related to DGCS compliance from time to time at L.G.B.I. Airport Guwahati | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 0.21 |
| | H.16 | Fire Station Improvement | 0.00 | 0.19 | 1.03 | 3.33 | 0.00 | 4.55 |
| | H.17 | Other Building - Admin Office | 0.00 | 1.77 | 0.00 | 0.00 | 0.00 | 1.77 |
| | H.18 | Sewage Treatment Plant | 0.00 | 0.62 | 0.00 | 0.00 | 0.00 | 0.62 |
| | H.19 | Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building | 0.00 | 1.25 | 0.25 | 0.00 | 0.00 | 1.49 |
| | H.20 | Installation of LGB Statue | 0.00 | 0.00 | 0.08 | 0.00 | 0.00 | 0.08 |
| | H.21 | CISF accomodation | 0.00 | 0.00 | 3.58 | 3.70 | 0.00 | 7.28 |
| | H.22 | Nursery Development | 0.00 | 1.29 | 0.00 | 0.00 | 0.00 | 1.29 |
| | H.23 | Misc Horticulture Improvements | 0.00 | 0.67 | 0.09 | 0.00 | 0.00 | 0.75 |
| | H.24 | Administrative Building | 0.00 | 0.71 | 0.00 | 0.00 | 0.00 | 0.71 |
| | H.25 | Anti Hijacking Control Room (AHCR) upgradation | 0.00 | 0.00 | 0.65 | 0.00 | 0.00 | 0.65 |
| | | **Total – Other Buildings** | **0.00** | **8.51** | **19.08** | **26.51** | **31.75** | **85.85** |
| I | | **IT equipment** | | | | | | |
| | I.1 | IT Equipments | 0.00 | 14.46 | 0.00 | 0.00 | 0.00 | 14.46 |
| | | **Total – IT equipment** | **0.00** | **14.46** | **0.00** | **0.00** | **0.00** | **14.46** |
| J | | **Furniture & fixtures** | | | | | | |
| | J.1 | Furniture & Fixtures for Terminal, Office, Security etc. | 0.00 | 1.26 | 0.28 | 0.00 | 0.00 | 1.53 |
| | | **Total – Furniture & fixtures** | **0.00** | **1.26** | **0.28** | **0.00** | **0.00** | **1.53** |
| K | | **Security equipment** | | | | | | |
| | K.1 | Procurement of Security Equipments (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc) | 0.00 | 3.98 | 0.00 | 0.00 | 0.00 | 3.98 |
| | K.2 | Threat Containment Vessel (TCV) | 0.00 | 0.00 | 15.57 | 0.00 | 0.00 | 15.57 |
| | K.3 | BDDS | 0.00 | 0.02 | 1.09 | 1.15 | 0.00 | 2.26 |

| S. No. | | Particular | Aero Capitalisation | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | |
| | K.4 | Misc Security Equipments (Quick Reaction Team Equipments, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc) | 0.00 | 0.00 | 4.26 | 4.11 | 4.24 | 12.61 |
| | | **Total – Security equipment** | **0.00** | **4.01** | **20.92** | **5.26** | **4.24** | **34.43** |
| L | | Sustaining capex already spent (FY22-23) | 45.95 | | | | | 45.95 |
| **Total** | | | **45.95** | **62.58** | **224.01** | **3491.49** | **40.99** | **3865.03** |

*Note: The change in capex as compared to the capex proposed at Consultation stage is on account of following*

a. *Consideration of actual capitalization for FY'24, ₹ 65.17 Crores inclusive of ₹ 4.03 Crores toward IDC.*
b. *The capex estimates which based on normative cost are updated on account of latest inflation forecast as per 89th round of RBI professional forecast for inflation.*
c. *The normative cost for Terminal Building comes to ₹ 130,370 per sqm for FY'26 and in case of Runway/Taxiwat/Apron the normative cost comes to ₹ 7583 per sqm and ₹ 7826 per sqm for FY'25 and FY'26 respectively. These normative cost are used in the above estimates.*
d. *Updation of CWIP (excluding interest during constrution) for FY'24 and corresponding changes toward capex scheduling.*
e. *Updation of interest during construction based on Table 129 above.*

7.9.21 Based on the changes in capital expenditure, the aeronautical depreciation recomputed by the Authority for the Third Control Period. Following are the details of Aeronautical depreciation decided by the Authority:

**Table 131: Aeronautical Depreciation decided by the Authority for Third Control Period**

*(₹ crores)*

| Particular | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Terminal Building | 0.17 | 0.37 | 0.55 | 19.06 | 74.61 | **94.76** |
| Runway, Taxiway and Apron | 2.97 | 3.35 | 5.41 | 21.57 | 35.85 | **69.15** |
| Cargo building | 0.01 | 0.08 | 0.14 | 0.53 | 0.92 | **1.68** |
| Boundary wall | 2.85 | 0.76 | 0.25 | 13.94 | 27.58 | **45.38** |
| Software | 0.00 | 0.51 | 0.51 | 0.51 | 0.00 | **1.52** |
| IT equipment | 1.18 | 6.47 | 8.60 | 8.30 | 1.86 | **26.41** |
| Security equipment | 0.00 | 0.13 | 0.96 | 1.84 | 2.15 | **5.09** |
| Plant and Machinery | 3.62 | 4.13 | 5.53 | 8.47 | 10.19 | **31.95** |
| Other Buildings | 1.47 | 1.72 | 2.17 | 2.93 | 3.90 | **12.21** |
| Access Road | 0.03 | 0.03 | 0.03 | 3.74 | 14.92 | **18.76** |
| Fuel | 0.00 | 0.00 | 0.36 | 0.73 | 0.73 | **1.82** |
| Furniture & fixtures | 0.37 | 0.77 | 0.87 | 0.79 | 0.71 | **3.52** |
| Vehicles | 1.02 | 1.37 | 2.64 | 4.77 | 5.83 | **15.63** |
| Office equipment | 0.23 | 1.19 | 1.18 | 1.17 | 1.11 | **4.88** |
| **Total** | **13.93** | **20.89** | **29.22** | **88.34** | **180.37** | **332.75** |

7.9.22 Based on the changes capital expenditure and depreciation discussed above, the revised RAB for the Third Control Period as decided by the Authority is given below:

**Table 132: RAB decided by the Authority for Third Control Period**

*(₹ crores)*

| Particulars | Ref. | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB (1) | Table 56 | 151.90 | 183.92 | 225.62 | 420.42 | 3823.57 | |
| Capital Additions (2) | Table 130 | 45.95 | 62.58 | 224.01 | 3491.49 | 40.99 | 3,865.03 |
| Depreciation (3) | Table 131 | 13.93 | 20.89 | 29.22 | 88.34 | 180.37 | 332.75 |
| **Closing RAB (4) = [(1) +(2) – (3)]** | | **183.92** | **225.62** | **420.42** | **3823.57** | **3684.19** | |
| **Average RAB = [(1) + (4)]/2** | | 167.91 | 204.77 | 323.02 | 2121.99 | 3753.88 | |

## 7.10 Authority's decision regarding CAPEX, Depreciation and RAB for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to CAPEX, depreciation and Regulatory Asset Base for the Third Control Period.

7.10.1 To consider the Terminal Building ratio of 90:10 in line with the Study on allocation of assets, IMG norms and as approved for other similar Airports.

7.10.2 To allow IDC during the Third Control Period as per Para 7.9.8 and not to allow Financing Allowance as mentioned in Para 7.9.7

7.10.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 130.

7.10.4 To reduce (adjust) 1% of uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per approved capitalization schedule, as mentioned in para 7.9.6. The same will be examined at the time of tariff determination of next Control Period.

7.10.5 To consider GST on RAB/CWIP on actual incurrence basis as detailed in para 7.3.9.

7.10.6 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 Fourth Control Period.

7.10.7 To true up the Aeronautical Capital expenditure based on actuals subject to, cost efficiency and reasonableness at the time of determination of tariff for the Fourth Control Period.

7.10.8 To adopt Aeronautical Depreciation as per Table 131 for the Third Control Period.

7.10.9 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.10.10 To consider average RAB for the Third Control Period for LGBIA as per Table 132.

7.10.11 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

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

## 8.1 GIAL's submission regarding FRoR for the Third Control Period

**Cost of equity**

8.1.1 GIAL had considered the Cost of equity as 17.30% based on a report by PwC.

8.1.2 GIAL had submitted the following assumptions for estimating the Cost of equity:

i. Risk-free rate was calculated by taking 10-year average yield on a daily basis, for 10-year Government of India securities.

ii. Asset beta was derived based on five-year weekly regressed beta computed for comparable listed airports (weighted), and adjusted for appropriate leverage to determine the levered Equity beta

iii. Although various debt-equity (leverage or gearing) ratios had been analyzed, the assumed leverage for computation of Cost of equity was the normative approach and standard adopted in earlier tariff determination exercises of the Authority, i.e., debt-equity ratio of 48:52. For such leverage ratio, the Equity beta was computed to be in the range of 1.35 – 1.38.

iv. Equity risk premium over risk-free rate was computed as 7.06%, based on an average of equity risk premiums computed by a list of studies and standard market indices taken for the analysis.

**Table 133: Cost of equity computation as per GIAL's submission**

| Parameter | Value |
|---|---|
| Risk-free rate | 7.57% |
| Equity Risk Premium | 7.06% |
| Debt-equity ratio (leverage) | 48:52 |
| Equity beta | 1.35 - 1.38 |
| Cost of equity *(rounded off)* | 17.11% – 17.28% |

**Cost of debt**

8.1.3 GIAL had submitted that Cost of debt assumed for the Third Control Period was 12%, based on actual debt taken as of date.

8.1.4 In May 2022, Adani Airport Holdings Limited had raised a 3-year External Commercial Borrowing facility from a consortium of Standard Chartered Bank and Barclays Bank PLC. The all-in borrowing cost of this facility is 12.10% p.a., the breakdown of which is provided in the table below:

**Table 134: Breakdown of all-in External Commercial Borrowing cost of Adani Airport Holdings Limited**

| Particulars | Value |
|---|---|
| Secured Overnight Financing Rate (SOFR) reference | 2.28% |
| Spread over SOFR | 4.25% |
| Withholding tax gross up (at 5% of SOFR + spread) | 0.33% |
| One-year forward Dollar-Rupee hedge cost (mandatory as per RBI guidelines) | 4.51% |
| Upfront fees (annualised) | 0.73% |
| **All-in Cost of External Commercial Borrowing** | **12.10%** |

8.1.5 It was mentioned that a part of the proceeds raised from this facility are being on-lent to GIAL for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, cost of debt had been assumed as 12% p.a.

**Weighted average cost of capital**

8.1.6 Based on the Cost of equity, Cost of debt and gearing ratio, GIAL had submitted the following FRoR for the Third Control Period:

**Table 135: FRoR computation submitted by GIAL**

| Parameter | Value |
|---|---|
| Cost of equity | 17.30% |
| Cost of debt | 12.00% |
| Weighted average gearing of equity | 52.00% |
| Weighted average gearing of debt | 48.00% |
| **FRoR** | **14.76%** |

## 8.2 Authority's Examination regarding FRoR for the Third Control Period at Consultation Stage

### Cost of equity

8.2.1 The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of LGBIA for the Third Control Period.

8.2.2 The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with LGBIA in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost of equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below:

**Table 136: Computation of Cost of equity as per IIM Bangalore independent study reports**

| Particulars | CIAL | MIAL | BIAL | DIAL | GHIAL | Average |
|---|---|---|---|---|---|---|
| Risk-free rate (A) | 7.56% | 7.56% | 7.56% | 7.56% | 7.56% | 7.56% |
| Equity beta (B) | 0.9427 | 0.9391 | 0.9262 | 0.9732 | 0.9442 | 0.94508 |
| Equity risk premium (C) | 8.06% | 8.06% | 8.06% | 8.06% | 8.06% | 8.06% |
| Cost of equity $A + (B * C)$ | 15.16% | 15.13% | 15.03% | 15.41% | 15.17% | **15.18%** |
| **Average Cost of equity** | | | | | | **15.18%** |

8.2.3 The Authority noted that the Cost of Equity for the purpose of determination of FRoR should be fairly consistent in case of PPP airports across India as the factors considered by the Independent Study in CAPM formula such as Risk Free Rate, Market premium, are in the Indian context and do not vary significantly among the Airports as these are operated under similar environments. Further, the averaging out exercise normalises the risk factors across Airports in Cost of Equity computation.

8.2.4 Based on the above reports, the Authority proposed the Cost of equity of 15.18% for LGBIA for the Third Control Period. This was also in line with the considerations of the Authority for other similar airports including Lucknow.

### Cost of debt

8.2.5 GIAL had considered Cost of Debt for the Third Control Period at 12% based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6 Since the Airport has not obtained any credit rating from an external rating agency, there is no direct comparable entity or market data for determining cost of debt for LGBIA.

8.2.7 The Authority recommended that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion aligns with the spirit of PPP, whereby it is expected that the financial strength of PPP airports will be maintained at an optimal level and their cost of capital will be within reasonably allowable limits. GIAL 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 level as other PPP airports.

8.2.8 The Authority also noted that the cost of debt for airport operators forms vital part of the Return on Capital Employed / Fair Rate of Return provided to the airport operators on the investment towards creation of the capital assets w.r.t the airport project.

It is imperative that the cost of debt that is considered in the calculation of FRoR is reflective of the current cost of debt that the airport operator incurs towards debt financing the airport infrastructure.

The following aspects, in this regard were considered while arriving at the efficient cost of debt to be provided as part of the FRoR:

i. Cost of debt financing in the Indian / International context is usually linked to the External Credit Rating of the Airport Operator/ Project SPV. As a result, any cost of debt actually incurred if it must be deemed efficient should be factoring in the External Credit Rating (ECR) of the entity. Usually Banks/ FIs mark a spread over and above their benchmark lending rate (usually published as Marginal Cost of Lending Rate i.e. MCLRs) as the interest rate for funding specific projects. This spread is linked to the ECR of the Borrower which in this case is the airport operator. AERA has followed a similar assessment to arrive at the cost of debt to be provided to the airport operator.

ii. Debt must be a senior secured debt raised from financial institutions/ banks private /public or foreign at an arm's length basis. There could be instances wherein the debt raised is subordinated to senior debt and would hence incur a higher cost and thereby deemed inefficient. Such inefficient cost may not be the right indicator of the actual cost of debt and hence appropriate adjustment has to be carried out while allowing such cost in the tariff determination process.

iii. There have also been instances wherein senior secured debt have been advanced by promoter/ promoter entities in which case the arm's length criteria could be questioned. It is pertinent to note that similar to the above case such costs also could not be deemed to be efficient and hence adequate adjustments to be carried out to ensure that the costs considered is reflective of the efficient cost. AERA doesn't encourage related party transactions and insists transparency and arm's length criteria in the interest of public.

iv. Airport Operators currently in the country baring a few exceptions have managed to retain an ECR of A and above. In some cases where the airport is yet to establish a steady stream of positive cash flows on account of emerging nature of operations, the debt servicing is backed by the strength of the promoter entities which is also factored by the ECR rating agencies. As a result, considering the prevalent MCLRs which are in the range of 8.45%- 8.55%, an interest rate of 9% is usually considered as the cost of debt for these airport operators. However, given the expected softening of rates globally, and the impetus to promote economic growth as inflations fears have slowed down, the MCLRs are expected to gradually reduce over the next 2-3 years bringing down the cost of borrowing further. AERA want Airport Operators to improve ECR by bringing in efficiency and transparency which in turn will reduce MCLRs.

v. Arriving at the cost of debt through assessment of the debt raising capacity of the airport operator rather than providing the actual cost of debt as submitted by the airport operator would benefit the airport stakeholders in the long run. The Airport operators would strive to be more efficient in their fund-raising endeavours rather than taking comfort from the true up option available to them considering the actual cost of debt.

AERA has already been following a similar exercise while arriving at the leverage ratios wherein a D:E ratio of 48:52 has been considered rather than the actual debt: equity (D:E) ratio which is in the range of 80:20 for most of the airport operators. Considering an efficient cost of debt rather than the actual cost of debt will be consistent with the stand taken for the leverage ratios used to calculate the FRoR. Further, it may also be noted that as the traffic growth and associated revenue from Aeronautical & Non-Aeronautical services improve; and the timely execution of capital projects, approved by the Authority, are completed and start to yield benefits. It is expected that the debt profile of LGBIA 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.

8.2.9 The Authority would expect 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.

8.2.10 The Authority also noted that the average cost of debt of the other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL was 8.96%.

8.2.11 Accordingly, the Authority had considered the Cost of Debt of 9% for the computation of Fair Rate of Return. The Authority also directed GIAL to ensure that Related Party transactions, if any, with respect to borrowing of funds are benchmarked with most optimum rates available and is well justified.

**Fair Rate of Return**

8.2.12 Based on the above, the Authority at the consultation stage proposed to consider the following FRoR for the Third Control Period for LGBIA:

**Table 137: Fair Rate of Return proposed by the Authority for the Third Control Period at Consultation stage**

| Parameter | Value |
|---|---|
| Cost of equity | 15.18% |
| Cost of debt | 9.00% |
| Weighted average gearing of equity | 52.00% |
| Weighted average gearing of debt | 48.00% |
| **Fair Rate of Return** | **12.21%** |

8.2.13 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, derived the Cost of equity. The Authority mentioned that FRoR is computed on the basis of Cost of Equity and Cost of Debt. It had determined the CoE based on the IIM Bangalore independent study reports for the other PPP Airports whereas, the Cost of Debt had been computed as per the 3-month SBI MCLR along with spread and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL.

8.2.14 The Authority noted that the actual gearing deployed by Airport Operators of PPP airports are usually higher than the notional gearing adopted by the Authority, which ultimately benefits the AO. However, since the debt equity mix had been proposed by the Authority considering the efficient capital structure and the interest of all the Stakeholders, the notional gearing ratio of 48: 52 would not be trued up during the tariff determination for the next Control Period.

### 8.3 Stakeholders' comments on FRoR for the Third Control Period

8.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to FRoR for the Third Control Period. The comments by Stakeholders are presented below.

**GIAL's comments on FRoR for the Third Control Period:**

8.3.2 With respect to AERA's proposal as per para 8.2.1 to 8.2.4 of Consultation Paper relating to Cost of Equity, GIAL's comment is as follows:

*As per AERA Guidelines. AERA is expected to estimate cost of equity by using CAPM for each AO subject to consideration of such factor as the Authority may deem fit. However, in the instant CP, AERA has not estimated the cost of equity for GIAL. Rather it has taken reference from Cost of Equity calculated for other PPP Airports (mix of greenfield and brownfield airports) and applied it to GIAL. This is not in line with the AERA Guidelines.*

*Extract from the AERA Guidelines*

*"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."*

*GIAL had adopted the study undertaken by LIAL through services of PriceWaterhouse Coopers Services LLP (PwC) on evaluating the applicable Cost of Equity (CoE). Based on this study, the AO considered the CoE as 17.30%.*

*The methodology used to compute the CoE of LIAL (as well as GIAL) is the Capital Asset Pricing Model (CAPM), as mentioned in AERA Guidelines. The three components to be estimated in the CAPM are (a) the beta of the CCSIA, (b) the risk-free rate and (c) the equity risk premium. Following assumptions related to above three components which appropriately capture the risks of CCSIA have been used to calculate the CoE:*

- *Identification of comparable airports: Various airports were identified which are listed on stock exchanges across the globe or have regulated betas. A set of airports were removed from the list because of either lack of data for the required time period or unreliable data.*
- *Determination of equity and asset beta for the selected airports: Beta is indicative of the systematic risk of the project. In order to calculate this, the analysis regresses the movement of the stock prices (of respective airports) on the movement of an index representing the market portfolio. The beta values pertaining to this regression are called the 'equity' betas. Once the equity beta is calculated, the analysis 'un-levers' the beta (i.e., purges off the effects of the capital structure) by using the Hamada equation. Unlevered beta is called the 'asset' beta for the respective airports.*
- *Computing the proximity scores for each airport and asset beta of CCSIA: Once the asset betas have been computed, quantifiable assessment has been undertaken for identified airports to determine the proximity/ relevance scores. All the airports have been compared with Lucknow airport based on the following airport characteristics:*
    - *Regulatory Environment*
    - *Operational Structure*
    - *Payment Structure*
    - *Ownership Structure*

*Numeric values of 1 to 3 have been assigned to each factor wherein lower the score, more comparable is the airport to CCSIA. Furthermore, an inverse of the proximity scores is used to calculate the 'asset' beta of CCSIA*

- ***Re-lever the asset beta to obtain the equity beta:*** *The asset beta of the CCSIA is relevered using the Hamada equation to obtain the equity (re-levered) beta. As the re-levered beta is a function of D/E or gearing ratio, the beta value changes whenever the D/E or gearing ratio changes. A gearing ratio of 48:52 is considered. This has been derived from the gearing ratios set by the regulators at different comparable international airports.*
- ***Risk Free Rate:*** *An average of daily yield for 10 years of the 10-year Government of India security has been considered as the risk-free rate.*
- ***Equity Risk Premium:*** *To avoid any bias, an average of equity risk premiums computed by a list of studies and standard market indices are taken for the analysis. The list of the same is provided as follows:*
  - *Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds.*
  - *Forward looking ERP of India as estimated in a study conducted in April 2019 by Grant Thornton*
  - *ERP published by Incwert Valuation Chronicles in June 2020*
  - *ERP computed based on Nifty 50*
  - *ERP computed based on Sensex.*

*As is clear from above, a well-defined systematic approach which appropriately captures the risks specific to CCSIA has been used for computing reasonable rate of CoE for CCSIA.*

*Further we would like to point out that IIM B study considered 12 airports, out of which only two airports belong to developing countries. Airports in developing markets are exposed to each of these risks differently when compared to developed markets. Following are the risks which the airports in developing market have to face:*

- ***Demand Risk*** *– Apart from the economic conditions which affect demand, demand for air travel is also highly elastic with respect to air fare in India and other developing economies. Any increase or decrease in air fare due to fuel prices or other input costs results in relatively higher traffic volatility.*
- ***Counterparty Risk*** *– Airports in developing countries typically derive a major part of their revenue from aeronautical services, as against the developed markers where non-aeronautical revenue is higher.*
- ***Regulatory Risk*** *– Regulations in developing countries are still evolving and are not stable.*

*Asset beta of airports in developing countries is consistently higher than the asset beta of airports in developed economies. This can be demonstrated by the data provided in the IIM B study in which the asset beta for Sydney airport is 0.40 whereas the asset beta for Airport of Thailand is 0.86. This shows the quantum of variation in risk perception between developed and developing countries.*

*Study done by PwC includes airports from both developed economies like France, Spain and Switzerland and developing economies like Mexico, Malaysia, Thailand. Following are the asset betas of various airports as per study:*

| S.No | Airport Operator | 5-year asset beta on 5 year average DER | 5-year asset beta on latest DER |
|---|---|---|---|
| 1. | Sydney Airport Holdings Private Limited | 0.692 | 0.719 |
| 2. | Auckland International Airport Limited | 1.030 | 1.052 |
| 3. | Flughafen Zurich | 0.865 | 0.838 |
| 4. | Groupe Aeroports De Paris | 0.922 | 0.922 |
| 5. | Aena | 0.102 | 0.121 |
| 6. | Asur (Aeroporte Del Sureste) | 1.338 | 1.340 |
| 7. | Kobenhavns Lufthavne | 0.423 | 0.416 |
| 8. | Grupo Aeroportuario Del Centro Norte S.A.B. De C.V. Adr | 0.960 | 1.020 |
| 9. | Grupo Aeroportuario Del Pacifico, S.A.B. De C.V | 1.430 | 1.428 |
| 10. | Aeroporto Guglielmo Marconi Di Bologna S.P.A | 0.642 | 0.649 |
| 11. | Fraport Ag | 0.686 | 0.669 |
| 12. | Airport Of Thailand Public Limited Company | 0.984 | 1.002 |
| 13. | Malaysia Airport Holdings Berhad | 0.848 | 0.893 |
| 14. | Flughafen Wien Ag | 0.527 | 0.610 |
| 15. | Gruppo Toscana Aeroporti | 0.457 | 0.455 |

*As is evident from table above, asset betas of airports in Mexico like Grupo Aeroportuario Del Centro Norte, Grupo Aeroportuario Del Pacifico, in Thailand like Airport of Thailand have asset betas of more than 1.*

*Further, we would like to give reference to para 15.6.2 of the Cochin Airport's Second Control Period Tariff Order No.7/ 2017-18 wherein Authority has taken the stance that newer airports which have higher risks need to be* ***adequately compensated by higher cost of equity and one size does not fit all.*** *Contents of the order are reproduced below*

15.6.2. Cost of Equity: – The Authority notes that DIAL and HIAL started operations recently as compared to CIAL and the Authority has taken a slightly higher cost of equity presuming that newly started companies have a greater risk. The Authority notes that Cochin is a well-established airport paying dividends and the risk profile is very low, investment are not heavy, cost is lower, traffic is stabilized and there is no volatility. The authority opines that "One size fits all" view for calculating CoE is not appropriate since each Airport is unique. The Authority also notes from a

*The same point is again acknowledged by the Authority in Tariff Order No 08/2021-22 for CIAL for the Third Control Period. The relevant extract is provided as: -*

4.6.20. The Authority has noted CIAL's comments regarding cost of equity for the Second Control Period. However, it would not be prudent to compare CIAL with other private airport operators like DIAL and HIAL which have started operations more recently as compared to CIAL. The Authority had noted at the time of determining tariffs for the Second Control Period that it is reasonable to presume that newer companies would have a greater risk when compared to a well-established, investment-light and dividend-paying airport like Cochin International Airport. This is also evident from the high contribution

*GIAL* is a new Concession Agreement and by the logic of the Authority, GIAL has to have higher return than the Cochin Airport (CIAL).

*We hereby request AERA to accept the CoE as submitted by* GIAL in the MYTP supported by an in-depth study conducted by an independent consultant PwC as per CAPM methodology prescribed under AERA Guidelines.

8.3.3 With respect to AERA's proposal as per para 8.2.5 to 8.2.11 of Consultation Paper relating to Cost of Debt, GIAL's comment is as follows:

*During the Stakeholder Consultation meeting for Lokpriya Gopinath Bordoloi International Airport by the Authority on 21st June 2024, Consultant has asked for additional information substantiating the actual cost of debt. GIAL submits, in reference to MYTP para 12.7 & 12.8 as follows:*

*In May-2022, AAHL had raised External Commercial Borrowing facility from a consortium of Standard Chartered Bank and Barclays Bank PLC (Attach find the facility agreement in Annexure 6).*

*The all-in borrowing cost of this facility as on date is 12.59% p.a. (as tabled below).*

***Calculation of Secured Overnight Financing Rate (SOFR) reference + Spread over SOFR + Hedging Cost***

| *Parameters* | *Value* | *Reference* |
|---|---|---|
| *Secured Overnight Financing Rate (SOFR) reference + Spread over SOFR + Hedging Cost* | *11.62%* | *For details please refer below and also refer Annexure 7* |
| *Withholding tax gross up (at 5% of SOFR + spread)* | *0.47%* | *Refer clause 12.2 of Page 67 of the Facility Agreement provided as attachment in Annexure 6* |
| *Upfront fees (annualized)* | *0.50%* | *For details please refer below and also refer page no 7 of ECB Form in Annexure 8 Total Fees Paid : USD 6 mm for USD 400 mm loan i.e. 1.50% (6mm / 400 mm *100) for 3 years i.e. 0.50% p.a.* |
| ***All-in Cost of External Commercial Borrowing*** | ***12.59%*** | |

**Tranche 1 - 250 mm**

| Particular | Reference No | Interest Rate | Weightage | Interest |
|---|---|---|---|---|
| Hedging of Spread over SOFR + SOFR | 578496 | 11.325% | | |
| Total (1) | | 11.325% | 0.625 | 7.08% |
| | | | 250 mm/ 400 mm | |

**Tranche 2 - 150 mm**

| Particular | Reference No | Interest Rate | Weightage | Interest |
|---|---|---|---|---|
| Hedging of Spread over SOFR | 89586129/1/2/6 | 6.620% | | |
| | Sub-total A | 6.620% | | |
| | | | | |
| Hedging of SOFR | 89622633/1/2/5 | 5.570% | | |
| | 93231687/1/3/5 | 5.405% | | |
| | Sub-total B | 5.488% | | |
| | | | | |
| Total 2 (A+B) | | 12.1075% | 0.375 | 4.54% |
| | | | 150 mm/ 400 mm | |
| Total | | | | 11.62% |

***Details of Upfront fees***

| Part D: Other Charges | | | | | |
|---|---|---|---|---|---|
| Nature of charge | Expected Date of Payment | Currency | Amount | In case of multiple equal payments | |
| | | | | No. of payments in a year | Total no. of payments |
| Arrangement Fee | 2022-05-15 | USD | 5,000,000 | 01 | 01 |
| Trustee Fee | 2022-05-15 | USD | 20,000 | 02 | 04 |
| Process Agent Fee | 2022-05-15 | USD | 5,000 | 01 | 03 |
| Facility Agent Fee | 2022-05-15 | USD | 50,000 | 01 | 03 |
| Others (including Legal Counsel Fee, Legal Fee and other miscellaneous charges etc.) | 2022-05-15 | USD | 925,000 | 05 | 05 |
| Total | | USD | 6,000,000 | | |

*The part of the proceeds raised from this facility are being on-lent to GIAL for the purpose of financing its capital expenditure, working capital and other requirements at the rate of 12.25% p.a.*

*GIAL has considered Cost of debt at 12% for the TCP.*

*The raising of funds at GIAL was not possible without Corporate Guarantee support from Adani Group and hence borrowing with Corporate Guarantee of Adani Group in turn tantamount to Borrowing at Holding Company level.*

*AAHL has recently approached bank for seeking finance for payment to AAI on account of differential RAB payment and true-up for second control period by JIAL, GIAL and TIAL. Banks have proposed 12.50% interest p.a. for providing loan (Attached find bank proposal in Annexure 9).*

*In view of the above, we see two instances wherein GIAL through its parent company has approached banks/ financial institutions for securing debt and in both the cases banks/ financial institutions have proposed interest rates more than 12% whereas AAHL has cascaded the loan to the SPV lower than its actual cost as explained in above table. There is no ambiguity that the bank/ financial institution approached by AAHL are credible and independent, thus the rate so proposed by the bank/ financial institutions are market driven. Hence, GIAL request the Authority to consider the actual cost of debt.*

*However, the Authority has proposed cost of borrowing to be considered at 9% p.a. being the average of other five PPP airports viz. DIAL, MIAL, GHIAL, BIAL and CIAL is 8.96%.*

*GIAL would like to reproduce extract of MoPA, Goa FCP Order wherein Authority themselves have acknowledged that adopting generic rate based on another airport for which tariff was determined at the earlier time is not justified and hence the Authority applied latest available data.*

*GIAL request Authority to maintain its stand in case of Cost of Debt and provide GIAL actual Cost of Debt as incurred by GIAL.*

***Extract of para 7.4.1 of MoPA, Goa FCP Order no. 27/2023-24***

*"...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 to be noted that AERA has allowed actual cost of debt of over 12% in the FCP for various PPP airports. So, the cost of debt of 12% for an airport is not unprecedented and based on its credit profile at that particular period of time.*

*Refer Para 84 TDSAT judgement of BIAL dated 16th December 2020*

*84. BIAL is aggrieved by the tariff order for the first control period because the Authority has maintained a ceiling in respect of cost of debt for **Rupee Term loan at 12.5%***

*Refer Para 14.5 from FCP tariff order dated 20th April 2012 for DIAL*

*Decision No. 12. Decision on Cost of Debt (for years 2011-12, 2012-13 and 2013-14)*

*12.a. The Authority decided to consider **the actual cost** of Rupee Term Loan, paid by DIAL for the years 2009-10 and 2010-11 for the period 2011-12 to 2013-14. **The cost of debt is taken at 12.17% pa.***

*It is to be further noted that tariff orders of above-mentioned PPP airports were issued during the period from December 2020 to August 2021. The interest rates have increased significantly in India and globally after the same. Hence, comparing the same with current GIAL's cost of debt is not logical.*

*We would also like to highlight the fact that the Borrowing costs for Government owned Entity and Private Sectors entity are different. Lenders are more comfortable in lending to Government entity since repayment is backed by sovereign guarantee (which carries highest Rating). Moreover, even the current coupon rates on PSU bonds across maturities and sectors are between 10.4% and 11.25%. The following list shows the increased yield on PSU bonds:*

| Name | Issue Size | Maturity | Coupon |
|---|---|---|---|
| NTPC Limited<br>CRISIL AAA • INE733E07C03 | 140.00Cr | 06 Nov 2023 | 11.25 % |
| Central Bank Of India<br>CRISIL AA- • INE483A09266 | 500.00Cr | 29 May 2029 | 10.80 % |
| Indian Railway Finance Corporation Limited<br>CARE AAA • INE053F09FP0 | 615.00Cr | 11 Sep 2023 | 10.70 % |
| Tamilnadu Generation And Distribution Corporation Limited<br>ICRA A- • INE340M08113 | 633.50Cr | 10 Feb 2024 | 10.50 % |
| The Jammu And Kashmir Bank Limited<br>BWR A • INE168A03061 | 1000.00Cr | 31 Dec 9999 | 10.50 % |
| Himachal Pradesh State Electricity Board Limited<br>BWR A • INE220H08016 | 300.00Cr | 27 Mar 2026 | 10.39 % |

*The cost of borrowing average of other five PPP airports viz. DIAL (CRISIL AA-/Stable), MIAL (CRISIL AA/Stable), GHIAL (CRISIL AA+/Stable), BIAL (CRISIL AA+/Stable) and CIAL (ICRA A+) is 8.96%. This is important to note these international airports have a higher external credit rating which is not comparable to GIAL.*

*The transition of the Airport from AAI to GIAL happened during the COVID impacted period. This has negatively affected the revenue and cash flow of GIAL and its credit worthiness. The following table is an extract from the financials of GIAL reflecting negative EBITDA for FY23 and FY24 and high capital expenditure. At current performance level and passenger predictions, the SPV profile is not good and* *option of raising funds at GIAL at entity level is not possible without Corporate Guarantee support from Adani Group.*

| | FY 22-23 (INR Cr) | | | | FY 23-24 (INR Cr) | | | |
|---|---|---|---|---|---|---|---|---|
| **SPV** | **Capex** | **Revenue** | **PAX** | **EBITDA** | **Capex** | **Revenue** | **PAX** | **EBITDA** |
| Guwahati | 939 | 155 | 5.1 | (20.8) | 549 | 176 | 6.0 | (38.6) |

*Considering the current profile of operation and outlook, rating of GIAL at maximum can be in BBB Category or A-/Negative warranting high cost of borrowing. The current coupon rates of BBB-rated bonds in Indian market across sectors are between **12% and 14.2%** while that of A (Negative) rated bonds are between **12% and 14%**. Below are details of some BBB and A (Negative) rated bonds:*

***BBB rated Bonds***

| Name | Issue Size | Maturity | Coupon |
|---|---|---|---|
| Jana Small Finance Bank Limited<br>ICRA BBB • INE953L08055 | 80.00Cr | 19 May 2023 | 14.20 % |
| Kairos Property Managers Private Limited<br>CARE BBB • INE09BC08019 | 725.00Cr | 01 Jul 2029 | 14.00 % |
| Whispering Heights Real Estate Private Limited<br>CARE BBB • INE200W08013 | 156.00Cr | 17 Sep 2037 | 13.00 % |
| Varthana Finance Private Limited<br>CRISIL BBB • INE125T07246 | 15.00Cr | 14 Dec 2025 | 12.75 % |
| Samunnati Financial Intermediation & Services Private Limited<br>CRISIL BBB • INE551U07100 | 25.00Cr | 17 Jul 2023 | 12.00 % |
| Vitp Private Limited<br>ICRA BBB • INE743G08100 | 330.00Cr | 05 Feb 2031 | 12.00 % |

***A rated Bonds***

| Name | Issue Size | Maturity | Coupon |
|---|---|---|---|
| Jana Small Finance Bank Limited<br>IND A- • INE953L08295 | 175.00Cr | 29 Jun 2025 | 14.50 % |
| Jana Small Finance Bank Limited<br>ICRA A- • INE953L08303 | 50.00Cr | 10 Jul 2025 | 13.15 % |
| Krazybee Services Private Limited<br>CRISIL A- • INE07HK07700 | 35.00Cr | 13 Sep 2025 | 12.00 % |
| Brigade Properties Private Limited<br>ICRA A- • INE454S08083 | 49.00Cr | 19 Mar 2025 | 12.00 % |
| Brigade Properties Private Limited<br>ICRA A- • INE454S08042 | 60.00Cr | 03 May 2024 | 12.00 % |
| Brigade Properties Private Limited<br>ICRA A- • INE454S08059 | 30.00Cr | 27 Sep 2024 | 12.00 % |

*Source:* https://www.wintwealth.com/bonds/

*The Authority has suggested Cost of Debt to be linked to the External Credit Rating of the Airport Operator. However, the ECR of Airport Operator (AAHL) at A+ by CRISIL, does not adequately reflect the operational risk of GIAL (estimated ECR of BBB or below) which is higher owing to the regional landscape and the submitted passenger projections.*

*The new MCLRs (SBI) at 8.85% as suggested in the Consultation Paper, is a consequence of uncertain inflation expectations and RBI's stance to increase Repo rates by 2.50% since 2020. Moreover, the lending rates on fresh loans by PVBs have increased more than PSBs. Considering a credit spread over and above the MCLR to accommodate AAHL's ECR, we find AAHL's cost of debt at **12%** reasonable.*

*It is also pertinent to note that AAHL's current capital structure has long horizon debt. At a rating of A+ by CRISIL, AAHL's cost of borrowing is at 12.59% (all-in cost). This is in contrast and higher vis-à-vis the comparable airports on account of their higher rating: DIAL (CRISIL AA-/Stable), MIAL (CRISIL AA/Stable), GHIAL (CRISIL AA+/Stable), BIAL (CRISIL AA+/Stable) and CIAL (ICRA A+). The higher ECR allows these airports to avail financing on more favorable terms. To have efficiencies in terms of quantum, maturities, and interest rates, borrowing at AAHL was availed in the form of External Commercial Borrowings for capex requirement of various Airports.*

*The linking of cost of debt with Weighted Average Lending Rate of Public Sector banks and commercial banks as given in the CP (the trend of which has also changed in June-2022 publication as per RBI website and it is now on increasing trend) is not appropriate because of the following reasons: -*

- *Weighted Average Rate means average rate across Rating grades (AAA to BB) and loan duration. It ignores basic premise of lending rate which is based on external rating and internal rating and duration of specific loan. Also, the WALR for fresh rupee loans by commercial banks was at 9.85% in March 2024, rising 13 bps over the last year.*
- *Major portion of borrowings by PSU Bank is to State and Central Government Companies and Departments which carries lower interest considering that those are considered as Sovereign rating.*
- *The interest rate for lending to priority sectors (which constitutes Agriculture and other Areas) have concessional rate of Interest under various scheme of State and Central Government wherein domestic banks are required to lend 18% of ANBC (Adjusted Net Bank Credit) to agricultural sector and 10% to weaker sections. Differential Rate of Interest Scheme stipulates **4% p.a. ROI**.*

*With inclusion of all the above, the average rates become lower. Comparing the said average with the private corporate borrowing rate will not be appropriate.*

*Considering the fact that the debts raised by AO are as per RBI guidelines from reputed global Banks, reducing the cost by the Authority than the actual rate of borrowing by the AO is not in line with AERA Guidelines and, according to us, is arbitrary and prejudicial to the interest of AO and airport development.*

*Further, Clause 5.1.4 of the AERA Guidelines – 'Cost of Debt', categorically lays down that the Authority shall consider forecasted cost of "existing debt" based on a review of its sources, procedures and the methods used for raising such funds. In the instant CP, the Authority has noted the actual cost of debt of AO is 12% which should have been considered as per AERA Guidelines.*

*As per the MIAL TDSAT Order for SCP and TCP, it has been decided that actual cost of borrowing should be considered by AERA. Refer Para 313, 320 and 321 of the TDSAT Order.*

*313. This contention of respondent no.1 is not accepted by this Tribunal mainly for the reason that there cannot be a fixed cost of debt for the entire 3rd Control Period of five years which is from 2019-2024. The cost of debt which is actually incurred by the appellant should have been considered by AERA. The* *cost of debt depends upon marginal cost of funds based lending rate and the time period within which the loan is to be repaid. Inflation is one of the most important factor for determination of market forces for further determination of MCLR rates. Moreover, the spread for the time within which loan is to be repaid depends upon the credit profile of the entity.*

*320. In view of this, **actual cost of debt shall be allowed by AERA for 3rd Control Period especially looking to the provisions of Section 13(1)(a)(i) of the AERA Act, 2008**. For the ready reference, Section 13(1) of AERA Act, 2008 reads as under: - "POWERS AND FUNCTIONS OF THE AUTHORITY*

*13. Functions of Authority. - (1) The Authority shall perform the following functions in respect of major airports, namely: - (a) to determine the tariff for the 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 the aeronautical services; (vi) the 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 this 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 the development fees in respect of major airports; (c) to determine the amount of the passengers service fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934 (22 of 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 authorised by it in this behalf; (e) to call for such information as may be necessary to determine the tariff under clause (a); (f) to perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act." (Emphasis Supplied) e321. In view of the aforesaid provision, AERA ought to have allowed actual cost of debt incurred by the appellant especially looking to the fact that debt availed by this appellant is from reputed lenders.*

***Looking at above facts and TDSAT judgement, it is evident that the cost of borrowing of 12% requested by GIAL is reasonable, comparable and as per actuals funding raised through third party. We hereby request the Authority to consider the same.***

**Other Stakeholders' comments on FRoR for the Third Control Period:**

8.3.4 FIA stated that –

*"FIA submits that, only reasonable Fair Rate of Return (FRoR) to airport operators should be provided.*

*It is observed that AERA has considered FRoR of 12.21%, which is based on cost of equity and cost of debt to the airport operator, for the Third Control Period. However, while such fixed/ assured return favours the service provider/airport operators, this also 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, we request AERA to consider:*

1) *In the present scenario any assured return on investment to any service providers like GIAL, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation*

*of worldwide run-away inflation coupled with rising and historic interest rates.*

2) *consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and*

3) *to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage.*

4) *And, 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 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 case of certain major airport operators*

8.3.5 DIAL stated that –

1. *Cost of Equity: AERA considered cost of equity of Guwahati International Airport Limited (GIAL) 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.*

   *We suggest the Authority to conduct a specific study for Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passenger etc. instead of considering average of other airports. This will ensure that the cost of equity is calculated for each airport in a scientific and objective manner.*

2. *Cost of Debt: AERA considered cost of debt of Guwahati International Airport Limited (GIAL) as average of cost of debt 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 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.*

   *Cost of Debt is decided by the banks/financial institutions based on a variety of factors, including, the risk profile of the project, MCLR or other benchmarking rate, prevailing repo rate, credit ratings, nature of debt (RTL, ECB, NCD, etc.), security structure offered, covenant package and accordingly AERA's reliance on Cost of Debt of other PPP airports cannot be a benchmark for the Cost of Debt of the Airport.*

   *Hence we request AERA to consider the cost of debt at actuals.*

8.3.6 IATA submitted that –

*The Airport Operator has proposed a FROR of 14.76%, and although we appreciate the Authority reducing it to 12.21%, we believe that this is still on the higher side and does not reflect the business risk assumed by the airport operator, given the true-up approach adopted by AERA.*

8.3.7 APAO stated that –

1. *Cost of Debt*

*Guwahati International Airport Limited (GIAL) has taken debt from group company Adani Airport Holdings Limited (AAHL) which in turn has availed borrowing from global institutions. Debt was availed by holding company AAHL at rate of 12 % which is market driven rate as per risk perceived by investors of airport business of Adani Group. It is an innovative and cost-efficient measure to take* *consolidated debt at holding company level instead of obtaining debt at single Airport level which will be costly and lack economies of scale.*

*The authority has proposed cost of borrowing to be considered at 9% p.a. being the average of other five PPP airports viz. DIAL, MIAL, GHIAL, BIAL and CIAL. This approach is erroneous and penalizing for Guwahati Airport and same will result in GIAL generating returns below its cost of capital and loss-making proposition, which is not the intent of AERA guidelines, NCAP and against vision of GOI to encourage the private investments in the airport sector.*

*We request Authority to consider 12% as cost of debt for the third control period and true up of the same in the subsequent control period.*

*2. Cost of Equity*

*In this regard it may be pertinent to mention that to attract investors in the airport development it is essential to accord an optimal rate of return for equity investments. The Ministry of Civil Aviation had appointed SBI-CAPS to conduct a study in order to arrive at an optimal rate of return on equity to cover the risks of an investor. The results of the study indicated that the rate of return for the airport operator considering all risks should be in the range of 18.5 % to 20.5 %. However, the Authority considered return on equity at 15.18% for GIAL based on average of cost of equity allowed by AERA for 5 PPP airports which is far less than the assessment done by the Ministry through SBICAPS. Therefore, it is suggested that the airport operators be accorded adequate return, in this regard Authority should allow the Return on Equity requested by the respective airport operators of 17.30% which is lesser than the assessment of SBI CAPS. Further, IIM B while evaluating beta for return on equity for PPP airports has majorly considered developed countries. In order to arrive at a true reflection of risk the Authority should have used beta of developing countries similar to India.*

## 8.4 GIAL's responses to Stakeholders' comments regarding FRoR for the Third Control Period

8.4.1 GIAL's response to the various Stakeholders' comments with respect to FRoR for the Third Control Period is presented below.

8.4.2 With respect to FIA 's and IATA's comments, GIAL stated that –

*As per AERA methodology, return on RAB is one of the important building blocks for tariff determination. As claimed by FIA, this is not fixed or an assured return. As per AERA guidelines, the Authority must determine the Fair Rate of Return (FRoR) for a Control Period as its estimate of the weighted average cost of capital for an Airport Operator. Any business is viable only if it generates an adequate return equivalent to its cost of capital as it helps to repay its obligations and give returns to shareholders commensurate to the risks involved in the project.*

*As per AERA guidelines, FRoR has to be computed using cost of equity which is to be determined using the CAPM method and cost of debt as per actuals for airport operator. FRoR has no linkage with fixed deposit rates. Linking it to the rate of interest on FD is devoid of any merits.*

*With respect to the issue of independent study, we would like to state that GIAL had the Cost of Equity of 17.30% which is derived based on an independent study for Lucknow airport. We request the Authority to use the same for calculation of FRoR.*

8.4.3 With respect to DIAL 's and APAO's comments on CoE and Cost of Debt, GIAL has stated that,

*Airport Operators (such as DIAL, AAI), Industry Bodies (APAO) and Other Stakeholders (HPCPL) have supported GIAL's submissions and comments on certain key matters relating to estimation of Tariff and various Regulatory Principles etc.*

*GIAL has also submitted its detailed explanations and justifications on all the above matters as part of* *its response to the Consultation Paper. GIAL requests the Authority to consider the well-reasoned comments provided by GIAL which are duly supported by the aforementioned stakeholders.*

## 8.5 Authority's analysis of Stakeholders' comments on FRoR for the Third Control Period

8.5.1 The Authority has carefully examined the comments of AO and the methodology of computation of Cost of Equity as employed by GIAL's consultant. The Authority's analysis is as below:

The Authority notes that the Cost of Equity for the purpose of determination of FRoR has to be fairly consistent in case of PPP airports across India as the factors considered by the Independent Study in CAPM formula such as Risk Free Rate, Market premium are in Indian context and do not vary significantly among the Airports as these are operated under similar environment. Further, the averaging out exercise normalises the risk factors across Airports in Cost of Equity computation. The Authority also believes that the Cost of Equity 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 on RAB. Determination of Cost of Equity of GIAL as an individual entity, based on its intrinsic traffic and financial factors does not adequately justify the financial and operational strength and reputation of Adani Enterprises Limited, which is its ultimate shareholding entity. In this regard, GIAL is comparable to the owners of other PPP airports which have been used as reference point for computation of Cost of Equity for GIAL.

The Authority expects AO to bring in necessary efficiencies in the operational and financial management of the concerned airport, in line with the other PPP airports.

The Authority is of the view that the studies sponsored by the respective Airport Operators, including the one by GIAL, always have an inherent conflict of interest. Thus, these studies have to be undertaken by an independent and reputed agency. In this context, the December 2020 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 incontrovertible.

The Authority also notes that the Stakeholders including FIA has commented that lower return should be provided to GIAL.

While the Authority has noted the various risks listed out by the Airport Operator, the Authority does not agree with this submission of the AO. It is also to be noted that 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:

- India has a robust regulatory environment wherein the tariff determination methodology incorporates adequate return on airport operator's fixed assets investment, as well as O&M expenses and other building blocks in setting tariff.
- The tariff determination mechanism also ensures the true up of the building blocks on actual basis subject to efficiency and reasonableness in the tariff determination process.
- There is a well-documented, stable and 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 issued from time to time.
- The Government of India, through the Ministry of Civil Aviation and various regulatory bodies, provides adequate support and guidance on all operational, safety, connectivity and stakeholder related matters.
- Similarly, the relevant State Governments help the AO by the way of allotment of land free of cost or on concessional rates in many of the cases and take responsibility for road or other modes 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 to influence the computation of components of FRoR. It would also not be prudent to prejudge future risk probabilities arising from competitive dynamics, and to incorporate these into the FRoR computation.

Further, the Authority notes that other stakeholders such as FIA have commented on the need to reduce the Fair Rate of Return, as detailed below:

*In the present scenario any assured return on investment to any service providers like GIAL, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*

*Consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business;*

The Authority has not adopted 'one size fits all' approach as alleged by GIAL. Instead, it has considered submissions of the stakeholder, independent studies, reference to date available and other relevant factors as deemed fit in arriving at the decision. The Authority would also like to point out that a standard, consistent and coherent approach of the Authority would bring transparency, efficiency, and certainty in the process of tariff determination. Power is vested upon the Authority to determine different tariff structures for different airports with regard to any of the considerations specified at sub-clauses (i) to (viii) of Section 13(1) (a) of the AERA Act. Thus, the Authority has discretion to either apply similar tariff structure or different ones for airports, provided it acts within the mandate of Section 13(1) (a).

The Authority notes that since there are no listed airports in India, the Authority, while getting the study conducted through an Independent Consultant, has looked at nearby airports and determined the applicable Cost of Equity for the airport.

The Authority also notes that GIA is an established brownfield airport and has a consistent traffic growth. This provides for a greater base for recovery of investment made by the airport operator. Hence, there is no risk for the AO in this regard.

In view of the above, the Authority does not see any reason to revise the Cost of Equity determined for GIAL.

Hence, the Authority decides CoE as 15.18% p.a. as determined by it at the consultation stage. The rate is being adopted by AERA across all airports in India.

8.5.2 The Authority has noted the comments of GIAL regarding the Cost of Debt and has the following views.

- The cost of debt for airport operators forms a vital part of the Return on Capital Employed / Fair Rate of Return provided to the airport operators on the investment towards creation of the capital assets w.r.t. the airport project. It is imperative that the cost of debt that is considered in the calculation of WACC is reflective of the current cost of debt that the airport operator incurs towards debt financing the airport infrastructure.

- Cost of debt financing in the Indian / International context is usually linked to the External Credit Rating of the Airport Operator/ Project SPV. Any cost of debt actually incurred has to be efficient. Usually Banks/ FIs mark a spread over and above their benchmark lending rate (usually published as Marginal Cost of Lending Rate i.e. MCLRs) as the interest rate for funding specific projects.

This spread is linked to the ECR of the Borrower, which in this case is the airport operator. AERA has followed a similar assessment to arrive at the cost of debt to be provided to the airport operator.

- Debt must be a senior secured debt raised from financial institutions/ banks private /public or foreign at an arm's length basis. There could be instances wherein the debt raised is subordinated to senior debt and would hence incur a higher cost and thereby be deemed inefficient. Such inefficient cost may not be the right indicator of the actual cost of debt and hence appropriate adjustment has to be carried out while allowing such cost in the tariff determination process.
- There have also been instances wherein senior secured debt have been advanced by promoter/ promoter entities in which case the arm's length criteria could be questioned. It is pertinent to note that similar to the above case such costs also could not be deemed to be efficient and hence adequate adjustments are to be carried out to ensure that the costs considered are reflective of the efficient cost. AERA doesn't encourage related party transactions and insists on transparency and arm's length criteria in the interest of the public.
- Airport Operators currently in the country, barring a few exceptions have managed to retain an ECR of A and above. In some cases where the airport is yet to establish a steady stream of positive cash flows on account of the emerging nature of operations, the debt servicing is backed by the strength of the promoter entities which is also factored by the ECR rating agencies. As a result, considering the prevalent MCLRs which are in the range of 8.45%- 8.55%, an interest rate of 9% is usually considered as the cost of debt for these airport operators. However, given the expected softening of rates globally, and the impetus to promote economic growth as inflations fears have slowed down, the MCLRs are expected to gradually reduce over the next 2-3 years bringing down the cost of borrowing further. AERA wants Airport Operators to improve ECR by bringing in efficiency and transparency which in turn will reduce MCLRs.
- Arriving at the cost of debt through assessment of the debt raising capacity of the airport operator rather than providing the actual cost of debt as submitted by the airport operator would benefit the airport stakeholders in the long run. The Airport operators would strive to be more efficient in their fund-raising endeavors rather than taking comfort from the true up option available to them considering the actual cost of debt.
- AERA has already been following a similar exercise while determing the leverage ratios wherein a D:E ratio of 48:52 has been considered rather than the actual debt: equity (D:E) ratio which is typically in the range of 80:20 for most of the airport operators. Considering an efficient cost of debt rather than the actual cost of debt will be consistent with the stand taken for the leverage ratios used to calculate the FROR, which is beneficial for the AO.
- The Authority reiterates that GIAL 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.
- The Authority notes that for other PPP Airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL, the average Cost of Debt works out to 8.95%. The Authority has considered a reasonable cost of borrowing of 9%, above the prevailing lending rate of banks. It would not be possible to comment on the future trends of interest rate movements at this time.
- Further, it may also be noted that as the traffic growth and the associated revenue from Aeronautical and Non-aeronautical services 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 GIAL 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.

- The Authority notes that actual Cost of Debt allowed by the Authority in BIAL, DIAL and MIAL respectively in the TCP is 7.85%, 9.87% and 10.30%. This is considerably less than the 12% quoted by GIAL.
- The Authority also notes that GIAL has availed borrowing from Adani Airport Holdings Limited (AAHL), one of its promoter companies, in the form of redeemable Non-Convertible Debentures (NCD) and Inter Corporate Deposits. Considering that this transaction is a Related Party Transaction and that the rate of interest is not in line with the industry standards, the Authority has decided not to consider the same as benchmark interest rate on such borrowings.
- The credit rating for AAHL is A+ as per CRISIL while that for other PPP airports BIAL, DIAL, MIAL and GHAIL are AA+, AA-, AA- and AA+ respectively. GIAL/AAHL should ensure that it improves the credit rating so as to avail loans at lower interest rates.
- Also, the Authority notes that other comparable Indian companies are able to obtain debt at lower rates of interest as can be seen the below analysis.

  As per the Debenture issued from FY22 to FY25 (till 3rd May'24) (BSE), the weighted average yield is as given below:

| Scenario | Wt. Average (%) | |
|---|---|---|
| | A+ | AA- & AA+ |
| All cases | 10.56 | 9.10 |
| All excl. Maturity period less than 5 years | 9.95 | 9.29 |
| Maturity Period between 5-10 years | 9.95 | 9.33 |

As can be seen above, the weighted average yield is 9.95% for A+ rating debentures and 9.33% for AA– and AA+ rating debentures.

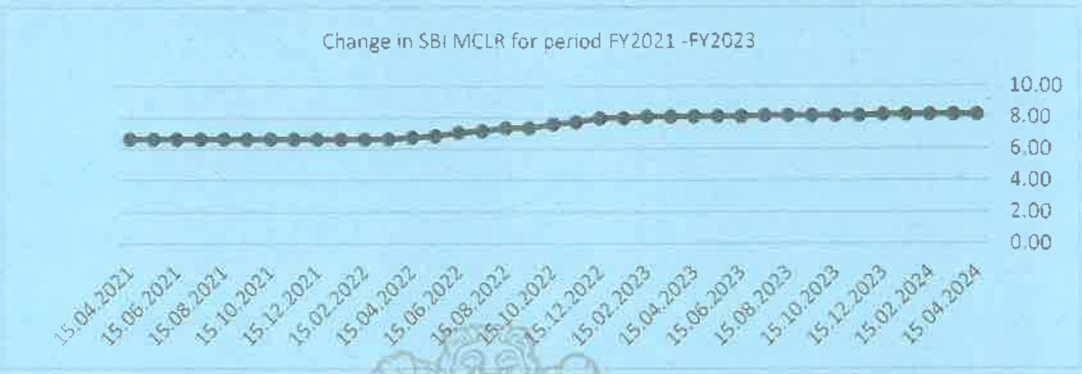
Similarly, on comparing the corporate bond transactions (BSE) in FY 2023-24, the following weighted average yield was obtained:

| Cases | Wt. Average | |
|---|---|---|
| | A+ | AA- & AA+ |
| All cases | 9.80 | 9.01 |
| All excl. Maturity period less than 5 years | 9.46 | 8.27 |
| Maturity Period between 5-10 years | 9.46 | 8.52 |

As can be seen above, the weighted average yield is 9.46% for A+ rating debentures and 8.52% for AA– and AA+ rating debentures.

It is also worthwhile to note that the above market data includes companies who don't have any certainty in their revenue unlike an Airport Operator whose revenue is guaranteed by the regulator. Despite this higher risk, their rates are only between 8%-10% unlike the 12% requested by GIAL.

- The Authority has also reviewed the SBI MCLR rates during the period from FY2021-22 to FY2023-24 and notes that these rates are closer to the cost of debt considered by the Authority than the 12% rate proposed by GIAL. The same can be seen in the figure below.




- Considering that other entites as per the above analysis are obtaining borrowings at better rates in the Indian Market, GIAL should make use of this opportunity to avail loans in India than as Foreign Debts where additional spreads mandated by RBI increase the effective interest rate.

  The Authority further notes that other stakeholders have commented on the cost of debt required to be considered lower. The Authority also notes that the loan taken by GIAL is for a short period of 3 years.

  The Authority expects GIAL to exercise its best endeavour 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.

- Further, it is important to note that the Authority has considered normative gearing while calculation of WACC i.e. 48% towards debt. Since, the gearing is normative the cost of debt also needs to be efficient at which industry is able to raise the debt.

In view of the above, the Authority does not see any reason to deviate from its stand as proposed at the Consultation stage on the Cost of Debt determined for GIAL.

8.5.3 The Authority has examined the comments of FIA and has the following views:

With respect to FIA's suggestions to limit the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport infrastructure is a capital-intensive business and require investment with a long-term perspective wherein investors desire a stable return on equity. Further, the Authority would like to emphasize that a pre-determined return on investments is part of the regulated business such as Airports.

Regarding FIA's comment which states that, *"In the present scenario any assured return on investment to any services providers like GIAL in excess of five (5) %..."*, the Authority is of the view that the Airport is a long-term asset whereas the cause of the current economic situation is a short-term phenomenon and will likely not have a long-term impact. The FRoR is computed based on the mix of Cost of Equity and Cost of Debt. Further, the Authority is of the view that it is not pragmatic or fair to cap the FRoR and compare it with bank deposit rates. Bank deposit rates and commercial lending rates are two different things altogether. Similarly, AERA on the other hand, does not agree with the high return on equity claimed by the Airport Operators. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.

The Authority has noted FIA's comments on conducting an independent study for determination of FRoR for the AO and notes that the Authority had commissioned independent studies for the evaluation of Cost of Equity separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and had used the study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of GIAL for the Third Control Period; and the same is being followed across all other airports.

With respect to GIAL's response on Cost of Equity and Cost of Debt, the Authority's views as per para 8.5.1 and 8.5.2 may be referred.

8.5.4 Regarding DIAL's, APAO's and GIAL's counter-comments, the Authority's views as per para 8.5.1 and 8.5.2 may be referred. With regard to IATA's comments, Authority's view at para 8.5.3 may be referred.

8.5.5 Based on the above facts, the Authority decides to consider the Fair Rate of Return consistent with its proposal made in this regard in the Consultation Paper No. 01/2024-25. The Fair Rate of Return considered by the Authority for the Third Control Period is as given in Table 137.

## 8.6 Authority's decisions regarding FRoR for the Third Control Period

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

8.6.1 To consider the Cost of equity at 15.18%.

8.6.2 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.

8.6.3 To consider cost of debt of 9% for the Third Control Period.

8.6.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

# 9 INFLATION FOR THE THIRD CONTROL PERIOD

## 9.1 GIAL's submission regarding Inflation for the Third Control Period

9.1.1 GIAL had submitted inflation as 5% from FY23-24 onwards every year, while projecting capital expenditure and operating expenditure for LGBIA for the Third Control Period.

9.1.2 The inflation rate had been submitted by GIAL based WPI inflation forecasts as summarized in the table below:

**Table 138: WPI inflation rate submitted by GIAL**

| Financial Year | WPI All Commodities | Source |
|---|---|---|
| FY23-24 onwards | Mean as 5% | RBI Forecaster Survey 79th round dated 07th Dec 2022 |

## 9.2 Authority's examination regarding Inflation for the Third Control Period

9.2.1 The Authority had examined the submission made by GIAL on inflation to be considered for the Third Control Period.

9.2.2 The Authority proposed to consider mean of WPI inflation forecasts (All Commodities) for FY 2023-24, FY2024-25 and FY 2025-26 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 87" released on April 5, 2024, by the Reserve Bank of India (RBI). An extract of the results is reproduced below:

**Table 139: WPI inflation rates as per RBI's annual forecast**

| Financial Year | WPI All Commodities | Source |
|---|---|---|
| FY22-23 (Cumulative YoY) | 9.42% | Index Numbers of Wholesale Price in India for the Month of March, 2023 (Base Year: 2011-12) published by Ministry of Commerce & Industry |
| FY23-24 | Mean as -0.7% | RBI Forecaster Survey 87th round dated April 5, 2024 |
| FY24-25 | Mean as 3.1% | |
| FY25-26 | Mean as 3.7% | |

9.2.3 The Authority had considered the inflation rate of FY 2025-26 for the subsequent tariff year of the Third Control Period. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period.

**Table 140: Inflation rates proposed by the Authority for Third Control Period at Consultation stage**

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| WPI inflation | 9.42% | -0.7% | 3.1% | 3.7% | 3.7% |

## 9.3 Stakeholders' comments on Inflation for the Third Control Period

9.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to inflation for the Third Control Period. The comments by Stakeholders are presented below.

**GIAL's comments on Inflation for the Third Control Period:**

9.3.2 *In respect to inflation considered by the Authority, we would like to submit as follows:*

*Inflation considered for FY 2023-24 is negative 0.70%, which is abnormally low. To avoid repetition reference is invited to comments at 3.2.2 above* (refer para 7.7.3 of this Tariff Order) *relating to averaging inflation during the abnormal period.*

*Also, in view of long-term strategy, GIAL has tied up with various vendors with an annual increase in cost ranging from 4% to 5%. Considering 2 main contracts (1. Technical Package (R&M) and 2. Non-Technical package (Housekeeping)) awarded to vendors include a clause of 4% Y-o-y increase. As the main cost element for contractors is the salaries & wages to be paid to their employees, this was the minimum that they expect as an annual increase at the end of various rounds of negotiations. AERA has proposed a 6% growth in Employee cost which is subject to comment raised in this document.*

*In case any inflation cost is considered below 5% would mean that the Airport Operator would be at loss in recovering the genuine and legitimate cost of O&M expenses.*

*Hence, we request the Authority to consider at least 5% inflation cost for FY 2024-25 and onwards.*

**Other Stakeholders' comments on Inflation for the Third Control Period:**

9.3.3 FIA stated that – *"FIA submits that as per report published by Ministry of Finance dated 8th December 2023, the WPI inflation rate is 5.39%. However, we have noted that the proposed inflation rate by AERA is 3.7 %. This proposed rate aligns closely with the current economic conditions and reflects a prudent approach towards the tariff adjustments."*

**9.4 GIAL's responses to Stakeholders' comments regarding Inflation for the Third Control Period**

9.4.1 With respect to FIA's comment, GIAL stated that – *"Please refer point 5.1* (refer para 9.3.2 of the Tariff Order) *and 3.2.2* (refer para 7.7.3 of the Tariff Order) *of GIAL comments to CP submitted to the Authority on 6th July 2024."*

**9.5 Authority's analysis of Stakeholders' comments on Inflation for the Third Control Period**

9.5.1 The Authority has reviewed the comments of FIA and GIAL's response on Inflation and is of the view that the practice of considering the mean of WPI inflation forecasts (All Commodities) as per the recent *"Results of the Survey of Professional Forecasters on Macroeconomic Indicators"* is uniformly followed by AERA across all airports.

The Authority for the issuance of this Tariff Order has considered the most recent inflation forecast issued by Reserve Bank of India (RBI) i.e., *"Results of the Survey of Professional Forecasters on Macroeconomic Indicators - Round 89th*" dated 8th August '24. Inflation rate for FY 2027 has been considered same as of FY 2026.

Based on the above, the Authority has decided to consider inflation rates for the Third Control Period as shown in the table below.

**Table 141: Inflation rates decided by the Authority for Third Control Period**

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| WPI inflation | 9.42% | -0.7% | 3.0% | 3.2% | 3.2% |

**9.6 Authority's decisions relating to inflation for the Third Control Period**

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

9.6.1 To consider WPI inflation as per Table 141.

# 10 OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE THIRD CONTROL PERIOD

## 10.1 GIAL's submission regarding Operation and Maintenance (O&M) Expenses for the Third Control Period

10.1.1 GIAL in its MYTP submission had stated that the Aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period had been estimated based on the following assumptions:

- **Expansion of LGBIA**: GIAL is constructing a New Integrated Terminal Building (NITB) as obligated under Concession Agreement and is proposed to be commissioned by FY 2024-25. After commissioning of NITB, operations from the existing Terminal 1 will be shifted to NITB. Year wise increase in operational terminal area is tabled below.

**Table 142: Details of increase in the Terminal Building area projected by GIAL**

| Financial Year | T1 (sq. m.) | NITB (sq. m.) | Total (sq. m.) | YoY % increase in area |
|---|---|---|---|---|
| FY'23 | 20,300 | | 20,300 | |
| FY'24 | 20,300 | | 20,300 | 0% |
| FY'25 | 20,300 | | 20,300 | 0%* |
| FY'26 | | 1,46,300 | 1,46,300 | 621% |
| FY'27 | | 1,46,300 | 1,46,300 | 0% |

*NITB shall be operational from Feb'25 onwards. Hence for projection of expenses, area increase had been assumed from FY25-26 onwards

Considering the expansion of the Terminal Building area, as shown in the above table, GIAL had projected proportionate increase in various expenses such as Utilities, IT expenses, Rates & Taxes, Security and Other Operating expenses.

- **Inflation:** GIAL had considered inflationary increase based on 79th Round of RBI forecaster survey Dec-2022, towards all expenses for the Third Control Period.
- **Base Year:** FY 2022-23 had been considered as the base year and relevant growth percentages had been applied over the same to estimate expenses for other Financial Years.
- **Fuel Operating Expenses**: The operations of Fuel facility would be outsourced to a third-party vendor in FY 2023-24 on a 'Cost plus margin' basis, which would include employee cost, repairs and maintenance expenses and facility operating expenses. Annual inflation of 5% was considered in the O&M fee increase.
- **Cargo Operating Expenses**: Cargo expenses had been estimated for the Third Control Period based on the assumption of an interim cargo facility from FY2023-24 onwards and a new Integrated Cargo Terminal (ICT) facility by refurbishing / retrofitting the existing passenger Terminal-1 building from FY 2026-27. Further, Cargo expenses had been increased by 10% per annum for the Third Control Period.

10.1.2 GIAL had submitted the following categories of O&M expenses in its MYTP submission:

**Table 143: O&M expenses (category wise) claimed by GIAL for the Third Control Period**

| Type of O&M Expense | Expense Category |
|---|---|
| Aeronautical Operating Expenses | Manpower Expenses – AAI employees |
| | Manpower Expenses – GIAL employees |
| | Utility Expenses |
| | IT Expenses |

| Type of O&M Expense | Expense Category |
|---|---|
| | Rates and Taxes |
| | Security Expenses |
| | Corporate Allocation |
| | Administrative Expenses – Collection Charges on UDF |
| | Administrative Expenses - Others |
| | Insurance |
| | Repair and Maintenance Expenses |
| | Other Operating Expenses |
| | Independent Engineer Fee |
| | Amortisation of Runway recarpeting expenses |
| Fuel Operating Expenses | O&M Expenses |
| | Bowser Rental |
| Cargo Operating Expenses | GIAL Staff Salary |
| | O&M expenses |
| | Customs cost recovery |

10.1.3 The above expenses did not include Concession Fee, since it is not considered as part of Aeronautical O&M expenses, as per Clause 27.1.2 of the CA, which states that:

*"The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."*

10.1.4 GIAL had allocated all O&M expenses as Aeronautical.

**Table 144: Segregation of O&M expenses and basis of allocation as per GIAL's submission**

| Expense Category | Expense classification | Aeronautical |
|---|---|---|
| Manpower expenses – AAI employees | Aeronautical | 100 % |
| Manpower expenses – GIAL employees | Aeronautical | 100 % |
| Utility expenses | Aeronautical | 100 % |
| IT expenses | Aeronautical | 100 % |
| Security expenses | Aeronautical | 100 % |
| Corporate Allocation Cost | Aeronautical | 100 % |
| Administrative expenses | Aeronautical | 100 % |
| Insurance expenses | Aeronautical | 100 % |
| Rates and taxes | Aeronautical | 100 % |
| Repairs and Maintenance expenses | Aeronautical | 100 % |
| Other Operating expenses | Aeronautical | 100 % |
| Independent Engineer Fee | Aeronautical | 100 % |
| Runway recarpeting | Aeronautical | 100 % |
| Fuel Operating expenses | Aeronautical | 100 % |
| Cargo Operating expenses | Aeronautical | 100 % |

10.1.5 The total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by GIAL for the Third Control Period have been presented as follows:

**Table 145: Total Aeronautical Operation and Maintenance expenses submitted by GIAL**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **Aeronautical Operating Expenses** | | | | | | |

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Manpower expenses - AAI | 27.64 | 32.52 | 31.85 | 30.26 | 33.28 | **155.55** |
| Manpower expenses - GIAL | 9.57 | 14.38 | 28.52 | 44.92 | 53.07 | **150.46** |
| Utility expenses | 6.70 | 8.24 | 8.65 | 65.49 | 68.76 | **157.85** |
| IT expenses | 2.50 | 7.00 | 19.78 | 41.09 | 44.02 | **114.39** |
| Rates and Taxes | 0.31 | 0.75 | 0.79 | 5.71 | 6.00 | **13.56** |
| Security expenses | 3.75 | 6.00 | 6.11 | 9.97 | 12.02 | **37.86** |
| Corporate Allocation Cost | 12.89 | 15.00 | 42.39 | 45.65 | 48.91 | **164.85** |
| Administrative expenses (excluding Collection charges on UDF) | 0.98 | 1.64 | 1.67 | 1.89 | 2.27 | **8.45** |
| Administrative expenses – Others | 13.56 | 34.00 | 37.40 | 41.14 | 45.25 | **171.35** |
| Insurance | 2.31 | 2.89 | 6.68 | 9.03 | 9.52 | **30.43** |
| Repairs and Maintenance | 19.51 | 23.74 | 28.29 | 136.31 | 200.51 | **408.36** |
| Other Operating expenses | 13.43 | 22.00 | 23.10 | 167.63 | 176.02 | **402.18** |
| Independent Engineer Fees | 3.91 | 3.91 | 3.91 | 4.11 | 4.31 | **20.16** |
| Runway recarpeting | - | - | - | 22.61 | 26.47 | **49.08** |
| Financing Charges and Others | 2.52 | 47.81 | 10.87 | 16.24 | 18.50 | **95.94** |
| **Aeronautical Operating Expenses (A)** | **119.58** | **219.87** | **250.01** | **642.06** | **748.94** | **1,980.47** |
| **Fuel Operating Expenses** | | | | | | |
| O&M Expenses | - | 2.95 | 9.33 | 10.27 | 11.73 | **34.28** |
| Bowser Rental | - | 0.66 | 0.99 | - | - | **1.65** |
| **Fuel Operating Expenses (B)** | **-** | **3.61** | **10.32** | **10.27** | **11.73** | **35.93** |
| **Cargo Operating Expenses** | | | | | | |
| Insourced salary | - | 0.50 | 0.55 | 0.61 | 0.67 | **2.32** |
| O&M Expenses | - | 1.05 | 1.49 | 2.00 | 11.98 | **16.51** |
| Customs Cost Recovery | - | - | - | - | 1.80 | **1.80** |
| **Cargo Operating Expenses (C)** | - | 1.55 | 2.04 | 2.60 | 14.44 | **20.63** |
| **Total Aeronautical O&M Expenses (A+B+C)** | **119.58** | **225.03** | **262.36** | **654.93** | **775.11** | **2,037.03** |

10.1.6 The growth rates assumed by GIAL for total Aeronautical O&M expenses have been presented in the tables below:

**Table 146: Growth rates for Aeronautical O&M expenses submitted by GIAL for the Third Control Period**

| Particulars | Cost Driver Escalated | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|
| **Aeronautical Operating Expenses** | | | | | | |
| Manpower Expenses – AAI employees | Salary Cost | - | 10% | 10% | 10% | 10% |
| Manpower Expenses – GIAL employees | Salary Cost | - | 10% | 10% | 10% | 10% |
| Utility expenses (Power) | Per unit rate | - | 5.0% | 5.0% | 5.0% | 5.0% |
| IT expenses | Total Expense | - | 75.9% | 71.1% | 7.7% | 14.3% |
| Rates and Taxes | Total Expense | - | 35.3% | 182.6% | 7.7% | 7.1% |
| Security expenses | Total Expense | - | 29.5% | 1.8% | 13.2% | 20.5% |
| Corporate Allocation Cost | Total Expense | - | 35.3% | 182.6% | 7.7% | 7.1% |
| Administrative expenses (UDF) | | - | 29.5% | 1.8% | 13.2% | 20.5% |
| Administrative expenses (Others) | Total Expense | - | 10.0% | 10.0% | 10.0% | 10.0% |
| Insurance – on Opening Net | Total Expense | - | 10.0% | 10.0% | 10.0% | 10.0% |

| Particulars | Cost Driver Escalated | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|
| block of Assets | | | | | | |
| Repairs and Maintenance – on Opening Net block of Assets | Total Expense | - | 10.0% | 10.0% | 10.0% | 10.0% |
| Other Operating expenses | Total Expense | - | 5.0% | 5.0% | 5.0% | 5.0% |
| Independent Engineer Fees | | - | - | - | 5.0% | 5.0% |
| Fuel Operating Expenses | | | | | | |
| O&M Expenses | Total Expense | - | - | 5% | 5% | 5% |
| Bowser Rental | Total Expense | - | - | - | - | - |
| Cargo Operating Expenses | | | | | | |
| Insourced salary | Total Expense | - | - | 10% | 10% | 10% |
| O&M Expenses | Total Expense | - | - | 10% | 10% | 10% |
| Customs Cost Recovery | Total Expense | - | - | 10% | 10% | 10% |

**Table 147: One-time Escalation rates for Aeronautical O&M expenses submitted by GIAL for the Third Control Period**

| Particulars | Cost Driver Escalated | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|
| Electricity Charges | Billable Units | - | - | - | 621 % | - |
| Rates & taxes | Total Expense | - | - | - | 621 % | - |
| IT Expenses | Total Expenses | - | - | - | 100% | - |
| Security expenses | Total Expense | - | - | - | 50 % | - |
| Other Operating Expenses | Total Expense | - | - | - | 621% | - |

It can be seen from Table 147 above, that GIAL had claimed one-time escalation rates in Utilities, Rates and Taxes, IT Expenses, Security expenses and Other Operating expenses in FY 2025-26 based on projected increase in the area of Terminal Building (i.e., NITB commissioning).

10.1.7 GIAL while estimating runway recarpeting amortization had also considered carrying cost on the unamortized balance of the expense incurred on re-carpeting of runways at the rate of FRoR i.e. 14.76%.

### 10.2 Authority's examination regarding Operation and Maintenance (O&M) Expenses for the Third Control Period

10.2.1 The Authority had examined the Operation and Maintenance expenses based on the following parameters:

A. Consideration of actual expenses for FY 2022-23 and FY2023-24, and revision in growth rates of various expenses
B. Re-allocation of the expenses into aeronautical, non-aeronautical and common.
C. Rationalization of Employee Head Count

10.2.2 GIAL, in their submission proposed 100% of the operating expenses as Aeronautical. The tariff methodology adopted by the Authority, segregates O&M expenses into Aeronautical, Non-Aeronautical and Common considering the nature and purpose of the services for which these expenses are incurred. However, in the absence of any specific information regarding segregation of expenses, due clarifications were sought from GIAL regarding calculation of various allocation ratios such as terminal area. GIAL had maintained that as per the AERA guidelines, airside assets are to be considered as Aeronautical and the Terminal Building is to be considered as Aeronautical as per the AERA Act. The Authority had proposed that if GIAL so desires, they may adopt Single Till methodology wherein all assets and operating expenses are considered as Aeronautical.

10.2.3 The Authority also noted that LGBIA is a brownfield airport and was established in 1958. The Authority had accordingly considered rationalization of costs in certain categories considering that these were operated at optimal level of costs by AAI earlier.

**Manpower Expenses of AAI employees**

10.2.4 GIAL had considered the Manpower Expenses of AAI employees as 100% aeronautical, as this expense is considered as pass through in the determination of Aeronautical charges, as per Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as under:

- Clause 6.5.1. states that:

  *(i) **"Select Employees"** shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI.*

  *(ii) **"Joint Management Period"** shall mean the period commencing from the COD and ending on the date which is I (one) calendar year after the COD.*

  *(iii) **"Deemed Deputation Period"** shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom."*

- Clause 6.5.4 states that:

  *"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."*

- Clause 6.5.10 states that:

  *"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the ·'Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").*

  *(ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."*

- Clause 28.4.3. states that:

  *"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."*

10.2.5 The Authority, on review of the above clauses of the CA, proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposed to apportion the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' to Aeronautical activities based on the Employee Headcount Ratio of AAI employees as of March 2024 (refer Table 155).

10.2.6 With respect to the Manpower Expenses of AAI employees relating to 'Deficit Employees' after the expiry of the Deemed Deputation Period (expires in October 2024), the Authority proposed to consider these expenses as 100% pass through as mandated by Clause 6.5.10. of the CA.

**Manpower Expenses of employees of GIAL**

10.2.7 GIAL had allocated the Manpower Expenses of GIAL employees as 100% Aeronautical. The Authority observed that since total manpower strength includes staff which also provides non-aeronautical services, the aeronautical Employee Headcount of GIAL needed to be suitably derived for appropriate allocation of costs. The Aeronautical Headcount and Employee Headcount Ratio (ECHR) for each tariff year, as well as 5-year average of such ECHR for the entire Third Control Period has been provided in Table 155.

**Utility Expenses**

10.2.8 GIAL had segregated the expenses towards Utilities after netting off the recoveries proposed to be made from the Concessionaires for Non-aeronautical activities and had considered the net Utilities expenses as 100% Aeronautical. The Authority found this allocation to be in line with that followed in other similar airports and proposed to consider the same.

**IT expenses and Insurance expenses**

10.2.9 GIAL in its MYTP submission had considered the expenses towards IT expenses as 100% Aeronautical. The Authority, however, proposed to apportion the IT expenses in the Terminal Building ratio of 90:10 as prescribed in para 7.3.14 considering the utility and nature of IT services being provided at the Airport which was also in line with the allocation considered for other similar airports.

10.2.10 GIAL had considered the Insurance expenses as 100% Aeronautical. However, the Authority proposed to consider the Insurance expenses as Common on the basis that these expenses encompass all assets including Non-Aeronautical assets. The Authority, thus proposed to apportion as per the Gross Fixed Asset Ratio i.e., 95.39:4.61 as proposed by the *Study on Efficient Operation and Maintenance Expenses of LGBIA*, and also considered for other similar airports.

**Security Expenses**

10.2.11 The Authority observed that GIAL had considered the expenses towards Security as 100% Aeronautical. The Authority, however proposed to consider the Gross Fixed Asset Ratio i.e., 95.39:4.61, as prescribed by the *Study on Efficient Operation and Maintenance Expenses of LGBIA*, for allocating Security expenses.

**Administrative Expenses**

10.2.12 The Authority observed that GIAL had considered Administrative expenses including expenses towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & stationery etc. as 100% Aeronautical. The Authority apportioned the Administrative Expenses in Gross Fixed Asset Ratio i.e., 95.39:4.61, as proposed by the *Study on Efficient Operation and Maintenance Expenses of LGBIA* undertaken for Second Control Period.

10.2.13 The Authority observed that GIAL has considered Collection charges on UDF as 100% Aeronautical on the basis that these charges have been paid towards collection of aeronautical revenue and accordingly the Authority had considered the same as Aeronautical which is in line with the approach adopted for other airports.

**Corporate Cost Allocation**

10.2.14 GIAL had considered expenses towards Corporate Allocation Cost as 100% Aeronautical in its MYTP submission. GIAL had engaged an Independent Consultant for conducting a Study on allocation of Corporate Costs of both AEL and AAHL. GIAL had further shared a Note on the Study report which provided the types of services / costs that have to be allocated to GIAL, along with the basis of allocation of such costs. As per the details shared by GIAL, the corporate costs had been allocated based on applicable costs or revenue drivers such as Ratio of Number of Employees of a SPV to Total Adani Group Employees, Ratio of Per Pax Revenue of SPV to total Per Pax Revenue, Ratio of Debt raised for a SPV to total Debt raised for Airport Group, Ratio of Turnover of a SPV to Total Group Turnover etc. GIAL had further shared details of the total corporate cost allocated to each airport, which is 5.43% for FY23, as apportioned to GIAL.

GIAL had derived the allocable corporate expense based on the aforementioned study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities had not been provided in the Study report. In the absence of an appropriate basis, the Authority allocated the cost in the ratio of revised Total Employee Headcount Ratio i.e., Employee Head Count of both AAI and GIAL for each tariff year as is shown in Table 155.

**Expenses towards Repairs & Maintenance, Rates & Taxes and Other operating expenses**

10.2.15 The Authority observed that GIAL in its MYTP submission had considered expenses towards Repairs and Maintenance as 100% Aeronautical. The Authority had treated R&M expenses as Common expense, since it pertained to assets providing Aeronautical and Non-Aeronautical services. The Authority thus proposed to apportion these expenses as per the Terminal Building Ratio i.e., 90:10.

10.2.16 The Authority observed that GIAL had considered expenses towards Rates and Taxes as 100% Aeronautical. The Authority treated the same as Common expense and apportioned it as per the Gross Fixed Asset Ratio i.e., 95.39:4.61.

10.2.17 The Authority observed that GIAL had considered expenses towards Other Operating expenses as 100% Aeronautical. The Authority considered treating such expenses as Common expense and proposed to allocate as per the Terminal Building ratio of 90:10.

10.2.18 The Authority observed that GIAL had considered expenses towards Independent Engineer Fees as 100% Aeronautical. In accordance with the CA, GIAL has to appoint an Independent Engineer. As per Clause 24.3.1, the cost associated with such Independent Engineer shall be considered as pass-through for determination of Aeronautical Charges by the Regulator. Relevant extract of the CA has been reproduced below:

*Clause 24.3.1.*

*The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.*

Considering the concession provisions quoted above, IE expenses had been considered as 100% Aeronautical by the Authority.

**Amortization of runway recarpeting expenses, Fuel and Cargo Operating expenses**

10.2.19 GIAL had considered the expense towards Amortization of runway recarpeting, Fuel and Cargo Operating expenses as 100% Aeronautical. The Authority found the classification of the aforementioned expenses to be reasonable and proposed to consider the same. Further, the Authority noted that the classification of Fuel and Cargo expenses as 100% Aeronautical is as per Section 2(a) of the AERA Act 2008.

10.2.20 The Authority's proposal for allocation of Total Aeronautical O&M expenses of LGBIA as compared to that submitted by GIAL has been summarized in the table below:

**Table 148: Allocation of O&M expenses submitted by GIAL and proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | O&M expense allocation as per | | Allocation ratio proposed by the Authority |
|---|---|---|---|
| | GIAL's Submission | The Authority's Proposal | |
| Manpower Expenses – AAI employees (up to Deemed Deputation Period) | 100.00% | 99.12% | Employee Headcount ratio of AAI employees |
| Manpower Expenses – AAI employees (Deficit Employee Cost) | 100.00% | 100.00% | Aeronautical |
| Manpower Expenses – GIAL employees | 100.00% | 96.01% | Employee Headcount ratio of GIAL's employees |
| Utility expenses | 100.00% | 100.00% | Aeronautical |
| IT expenses | 100.00% | 90.00% | Terminal Building ratio |
| Rates and Taxes | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Security expenses | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Security Others | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Corporate Allocation Cost | 100.00% | 97.29% | Total Employee Headcount ratio |
| Administrative Expenses – Others | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Administrative Expenses – Collection Charges on UDF | 100.00% | 100.00% | Aeronautical |
| Insurance | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Repairs and Maintenance | 100.00% | 95.39% | Gross Fixed Asset ratio |
| Other Operating expenses | 100.00% | 90.00% | Terminal Building ratio |
| Independent Engineer Fee | 100.00% | 100.00% | Aeronautical |
| Amortization of Runway recarpeting expenses | 100.00% | 100.00% | Aeronautical |
| Fuel Operating Expenses | 100.00% | 100.00% | Aeronautical |
| Cargo Operating Expenses | 100.00% | 100.00% | Aeronautical |

**One time escalation claimed by GIAL**

10.2.21 One-time escalation claimed by GIAL for various Operating expenses in FY 2025-26 was analyzed by the Authority. In this regard, the Authority considered Capitalization schedule proposed by it (refer Table 110), in which commissioning of NITB had been considered during the Third Control Period. Accordingly, the Authority proposed to consider proportionate increase for determining the one-time escalation in the expenses for the current Control Period. Further, the Authority noted that the escalation in operating expenses such as Utilities, Housekeeping and Upkeep expenses, Horticulture expenses and Outsourced manpower / Hiring expenses may not be directly proportional to the increase in the Terminal Building area due to technological innovation, advancements, and economies of scale. Hence the Authority proposed to consider 2/3rd (i.e. 66.67%) of the increase in total terminal area (2/3* 621%) for one-time escalation of expenses related to Terminal Building. The details of escalation rates submitted by GIAL and that proposed by the Authority are shown in the table below:

**Table 149: One-time escalation claimed by GIAL and Increase % Proposed by the Authority at Consultation stage**

| Type of Expense | Increase % Claimed by GIAL | Increase % proposed by the Authority |
|---|---|---|
| Electricity Charges | FY2025-26: 621 % (NITB commissioning) | FY 2025-26: One-time 414%* (Terminal Area increase) |
| Rates & taxes | FY2025-26: 621 % (NITB commissioning) | FY 2025-26: One-time 414%* (Terminal Area increase) |
| IT Expenses | FY2025-26: 100 % (NITB commissioning) | FY 2025-26: One-time 100% (Terminal Area increase) |
| Security expenses | FY2025-26: 50 % (NITB commissioning) | FY 2025-26: One-time 50% (Terminal Area increase) |
| Other Operating Expenses | FY2025-26: 621 % (NITB commissioning) | FY 2025-26: One-time 414%* (Terminal Area increase) |

*Refer Table 142 (2/3* 621%)

The Authority had evaluated the submission made by GIAL relating to various operational expenses and their growth over the Third Control Period and the analysis of such expenses is elaborated below:

<u>Manpower Expenses</u>

10.2.22 The Authority, on its examination of GIAL's submission towards Manpower expenses, observes the following:

i. **Manpower Expenses of AAI employees** - GIAL had projected the expense towards specified number of AAI employees across all the five (5) tariff years in the Third Control Period as per clause 6.5.1 of the Concession Agreement entered into between AAI and GIAL, the extract of which has already been provided under paragraph 10.2.4.

a. GIAL had claimed Manpower Expenses for 'Select employees' till the end of Deemed Deputation Period (refer table below for the department wise list) and also 'Deficit Employee Cost' for 104 employees (calculated at 60% of 'Select employee' number as stated in Clause 6.5.10 of the Concession Agreement) for the remaining portion of the Third Control Period. GIAL had also projected a growth rate of 10% year-on-year towards Manpower Expenses of AAI employees.

The cadre wise details of AAI employee have been provided as part of Schedule S of the signed Concession Agreement. Further, the department wise detail has been provided by GIAL at section 13.2.15 as part of their MYTP submission.

**Table 150: Department-wise Select employees of AAI deputed to LGBIA as submitted by GIAL**

| Department | No. of Employees as on March 31, 2023 | No. of Employees as on March 31, 2024 |
|---|---|---|
| **Commercial** | 1 | 1 |
| **Engineering & Maintenance** | 43 | 41 |
| **Finance** | 6 | 6 |
| **Fire Services** | 51 | 51 |
| **Human Resource and Admin** | 19 | 18 |
| **Security** | 1 | 1 |
| **Terminal Management** | 12 | 12 |
| **Grand Total** | **133** | **130** |

b. The Authority observed that the Manpower Expense of AAI employees are accounted by GIAL, based on the invoice raised by AAI for the 'Select Employees' deputed at LGBIA, on a monthly basis. GIAL had arrived at the average annual employee cost of ₹ 24.09 lacs per annum. However, basis the actual expenses submitted by GIAL vide email dated April 22, 2024, the average annual employee cost had been calculated as ₹ 21.77 lacs in FY24, which the Authority proposed to consider.

c. The Authority also observed that the Manpower Expenses of AAI employees were considered as 100% Aeronautical expenses by GIAL.

d. The Authority proposed to consider the Manpower Expenses – AAI employees up to 'Deemed Deputation Period' and after the expiry (October 2024) of such period relating to 'Deficit Employee cost' according to the explanation provided in the relevant Clauses of the Concession Agreement for such expenses and accordingly, treat the same, which has been explained in paragraph 10.2.5 and 10.2.6

e. The Authority observed that GIAL had submitted vide e-mails dated April 2, 2024 and April 22, 2024, that they have incurred actual Total Manpower expenses of AAI employees amounting to ₹ 27.64 crores for the FY 2022-23 and ₹ 28.30 crores in FY2023-24 respectively. In this respect, the Authority noted that GIAL had considered the same as 100% Aeronautical which the authority proposed to re-allocate based on the prescribed allocation ratio of 99.25% (FY23) and 99.06% (FY 24 and FY25) (refer Table 155) which worked out to ₹ 27.43 crores for the FY 2022-23 and ₹ 28.03 crores for FY 2023-24. Further, the Authority proposed to consider the average annual employee cost as ₹ 21.77 lacs per annum basis the actual expenses incurred in FY24 as the base to forecast salaries for the remaining three tariff years, i.e., FY 2024-25 to FY 2026-27.

f. Further, the Authority proposed to revise the 10% Y-o-Y increase in Payroll costs claimed by GIAL to 6% for the remaining three (03) tariff years of the Third Control Period, as approved by the Authority for other similar airports.

g. The Authority further observed that post completion of Deemed Deputation period, GIAL would need to bear the costs of Deficit Employees (60% of Select Employees) and shall be considered for pass-through in the determination of the Aeronautical Charges and the same had been appropriately accommodated.

h. The details of Manpower expenses – AAI employees claimed by GIAL and proposed by the Authority are summarized in the table below:

**Table 151: Manpower cost of AAI employees claimed by GIAL and proposed by the Authority at Consultation stage**

| Particulars | Unit | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| AAI – employee's salary growth rate claimed by GIAL | % | 10 | 10 | 10 | 10 | 10 | |
| AAI – employees Manpower Cost claimed by GIAL | ₹ in crores | **27.64** | **32.52** | **31.85** | **30.26** | **33.28** | **155.55** |
| **As per the Authority** | | | | | | | |
| AAI – employee's salary growth rate proposed by the Authority | % | - | - | 6 | 6 | 6 | |
| AAI – Employees Manpower Cost derived by the Authority | ₹ in crores | 27.64* | 28.30** | 15.78# + 11.35^ | 25.39 | 26.91 | |

| Particulars | Unit | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Allocation ratio proposed by the Authority (Refer Table *155*) | % | 99.25 | 99.06 | 99.06# / 100^ | 100 | 100 | |
| **AAI – Aero Employees Manpower Cost proposed by the Authority** | ₹ in crores | **27.43** | **28.03** | **26.98** | **25.39** | **26.91** | **134.75** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*
*#for Deemed Deputation Period*
*^for Deficit Period*

ii. **Manpower Expenses of Employees of GIAL**

GIAL had submitted the following regarding projected salary cost per employee per annum and increase in the total employee headcount:

a. **Salary cost projected per employee per annum** - GIAL had submitted a weighted average employee cost of ₹ 14.00 lacs per annum (₹ 20.00 lacs per annum for executives and ₹ 5.00 lakhs per annum for non-executives) in FY 2023-24 and also projected an increase of 10% year-on-year (Y-o-Y) for each tariff year in the Third Control Period. As per the submission of GIAL, the average employee cost of ₹ 14.00 lacs per annum had been derived after considering the salary cost of projected recruitments for Senior-level positions like Chief Airport Officer, Chief Security Officer and Heads of Departments for Procurement, Legal, Customer Care, Experts for Quality, Corporate Communications and also the salary cost of other-level positions in various departments like Airside management, Security, Terminal Operations, Engineering & Maintenance, HR, Finance, etc.

GIAL had further submitted that as per Clause 6.5.3. of the Concession Agreement, the Senior Personnel of AAI deputed to LGBIA shall remain only for a period not exceeding 3 months from the COD and shall be transferred on expiry of three months.

The Authority examined Clause 6.5.3 of the Concession Agreement which states that:

*"The senior management staff of the Authority of the rank of deputy general manager and above ("Senior Personnel") shall remain deputed at the Airport for a period not exceeding 3 (three) months from the COD.*

*(i) On the expiry of such 3 (three) month period, the Senior Personnel shall be transferred out of the Airport and redeployed by the Authority.*

*(ii) It is clarified that the Concessionaire shall not be liable to bear any costs in respectof the Senior Personnel, which costs shall be borne entirely by the Authority."*

The Authority found the average employee cost submitted by GIAL to be reasonable and proposed to consider the same. Further, the Authority proposed to rationalise the growth rate by considering only 6% Y-o-Y for all the remaining three (3) FYs, starting from FY 2024-25 in line with what has been considered for Manpower Expenses of AAI employees.

The Authority observed that GIAL had submitted vide e-mail dated April 2, 2024 that they had incurred actual Total Manpower Expenses of GIAL's employees amounting to ₹ 9.57 crores for the FY 2022-23. Further, GIAL vide email dated April 22, 2024 had submitted the actual expenses as ₹ 11.50 crores for FY2023-24. The Aeronautical portion of such expenses worked out to ₹ 9.23 crores for the FY 2022-23 and ₹ 10.70 crores, which the Authority proposed to consider for FY 2022-23 and FY 2023-24 respectively.

b. **Increase in Employee Headcount –** GIAL had projected an increase in Employee Headcount from 85 as at the end March 2023 to 375 as at the end the Third Control period. The table below depicts increase in the total Headcount Y-o-Y with department wise break-up of employees. GIAL in its submission had considered the allocation as 100% Aeronautical.

**Table 152: Dept. wise Head Count of Employees as per GIAL's submission for the Third Control Period**

| Departments | FY23 (Nos) | FY24 (Nos) | FY25 (Nos) | FY26 (Nos) | FY27 (Nos) | Justification |
|---|---|---|---|---|---|---|
| Chief Airport Office (CAO office) | 2 | 3 | 4 | 4 | 5 | As per Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from CoD. Accordingly, Airport Director and all HoDs have been transferred out and are not working at Guwahati Airport.<br>CAO stands for Chief Airport Officer. He is responsible for overall operations and management of the Airport. Department is akin to erstwhile Office of Airport Director. He is supported by relevant staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management, etc. Composition includes CAO, 1 EA, 1 ES, & 1 ORAT Manager. |
| Techno Commercial (Procurement) | 6 | 8 | 9 | 10 | 11 | AAI do not have any local purchase department at site. All the procurement at AAI is done centrally through tendering process.<br><br>Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc. Composition includes 1 HoD, 5 Support staff |
| Corporate communication | 1 | 2 | 2 | 2 | 3 | As per Clause 18.1.1 (q), GIAL is requirement to have public relation officer who will interface with various stakeholders.<br><br>GIAL has assumed to place one position to fulfill the mandated requirement along with 1 support staff |
| Corporate Affairs | 1 | 1 | 2 | 2 | 2 | Position required to interact with various state government, local municipalities, utility boards, local police, land department etc. on day-to-day basis. Composition is 1 lead & 1 support staff |

| Departments | FY23 (Nos) | FY24 (Nos) | FY25 (Nos) | FY26 (Nos) | FY27 (Nos) | Justification |
|---|---|---|---|---|---|---|
| Security | 6 | 8 | 17 | 17 | 20 | Currently there was one person deputed for carrying out Security function at the Airport. At present AAI was only performing pass section function with his support. However there are various activities which need to be performed by GIAL like CISF Documentation. Airport Security Program, Kerb Side Management, Traffic Management. Airport Operator Security Control Room, Tout Management. Security System Maintenance. Encroachment outside and perimeter area. Intelligence and Vigilance Gathering. Avsec Training and Compliances. Landside Operations, BCAS Compliance requirements.<br>GIAL will be carrying out functions with a combination of on roll and outsourced employees.<br><br>Sovereign agencies and security set up of the airport operator have clearly defined mandates. NACASP 2018 vide Para4.2.2(xxii) stipulates that the Airport Operator is responsible for implementation of security controls at the airports through the CSO. The Asset CSO is bestowed with all the powers to implement security controls at the airport level and overall coordination with other agencies at the airport(Para5.2.1(ii) of NCASP refers).<br><br>GIAL has assumed 20 employees on rolls is a composition of 1 CSO. 6 Pass Section. 1 Avsec Audit and Compliances. 7 Loss Prevention and Automation. 5 landside operations and others.<br><br>Other operations like Kerb side, Tout Management, Traffic Management, Encroachment Prevention, Security System Maintenance etc. are expected to be outsourced. |
| Legal | 1 | 1 | 2 | 2 | 2 | AAI does not have legal positions at the Airport. Composition includes 1 HoD and 1 department supporting staff. |
| Safety | - | 1 | 2 | 2 | 2 | As per Concession Agreement clause 18.15.4. GIAL is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU.<br>Composition includes 1 Aviation Safety Expert and 2 support staff & OHS staff. |
| Quality | 1 | 1 | 2 | 2 | 2 | Under clause 23.1 of concession Agreement, GIAL is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further as per Concession Agreement, GIAL is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by GIAL.<br>Composition includes 1 Quality Expert 2 associates |
| Information Technology | 2 | 5 | 8 | 9 | 10 | AAI does not have Information technology team to support the IT functioning of the Airport. IT is a backbone of the Aviation, and all the critical systems need to be running with zero downtime. Critical systems includes AODB, FIDS, PDAs, SAP, Business Analytics, Integration with ATC, VGDS, Radio Sets, Desktops, Laptops, Billing Software's, Document Management System, Access Control System etc.<br>Composition includes 1 HoD, 9 Support staff. |

| Departments | FY23 (Nos) | FY24 (Nos) | FY25 (Nos) | FY26 (Nos) | FY27 (Nos) | Justification |
|---|---|---|---|---|---|---|
| Airside Management | 16 | 23 | 30 | 35 | 40 | As per Clause 18.1.1 (d), (f) and (g), GIAL is responsible to maintain and operate Airside including Runway, Taxiways, Apron, Approach Areas etc. Also, it is mentioned in the CNS-ATM Agreement about the airside obligations to be performed by GIAL.<br><br>GIAL is responsible to establish Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services.<br><br>Previously some of these services were performed by ANS team of AAI and some of the services were not done at all. Post CoD all these functions are to be performed by GIAL. Further these activities are strictly regulated by DGCA as part of legal framework of Aerodrome Operating License under CAR section 4, series F part 1.<br><br>Lastly as a part of capex expansion plan there are new Airside facilities need to be made like Part Parallel Taxi Track, Second Part Parallel Taxi Track, Expansion of Apron 2, Extension of Runway, New Isolation Bay, etc. There will be requirement for additional manpower to operate these facilities.<br><br>The composition includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerodrome Licensing, Aerodrome Safeguarding, Wildlife Hazard Management |
| Regulatory | - | - | 1 | 1 | 2 | New position to support in regulatory filing with AERA. |
| Terminal and Operation | 22 | 23 | 44 | 44 | 46 | NITB project is ongoing and is supposed to be commissioned by Q4 FY 24-25. It is expected that there will be requirement for additional duty managers, duty officers, facilities, Terminal E&M, ORAT team, horticulture, ESG staff to cater to the increased area demand. |
| Non-Aero Commercial | 3 | 4 | 7 | 7 | 7 | GIAL is expected to deploy various strategies/innovations to monitor the Non-Aeronautical Income and development of city side area. There is likelihood of increase in Manpower over time. |
| Human Resources and Admin | 5 | 5 | 6 | 6 | 6 | GIAL is expected to consolidate and automate various positions/functions, and will employee limited staff which will be comprising of HoD, HR Operations Talent Acquisition 2 person, Learning & OD, Admin, ER & Compliances |
| Finance | 5 | 5 | 8 | 8 | 8 | Composition includes 1 HoD, and support staff for various functions under finance and accounts. |
| Engineering & Maintenance | 3 | 13 | 30 | 30 | 30 | Currently AAI has approx. 10-15 people each in Civil, Technical and Engineering sections. GIAL is expected to outsource some of the non-core activities. Second there will be increase in Terminal Area by 5x in NITB. Increase in Airside Facilities, increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities.<br><br>Considering all the above factor, GIAL is expected to consolidate the function and will have only 30 people on-rolls. |
| Airline Marketing | - | 1 | 2 | 2 | 2 | Specialized marketing personnels required to bring in additional airlines with increase in the capacity of the airport. |

| Departments | FY23 (Nos) | FY24 (Nos) | FY25 (Nos) | FY26 (Nos) | FY27 (Nos) | Justification |
|---|---|---|---|---|---|---|
| Aviation Rescue and Fire Fighting (ARFF) | 8 | 8 | 84 | 84 | 88 | As per AAI manual 2015, and TRA done there is requirement of 92 Fire People (23 nos x 4 shifts) for Category 8 Airport for 24/7 shift operation, emergency response. TRA attached (Please refer Annexure R of MYTP for TRA). |
| Environment & Sustainability | 1 | 1 | 2 | 2 | 2 | As per ICAO/DGCA/MoEF guidelines to operate/maintain Eco Friendly and sustainable Airport, manpower is required for meeting the regulatory compliances. ACI IV plus accreditation and target of Carbon neutral asset is to be achieved for addition executive is required for maintaining all the records in addition to the lead position. |
| Horticulture | 1 | 1 | 3 | 3 | 3 | To maintain world class Passenger Experience and to maintain eco-friendly Airport. To increase green cover at the airport as per statutory guidelines. |
| Land department | 1 | 1 | 1 | 1 | 1 | Personnel will be responsible for land matters |
| ILHBS Screeners | - | - | 59 | 77 | 83 | New NITB New online baggage screening will be introduced. So certified screeners will be required |
| **Total Manpower Requirement** | **85** | **115** | **325** | **350** | **375** | |

The Authority did not agree with GIAL's contention that all employees cost were Aeronautical in nature. The Authority had referred the *Study on the Efficient Operation and Maintenance Expenses of LGBIA*, and accordingly reallocated employees between aeronautical, common, and non-aeronautical.

The Authority observed that GIAL had estimated this increase in number of employees mainly towards functions relating to Security, Firefighting, Airside management, Terminal operations, Engineering and Maintenance and ILHBS Screeners, considering the commissioning of NITB in FY 2025-26 and that the deemed deputation period of the Select Employees deputed by AAI expires in the FY 2024-25 (October 2024).

In this background, the Authority examined the Aeronautical Employee Head Count of LGBIA for the period from FY 2016-17 to FY 2019-20 (Pre-COVID year) and noted that the 4-year average employee headcount was 149 and the same is given in below table:

**Table 153: Headcount of Aeronautical employees of LGBIA for the Period from FY'17 to FY'20**

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | 4 – Year Average |
|---|---|---|---|---|---|
| Employee Headcount * | 139 | 145 | 164 | 149 | **149** |

** Refer Table 19 of paragraph 4.4.3.e. of Study on Efficient Operation and Maintenance Expenses for LGBIA*

The Authority further observed that the Passenger traffic and ATM during the Third Control Period for LGBIA (refer Table 79) had crossed Pre-COVID level during FY 2023-24. The same has been presented in the following table:

**Table 154: Estimated Passenger and ATM traffic of LGBIA**

| Particulars | FY'20 (Pre-COVID) | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|
| Passenger Traffic (in lacs) | 54.57 | 50.51 | 59.58 | 66.64 | 75.44 | 90.94 |
| ATM Traffic (In '000s) | 45.54 | 45.91 | 46.15 | 60.53 | 68.05 | 82.11 |

However, the Authority also considered the following pertinent factors such as:

- NITB is expected to be commissioned in last quarter of FY24-25 as per GIAL submission.

- There are existing employees of AAI i.e., 'Select Employees' deputed to LGBIA, and
- The previous airport operator, namely, AAI had been maintaining the prescribed ASQ rating of LGBIA with the aforementioned employee headcount (refer Table 182).

Considering the growth projected in Passenger traffic and ATM and the current scale of operations, the Authority was of the view that, the Aeronautical Employee Head Count projected by GIAL which is at 375 towards the end of the Third Control Period, was not justified and the same needed to be rationalized. Further the Authority noted the GIAL headcount shared vide email by GIAL dated April 2, 2024 and compared it with the projections submitted during MYTP submission. Accordingly, the Authority had rationalized the headcount projections.

Based on the above, the Authority had analyzed the Employee Headcount projected vis-à-vis the functions of each department mentioned in Table 152. The Authority proposed to consider actual headcount for FY2022-23 and FY 2023-24 as submitted by GIAL.

Further, the Authority proposed the following revision in Aeronautical Employee Headcount projected by AO for the remaining three (3) tariff years of Third Control Period:

(i) **Security department:** The Authority observed that certain security and safety activities would be suitably outsourced by GIAL, barring specific activities such as coordination with CISF, BCAS compliance etc. The Authority thus proposed to consider only 50% of the Employee Headcount projected by GIAL in the 3rd tariff year (FY 2024-25) onwards.

(ii) **Airside Management:** The Authority observed that the headcount projected by GIAL for all the tariff years was not justified considering the projected traffic levels at the airport. The Authority also observed that ground handling activities at the airport had been outsourced. Based on the above factors, the Authority proposed to consider twenty five (25), thirty (30), and thirty five (35) employees in the last three tariff years of the Control Period as against 30 / 35 / 40 employees respectively, claimed by GIAL.

(iii) **Terminal Operations:** The Authority observed that the number of Employee Headcount projected by GIAL was not justifiable as there are existing employees of AAI (i.e., Select employees deputed to LGBIA) at the Airport till the deemed deputation period. Hence, the Authority had rationalized the manpower for Terminal Operations for the FY2024-25 from 44 employees to 35 employees. The Authority further observed that since NITB shall be commissioned by FY2025-26, as per the CAPEX plan proposed by the Authority for Third Control Period, the manpower shall be increased in a staggered manner. The Authority proposed to consider forty (40) employees in FY2025-26 as against 44 employees claimed by GIAL, and forty six (46) employees in FY2026-27 as proposed by GIAL.

(iv) **Engineering & Maintenance Department:** The Authority observed that there will be existing employees of AAI (i.e., 'Select Employees' deputed to LGBIA) at the Airport during the deemed deputation and hence the Authority proposed to consider 75% of the Aeronautical Employee Headcount of Engineering & Maintenance department, projected by GIAL, for the third tariff year of the Third Control Period. For the remaining two tariff years of TCP, the Authority proposed to consider the number of employees as submitted by GIAL as the Deemed Deputation Period would end in FY 2024-25.

(v) **Aircraft Rescue and Fire Fighting (ARFF):** The Authority observed that the employee headcount projected by the AO was not justified, with the fact that the same services are being delivered by existing employees of the AAI (i.e., Select employees to LGBIA) at the airport, at a lower manpower strength. The Authority thus proposed to rationalize the manpower in this department for FY2024-25 on the basis of historical manpower deployment. For next two tariff years, manpower had been increased in a staggered manner. Based on the above factors, the Authority proposed to consider sixty (60), seventy (70), and eighty (80) employees in the last three years of the Control Period as against 84 / 84 / 88 employees respectively, claimed by GIAL.

(vi) **Inline Hold Baggage Screening System (ILHBS):** GIAL had proposed screeners with effect from FY2024-25 considering that NITB will be commissioned in FY2024-25. However, the Authority had proposed commissioning of NITB in FY2025-26. ILHBS would be operationalized along with the commissioning of NITB. Further, the Authority had rationalized the number of screeners and proposed to consider an headcount of fifty (50) and sixty (60) employees in FY 2025-26 and FY 2026-27 repsectively.

Based on the above factors, the Aeronautical Employee Headcount proposed to be considered by the Authority for the Third Control Period is shown in the table below:

**Table 155: Employee Head Count of GIAL and revised EHCR proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | GIAL Classification | The Authority's Classification | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|---|
| Aeronautical Employee Head count claimed by GIAL as per MYTP | | | 85 | 115 | 325 | 350 | 375 |
| **Employee Headcount proposed by the Authority** | | | | | | | |
| **Chief Airport Office (CAO office)** | Aeronautical | Aeronautical | 2 | 2 | 4 | 4 | 5 |
| **Techno Commercial (Procurement)** | Aeronautical | Aeronautical | 3 | 4 | 9 | 10 | 11 |
| **Corporate communication** | Aeronautical | Aeronautical | 1 | 1 | 2 | 2 | 3 |
| **Corporate Affairs** | Aeronautical | Aeronautical | 4 | 3 | 2 | 2 | 2 |
| **Security** | Aeronautical | Aeronautical | 6 | 7 | 9 | 9 | 10 |
| **Legal** | Aeronautical | Aeronautical | 1 | 1 | 2 | 2 | 2 |
| **Safety** | Aeronautical | Aeronautical | - | 1 | 2 | 2 | 2 |
| **Quality** | Aeronautical | Aeronautical | - | | 2 | 2 | 2 |
| **Information Technology** | Aeronautical | Aeronautical | 2 | 3 | 8 | 9 | 10 |
| **Airside Management** | Aeronautical | Aeronautical | 16 | 19 | 25 | 30 | 35 |
| **Regulatory** | Aeronautical | Aeronautical | | | 1 | 1 | 2 |
| **Terminal and Operation** | Aeronautical | Aeronautical | 22 | 20 | 35 | 40 | 46 |
| **Non-Aero Commercial** | Aeronautical | Non-Aeronautical | 3 | 5 | 7 | 7 | 7 |
| **Human Resources and Admin** | Aeronautical | Common | 5 | 5 | 6 | 6 | 6 |
| **Finance** | Aeronautical | Common | 6 | 6 | 8 | 8 | 8 |
| **Engineering & Maintenance** | Aeronautical | Aeronautical | 3 | 12 | 23 | 30 | 30 |
| **Airline Marketing** | Aeronautical | Aeronautical | | | 2 | 2 | 2 |
| **Aviation Rescue and Fire Fighting (ARFF)** | Aeronautical | Aeronautical | 8 | 7 | 60 | 70 | 80 |
| **Environment & Sustainability** | Aeronautical | Aeronautical | 1 | 1 | 2 | 2 | 2 |
| **Horticulture** | Aeronautical | Aeronautical | 1 | 1 | 3 | 3 | 3 |
| **Land department** | Aeronautical | Non-Aeronautical | | 1 | 1 | 1 | 1 |
| **ILHBS Screeners** | Aeronautical | Aeronautical | | | | 50 | 60 |
| **Air Cargo** | Aeronautical | Aeronautical | 1 | 1 | | | |
| **Total Employee Head Count of GIAL rationalized by the Authority** | | | **85** | **100** | **213** | **292** | **329** |
| Direct Aeronautical Employees of GIAL | | | 71 | 83 | 191 | 270 | 307 |
| Direct Non-Aeronautical Employees of GIAL | | | 3 | 6 | 8 | 8 | 8 |

| Particulars | GIAL Classification | The Authority's Classification | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|---|---|
| Common Employees of GIAL | | | 11 | 11 | 14 | 14 | 14 |
| Total Aeronautical Employees of GIAL | | | 82 | 93 | 204 | 284 | 321 |
| Total Non-Aeronautical Employees of GIAL | | | 3 | 7 | 9 | 8 | 8 |
| Revised Employee Headcount ratio of GIAL derived by the Authority | | | **96.47%** | **93.00%** | **95.77%** | **97.26%** | **97.57%** |
| **5-yr average of Revised EHCR of GIAL** | | | **96.01%** | | | | |
| Total AAI Employees | | | 133 | 130 | 130 | - | - |
| Direct Aeronautical Employees of AAI | | | 107 | 105 | 105 | - | - |
| Direct Non-Aeronautical Employees of AAI | | | 1 | 1 | 1 | - | - |
| Common Employees of AAI | | | 25 | 24 | 24 | - | - |
| Total Aeronautical Employees of AAI | | | 132 | 129 | 129 | - | - |
| Total Non-Aeronautical Employees of AAI | | | 1 | 1 | 1 | - | - |
| **Revised Employee Headcount ratio of AAI derived by the Authority** | | | **99.25%** | **99.06%** | **99.06%** | - | - |
| Total Aeronautical Employees of AAI and GIAL | | | 214 | 222 | 333 | 284 | 321 |
| Total Non-Aeronautical Employees of AAI and GIAL | | | 4 | 8 | 10 | 8 | 8 |
| Total Employee Headcount (i.e., both AAI and GIAL employees) derived by the Authority | | | **218** | **230** | **343** | **292** | **329** |
| Revised Employee Headcount ratio of total AAI and GIAL derived by the Authority | | | **98.17%** | **96.43%** | **97.02%** | **97.26%** | **97.57%** |
| **5-year Average of Revised Total Employee Headcount Ratio (both AAI and GIAL employees) derived by the Authority** | | | **97.29%** | | | | |

**till Deputation Period (October 2024)*

The employee cost proposed by the Authority for GIAL's own employees, based on the revised aeronautical employee headcount is shown below:

**Table 156: Manpower cost of Aero employees proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Unit | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| Employee Headcount claimed by GIAL | No. | 85 | 115 | 325 | 350 | 375 | |
| Salary Growth % claimed by GIAL | % | 10% | 10% | 10% | 10% | 10% | |
| **Manpower Cost of GIAL's employees claimed by GIAL** | ₹ in crores | **9.57** | **14.38** | **28.52** | **44.92** | **53.07** | **150.46** |
| **As per the Authority** | | | | | | | |
| Employee Head count proposed by the Authority | **No.** | 85* | 100** | 213 | 292 | 329 | |
| Salary Growth % proposed by the Authority | **%** | - | - | 6% | 6% | 6% | |
| GIAL – Employees Manpower Cost derived by the Authority | ₹ in crores | 9.57* | 11.50** | 19.84 | 31.21 | 40.68 | |
| Allocation ratio proposed by the Authority | **%** | 96.47% | 93.00% | 95.77% | 97.26% | 97.57% | |
| **Aero Manpower Cost of GIAL proposed by the Authority** | ₹ in crores | **9.23** | **10.70** | **19.00** | **30.35** | **39.69** | **108.97** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**<u>Utility Expenses</u>**

10.2.23 The Authority examined the expenses towards Utilities and noted the following:

i. **Power expenses:** The Authority observed that GIAL in its submission had considered the expenses towards Utilities after netting off the recoveries to be made from the Concessionaires for Non-aeronautical activities. The net utilities expenses thus arrived was considered as 100% Aeronautical.

- The Authority observed that GIAL had assumed 16% of the total electricity cost as recoveries to be made from the Concessionaires. The Authority further observed that the power recovery percentage was significantly lower than that of comparable airports and proposed that the non-aeronautical operations should increase the power recovery from the Concessionaires, in a gradual manner. Accordingly, the Authority proposed that GIAL should constitute a Committee to verify the bills relating to Power expenses and submit a report on the same to the Authority as part of Stakeholder comments / feedback. In case such report is not submitted by GIAL, the Authority proposed to consider power recoveries at a notional rate while issuing the tariff order of the Third Control Period.

- The Authority observed that the actual Electricity costs incurred by GIAL for FY 2022-23 was ₹ 6.70 crores (after recovery) and proposed to consider the actual expenses for FY 2022-23. Further, GIAL had submitted the actual expenses as ₹ 9.20 crores (after recovery) for FY 2023-24, which seemed to be on higher side and thus suitable justification was sought on the same from the AO. GIAL vide email dated April 15, 2024 stated that, the base rate for electricity which is charged as energy charges in monthly bill, was increased from ₹ 7.70 per unit to ₹ 8.10 per unit. Further, APDCL (Assam Power Distribution Company Limited) had increased FPPCA ((Fuel and Power Purchase Cost Adjustment) to ₹ 1.29 per unit in FY24 from ₹ 0.30 per unit in FY23. The Authority in view of the aforementioned response of GIAL proposed to consider the actual expenses for FY2023-24.

- GIAL had proposed to increase the billable units by 621% in FY 2024-25 on account of increase in terminal area. The Authority as part of its review noted that for other similar airports, it had allowed the increase claimed by the respective AO which was in proportion to the increase in the area of the Terminal Building. Based on the same, the Authority proposed to consider, as per the capitalization schedule, an additional increase of 414% in billable units only for FY 2024-25 (refer growth rates mentioned in Table 149).

- The Authority observed that GIAL, had claimed an inflationary increase of 5% on the per unit rate. The Authority proposed Y-o-Y increase of per unit rate towards inflationary effect as per Table 140. The details of Utility expenses claimed by GIAL and allowed the Authority are summarized in the table below:

**Table 157: Utility expenses claimed by GIAL and proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | |
| **Total Utility Expenses** | 6.70 | 8.24 | 8.65 | 65.49 | 68.76 | **157.85** |
| **As per the Authority** | | | | | | |
| **Total Utility Expenses** | 6.70* | 9.20** | 9.49 | 50.54 | 52.41 | **128.33** |

**as per actuals submitted by GIAL for FY 2022-23*

***as per actuals submitted by GIAL for FY2023-24*

*The increase in Utility Expenses in FY26 is due to increase in terminal area (commissioning of NITB) and inflation effect.*

**<u>IT expenses, Rates & Taxes and Security expenses</u>**

10.2.24 GIAL as per the concession agreement is required to upgrade the existing IT capacity infrastructure. GIAL had based its expense projections on the basis of proportionate increase in GIAL's own employee headcount. Further the Authority noted that GIAL had treated the cost as 100% Aeronautical. In respect of the Y-o-Y growth claimed by GIAL, the Authority proposed to revise the same as per inflation rate proposed in Table 83 above and also reallocate the expense based on the Terminal Building ratio of 90% Aeronautical (refer para 10.2.9).

i. The Authority observed that the actual expenses incurred by GIAL on IT expenses for FY 2022-23 and FY2023-24 were ₹ 2.50 crores and ₹ 3.40 crores respectively, and proposed to consider the same. Further, the Authority proposed to consider actual IT expenses for FY 2023-24 as base for future projections Further, the Authority considered a one-time increase of 100% on account of increase in Terminal Area. The Authority further proposed to apply Y-O-Y increase towards inflation for the remaining three (3) tariff years on the expenses of FY 2023-24 (refer growth rates mentioned in Table 157).

**Table 158: IT expenses claimed by GIAL and as proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| **IT expenses claimed by GIAL** | ₹ in crores | 2.50 | 7.00 | 19.78 | 41.09 | 44.02 | **114.39** |
| **As per the Authority** | | | | | | | |
| IT expense proposed by the Authority | ₹ in crores | 2.50* | 3.40** | 3.51 | 7.14 | 7.40 | **23.95** |
| Allocation Ratio proposed by the Authority | % | 90% | 90% | 90% | 90% | 90% | |
| **Aero IT expense proposed by the Authority** | ₹ in crores | **2.25** | **3.06** | **3.15** | **6.43** | **6.66** | **21.56** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

10.2.25 With respect to Rates and Taxes, GIAL had assumed a 5% y-o-y increase on account of inflation and a one-time increase of 621% on account of increase in terminal area. Further the Authority observed that the AO has treated the cost as 100% Aeronautical. The Authority proposed to reallocate the expense based on the Gross Fixed Asset ratio (95.39%).

i. The Authority had noted the actual expenses of ₹ 0.31 crores incurred by GIAL on Rates and Taxes for FY 2022-23 and proposed to consider the same. Further, GIAL had submitted the actual expenses as ₹ 0.10 crores for FY2023-24. The Authority proposed to consider ₹ 0.10 crores towards Rates and Taxes for FY 2023-24 and use the same as base for future projections. The Authority noted that GIAL, has claimed 621% increase in FY 2024-25 on account of increase in Terminal area. The Authority found the increase to be unreasonable and proposed an increase of 414% as per the justification provided in para 10.2.21. The Authority further proposed to apply Y-O-Y increase towards inflation for the next three (3) tariff years on the expenses of FY 2023-24 (refer growth rates mentioned in Table 157).

**Table 159: Rates and Taxes claimed by GIAL and as proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| **Rates and Taxes claimed by GIAL** | ₹ in crores | 0.31 | 0.75 | 0.79 | 5.71 | 6.00 | **13.56** |
| **As per the Authority** | | | | | | | |
| Rates & Taxes expense considered by the Authority | ₹ in crores | 0.31* | 0.10** | 0.10 | 0.53 | 0.55 | **1.60** |
| Allocation Ratio proposed by the Authority | % | 95.39% | 95.39% | 95.39% | 95.39% | 95.39% | |
| **Aero Rates & Taxes proposed by the Authority** | ₹ in crores | **0.30** | **0.10** | **0.10** | **0.51** | **0.53** | **1.53** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

10.2.26 As per GIAL's submission expenses related to security included outsourced manpower, security guards, security operation maintenance, surveillance vehicles, access controls and expenses related to other automation systems. GIAL had based their security cost increase in line with the forecasted growth in passenger traffic. In addition, GIAL had considered a one-time increase of 50% in expense on account of commissioning of NITB leading to increase in the terminal area. Further the Authority noted that GIAL had treated the cost as 100% Aeronautical. The Authority noted the dual escalation in the expenses wherein GIAL has considered both increase in traffic and terminal area. The Authority proposed to revise the Y-o-Y growth in security expenses, as per inflation rate proposed in Table 140 and also reallocate the expense based on the Gross Fixed Asset ratio of 95.39% Aeronautical (refer para 10.2.11 ) in line with similar airports.

i. The Authority had noted the actual expenses on Security of ₹ 3.75 crores incurred by GIAL for FY 2022-23 and proposed to consider the same. Further, GIAL had submitted the actual expenses as ₹ 6.00 crores for FY 2023-24. The Authority proposed to consider ₹ 6.00 crores towards Security expenses for FY 2023-24 and use the same as base for future projections. The Authority noted that GIAL, had claimed 50% increase in FY 2024-25 on account of increase in Terminal area, which the Authority found to be reasonable and justified. Hence, the Authority proposed to allow the same.

**Table 160: Security expenses claimed by GIAL and as proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| **Security expense claimed by GIAL** | ₹ in crores | 3.75 | 6.00 | 6.11 | 9.97 | 12.02 | **37.86** |
| **As per the Authority** | | | | | | | |
| Security expense proposed by the Authority | ₹ in crores | 3.75* | 6.00** | 6.19 | 9.51 | 9.86 | 35.30 |
| Allocation Ratio proposed by the Authority | % | 95.39% | 95.39% | 95.39% | 95.39% | 95.39% | |

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **Aero Security expense proposed by the Authority** | ₹ in crores | **3.58** | **5.72** | **5.90** | **9.07** | **9.41** | **33.68** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**Corporate Allocation Cost**

10.2.27 GIAL had claimed Corporate Allocation Cost of ₹ 12.89 crores towards Corporate Support Services received from the Holding Companies, namely, AEL and AAHL for the FY 2022-23 and had considered the employee headcount growth of GIAL as basis for Y-o-Y escalation.

i. The Airport Operator (GIAL) had engaged an independent consultant, to conduct a study on Corporate Cost allocation. The Authority had noted the following points submitted by GIAL in support of their claim for Corporate cost allocation:

- AEL provides various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, human resource management, etc., and also includes various leadership functions. AAHL through its corporate structure, provides expertise and specialist domain knowledge in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Hospitality, Customer management, Cargo Development and management, Airline Marketing, Non-Aeronautical etc.
- AEL and AAHL incur costs at the corporate level to provide these services and support to various Group Companies (including Airports) and Airport companies. The major composition of these costs includes salaries and administrative costs. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through a pre-determined, appropriate allocation method.
- Similar corporate cost allocation process is used by other private airport operators' holding entities, which provide corporate administration services to their respective Airport Operators, and their costs are allocated based on suitable drivers. Similarly, AAI also allocates its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports based on appropriate cost drivers.

ii. The Authority observed that AEL on overall basis, extends support and guidance to various Group Companies and AAHL provides expertise and specialist domain knowledge to the Airport Companies, which are essential for the sustainable operations of the business. The major composition of the costs of these services included salaries and administrative costs that are recovered by AEL and AAHL through an appropriate allocation method (refer para 10.2.14 ). Further, this process is consistent with the approach followed by other PPP airports for allocation of Corporate costs to the Airports. Based on the above factors, the Authority considered the apportionment of costs of AEL and AAHL to GIAL as reasonable.

iii. The Authority noted that the actual expenses incurred by GIAL on Corporate Cost expenses for FY 2022-23 was ₹ 12.89 crores and its detailed break-up along with the basis of allocation as submitted by GIAL is as follows:

**Table 161: Actual Corporate Cost incurred with allocation basis submitted by GIAL for FY'23**

(₹ crores)

| Particulars | Department | Allocation Key (Basis) | Admin Cost | Salary Cost | Total |
|---|---|---|---|---|---|
| AEL | HR and Admin | Ratio of Number of Employees of a SPV to Total Adani Group Employees | 0.52 | 1.05 | **1.57** |
| | Finance, Tax and Internal Audit | Ratio of Debt raised for a SPV to total Debt raised for Adani Group, Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs | 0.27 | 0.54 | **0.81** |
| | IT | Ratio of Number of IT users in a SPV to total Group users | 0.35 | 0.70 | **1.05** |
| | Legal | Ratio of Legal Budget of a SPV to Total Legal Budget of all airports | 0.01 | 0.02 | **0.03** |
| | CMD Office & Support Staff | Ratio of a SPV PBT to Group PBT and Airport budgeted expenditure to Total budgeted expenditure | 0.58 | 1.17 | **1.75** |
| | **Total (A)** | | **1.72** | **3.49** | **5.21** |
| AAHL | HR & Admin | Ratio of Number of Employees of a SPV to Total Adani Group Employees | 0.28 | 1.11 | **1.39** |
| | Finance | Ratio of Debt raised for a SPV to total Debt raised for Airport Group | 0.17 | 0.67 | **0.84** |
| | Operations (Airline Marketing, Operation, Security, HSE, Regulatory) | Ratio of Per Pax Revenue of SPV to total Per Pax Revenue | 0.77 | 3.09 | **3.86** |
| | IT | Ratio of Number of IT users in a SPV to total IT users in all airports | 0.09 | 0.34 | **0.43** |
| | Inhouse Legal Team | Ratio of Legal Budget of a SPV to Total Legal Budget of all airports | 0.03 | 0.12 | **0.15** |
| | Cargo Development | Ratio of Per Pax Revenue of a SPV to total Per Pax Revenue of all airports | 0.01 | 0.03 | **0.04** |
| | CEO Office | Ratio of Per Pax Revenue of SPV to total Per Pax Revenue | 0.20 | 0.79 | **0.98** |
| | **Total (B)** | | **1.54** | **6.15** | **7.68** |
| | **Total (A) + (B)** | | **3.26** | **9.64** | **12.89** |

iv. Considering all the above, the Authority proposed to consider the actual expenses of ₹ 12.89 crores for FY 2022-23.

v. However, the Authority observed that the aforementioned actual cost included the costs of inhouse legal team, which was in addition to the cost of employees of Legal department, already considered under the manpower expenses of GIAL (refer Table 161 above), and thus was not justified. Hence, the Authority proposed to exclude ₹ 0.15 crores from the Corporate Allocation cost submitted by GIAL and considered the remaining amount of ₹ 12.74 crores for FY 2022-23.

vi. Further, GIAL had submitted the actual expenses as ₹ 11.80 crores for FY 2023-24. The Authority found the same to be reasonable and proposed to consider ₹ 11.80 crores towards Corporate Cost expenses for FY 2023-24.

vii. GIAL had escalated expenses related to corporate allocation YoY basis growth in employee count. The Authority observed that salary cost constituted the major portion of the Corporate cost and hence, proposed to rationalize the increase claimed by GIAL to 6% Y-o-Y across the last three (3) tariff years of the Third Control Period which was in line with the increase proposed for manpower expenses of

AAI and GIAL.

viii. The Authority observed that GIAL had considered corporate cost allocation as 100% aeronautical without any supporting basis for such allocation. In the absence of such basis and in line with the methodology followed by the Authority for similar airports, the Authority proposed to reallocate the expense basis the Total Employee Headcount ratio. Further, as the services provided by AAHL & AEL are mainly in the nature of providing specialized resources and knowledge and also it benefits whole airport ecosystem, the Authority was of the view that the cost needed to be allocated basis the Total Employee Headcount ratio.

ix. The details of Corporate Allocation Expense claimed by GIAL and allowed by the Authority are summarized in the table below:

**Table 162: Corporate Cost Allocation expenses claimed by GIAL and as proposed by the Authority at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| **Corporate Allocation expense claimed by GIAL** | ₹ in crores | 12.89 | 15.00 | 42.39 | 45.65 | 48.91 | **164.85** |
| **As per the Authority** | | | | | | | |
| Corporate allocation cost considered by the Authority | ₹ in crores | 12.74* | 11.80** | 12.51 | 13.26 | 14.05 | **64.36** |
| Allocation Ratio proposed by the Authority | % | 98.17% | 96.43% | 97.02% | 97.26% | 97.57% | |
| **Aero Corporate Cost expense proposed by the Authority** | ₹ in crores | **12.51** | **11.38** | **12.14** | **12.90** | **13.71** | **62.63** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**Administrative Expenses**

10.2.28 GIAL had projected an inflationary increase of 5% Y-o-Y for Administrative Expenses (Others) towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & Stationery etc. In addition, a 5% Y-o-Y increase was provisioned as Contingency. For expenses related to collection charges on UDF, GIAL had escalated the same as per forecasted passenger growth.

- In respect of UDF Collection charges, the Authority had observed that the actual expenses incurred by GIAL for FY 2022-23 and FY2023-24 were ₹ 0.98 crores and ₹ 1.45 crores respectively, and proposed to consider the same. The Authority proposed to consider increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the Third Control period for LGBIA, as per Table 79. The Authority proposed to apply such rates for the next three (3) tariff years on the actual expenses of FY 2023-24.
- In respect of Other Administrative charges, the Authority observed that the actual expenses submitted by GIAL i.e., ₹ 13.56 crores included recovery of electricity expenses amounting to ₹ 1.33 crores. The Authority proposed to exclude such expenses which have been recovered by the Airport Operator. Further, GIAL had submitted the actual expenses as ₹ 27.00 crores for FY2023-24. The actual expense value seemed to be on the higher side, and thus suitable justification was sought on the same from GIAL. GIAL vide email dated April 15, 2024 stated that, *"the increase in administrative expenses is due to increase in professional fees for various activities for improvement in*

*passenger experience and operations."* The Authority while acknowledging the objective to enhance passenger experience, also considered the financial impact on passengers given that such expenses was being ultimately passed through to passengers; and thus, proposed to not consider the actual expenses for FY24. Further, considering that LGBIA is a brownfield airport, the Authority proposed to consider inflationary effect as per Table 140 for the growth in Administrative expenses (other than Collection charges for UDF), across all the remaining four (4) tariff years in the Third Control Period. Further, the Authority was of the view that these expenses which were administrative in nature should be apportioned in the Gross Fixed Asset Ratio i.e., 95.39.

**Table 163: Administrative expenses claimed by GIAL and as proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| Collection charges on UDF | ₹ in crores | 0.98 | 1.64 | 1.67 | 1.89 | 2.27 | **8.45** |
| Other Administrative Expenses | ₹ in crores | 13.56 | 34.00 | 37.40 | 41.14 | 45.25 | **171.35** |
| **Total Administrative Expenses** | ₹ in crores | 14.54 | 35.64 | 39.07 | 43.03 | 47.53 | **179.80** |
| **As per the Authority** | | | | | | | |
| i. Admin expenses (UDF Collection charges) proposed by the Authority (A) | ₹ in crores | 0.98* | 1.45** | 1.62 | 1.84 | 2.21 | **8.11** |
| ii. Admin expenses Others considered by the Authority (B) | ₹ in crores | 12.23* | 12.14 | 12.52 | 12.98 | 13.46 | **63.3** |
| Allocation Ratio proposed by the Authority | % | 95.39% | 95.39% | 95.39% | 95.39% | 95.39% | |
| Admin expenses Others proposed by the Authority (B1) | ₹ in crores | 11.67 | 11.58 | 11.94 | 12.39 | 12.84 | **60.42** |
| **Total Admin expenses proposed by the Authority (A+B1)** | ₹ in crores | **12.65** | **13.03** | **13.57** | **14.22** | **15.06** | **68.53** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**Insurance expenses**

10.2.29 The Authority examined the expenses claimed by GIAL towards Insurance and noted the following:

- **Insurance on Initial Asset Base** – GIAL had considered insurance expense of ₹ 2.26 crores on existing assets in FY 2022-23 and an increase of 10% Y-o-Y on the same. Further, GIAL had submitted the actual expenses as ₹ 1.44 crores for FY2023-24. The Authority, on review of the actual expenses incurred, proposed to consider the same, i.e., ₹ 2.26 crores for FY 2022-23 and ₹ 1.44 crores for FY2023-24. The Authority also proposed to consider Y-o-Y increase towards inflationary effect as per Table 140 on such actual expenses for the entire Third Control Period. Further, the Authority had derived the Aeronautical expenses by applying Gross Fixed Assets ratio (95.39%) as per Table 148.

- **Insurance on New Asset Base** – GIAL had also claimed Insurance expense at the rate of 0.10% on new additions to the gross block based on market rates for each tariff year. The Authority reviewed the same and proposed to consider the expense at the same rate of 0.10% on the revised cumulative value of Capitalized Aeronautical Assets that were forming part of RAB (Table 96).

- The Authority further proposed to compute insurance expenses on New Asset Base as per revised gross block additions determined at the Consultation stage.

**Table 164: Insurance expenses claimed by GIAL and as proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| As per GIAL | | | | | | |
| **Insurance expenses claimed by GIAL** | 2.31 | 2.89 | 6.68 | 9.03 | 9.52 | **30.43** |
| As per the Authority | | | | | | |
| Insurance expense considered by the Authority on Initial Asset Base (A) | 2.26 | 1.44 | 1.49 | 1.54 | 1.60 | 8.33 |
| Allocation ratio proposed by the Authority | 95.39% | 95.39% | 95.39% | 95.39% | 95.39% | |
| Insurance on opening net block of assets (A1) | 2.16 | 1.38 | 1.42 | 1.47 | 1.52 | **7.94** |
| Insurance on New Asset Base (B) | 0.05 | 0.06 | 0.30 | 4.01 | 4.06 | **8.48** |
| **Insurance expenses allowed by the Authority (A1 + B)** | **2.21** | **1.43** | **1.72** | **5.48** | **5.58** | **16.42** |

__Repairs and Maintenance expenses__

10.2.30 The Authority examined the expenses towards Repairs and Maintenance and noted that the same had been projected towards Civil, Electrical, Plant and machinery, Electronics and Others.

i. **Repairs and Maintenance on Exisitng Asset Base** - GIAL had submitted actual expenses of ₹ 19.51 crores and ₹ 19.76 crores in FY 2022-23 and FY 2023-24 repectively, towards Repairs and Maintenance for Opening Net block of Assets and an increase of 10% Y-o-Y (including expected increase in inflation by 5% and another 5% allowance provided for any contingency for change in scope, overtime, escalation etc.).

ii. **Repairs and Maintenance on New Capital Expenditure** – GIAL had also claimed Repairs and Maintenance expense at the rate of 3% on the cumulative value of Capitalized Total Assets for each tariff year.

iii. The Authority proposed to consider the actual R&M expenses incurred by GIAL in FY 2022-23 and FY 2023-24. The Authority proposed to consider inflationary increase as per Table 140 for FY2024-25. For FY2025-26 and FY2026-27, the Authority proposed to consider R&M expenses equivalent to 50% and 70% respectively of the amount proposed by the AO since new CAPEX being incurred by the AO would have Defect Liability Period and there would be blend of old and new CAPEX. Further, the Authority had derived the Aeronautical expenses for R&M expense, by applying the Gross Fixed Asset ratio (95.39% Aeronautical). The amount claimed by GIAL, and the estimate proposed by the Authority is shown in the table below:

**Table 165: R&M on Opening Net block of Assets claimed by GIAL and Proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| As per GIAL | | | | | | |
| Repairs and Maintenance – For Initial Asset Base claimed by GIAL (A) | 19.51 | 22.00 | 24.20 | 26.62 | 29.28 | **121.61** |
| Repairs and Maintenance – New Capital Additions claimed by GIAL (B) | - | 1.74 | 4.09 | 109.69 | 171.23 | **286.75** |
| **Total Repairs and Maintenance – claimed by GIAL (C = A + B)** | **19.51** | **23.74** | **28.29** | **136.31** | **200.51** | **408.36** |

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **As per the Authority** | | | | | | |
| Repairs and Maintenance Expenses – (D) | 19.51* | 21.50** | 22.17 | 68.16 | 140.36 | **271.69** |
| Allocation Ratio (E) | 95.39% | 95.39% | 95.39% | 95.39% | 95.39% | |
| R&M expenses considered by the Authority (F=D*E) | **18.61** | **20.50** | **21.14** | **65.01** | **133.89** | **259.14** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**Other Operating expenses**

10.2.31 GIAL had submitted Other Operating Expenses and claimed an increase of 5% Y-o-Y for all five (5) tariff years and an additional increase 621% in FY 2025-26 on account of increase in Terminal Building area. GIAL had further submitted that the other Operating Expenses largely incuded Cleaning & Housekeeping Services, Pest Control Services, Cleaning of Public Toilet, providing biomedical waste management services, garbage collection services etc. The major agreements were entered during FY22-23 and hence in order to provide its annualized impact, a necessary increase factor of ~64% had been considered in FY23-24.

- The Authority had observed the actual expenses incurred by GIAL on Other Operating expenses for FY 2022-23 was ₹ 13.43 crores and proposed to consider the same. Further, GIAL had submitted the actual expenses as ₹ 17.40 crores for FY2023-24 and the Authority proposed to consider and use the same as base for forecasting future expenses. In respect of Y-o-Y growth rate claimed by GIAL, the Authority proposed that the increase towards inflationary effect as per Table 140 should only be considered, instead of 5% increase Y-o-Y claimed by GIAL.
- In respect of additional increase of 621% claimed by GIAL in FY26, the Authority proposed to consider increase of 414%, with regard to increase in Terminal Building area due to commissioning of NITB. Further, the Authority considering the nature of expenses proposed to allocate the cost as per Terminal Building ratio of 90% Aeronautical (refer para 10.2.17).

**Table 166: Other Opex claimed by GIAL and proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Units | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| As per GIAL | | | | | | | |
| **Other Operating expenses claimed by GIAL** | ₹ in crores | 13.43 | 22.00 | 23.10 | 167.63 | 176.02 | **402.18** |
| **As per the Authority** | | | | | | | |
| Other Operating expenses considered by the Authority | ₹ in crores | 13.43* | 17.40** | 17.94 | 92.84 | 96.27 | 237.87 |
| Allocation ratio proposed by the Authority | % | 90 | 90 | 90 | 90 | 90 | |
| **Other Operating expenses proposed by the Authority** | ₹ in crores | **12.09** | **15.66** | **16.15** | **83.55** | **86.64** | **214.09** |

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

**Independent Engineer Cost**

10.2.32 GIAL had claimed Independent Engineer Cost of ₹ 3.91 crores from FY23 till FY25 and claimed an increase of 5% Y-o-Y from FY26 onwards. As per the information provided, AAI appointed M/s IRCON International Limited as the Independent Engineer for 3 years with a total cost of ₹ 11.74 crores (₹ 3.91 crores annually). The extract of the relevant clauses is as below:

Clause 24.1.2 states

*"The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment."*

Clause 24.3.1 states

*"The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator."*

10.2.33 The Authority noted that AAI had appointed M/s IRCON International Limited as the Independent Engineer with effect from 22nd October 2021 with the responsibility of reviewing the projects being carried out by GIAL on site and submitting necessary reports to GIAL.

10.2.34 The Authority also noted that as per Clause 24 and Schedule K of the Concession Agreement, AAI is required to appoint the Independent Engineer initially for a period of 3 years and thereafter for every 3 years. AAI had executed the contract with the Independent Engineer at a fee of ₹ 11.74 crores. GIAL had projected the Independent Engineer Cost based on the same and together with considering an inflation of 5% for the last two tariff years for the Third Control Period.

10.2.35 However, the Authority proposed not to allow inflation of 5% and retain the amount originally awarded by AAI proportionately for the last two tariff years. The Authority also examined the actual expense of ₹ 3.91 crores and ₹ 3.52 crores for FY 2022-23 and FY 2023-24 respectively, and proposed to consider the same.

**Amortization of Runway recarpeting expenses**

10.2.36 GIAL had claimed amortization of ₹ 49.08 crores projected towards expenditure on Runway Recarpeting works over a period of five (5) FYs starting from FY 2025-26 and based on the Depreciation Order No. 35 / 2017-18 dated January 12, 2018. Further, GIAL had submitted that the expense was inclusive of carrying cost on the unamortized balance of the expense incurred on re-carpeting of runway.

10.2.37 During the site visit, the Authority observed that the runway condition was appropriate, except for the turning pad areas, which could be repaired for continued operation. Further, in view of cost optimisation the AO should undertake a cost benefit analysis. Given the current runway condition and the focus on cost optimization, the Authority proposed not to consider any OPEX towards runway strengthening works during the Third Control Period. However, the Authority would consider such OPEX on an incurrence basis, subject to the reasonableness and efficiency of the OPEX, at the time of tariff determination for the next control period.

**Fuel Operating Expenses**

10.2.38 Clause 19.3. of the Concession Agreement stipulates GIAL's obligations towards providing aircraft fueling services (refer to paragraph 17.4.7 of Annexure 4 of Chapter 17 of this Consultation Paper)

10.2.39 GIAL had submitted the following assumptions regarding Fuel facility Operating expenses:

- GIAL had projected that the open access facility operations would commence from December 2023 onwards (i.e., 3-month period in FY 2023-24) and continue till end of FY2024-25. Further, GIAL had proposed to build a new facility of approx. 4,000 KL with hydrant system of approx. 7 Kms. The new facility would be operational from FY25-26 onwards.
- GIAL had estimated the Fuel Throughput volume at the rate of approximately 2.0 KL per ATM for the Total ATM traffic projected in each tariff year.
- Further GIAL had submitted that they planned to outsource the Fuel facility operations to a third-party vendor who would manage the facility on Cost plus margin basis.
- The charges payable to the Vendor by GIAL had been projected based on a 'Minimum Guarantee' amount up to specified quantity of 80,000KL (i.e., fixed amount per year) and beyond the specified quantity of 80,000KL, on the basis of agreed Rate/ KL (i.e., variable rate). The vendor rates projected by GIAL, based on experience of Lucknow Airport in FY22, are as follows:

**Table 167: Fuel O&M expenses claimed by GIAL for each FY for the Third Control Period at Consultation stage**

| Particulars | Unit | Quantity | Rate (₹) | Amount (₹ in Cr.) |
|---|---|---|---|---|
| Fixed amount for up to 80,000KL per year | Month | 12 | 64,10,000 | 7.69 |
| Fee beyond 80,000KL | Per KL | - | 290.00 | - |

- Additionally, GIAL had projected an increase of 5% towards inflation Y-o-Y on both the fixed amount and variable rate /KL payable to the vendor.
- Apart from the above, GIAL had projected Rental cost of refuellers amounting to ₹ 0.66 crore in FY 2023-24 and ₹ 0.99 crores in FY 2024-25. The rental cost had been estimated for 4 month period in FY 2023-24 and half year period in FY 2024-25 after which, GIAL expected to have sufficient number of own refuellers to run the operations.

The Authority examined all the above and summarised its view as under:

a) The Authority had ascertained that GIAL till March 2024 was yet to commence open fuel access facility operations and had incurred zero costs on fuel operating expenses till the issuance of the Consultation Paper. GIAL vide email dated April 2, 2024 had stated that Fuel farm Operations at GIAL was expected to commence from July 2024. The Authority thus proposed to consider expenses for fuel operations from July 2024 onwards.

b) The Authority proposed to consider the Fuel throughput Volume and related Operations and Maintenance Costs of LGBIA for the Third Control Period based on the growth rate proposed by the Authority for ATM traffic as per Table 79 and correspondingly derived the O&M expenses.

c) The Authority proposed to undertake the growth rate towards inflationary effect as prescribed in Table 140, for both fixed and variable expenses during each year of the Third Control Period.

**Table 168: Fuel Opex claimed by GIAL and allowed by the Authority for the Third Control Period at Consultation stage**

| Particulars | Unit | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | | |
| Fuel O&M expenses claimed by GIAL | ₹ in crores | - | **3.6** | **10.3** | **10.3** | **11.7** | **35.93** |
| **As per the Authority** | | | | | | | |
| ATM traffic | in Nos. | - | - | 45395* | 68050 | 82109 | **195554** |
| Fuel throughput per ATM | in KL | - | - | 2 | 2 | 2 | |
| Fuel throughput volume (A) | KL | - | - | 90,791 | 136,100 | 164,218 | **391,109** |
| Fixed Fuel throughput volume (B) | KL | - | - | 60,000* | 80,000 | 80,000 | **220,000** |
| Variable Fuel throughput volume (C = A -B) | KL | - | - | 30,791 | 56,100 | 84,218 | **171,109** |
| Growth rate proposed by the Authority towards inflation | In % | - | - | 3.10% | 3.70% | 3.70% | |
| Fixed Fuel O&M expenses (up to 80,000 KL) (D) | ₹ in crores | - | - | 5.95 | 8.22 | 8.53 | **22.70** |
| Variable O&M expenses (above 80,000KL) (E) | ₹ in crores | - | - | 0.91 | 1.73 | 2.69 | **5.33** |
| Fuel O&M expenses (F = D + E) | | | - | **6.86** | **9.95** | **11.22** | **28.03** |
| Refuelers rentals Charges (G) | ₹ in crores | - | - | **1.98** | **0.00** | **0.00** | **1.98** |
| **Total Fuel expenses proposed by the Authority (H = F + G)** | ₹ in crores | - | - | **8.84** | **9.95** | **11.22** | **30.01** |

*For 9 month period

**Cargo Operating Expenses**

10.2.40 Clause 19.4.1. of the Concession Agreement stipulates GIAL's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement.

10.2.41 GIAL had claimed Cargo Operating Expenditure of ₹ 20.63 crores for Third Control Period towards in-house salary cost, outsourced O&M expenses and customs cost recovery by considering the FY 2023-24 as base year of operations and on the assumption of commencing Cargo Operations from June 2023 onwards. GIAL had projected the Insourced salary and Customs Cost recovery based on the Manpower required and the Cargo O&M expenses on the basis of estimated Cargo Volume and Cargo cost / MT for each FY. GIAL had also claimed an increase of 10% Y-o-Y for all the expenses for the next three (3) FYs in the Third Control Period.

10.2.42 The Authority observed that GIAL had considered approximately ₹ 3,000 per tonne as basis for determining the O&M cost for LGBIA. This rate was estimated based on the experience of Ahmedabad and Lucknow airports. The Authority had examined the actual per tonne fee in Ahmedabad and Lucknow airports and proposed to consider the average of the said fees for the two airports, i.e., ₹ 2,860 as the per tonne fee for FY 2023-24. The Authority also proposed to escalate this fee at inflationary growth rate (refer Table 140) as against the increase of 10% submitted by GIAL for computing the O&M expenses for the remaining three (3) years of the current control period. The Authority further proposed to consider the cargo volume processed by GIAL as per Table 79 for the determination of

O&M expenses.

10.2.43 The Authority observed that GIAL had projected salary costs for six (6) of their own employees comprising supervisory staff and duty managers at an average annual salary of ₹ 8 lakhs per employee which worked out to a total in-house salary cost of approximately ₹ 0.5 crore per annum starting from FY 2023-24. Further, this cost had been projected to increase 10% Y-o-Y in each tariff year. The Authority noted that for the period June 2023 till March 2024, GIAL had incurred own staff expenses of ₹ 0.15 crores. The Authority proposed to consider the same and also escalated the annual average salary by 6% Y-o-Y (as against 10% claimed by GIAL) in line with that allowed for Manpower expense of AAI and GIAL for the remaining three (3) tariff years of the Third Control period.

10.2.44 The Authority examined the submission of GIAL and noted that apart from the salary cost of their own employees, GIAL had projected reimbursement of salary cost of Customs officials who would be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority noted that GIAL had estimated the salary cost of 5 Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated January 19, 2021 and arrived at ₹ 1.80 crores per annum. GIAL had estimated commencement of international cargo operations from new Integrated Cargo Terminal (ICT) facility from FY 2026-27, and thus considered salary cost only for that respective FY. The Authority noted that Customs Cost recovery is waived off based on achievement of certain volume threshold. While the Authority had considered the cost estimate provided by GIAL, the Authority directed GIAL to ensure that waiver of charges should be obtained as soon as the volume limits are reached.

10.2.45 The Authority's proposal as compared to GIAL's submission is summarized in the table below:

**Table 169: Cargo O&M expenses claimed by GIAL and proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **Claimed by GIAL** | | | | | | |
| Insourced Salary | - | 0.50 | 0.55 | 0.61 | 0.67 | **2.32** |
| O&M expenses | - | 1.05 | 1.49 | 2.00 | 11.98 | **16.51** |
| Customs cost recovery | - | - | - | - | 1.80 | **1.80** |
| **Total Cargo O&M expenses** | - | **1.55** | **2.04** | **2.60** | **14.44** | **20.63** |
| **Considered by the Authority** | | | | | | |
| Insourced Salary | - | 0.15 | 0.16 | 0.17 | 0.18 | **0.66** |
| O&M expenses | - | 1.00 | 1.33 | 1.69 | 5.55 | **9.57** |
| Customs cost recovery | - | - | - | - | 1.80 | **1.80** |
| **Total Cargo O&M expenses** | - | **1.15** | **1.49** | **1.86** | **7.53** | **12.03** |

**Finance Charges, Working Capital Loan Interest and Annual Fee on Performance Bank Guarantee**

10.2.46 GIAL had included a claim for Working Capital Loan Interest and Finance charges as a separate line item than the other operating expenses. The Authority noted that GIAL had computed working capital interest based on the forecasted recovery of revenue and payment of expenses and had considered the entire expense as aeronautical. As per the calculation by GIAL, there was a requirement for working capital for all tariff years of the Third Control Period.

**Financing Charges**

10.2.47 The Authority had reviewed the computation of Financing Charges and noted that GIAL had considered charges at the rate of 1.50% of the debt drawn down during the current control period. GIAL had considered 65% of the total capital addition as being funded through debt for arriving at the debt draw down during the current control period. For the FY2022-23, financing charges as per the audited accounts submitted by GIAL was ₹ 0.59 crores. For the remaining four (4) tariff years, the Authority had recomputed the Finance Charges by considering 48% (refer para 8.6.2) of the revised total capital addition, i.e. ₹ 3799.70 crores (refer Table 120) as being funded through debt. As per this revised computation, the estimated finance charges amounted to ₹ 27.08 crores for the remaining four (4) years of the Third Control Period. The Authority proposed to consider ₹ 0.59 crores as financing charges for FY 2022-23 and ₹ 27.62 crores as financing charges for the FY2023-24 to FY2026-27.

**Working Capital Loan Interest**

10.2.48 The Authority had reviewed the computation of interest on working capital loan. The Authority also reworked the cash flows based on the revised aeronautical operating expenses, traffic, and aeronautical revenues. As per the revised computation, the estimate interest on working capital loan amounted to ₹ 7.67 crores for the Third Control Period. The Authority, therefore, proposed to consider ₹ 7.67 crores during computation of ARR for the Third Control Period.

**Annual Fee on PBG**

10.2.49 The Authority noted that GIAL has taken a Performance Bank Guarantee (PBG) of ₹ 115 crores for which GIAL has to pay an annual fee at 0.50% of the guaranteed amount. The Authority considered the same as part of the costs for the control period.

10.2.50 GIAL had submitted PBG expenses amounting to ₹ 0.58 crores for each tariff year of the Third Control Period and the Authority proposed to consider the same. The Authority further proposed to true-up the same based on actuals at the time of determination of Tariff for the next control period.

10.2.51 The Authority also proposed to consider the allocation of these expenses as given below:

- Finance Charges based on the revised Gross Block Ratio
- Working Capital Interest to be considered as Aeronautical as the expense is computed based on aeronautical operating expenses and aeronautical revenues.
- PBG charges to be considered as Aeronautical based on the Clause 9.1.1 of the Concession Agreement which states that "*The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 115,00,00,000 (Rupees One Hundred and Fifteen crores) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security, the Authority shall release the Bid Security to the Concessionaire.*"

10.2.52 The Authority's proposal as compared to GIAL's submission is summarized in the table below:

**Table 170: Working Capital Interest, Annual Fees for PBG and Finance Charges claimed by GIAL and proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| **As per GIAL** | | | | | | |
| Finance Charges | - | 44.77 | - | - | - | **44.77** |
| Annual Fees for Performance BG | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | **2.88** |
| Working Capital Interest | - | 2.46 | 10.29 | 15.66 | 17.93 | **46.34** |
| **As per the Authority** | | | | | | |
| Finance Charges | 0.59* | 0.06 | 1.72 | 24.93 | 0.32 | **27.62** |
| Annual Fees for Performance BG | 0.58* | 0.58 | 0.58 | 0.58 | 0.58 | **2.90** |
| Working Capital Interest | - | - | 3.56 | 1.92 | 2.19 | **7.67** |

**as per actuals submitted by GIAL*

10.2.53 After incorporating the above observations by the Authority, the revised Total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses of LGBIA have been presented in the tables below:

**Table 171: Total Aeronautical O&M expenses proposed by the Authority for the Third Control Period at Consultation stage**

*(₹ crores)*

| Particulars | Reference Table | FY'23* | FY'24** | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | | |
| Manpower expenses – AAI employees | Table 151 | 27.43 | 28.03 | 26.98 | 25.39 | 26.91 | **134.75** |
| Manpower expenses – GIAL employees | Table 156 | 9.23 | 10.70 | 19.00 | 30.35 | 39.69 | **108.97** |
| Utility expenses | Table **157** | 6.70 | 9.20 | 9.49 | 50.54 | 52.41 | **128.33** |
| IT expenses | Table 158 | 2.25 | 3.06 | 3.15 | 6.43 | 6.66 | **21.56** |
| Rates and Taxes | Table **159** | 0.30 | 0.10 | 0.10 | 0.51 | 0.53 | **1.53** |
| Security expenses | Table 160 | 3.58 | 5.72 | 5.90 | 9.07 | 9.41 | **33.68** |
| Corporate Allocation Cost | Table 162 | 12.51 | 11.38 | 12.14 | 12.90 | 13.71 | **62.63** |
| Administrative Expenses - Others | Table 163 | 11.67 | 11.58 | 11.94 | 12.39 | 12.84 | **60.42** |
| Admin Expenses – Collection Charges on UDF | Table 163 | 0.98 | 1.45 | 1.62 | 1.84 | 2.21 | **8.11** |
| Insurance | Table 164 | 2.21 | 1.43 | 1.72 | 5.48 | 5.58 | **16.42** |
| Repairs and Maintenance | Table 165 | 18.61 | 20.50 | 21.14 | 65.01 | 133.89 | **259.15** |
| Other Operating expenses | Table 166 | 12.09 | 15.66 | 16.15 | 83.55 | 86.64 | **214.09** |
| Independent Engineer Fee | Para 10.2.35 | 3.91 | 3.52 | 3.91 | 3.91 | 3.91 | **19.17** |
| **Total Operating Expenses (A)** | | **111.46** | **122.33** | **133.24** | **307.36** | **394.41** | **1068.80** |
| **Fuel Operating Expenses** | | | | | | | |
| Fuel O&M Expenses | Table 168 | - | - | 6.86 | 9.95 | 11.22 | **28.03** |
| Refuellers Rentals | Table 168 | - | - | 1.98 | 0.00 | 0.00 | **1.98** |
| **Total Fuel Operating Expenses (B)** | | - | - | **8.84** | **9.95** | **11.22** | **30.01** |
| **Cargo Operating Expenses** | | | | | | | |

| Particulars | Reference Table | FY'23* | FY'24** | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Insourced salary | Table 169 | - | 0.15 | 0.16 | 0.17 | 0.18 | **0.66** |
| O&M Expenses | Table 169 | - | 1.00 | 1.33 | 1.69 | 5.55 | **9.57** |
| Customs Cost Recovery | Table 169 | - | 0.00 | 0.00 | 0.00 | 1.80 | **1.80** |
| **Total Cargo Operating Expenses (C)** | | - | **1.15** | **1.49** | **1.86** | **7.53** | **12.03** |
| Finance Charges (D) | Table 170 | 0.59 | 0.06 | 1.72 | 24.93 | 0.32 | **27.62** |
| Annual Fees for Performance BG (E) | Table 170 | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | **2.90** |
| Working Capital Interest (F) | Table 170 | - | - | 3.56 | 1.92 | 2.19 | **7.67** |
| **Total Aeronautical O&M expenses (A+B+C+D+E+F)** | | **112.63** | **124.12** | **149.43** | **346.61** | **416.24** | **1149.03** |

**as per actuals submitted by GIAL for FY 2022-23*

***as per actuals submitted by GIAL for FY 2023-24*

*Note: The surge in O&M expenses in FY2026 and FY2027 is attributed to operationalization of NITB and increase in manpower due to completion of deemed deputation period.*

10.2.54 It was noted that as per the true up of Second Control Period, AAI had incurred OPEX of ₹ 408.16 crores and handled maximum traffic of 5.05 MPPA in FY19-20. On the other hand GIAL for Third Control Period had forecasted OPEX amounting to ₹ 2037.03 crores and after rationalization the Authority had allowed ₹ 1149.03 considering appropriate inflationary increase and other factors. The Authority still bore that the proposed O&M expenses were substantially higher than the actual expenses incurred in Second Control Period. Therefore, the Authority would expect GIAL to bring in further efficiencies in their overall O&M expenses so as not to burden the airport users. This would also be a direct violation of cost relatedness principle of ICAO.

10.2.55 Based on above considerations, the Authority proposed the following growth rates in Operation and Maintenance (O&M) expenses for Aeronautical Operating expenses, Fuel Operating expenses and Cargo Operating expenses, as compared to the projections submitted by GIAL.

**Table 172: Growth rates in Aeronautical O&M expenses proposed by the Authority for the Third Control Period at Consultation stage**

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| **Operating Expense (A)** | | | | | |
| Manpower Expenses – AAI employees | - | - | 6% | 6% | 6% |
| Manpower Expenses – GIAL's employees | - | - | 6% | 6% | 6% |
| Utility expenses^ | - | - | 3.10% | 3.7% + 414%* | 3.70% |
| IT expenses | - | - | 3.1% | 3.7%+ 100%* | 3.7% |
| Rates and Taxes | - | - | 3.1% | 3.7% + 414%* | 3.7% |
| Security expenses | - | - | 3.1% | 3.70% + 50%* | 3.7% |
| Corporate Allocation Cost | - | - | 6% | 6% | 6% |
| Administrative Expenses - Others | - | - | 3.1% | 3.7% | 3.7% |
| Administrative Expenses – UDF Collection Charges# | - | - | 11.86% | 13.21% | 20.55% |
| Insurance – on Initial Asset Base | - | - | 3.1% | 3.7% | 3.7% |
| R&M Expenses | - | - | 3.1% | 207.48%@ | 105.93%@ |
| Other Operating expenses | - | - | 3.1% | 3.7% + 414%* | 3.7% |
| Amortization of Runway recarpeting | - | - | - | - | - |

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| **Fuel operating expense (B)** | | | | | |
| Fuel O&M Expenses | - | - | 3.1% | 3.7% | 3.7% |
| **Cargo operating expense (C)** | | | | | |
| Cargo Operating Expenses – Insourced Salary cost | - | - | 6% | 6% | 6% |
| Cargo Operating Expenses – Other expenses | - | - | 3.1% | 3.7% | 3.7% |

* linked to terminal area increase

# linked to passenger traffic

^ linked to per unit charge and billable units

@ linked to gross block additions

### 10.3 Stakeholders' comments on Operating Expenses for the Third Control Period

10.3.1 During the Stakeholder consultation process, the Authority had received comments/views from various Stakeholders in response to the proposals of the Authority in the Consultation Paper No. 01/2024-25 with respect to Operating Expenses for the Third Control Period. The comments by Stakeholders are presented below.

**GIAL's comments on Operating Expenses for the Third Control Period:**

10.3.2 With respect to AERA's proposal as per Para 10.2.2 to 10.2.20 of Consultation Paper relating to allocation of expenses, GIAL stated the following:

*"In order to avoid repetition of comment, please refer to 1.3.2 and 3.13* (refer para 5.4.6 and para 5.4.7 of this Tariff Order) *for our request for considering 100% Aero allocation."*

10.3.3 With respect to AERA proposal as per Para 10.2.23 of Consultation Paper relating to Manpower Expenses, GIAL stated the following:

*In respect to the Authority's rationalization of Security manpower, we would like to submit as follows:*

- *We had submitted detailed justification along with role-wise requirement of number of in-house security team strength.*
- *AAI had been running Security only as Pass Section. However there are various activities which need to be performed by GIAL like CISF Documentation, Airport Security Program, Kerb Side Management, Traffic Management, Airport Operator Security Control Room, Tout Management, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements.*

  *Sovereign agencies and security set up of the airport operator have clearly defined mandates. NACASP 2018 vide Para4.2.2(xxii) stipulates that the Airport Operator is responsible for implementation of security controls at the airports through the CSO. The Asset CSO is bestowed with all the powers to implement security controls at the airport level and overall coordination with other agencies at the airport (Para5.2.1(ii) of NCASP refers).*

  *Further, As per Concession Agreement clause 18.15.4, GIAL is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU.*
- *Accordingly, GIAL has planned for on-roll 20 employees for Security function with following composition:*

  *Security Function:*

  *1 CSO, 6 Pass Section, 1 Avsec Audit and Compliances, 7 Loss Prevention and Automation, 5 landside operations and others.*

*The Authority has rationalized the manpower for Security function with clear disregard to the requirement of various roles essential for smooth airport operations. Hence, we request the Authority to consider the manpower for security function as submitted by GIAL.*

*Without prejudice to above, the Authority in Consultation Paper has mentioned that Authority has rationalized security function manpower as Authority is of opinion that certain security function may be suitably outsourced by GIAL. In the said scenario Authority should have allowed balance cost as outsourced manpower. GIAL vide email dated 2nd April 2024 have provided details of composition of security department the need of which has not been commented by the Authority or its consultant.*

*In respect to the Authority's rationalization of Airside Management manpower, we would like to submit as follows:*

- *We had submitted detailed justification along with role-wise requirement of number of in-house Airside Management team strength.*
- *GIAL is responsible for maintaining and operating Airside including Runway, Taxiways, Approach Areas, Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. The composition of planned manpower includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerodrome Licensing, Aerodrome Safeguarding, Wildlife Hazard Management.*
- *Authority observes that the headcount projected by GIAL for all tariff years is not justified considering the projected traffic levels at the airport. GIAL would humbly submit that the manpower count as projected by GIAL is in line with manpower count approved by the Authority in similar sized airport. GIAL would like to draw attention towards recently issued order of Authority for Lucknow Airport (which is of similar size) where the Authority has approved airside manpower count of 30 nos for FY24, 35 nos for FY25 and 40 nos in FY26. Extract of Lucknow Order is reproduced hereunder:*

*Table 121: Aeronautical Employee Head Count of the Airport Operator and the Revised EHCR proposed by the Authority for the Third Control Period at Consultation Stage*

| Particulars | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|---|
| Aeronautical Employee Head count claimed by the Airport Operator | 116 | 213 | 310 | 359 | 407 |
| Chief Airport Officer's office (CAO office) | 2 | 3 | 3 | 4 | 5 |
| Techno Commercial (Procurement department) | 5 | 8 | 9 | 10 | 11 |
| Corporate communication | 1 | 1 | 2 | 3 | 3 |
| Corporate Affairs | 1 | 1 | 1 | 2 | 2 |
| Security | 3 | 5 | 8 | 8 | 8 |
| Legal | 1 | 2 | 3 | 3 | 3 |
| Safety | 1 | 2 | 2 | 3 | 3 |
| Quality | 2 | 3 | 3 | 3 | 3 |
| Customer Engagement | 2 | 3 | 3 | 3 | 3 |
| Information Technology | 3 | 5 | 8 | 9 | 10 |
| Airside Management | 11 | 23 | 30 | 35 | 40 |
| Regulatory | 1 | 1 | 1 | 1 | 1 |
| Terminal and Operation | 8 | 15 | 26 | 30 | 38 |
| Human Resources and Admin | 5 | 6 | 8 | 10 | 10 |
| Finance | 3 | 5 | 6 | 7 | 8 |
| Engineering & Maintenance | 10 | 14 | 20 | 23 | 26 |
| Aviation Rescue and Fire Fighting (ARFF) | 4 | 6 | 6 | 6 | 6 |
| Fire Fighters | 9 | 20 | 60 | 75 | 90 |
| Inline Baggage Screening system | 33 | 40 | 50 | 60 | 83 |
| **Aeronautical Employee Head count rationalized by the Authority** | 105 | 163 | 249 | 295 | 353 |
| Non-aeronautical employees | 4 | 7 | 10 | 11 | 13 |
| **Revised Total Employee Headcount of AO, derived by the Authority** | 109 | 170 | 259 | 306 | 366 |

*Thus, GIAL request the Authority to provide manpower count as proposed by GIAL in its MYTP as the same in line with those approved by the Authority for similar size airport.*

*Further it is to be submitted that Lucknow Airport approved by the Authority is for approx. 117,000 sqm, whereas Guwahati Airport NITB is for approx. 146,000 sq mtr. The area itself is higher by 25% whereas manpower proposed is lower than benchmark of Lucknow Airport.*

- *With respect to the reason provided by the Authority that ground handling activities at the airport have been outsourced, we would like to submit that the role of airside operations through GIAL manpower is quite different from ground handling operations and thus the reason is erroneous. Hence, we request the Authority to consider the manpower for Airside Management function as submitted by GIAL.*

  *In respect to the Authority's rationalization of Terminal Operations manpower, we would like to submit as follows:*

- *We had submitted detailed justification of number of in-house Terminal Operations team strength.*
- *GIAL is expected to maintain and improve quality of service to passengers. In that connection, GIAL will deploy various positions of Terminal Managers, Duty Managers, Shift In-charge, Protocol services.*
- *With respect to the reasoning provided by the Authority, we would like to submit the following:*
  - o *FY 24-25 manpower reduced from 29 to 22 in view of AAI employee being available till Deemed Deputation Period – As the deemed deputation period will be over in Oct'24, GIAL will have to replenish the roles being performed by AAI manpower through onboarding in-house staff at least 3 to 6 months in advance for smooth handover and transition. And hence, the rationalization due to this reason need to be re-considered.*

- *As Authority has mentioned in Consultation Paper that AAI (Select Employees deputed to LGBIA) at the Airport are available only till deemed deputation period i.e. till 7th Oct'24. Thus, rationalization of manpower by the Authority stating that since AAI employees are present at the Airport is erroneous. As after 7th Oct'2024 GIAL would have to manage the Airport with its own employee. Further as proposed by the Authority that NITB shall be commissioned in April-2025, it is noteworthy to mention that NITB area is around 1,46,292 sqm as against existing Terminal size of 20,000 sqm i.e. increase of 621%. Manning Terminal of big size require more manpower. Thus, GIAL request the Authority to consider manpower count as proposed by GIAL.*

- *The Authority has rationalized the manpower for Terminal Operations function with clear disregard to the requirement of various roles essential for smooth airport operations. Hence, we request the Authority to consider the manpower for Terminal Operations function as submitted by GIAL.*

  *In respect to the reason provided by the Authority for rationalization of Engineering & Maintenance Department manpower for FY 24-25, we would like to submit that as the deemed deputation period will be over in Oct'24, GIAL will have to replenish the roles being performed by AAI manpower through onboarding in-house staff at least 3 to 6 months in advance for smooth handover and transition. And hence, the rationalization due to this reason may not be appropriate.*

  *In respect to the Authority's rationalization of Aircraft Rescue and Fire Fighting (ARFF) including Fire Fighters, we would like to submit as follows:*

- *We had submitted the Task Resource Analysis as required by DGCA and as per the peak hour assessment done, there is requirement for 92 employees in ARFF for Category-8. The same was also attached as Annexure R to MYTP.*

- *In view of the statutory requirement, we request the Authority to consider manpower as submitted by GIAL.*

*In respect to the Authority's rationalization of Screeners for Inline Hold Baggage Screening system (ILHBS), we would like to submit that the Authority has not provided any reason for rationalization. The number of employees proposed by the Authority are on ad-hoc basis. ILHBS is an important function related to security and safety of the airport. We request the Authority to consider the number of employees as provided by GIAL in its MYTP.*

*Further in paragraph 3.4.8 of Study on Efficient Operation and Maintenance Expenses, Authority has mentioned*

*Based on global benchmarks, the level of staffing for an airport is generally considered to be optimum when the number of passengers per employee is around 15000-17000[2]. The details for AAI are shown below:*

*Going by the said benchmark, Employee count proposed by GIAL is better than international benchmark of 15,000 – 17,000 passenger per employee. The same is tabulated as below.*

| Particulars | FY25 | FY26 | FY27 |
|---|---|---|---|
| No of Pax (mm) | 6.66 | 7.54 | 9.09 |
| As per Global Benchmark (Non of Pax per employee) as agreed by the Authority (Refer para 3.4.8 of Study on Efficient Operation and Maintenance Expenses) | 16,000 | 16,000 | 16,000 |

| ***Particulars*** | ***FY25*** | ***FY26*** | ***FY27*** |
|---|---|---|---|
| *Optimum number of employee as per the study (Nos)* | *417* | *472* | *568* |
| *No of Employee as proposed by GIAL in its MYTP (Nos)* | *325* | *350* | *375* |

***From the above it can be seen that GIAL's projections of manpower headcount are in line with global benchmarks. Thus, Authority mentioning that projection of manpower headcounts by GIAL for all the tariff years is not justified considering the projected traffic levels is erroneous as Authority itself has relied upon the said report while approving true-up of manpower headcount of AAI for second control period. In view of the above GIAL reiterates that manpower number projected by GIAL is justified and request the Authority to consider the manpower numbers for Security, Airside Management, Terminal Operations, Engineering & Maintenance, ARFF and ILHBS Screeners as submitted by GIAL.***

*In respect to Y-o-Y salary increase, we would like to submit our analysis as follows: -*

- *All India AAI Employees salary growth*
- *LGBIA AAI Employees Salary Growth*
- *Analysis of latest orders issued by the Authority*

- ***All India AAI Employees salary growth***

  *Avg salary per employee of all India AAI employee is Rs. 25 lakhs in FY22-23 and the CAGR increase in avg cost per employee from FY13 to FY23 is 8.8%. After excluding the effect of 2 years' COVID period, the CAGR increase from FY13 to FY23 comes to 11.1%.*

| | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | CAGR FY13 to FY23 | CAGR FY13 to FY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Excluding impact of COVID |
| No. of Employees | 18,573 | 19,056 | 17,465 | 17,370 | 17,484 | 17,536 | 17,487 | 17,364 | 15,779 | 16,188 | 16,061 | | |
| | | | | | | | | | | | | | |
| **Cost (Rs Crs)** | | | | | | | | | | | | | |
| Pay & Allowances | 1,192 | 1,696 | 1,777 | 1,936 | 2,011 | 2,131 | 2,249 | 2,751 | 2,312 | 2,370 | 2,779 | 8.8% | 11.2% |
| Other Staff Cost | 469 | 561 | 694 | 625 | 631 | 1,375 | 1,732 | 1,462 | 1,003 | 1,141 | 1,135 | 9.2% | 11.7% |
| PF & Other Funds | 338 | 154 | 143 | 152 | 162 | 185 | 1,229 | 329 | 257 | 375 | 381 | 1.2% | 1.5% |
| Less Recovery of operational funds | - | (14) | (12) | (14) | (16) | (46) | (59) | (41) | (66) | (183) | (258) | | |
| **Total Cost (Rs Crs)** | **2,000** | **2,397** | **2,602** | **2,699** | **2,788** | **3,645** | **5,158** | **4,481** | **3,506** | **3,702** | **4,006** | 7.2% | 9.1% |
| Year on Year Growth in cost | | 20% | 12% | -4% | 3% | 31% | 42% | -13% | -22% | 6% | 8% | | |
| | | | | | | | | | | | | | |
| **Avg Cost per employee (Rs Crs)** | **0.11** | **0.13** | **0.16** | **0.16** | **0.16** | **0.21** | **0.29** | **0.26** | **0.21** | **0.23** | **0.25** | 8.8% | 11.1% |
| Year on Year Growth in avg cost cost | | 23% | 21% | -5% | 3% | 30% | 42% | -13% | -19% | 9% | 9% | | |

*Source :- AAI Annual Reports*

- ***LGBIA AAI Employees Salary Growth***

  *Avg salary per AAI employee at LGBIA is Rs. 20 lakhs in FY19-20 (pre-covid) and the CAGR increase in avg cost per employee is approx. 16% in last 4 years from FY17 to FY20.*

| ***Sl No*** | ***Particulars*** | ***FY 2016-17*** | ***FY 2017-18*** | ***FY 2018-19*** | ***FY 2019-20*** |
|---|---|---|---|---|---|
| *A* | *Total Head Count (as approved by the Authority) (Refer Table 19 of Study on Efficient Operation and Management Expenses) (Nos)* | *154* | *162* | *179* | *165* |

| Sl No | Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|---|---|---|---|---|---|
| B | Total Staff Cost (as approved by the Authority) (Refer Table 25 of Study on Efficient Operation and Management Expenses) (Rs in Crs) | 16.62 | 24 | 32.05 | 32.37 |
| C= A/B | Average Salary (Rs in Crs) | 0.11 | 0.15 | 0.18 | 0.20 |
| D | YoY Increase | | 37% | 21% | 10% |
| E | CAGR | | | | 16% |

*Kindly refer Para 4.9.3 of the CP.*

*a. Payroll Expenditure: For FY 2017-18 - there was an increase of 44% as against 36.19% approved in the tariff order of Second Control Period. The Authority further noted that for FY 2018-19 – there was an increase of 33% as against 23% Y-o-Y approved in the tariff order of Second Control Period. The Authority sought clarification from AAI in this regard. AAI clarified that the variance is due to pay revision as per 7th Pay Commission Report which was implemented from Jan 2017 and payment of arrears were paid to Executives in December 2017 (FY'18) and to Non-Executives in FY'19. The Authority also noted that the total Employee benefit expenses of ₹ 131.82 crores incurred by AAI is lower than the approved amount of ₹ 160.50 crores for the Second Control period. Based on the above factors, the Authority considers the payroll expenditure of LGBIA, as submitted by AAI for the Second Control Period to be reasonable and allow the same.*

*From the above it can be seen that Authority has themselves acknowledged the growth in cost in the previous years. Thus, providing mere 6% YoY increase to GIAL for Third Control Period is not justifiable when the Authority for past years has approved increase of 33% and 23% for AAI in the same airport.* ***In the future there will be further increase due to pay revision from time to time and hence CAGR growth of 10 years as provided by GIAL in above section is a reasonable parameter to take a view for projection purposes, rather than adopting 6% ad-hoc approvals which has no back-up calculation basis. Hence GIAL request the Authority to provide YoY salary growth of 10% as claimed by GIAL in its MYTP.***

- ***Analysis of recent orders for ISPs.***

*It is important to note that AERA has allowed a 16% increase in payroll expenses in the recently approved order for ISP Order No. 37/2022-23 dated 06th January 2023. The relevant extract from the said order is as follows: -*

*5.5.2 The Authority notes from the submission of DCSC that during pandemic period, payroll expenses were low and many welfares activities I trainings etc. were deferred. Now with the improvement in the situation from the pandemic, expenses in post Covid period, including FY 2022-23, are expected to reach back to their normal levels. The ISP further submitted that Y-0-Y increase in payroll expenses have been projected after considering the factors like periodic increase in minimum wages notified by the Govt. Authorities from time to time, corresponding increase in other statutory components like EPF, ESI etc. The Authority, also noted at consultation stage that Cargo Handling is a specialized job and requires skilled & trained manpower at the Cargo Terminals. Further, during Covid, there is a shortage of required skill set. ISP further submitted that in order to address the issue of manpower attrition, the annual escalations in payroll expenses are projected in a very holistic manner and paid as per the industry practice.*

*A similar kind of statement has been made by the Authority in Order No. 32/2022-23 dated 29th December 2022 whereby the increase in cost is allowed by 10% year on year.*

*5.9.2 The Authority notes from the submission of CDCTM that during pandemic period, payroll expenses were low and many welfares activities/trainings etc. were deferred. Now with the improvement in pandemic situation, expenses in post Covid period, including FY 2022-2 3, are expected to reach back to their normal levels. The ISP further submitted that Y-0-Y increase in payroll expenses have been projected after considering the factors like periodic increase in minimum wages notified by the Govt. Authorities from time to time, corresponding increase in other statutory components like EPF, ESI etc. The Authority, also noted at consultation stage that as per the CDCTM, Cargo Handling is a specialized job and skilled & trained manpower is deployed at the Cargo Terminals. As per the ISP, post Covid, there is a shortage of required skill set. ISP further submitted that in order to address the issue of manpower attrition, the annual escalations in payroll expenses are projected and paid as per the industry practice.*

*GIAL is a new AO who needs to build its manpower to run the Airport operations. GIAL needs to hire all people from outside who come at 25%-30% higher salaries. According to a recent Michael Page report titled "Talent Trends 2021," better remuneration is the top reason for changing jobs. The report highlights that job seekers on an average expect around 20% salary hike at middle levels and 19% increase at director, Vice President and CXO levels from their current or last salary drawn. Even non-managerial level employees' expectations are an average of 20%."*

*Further, EY's report on "Future of Pay" issued recently in March 2024 (refer Annexure 10 for full report) mentions the following:*

*"**India Inc. is set for an average salary increase of 9.6% in 2024, similar to the actual increase in 2023**. Overall attrition dropped to 18.3% in 2023 (from 21.2% in 2022) and is set to gradually decline over the next few years as companies prioritize cost management and employee wellbeing, stabilizing the workforce amidst high talent demand.*

*In light of India's position as a global hub for technology and outsourcing services, the EY report highlights that e-commerce is expected to have the highest salary growth in 2024, at 10.9%, followed by financial services with a projected growth of 10.1%. Professional services' salary is projected to grow by 10% in 2024, suggesting a rebound as companies invest in strategy alignment to navigate global business complexities. The impact of **real estate and infrastructure** emerging as a growth sector is also visible, as **increments continue to be stable at 10%**."*

*GIAL would like to highlight the fact that Airport Operators face difficulties while hiring a new workforce. This is because the suitable personnel available for the aviation sector is very limited. While it is comparatively easier to get workforce for accounts, finance, administration etc., it is very difficult to get skilled workforce for airside and terminal operations, engineering and maintenance and safety. To obtain and retain competent employees, it is imperative to compensate them well. The AERA has also supported the same point while providing a 15% increase in payroll cost of ISPs in latest orders as already discussed above.*

*Based on the above analysis, we had requested for annual 10% increase in avg cost per employee. However, AERA has considered an increase of 6% only.*

***We request the Authority to provide at least 10% YoY increase in avg cost of salaries for all employees i.e. AAI and GIAL Manpower. Also, we request the Authority to consider the manpower numbers for Security, Airside Management, Terminal Operations, Engineering and Maintenance, ARFF and ILHBS Screeners as submitted by GIAL.***

10.3.4 With respect to AERA's proposal as per Para 10.2.23 Consultation Paper relating to Utilities Expenses, GIAL stated the following:

*Please find attached the report as directed by the Authority (refer Annexure 11).*

10.3.5 With respect to AERA's proposal as per Para 10.2.24, 10.2.26 and 10.2.27 of Consultation Paper relating to Year-on-Year growth rate for expenses, GIAL stated the following:

*GIAL, in its MYTP submission, had claimed that the Corporate Allocation expenses and IT expenses increase with the increase in line with increase in employee expenses as these costs are driven primarily based on employee headcount numbers. Accordingly, increase in Corporate Allocation expenses and IT expenses as submitted by GIAL based on the same proportion as the increase in GIAL employee headcount may please be allowed.*

*Further, as the Corporate Allocation expenses mainly consists of salary cost and accordingly, the increase in corporate allocation expenses should be two-factored:*

*One, for increase in the Y-o-Y increase in salary cost*

*Two, for increase in headcount at the corporate level*

*In this case, the authority has missed out applying the ratio for increase in employee headcount at the corporate level (which can be considered in line with increase in GIAL employee headcount).*

*GIAL, in its MYTP submission, had considered employee headcount increase ratio as growth ratio for IT expenses as majority of the IT expenses were linked to the number of employees (e.g. IT system licenses, IT end-user services etc.). Also, in view of various recent initiatives of MOCA for digitalization including the esteemed project on DigiYatra which aims to provide a seam-less, contact-less and hassle-free paperless journey, the IT Operations cost tends to increase by a great proportion.*

*In this case also, the Authority has missed out applying appropriate expense growth ratio for increase in IT expenses.*

*Similarly, GIAL had claimed that the Security Expenses increase in line with increase in passengers at the airport as these costs are driven primarily based on security services required for passengers.*

*Authority in case of Bhubaneswar International Airport has provided 10% YoY increase for certain expenses as against YoY inflation of 3.80% mentioning that Authority follows the said practice in similar Airports.*

*Extract of para 9.5.2 (iv) from Order number 35/2023-24 for Bhubaneshwar International Airport*

iv. **Administration expenses (other than CHQ/ RHQ allocation and upkeep expenses)** include office expenses, travelling, legal, telephone expenses etc, wherein the Authority had considered a 10% Y-o-Y increase, as followed generally in other similar Airports.

*Similar stand was taken by the Authority in case of Patna International Airport. Extract of Order No. 38/2023-24 of the said order is reproduced hereunder:*

iv. Administration expenses (other than CHQ/ RHQ allocation and upkeep expenses) include printing and stationary, travelling, telephone and other office expenses, wherein the Authority had considered a 10% Y-o-Y increase, as followed generally in other similar Airports.

*GIAL request the Authority to maintain uniformity and provide YoY increase of 10% as was allowed for Bhubaneswar International Airport and Patna International Airport.*

*Further, in view of recent initiatives of MOCA/BCAS on increase in security screening infrastructure the operational cost of security expenses increases. Further, as the security related services are* *manpower intensive services, the same increases in line with increase in salary and wages cost.*

*In view of the above, we request AERA to consider reasonable expense growth ratios, based on relevant cost driver of such expenses (ie. Applying Employee Headcount Growth similar to GIAL and Salary growth of at least of 10% per annum for Corporate Allocation Expenses, Growth factor equivalent to Employee Headcount Growth for IT expenses in addition to terminal area increase, Growth factor equivalent to Passenger Growth for Security Expenses) subject to true-up on actual basis, instead of applying only terminal area or inflation increase.*

10.3.6 With respect to AERA's proposal as per Para 10.2.21 of Consultation Paper relating to one-time escalation, GIAL stated the following:

*It is to be noted that it is a practice whereby the Authority has allowed increase in utilities, security and other operating expenses (housekeeping) in proportion to increase in terminal area for the Airports which enjoys economies of scale and are future technology ready. For your kind reference the details are tabled below:*

| *Airport* | *Control Period* | *AERA Order No.* | *Reference* |
|---|---|---|---|
| *Hyderabad* | *Third Control Period* | *12/2021-22 dated 31st August 2021* | *Utilities and Housekeeping expenses increased in proportion to the increase in Terminal Area whereas 50% of area increase was considered for security expenses.*<br>*Terminal area is increasing from 117,000 sq mtr to 365,809 s mtr i.e. 213%*<br>*Extract from the order*<br>*Utility Costs*<br>*7.2.27 The Authority had reviewed the submissions made by HIAL with regard to the utility expenses and is of the opinion that there is a merit in the argument that expansion at the airport shall res ult in increase in utility related expenses. The Authority proposed to consider the utility cost projected with FY2020 as the base year.*<br>*7.2.40 The Authority proposed to consider the aforementioned revision in the projection methodology for housekeeping expenses for projections of aero housekeeping cost with FY2020 as the base year.*<br>*Further, the Authority approved expansion of the terminal as a driver for the housekeeping cost and therefore accepts HIAL's consideration that increase in housekeeping cost due to expansion has to be factored for the operational months for expanded terminal.*<br>*7.4.11 HIAL commented that it agrees to Authority's approach for increasing the housekeeping cost in proportion to the increase in terminal area in line with expansion, 80% of the housekeeping is fixed in nature and maintenance and upkeep of the infrastructure has to be ensured irrespective of the traffic levels. Hyderabad Airport has an integrated* |

| *Airport* | *Control Period* | *AERA Order No.* | *Reference* |
|---|---|---|---|
| | | | *terminal and doesn't have flexibility to shut down a section of the terminal.*<br>*Security Cost*<br>*7.2.12 The Authority proposed to approve HIAL's consideration of an elasticity of 0.5 for security cost with respect to increase in terminal area.* |
| *Chennai* | *Third Control Period* | *38/2021-22 dated 04th February 2022* | *Utilities expenses increased in proportion to the increase in Terminal Area. Terminal area is increasing by 33%.*<br>*Extract from the order*<br>*9.2.8. The Authority had noted that there would be a 33% net increase in terminal building area in FY 2022-23 after capitalization of modernization of Chennai International Airport, Phase II (NITB Part - I). Along these lines the Authority had proposed a 33% net increase power charges in FY2022-23*<br>*9.5.6 It may be noted that the Authority has decided on a 33% increase in power charges after considering the recommended operational efficiencies at the airport.* |
| *Trichy* | *First Control Period* | *55/2020-21 dated 22nd October 2020* | *Housekeeping expenses increase in proportion to the increase in Terminal Area. Terminal area is increasing from 14,450 sq mtr to 73,535 i.e. 410%*<br>*Extract from the order*<br>*12.2.11 AAI has proposed an additional 10% increase in Watch & Ward charges and 460% increase in Upkeep charges in the FY 2022-23, due to operationalization of the New Terminal Building. AAI has clarified that there will be a composite maintenance contract for the entire NTB based on unit area. The Authority finds the same to be reasonable, considering the size of the New Terminal Building* |

***In view of the above, we request the Authority to proportionately increase the utility expenses, IT expenses, Security expenses and other operating charges (housekeeping charges) in line with proportionate increase in terminal area ~ 621%.***

10.3.7 With respect to AERA's proposal as per Para 10.2.27 of Consultation Paper relating to corporate allocation cost, GIAL stated the following:

*To avoid repetition of comments on in-house legal team, please refer the comments provided in 1.3.1* (refer para 5.7.25 of this Tariff Order).

*Since the major portion of the Corporate Cost Allocation is comprising of Salary and Increase in manpower, we request Authority to provide increase as combination highlighted in point 6.2 and 6.4.2* (refer para 10.3.3 and 10.3.5 of this Tariff Order).

**Other Stakeholders' comments on Operating Expenses for the Third Control Period:**

10.3.8 FIA stated that - *"GIAL is requested to constitute a committee to verify the bills relating to Power expenses or submit a report on the same to AERA, if the same has already been conducted as part of Stakeholder comments / feedback.*

10.3.9 FIA submitted that - *"FIA requests, that AERA should not permit outsourcing of fuel facility on a "Volume linked fee basis" and instead it should be on "lowest cost model" through competitive bidding."*

10.3.10 FIA stated that - *"It is requested that the Customs Cost Recovery Charges for Customs staff posted at Air Cargo complexes, courier terminals etc. as prescribed by the Central Board of Excise and Customs needs to be levied on custodians, and not on the airlines."*

10.3.11 FIA submitted that –

*FIA appreciates the study conducted on Operations and Maintenance expenses (O&M expenses) conducted for the Third Control Period, and AERA's revision based on rationalization of each line item on the submitted O&M expenses by GIAL. However, FIA respectfully urges AERA to further explore avenues to minimizing escalations across the expense categories. This action would significantly enhance our ability to manage overall costs more effectively.*

*It is further submitted that the current estimated O&M expenses necessitate additional scrutiny through an Independent Study in this Control Period. This measure is vital to prevent deviations from being carried forward to the Fourth Control Period, doing so would help avoid over recovery of ARR in control period under the guise of True up.*

*FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, 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.*

*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 for determining the true value of the O&M expenses before approving the tariff for the third control period.*

## 10.4 GIAL's responses to Stakeholders' comments regarding Operating Expenses for the Third Control Period

10.4.1 GIAL's response to the various Stakeholders' comments with respect to Operating Expenses for the Third Control Period is presented below.

10.4.2 With respect to FIA's comment on *"GIAL is requested to constitute a committee to verify the bills... "*, GIAL stated that - *"Report of the Committee on Power Expenses had been submitted to the Authority as part of stakeholders' comments by GIAL. Please refer Annexure-11 (refer Annexure 11 of GIAL response to Consultation Paper) of comments submitted by GIAL in response to the CP."*

10.4.3 With regard to FIA's comment on *"Para 10.2.38 (iv) (Fuel operating expenses)... "*, GIAL stated that – *"GIAL places O&M contract on lowest cost model after due tendering. The model is fixed rate (minimum commitment) up to a certain volume and volume-based compensation beyond the given threshold limit. This is the prevailing model in industry, and it has evolved as a learning in post-COVID scenario. Operator needs some minimum commitment as he deploys his resources at airport irrespective of volume at airport. This model ring-fences operator from sudden drop in volume due to "force majeure" type of situations and encourage bidders to give more competitive bids"*. *Further, GIAL has* *proposed the volume-linked fees methodology which was successfully adopted at other Adani Airports like Ahmedabad, Lucknow, Thiruvananthapuram and Jaipur. This methodology was verified on merits by the Authority and it is suitably used as benchmark for GIAL."*

10.4.4 With regard to FIA's comment on *"Customs Cost Recovery Charges..."*, GIAL stated that – *"In this particular case, GIAL is the custodian and also the operator of cargo complex. Recovery charges for customs staff are a statutory cost for GIAL for running the cargo facility and same is included as part of O&M expenses for tariff determination purposes."*

10.4.5 With respect to FIA's comment on *"Para 10.2.54, Table 130 & 156 (Rationalization of O&M expenses)..."*, GIAL stated that –

*"The Authority has already rationalized the O&M expenses to Rs. 1,149 Cr against the expenses of Rs. 2,037 Cr submitted by AO. In respect to O&M. we have provided detailed comments in Chapter 6 of Comments to CP. To avoid repetition, we request that the same may be referred.*

*GIAL, being a new AO, needs to develop its workforce for the safe and secure functioning of the Airport. Aviation is a highly skilled and specialized sector and therefore there is an additional cost to bring in qualified people.*

*At present LGBIA has one operational terminal with an area of approx. 20,300 sqm and GIAL as part of transition has received CWIP of NITB which is scheduled to be commissioned in FY26. It is noteworthy to mention that area of NITB is 1,46,292 sqm i.e. 621% that of existing terminal. Further AAI erstwhile Airport Operator had proposed various airside projects which were linked to construction of NITB such as extension of runway, construction of part parallel taxiway, shifting of isolation bay, construction of link taxi way, storm water drain etc. Consequently, manpower, utility expenses and various other expenses for running these same are bound to increase the overall O&M of the airport.*

*Further, private Airport Operator is given various additional responsibilities under the Concession Agreement including the service level obligations and same will result in commensurate increase in expenses.*

*Also, with respect to FIA's comment on Airlines incurring huge losses and struggling to meet operational cost, we would like to submit the following:*

- *As per CP, "The Authority welcomes written evidence-based feedback, comments, and suggestions from all the stakeholders on the proposals made in the Consultation Paper". We observe that FIA has not provided any evidence along with their comments which would enable the Authority to examine whether the major reason for losses by the airlines is related to tariff.*
- *The comments by FIA without any substantiation appear to have been made to create a prejudice against the airport operator. In fact, the proportion of airport charges to the total operational cost of Airlines is insignificant i.e. in range of 4-5% of total of expenses.*
- *We also observe from information available in public domain that Indigo, one of FIA members and the largest airline in terms of volume, had earned cash profit of Rs. 7,312 Cr in FY 22-23 after meeting all operating expenses which has doubled to Rs. 14,598 Cr in FY 23-24.*

*In view of the above, we feel there is no need to do any study on determining O&M expenses for TCP."*

## 10.5 Authority's analysis of Stakeholders' comments on O&M expenses for the Third Control Period

10.5.1 The Authority notes AO's comment regarding consideration for 100% Aero allocation and the

Authority's view on the same may be referred in para 7.9.9 of this Tariff Order.

10.5.2 The Authority examined the comments of the AO relating to manpower for Security and Safety, Airside Management, Terminal Operations, Engineering and Maintenance, ARFF, and ILHBS Screeners and states that, the Authority has proposed the revised Employee Head Count as per Table 155 of this Tariff Order, after undertaking detailed analysis of the relevant assumptions relating to Employee numbers projected by the AO during the Third Control Period through the Authority's Consultant and also considering the need to review and rationalize costs of the airport.

The Authority notes that AAI has been successfully running LGBIA for over 40 years and that LGBIA being a brownfield airport which is already in operation, it cannot be considered akin to a greenfield airport. The Authority also notes that the roles as mentioned by GIAL in its comment, i.e., Security and Safety, Airside Management, Terminal Operations, Engineering and Maintenance, and ARFF existed during the period under AAI operation. Hence the Authority is not convinced that there is a need for additional Manpower primarily on account of the activities mentioned by GIAL.

Based on the above, the Authority is of the view that aforementioned departments can be effectively handled with the manpower decided by the Authority by optimizing the function as already proposed by it at the Consultation stage and it finds no reason to deviate from its proposal.

The Authority has examined the comments of the AO and the details provided on the increase in manpower expenses and has the following views:

The Authority had noted that the Manpower expenses of AAI employees was based on the invoice raised by AAI on a monthly basis for the 'Select Employees' deputed at the airport.

For both Manpower expenses of AAI and of AO, the Authority had only revised the Y-O-Y growth rate in payroll expenses to 6%, instead of 10% proposed by the AO from the second tariff year onwards. The Authority is of the view that the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues including profitability, has necessitated rationalization of the operational and maintenance costs of the airport.

- Further, the Authority notes that AAI in the recent past had proposed a growth rate of only 5%-7% in Payroll expenses for similar airports.
- Also, the Authority had considered in the past, a growth rate of approximately 6% consistently across other similar AAI airports and also PPP airports such as BIAL, Mopa Goa, Kannur, Lucknow, Ahmedabad, Trivandrum, Jaipur etc. and GIA cannot be treated any differently.

Further, the Authority has only rationalized the growth rate in the payroll expenses Y-o-Y for the Third Control Period and has not rationalized/ reduced the salary of any individual employees.

The Authority also notes the reference to ISPs such as DCSC and CDCTM mentioned by the AO, as part of its stakeholders' comments. It is paramount to state that cargo service provider in case of Delhi falls under the competitive environment as there are other service providers providing similar service at the airport. Therefore, by virtue of the competitive nature of the services, the tariff for DCSC was determined based on the "Light Touch" approach, which takes care of the necessary increase in the overall O&M expenses and the implication on the tariff rates. However, this may not directly reflect or have any significant impact on the determination of tariff for GIA.

Regarding CAGR of 16% for AAI salary costs, the Authority observes that high CAGR is due to pay revision as per 7th Pay Commission report implemented from January '17 and payment of arrears paid to executives in FY17-18 and non-executives in FY18-19. Hence, it cannot be considered as basis for future projections.

Hence, the Authority decides to consider 6% YoY increase in payroll expenses, as proposed at Consultation stage.

10.5.3 The Authority examined the AO's report regarding the utility expenses and is of the view that the power recovery of GIAL is significantly lower than that of comparable airports. Further, the Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. Based on the above-mentioned statements, the Authority decides that in case efforts are not taken by the AO to substantially increase the power recovery for the TCP, AERA may consider power recoveries at a notional rate as deemed appropriate while truing up for the Third Control Period.

10.5.4 The Authority has reviewed the comments submitted by AO with respect to the growth factors to be applied for various expenses.

With respect to the Corporate Allocation expenses, as stated by the Authority at the Consultation stage (refer para 10.2.27 of Tariff Order), the Authority has considered growth rate of 6% Y-o-Y in line with the increase considered for Manpower expenses of both the AAI employees and AO's employees and is of the view that the same is justified. Also, the Authority notes that the Corporate Allocation for FY 2023-24 as submitted by GIAL was Rs. 11.80 Crores, which is lower than that submitted for FY 2022-23, i.e. Rs. 12.74 Crores. Hence, the Authority sees no reason to deviate from its proposal at the Consultation stage.

GIAL has considered both area increase, and employee headcount increase for forecasting future IT expenses which seems a duplicity. The Authority is of the opinion that IT expenses do not increase in the direct proportion to number of employees as not all employees will require IT equipment or support such as employees working towards airport operations, airside, ARFF, Security etc.

Hence, the Authority decides to continue with the proposal of growth in IT expenses with inflationary increase and one-time area increase as stated at the Consultation stage.

With reference to the consideration of passenger growth for Security expenses, it is to be noted that the Terminal area remains fixed and hence the Security once deployed to cater to the Terminal area, will not be required to increase. Further, the security can be augmented by adopting technologies.

Accordingly, the Authority decides to continue the growth assumptions considered at the Consultation stage.

10.5.5 For comments of AO on one time escalation claimed towards expenses the Authority has the following views:

1. The AO has simply mentioned expenses on pro-rata basis by multiplying the area with cost, whereas, with an increase in area/volume, the rates typically come down.
2. As stated by the Authority at the Consultation stage (refer para 10.2.21 this Tariff Order) increase in the expenses such as utility, IT, Security and other operating charges (housekeeping charges) may not be directly proportional to the increase in the Terminal Building area, due to the technological innovation, advancement and economies of scale. This practice is uniformly followed nowadays. Hence, the Authority decides to continue with its proposal at Consultation stage.

10.5.6 The Authority reviewed the comments of AO in respect of the allocated cost ₹ 0.15 Crores towards In-house legal. The Authority has already allowed the employee expenses towards the in-house legal team of the AO and therefore, is of the view that providing additional expenses towards legal department at the Corporate Level would result in duplication/redundancy. Hence, the Authority has decided to exclude the same from the Aeronautical O&M expenses.

10.5.7 The Authority has reviewed FIA's comments on Utility expenses and AO's response to the same. The Authority has taken note as per submitted Annexure 11 that AO has constituted a committee comprising representatives from AAI and GIAL. The committee has certified the recovery basis. The committee decided to recover utility charges on cost basis.

The Authority is of the view that the power recovery of GIAL is significantly lower than that of comparable airports. Further, the Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. Based on the above-mentioned statements, the Authority decides that in case efforts are not taken by the AO to substantially increase the power recovery for the TCP, AERA may consider power recoveries at a notional rate as deemed appropriate while truing up for the Third Control Period.

10.5.8 The Authority has noted the comments submitted by FIA with respect to the manner of tendering the Fuel Facility and AO's response on the same. The Authority notes that AO is bound to ensure a fair and transparent mechanism for selection of contractors as part of the requirements of the Concession Agreement. The Authority expects that AO will follow the requirements of Concession Agreement and appropriate Governance measures in selection of all Concessionaires.

10.5.9 With respect to FIA's comment on Cargo Operating Expenses, the Authority notes that the AO is the custodian of the cargo complex. Therefore, Customs Cost Recovery Charges for customs staff is a statutory cost for GIAL for running the cargo facility and hence considered as part of O&M expenses. Further, the Authority would like to reiterate that as mentioned at the Consultation stage (refer para 10.2.44 of this Tariff Order), the Airport Operator had estimated the salary cost of the Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated 19th January 2021.

10.5.10 The Authority has reviewed the comment of FIA and the response of the AO on O&M expenses and would like to emphasize that it has examined in detail each component of the O&M expenses submitted by the AO with respect to essentiality and reasonableness and has considered only the O&M expenses that are mandated by the terms of the Concession Agreement or that are needed for meeting operational requirements. Based on the above factors, the Authority has rationalized the various components of O&M expenses submitted by the AO for the Third Control period.

Further, the Authority, while comparing GIAL O&M expenses proposed for the Third Control Period vis a vis the expenses incurred by AAI for the Second Control Period, notes that it is much higher despite factoring inflationary increase. Therefore, GIAL is advised to bring in efficiencies in its O&M expenses so that the end user should not be burdened.

The Authority also notes the comments of FIA on conducting an independent study on O&M expenses and GIAL response regarding the same. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of GIAL.

10.5.11 The Authority, considering the current progress of NITB's development, estimates that commissioning and capitalization of NITB may occur by January 2026, as mentioned in para 7.9.19. Accordingly, the Authority has rationalized those operating expenses which are dependent on Terminal Building area such as Utility expenses, Repair and Maintenance expenses etc., for

FY2026.

10.5.12 The Authority has considered inflation rates as per Table 141.

10.5.13 The Authority has considered actual Other Administrative Expenses for FY2023-24.

10.5.14 GIAL vide email dated August 7, 2024 had stated that Fuel farm Operations at GIAL was expected to commence from October 2024. The Authority thus decided to consider expenses for fuel operations from October 2024 onwards.

10.5.15 Based on the above, the Authority has recomputed the O&M expenses for the Third Control Period as shown in the following table.

**Table 173: Total Aeronautical O&M expenses decided by the Authority for the Third Control Period**

| Particulars | FY 2022-23* | FY 2023-24* | FY 2024-25 | FY 2025-26 | FY 2026-27 | Total |
|---|---|---|---|---|---|---|
| **Operating Expenses** | | | | | | |
| **Manpower expenses – AAI employees** | 27.43 | 28.03 | 26.98 | 25.39 | 26.91 | **134.75** |
| **Manpower expenses – GIAL employees** | 9.23 | 10.70 | 19.00 | 30.35 | 39.69 | **108.97** |
| **Utility expenses** | 6.70 | 9.20 | 9.48 | 19.90 | 51.85 | **97.13** |
| **IT expenses** | 2.25 | 3.06 | 3.15 | 4.04 | 6.51 | **19.01** |
| **Rates and Taxes** | 0.30 | 0.10 | 0.10 | 0.20 | 0.51 | **1.20** |
| **Security expenses** | 3.58 | 5.72 | 5.90 | 6.82 | 9.22 | **31.24** |
| **Corporate Allocation Cost** | 12.51 | 11.38 | 12.14 | 12.90 | 13.71 | **62.63** |
| **Administrative Expenses - Others** | 11.67 | 25.76 | 26.53 | 27.38 | 28.25 | **119.58** |
| **Admin Expenses – Collection Charges on UDF** | 0.98 | 1.45 | 1.62 | 1.84 | 2.21 | **8.11** |
| **Insurance** | 2.21 | 1.44 | 1.70 | 5.23 | 5.32 | **15.90** |
| **Repairs and Maintenance** | 18.61 | 20.51 | 21.12 | 48.11 | 133.89 | **242.24** |
| **Other Operating expenses** | 12.09 | 15.66 | 16.13 | 33.34 | 83.91 | **161.12** |
| **IE Fee** | 3.91 | 3.52 | 3.91 | 3.91 | 3.91 | **19.17** |
| **Total Operating Expenses (A)** | **111.46** | **136.52** | **147.76** | **219.41** | **405.90** | **1021.05** |
| **Fuel Operating Expenses** | | | | | | |
| **Fuel O&M Expenses** | - | - | 4.57 | 9.89 | 11.10 | **25.56** |
| **Refuellers Rentals** | - | - | 0.99 | 0.66 | 0 | **1.65** |
| **Total Fuel Operating Expenses (B)** | - | - | **5.56** | **10.55** | **11.10** | **27.21** |
| **Cargo Operating Expenses** | | | | | | |
| **Insourced salary** | - | 0.15 | 0.16 | 0.17 | 0.18 | **0.66** |
| **O&M Expenses** | - | 1.00 | 1.33 | 1.68 | 5.47 | **9.47** |
| **Customs Cost Recovery** | - | 0.00 | 0.00 | 0.00 | 1.80 | **1.80** |
| **Total Cargo Operating Expenses (C)** | - | **1.15** | **1.48** | **1.84** | **7.45** | **11.93** |
| **Finance Charges (D)** | 0.59 | 0.47 | 1.61 | 25.14 | 0.30 | **28.11** |
| **Annual Fees for Performance BG (E)** | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | **2.90** |
| **Working Capital Interest (F)** | - | 4.22 | 1.15 | 2.49 | 2.04 | **9.91** |
| **Total Aeronautical O&M expenses (A+B+C+D+E+F)** | **112.63** | **142.94** | **158.15** | **260.02** | **427.36** | **1101.10** |

**as per actuals submitted by GIAL for FY 2022-23*

***as per actuals submitted by GIAL for FY 2023-24*

*Note: The surge in O&M expenses in FY2026 and FY2027 is attributed to operationalization of NITB and increase in manpower due to completion of deemed deputation period.*

10.5.16 The Authority has considered O&M expenses amounting to ₹ 1101.10 crores in this Tariff Order. The difference of ₹ 47.93 crores from the figure proposed during the Consultation stage (₹ 1149.03 crores) is primarily due to the following changes:

- Shiftting of commissioning and operationalization of NITB (refer para 7.9.19)
- Consideration of inflation rates as per Table 141 of this Tariff Order
- Revision in expenses based on CAPEX and RAB decided by the Authority as per Table 132 of this Tariff Order
- Shifting of date of start of fuel farm operation
- Consideration of actual O&M expenses for Financial Year 2023-24

**10.6 Authority's decisions regarding Aeronautical O&M expenses for Third Control Period**

Based on the material before it and on its examination, the Authority proposes the following with regard to the O&M expenses for the Third Control Period:

10.6.1 To consider total Aeronautical O&M Expenses including Operating Expenses, Fuel Operating Expenses and Cargo Operating Expenses for the Third Control Period for LGBIA as per Table 173.

10.6.2 To consider the actual total Aeronautical O&M expenses incurred by GIAL during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control period.

# 11 NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

## 11.1 GIAL's submission of Non-aeronautical revenue for the Third Control Period

11.1.1 GIAL in its submission dated July 28, 2023 to AERA had stated that it follows a Master Concessionaire model for managing commercial activities at the Airport.

11.1.2 GIAL had submitted that it outsourced all Non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on October 25, 2021, and effective from December 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the Non-aeronautical businesses at LGBIA, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports as below:

- Duty free stores
- Food and beverages outlets
- Retail outlets
- Lounges
- Advertising, sponsorship, and promotion opportunities
- Car parks and ground transportation facilities
- Airport hotels and transit hotels
- Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other as may be approved by GIAL
- Business Center
- City side development
- Flight catering services
- Foreign exchange services
- Freight consolidators/forwarders or agents
- Left luggage, lost and found, excess baggage
- Messenger services
- Porter service
- Special assistance services (such as paid wheelchair services)
- Vending machines
- Meet and assist services
- Provision of land and space for various stakeholders at Airport
- Various passenger amenities, including but not limited to, banks, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
- Airport village comprising of various retail, food and beverage, entertainment and amenities

options; and

- Any other services as may be mutually agreed by the parties or permitted pursuant to the Applicable Laws.

11.1.3 As per the terms of the Master Services Agreement, the Service provider (Adani Airport Holdings Limited) shall pay to GIAL an amount which is higher of the following:

a) Minimum Guarantee amount of ₹ 21 crores per annum or

b) The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

Further, it was stated in the Agreement that the Minimum Guarantee amount of ₹ 21 crores per annum shall remain unchanged for the first five years from the date of signing the Master Services Agreement. Thereafter, this Minimum Guarantee amount shall be increased at the rate of 50% of the Delta Consumer Price Index (CPI) every year.

11.1.4 Based on the above, the Non-aeronautical revenue submitted by GIAL for LGBIA is given in the table below:

**Table 174: Non-aeronautical revenue submitted by GIAL for the Third Control Period**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| 1. Revenue from Master Concession | 21.00 | 21.00 | 21.00 | 21.00 | 21.00 | **105.00** |
| 2. Other revenues (not covered under Master Service Agreement) | 2.28 | 0.53 | 0.55 | 0.58 | 0.61 | **4.54** |
| **Total** | **23.28** | **21.53** | **21.55** | **21.58** | **21.61** | **109.54** |

## 11.2 Authority's examination regarding Non-aeronautical revenue for the Third Control Period

11.2.1 As per FY2022-23 financials submitted by GIAL, it had earned non-aeronautical revenue to the tune of ₹ 23.32 crores. The Authority proposed to consider the same. Further, GIAL had submitted actual NAR amounting to ₹ 22.07 crores for FY2023-24 which the Authoirty proposed to consider.

11.2.2 The Authority had examined the Non-aeronautical revenue submitted by GIAL for the Third Control Period and reviewed the Master Services Agreement entered into by GIAL with the Master Concessionaire - Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.

11.2.3 The Authority noted that GIAL undertook a two-stage tendering process through e-tender mode vide Request for Proposal (RFP) dated August 17, 2021.

11.2.4 The Authority, in this regard examined the extract of the relevant clauses of the RFP which read as under:

"6.2 Qualifying Eligibility Criteria

Each Bidder shall satisfy the following qualifying Eligibility Criteria:

(a) Technical Eligibility Criteria

The Bidder must have:

(i) (a) experience in operations or management or development of at least 4 (four) out of the following 6 (six) non-aero businesses at airports at the time of submission of the Technical Proposal, i.e. (I) in-flight catering; (II) duty-free retail; (III) retail and services; (IV) food and beverage services; (V) car parking; and (VI) advertisement; or (b) is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken.

(ii) experience of leasing out and/ or development and/ or management of commercial real estate with a built up area of at least 1,00,000 (one lakh) square meters.

(b) Financial Eligibility Criteria

Basis the audited balance sheet and profit and loss account along with schedules ("Audited Financial Statements"), the Bidder should have:

(i) an average annual turnover of at least Rs. 750,00,00,000 (Rupees Seven Hundred and Fifty crores only) in the last 3 (three) financial years; and

(ii) net worth as on March 31, 2021 of Rs. 250,00,00,000 (Rupees Two Hundred and Fifty crores only). "Net Worth" shall have the meaning as defined under the Companies Act, 2013.

11.2.5 From the qualifying criteria specified by GIAL, the Authority observed that:

Technical Eligibility Criteria

- GIAL had specified in their technical eligibility criteria that bidder is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken.
    - AERA observation of restrictive criteria: As per Govt. of India Guidelines for PPP development, the criteria to ask airport experience even for leasing out the airport has been dispensed with. Therefore, asking airport operator experience for Master Service Agreement is totally restrictive in nature.
- GIAL had specified experience of leasing out and/or development and/or management of commercial real estate with a built-up area of at least 100000 (one lakh) square meters.
    - AERA observation of restrictive criteria: Specifying 100000 sqm commercial space is too high with respect to present scope of work. The total area of NITB is 1,46,000 sq.m., out of which the area allocated for NAR activites is around 15,000 sq.m. only.

Financial Eligibility Criteria

(i) Turnover

- GIAL had specified Average annual turnover of at least ₹ 750 crores in the last 3 financial years and net worth as on 31.03.2021 of ₹ 250 crores.
- AERA observation of restrictive criteria: As per Public Procurement Guidelines average financial turnover should be 30% of the estimate cost. So in place of ₹ 30 crores average annual turnover, GIAL had specified a turnover of ₹ 750 crores (which is 25 times).

(ii) Net Worth

Asking net worth of ₹ 250 crores is very restrictive for a work value of ₹ 100 crores (Approx.) as many Airport Operators like AAI etc. are specifying only Positive Net Worth.

11.2.6 Due to such restrictive criteria, only 2 agencies (out of these 2, one was related party), participated in the tender and work was awarded to agency quoting 10% revenue share percentage.

11.2.7 In fact, now a days other Airport Operators have dispensed with technical eligibility criteria in Non-Aeronautical activities tenders to attract more and more agencies and to encourage healthy competition.

11.2.8 Pursuant to the above RFP, only two prospective bidders (domestic and global) had submitted their proposals to GIAL. The number of prospective bidders was low due to restrictive technical and financial criteria as mentioned in para 11.2.4. Based on technical qualification, financial parameters and evaluation criteria provided under the RFP, Adani Airport Holdings Limited (parent company of GIAL) was selected as the Service Provider, with whom GIAL had entered into a Master Services Agreement. The Authority noted that the revenues projected by GIAL are in line with the said Agreement.

11.2.9 The Authority noted that the total Non-aeronautical revenue projected by GIAL for the Third Control Period was only ₹ 109.54 crores (refer Table 174) which was substantially lower than the actual Non-aeronautical revenue earned by AAI in Second Control Period (FY 2016-17 till FY2020-21) which was ₹ 144.03 crores, and ₹ 154.05 crores till COD (FY 2016-17 till COD).

11.2.10 The following table and chart show the year wise NAR earned by AAI during the Second Control Period and the projections of GIAL for the Third Control Period:

**Table 175: Year wise NAR earned by AAI and projected by GIAL**

*(₹ crores)*

| Financial Year | AAI | GIAL |
|---|---|---|
| FY'17 | 26.66 | - |
| FY'18 | 14.35 | - |
| FY'19 | 30.94 | - |
| FY'20 | 48.90 | - |
| FY'21 | 23.18 | - |
| **Total (5 years)** | **144.03** | **-** |
| FY'23 | - | 23.28 |
| FY'24 | - | 21.53 |
| FY'25 | - | 21.55 |
| FY'26 | - | 21.58 |
| FY'27 | - | 21.61 |
| **Total (5 years)** | - | **109.54** |

**Figure 11: Year wise NAR earned by AAI and projected by GIAL**

*(₹ crores)*

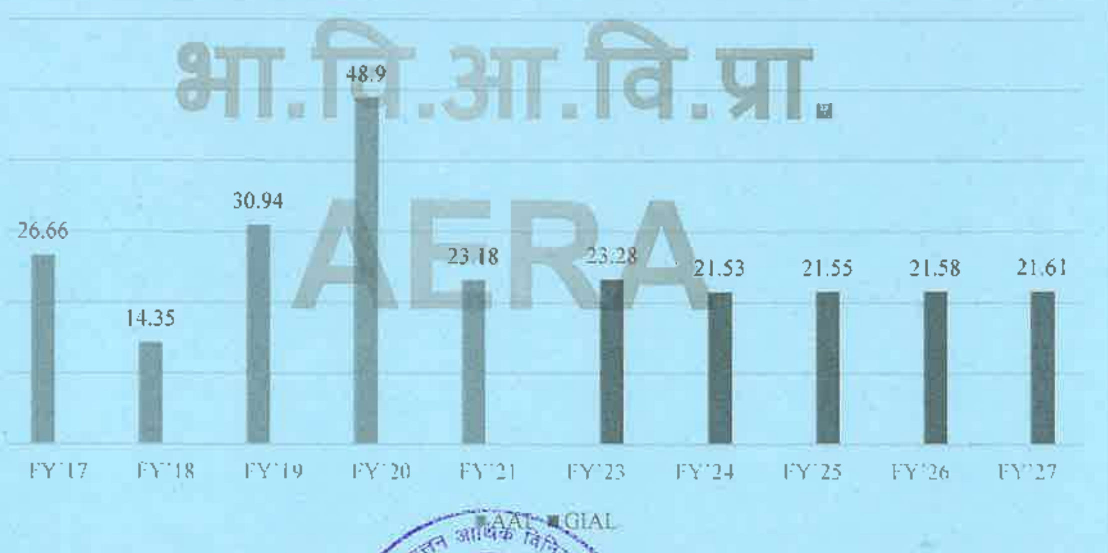
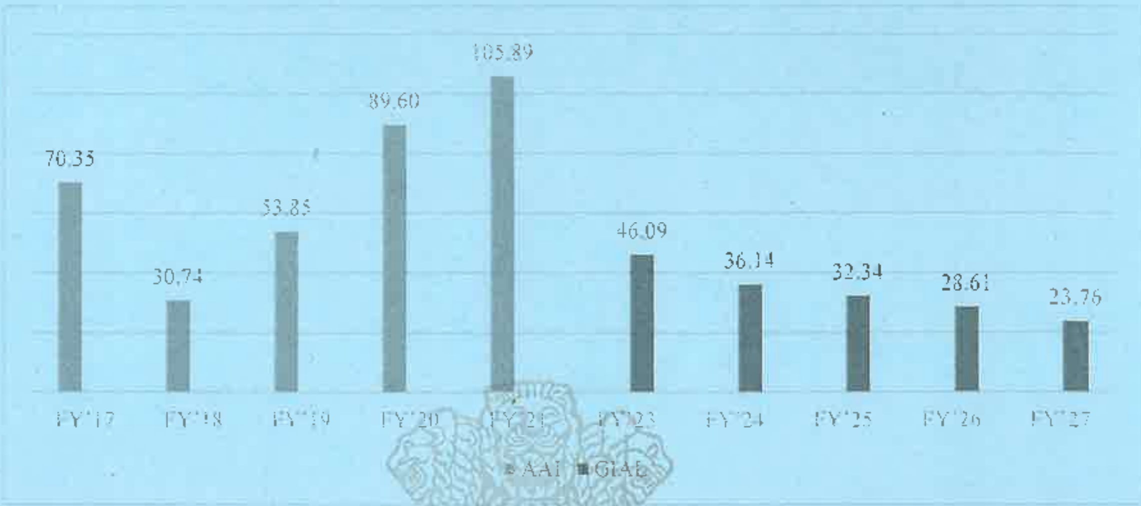


**Figure 12: Year-wise NAR per passenger earned by AAI and projected by GIAL**

*(₹ per pax)*




11.2.11 The Authority also observed that the NAR projected by GIAL for the Third Control Period was significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR projected by such PPP airports are at least 50% of the total O&M expenses projected by them for the respective Control Period. Whereas in the case of the GIAL, the Authority noted that the NAR projected by GIAL for the Third Control Period was ₹ 109.54 crores, which was significantly lower as compared to the O&M expenses submitted by GIAL, which is ₹ 2,037.03 crores (refer Chapter 10), and eventually defeated the ultimate purpose of PPP.

11.2.12 LGBIA, being the gateway airport for the tourist destinations of north-eastern states, witnesses high tourist footfall. The tourists at this airport thus have a natural propensity to purchase/spend on non-aeronautical activities at the airport. This behavior is reflected in the passenger's spending pattern and have direct bearing on the NAR of the airport. Hence, there is a significant potential for non-aeronautical revenues and the aspect of appropriately harnessing the same by the AO and was taken into consideration by the Authority in the non-aeronautical projections as brought out in Table 177.

11.2.13 LGBIA has been given on PPP mode to bring efficiencies in operations by increasing the non-aeronautical revenues by the Airport Operator so that the benefits may be passed on to the users through cross-subsidization.

11.2.14 The Authority took cognizance of the fact that non aeronautical revenues projected for the Third Control Period by GIAL considered the pandemic and economic conditions on traffic which will reduce the consumer spending at the airport. However, the Authority was not convinced that the revenue from Master Services Agreement was remaining constant for the period, while all the other costs were increasing substantially across the Third Control Period. Further, the Terminal Building space will increase considerably as is planned in FY 2025-26 (due to commissioning of NITB) adding more area for Non-aeronautical services.

11.2.15 The Authority took cognizance of the fact that there would be a gradual increase in Non-aeronautical operations through increase in the Non-aeronautical area within the Terminal Building in FY 2025-26, which will lead to increase in the Non-aeronautical revenues for the airport. Further, it is the responsibility of GIAL to ensure to achieve higher NAR in the Third Control Period than was achieved by AAI during the Second Control Period. In this context, there was no obligation on GIAL to accept the bid of Master Concessionaire offering such low revenue share.

11.2.16 When an airport operator takes an initiative, such as undergoing an open global competitive bidding process, it is for the betterment of the airport and is in the interest of the airport users. The Holding Company (Group entity of Adani Enterprises Limited itself) was selected as the Master Concessionaire. However, this did not result in enhancing the material gains to the airport users by higher cross subsidization of NAR. It is pertinent to note that GIAL could have leveraged the technical know-how to bring in efficiencies in generating NAR without the Master Concessionaire. No advantages had been provided to the airport users due to the Master Concession Agreement.

11.2.17 Moreover, considering the positive outlook provided by the Expert Agencies, the outlook of the GDP growth predicted by the GoI and the encouraging trend in the traffic numbers reported in FY 2022-23 (5.05 MPPA) and FY 2023-24 (5.96 MPPA), the Authority noted that the passenger traffic has reverted to pre-covid levels in FY 2023-24. Further the traffic is expected to progressively increase during the Third Control Period (as also discussed in Chapter 6).

11.2.18 With the steady increase in passenger traffic and expansion of Terminal Building area (commissioning of NITB), the Authority foresees an increase in passenger related Non-aeronautical revenue across the Third Control Period. Further, the Authority expects GIAL to bring in efficiencies in Non-aeronautical operations as being followed by other PPP airports wherein the proportion of Non-aeronautical revenue projected by GIAL is equal or comparable to the quantum of O&M expenses, whereas, in the case of LGBIA the situation is peculiar wherein the projection of NAR is substantially lesser than O&M expenses. Further, this will impact the interest of the airport users as 30% of the Non-aeronautical revenue is used for cross subsidization. The Authority urged GIAL that it should make efforts to generate non-aeronautical revenue higher than was earned by AAI during the Second Control Period.

11.2.19 The Authority noted that GIAL in its MYTP submission had estimated Revenues from space rentals to be ₹ 0.50 crores. GIAL had considered a 5% increase in these rates Y-o-Y. The Authority noted that the actual revenue from space rentals in FY 2022-23 was ₹ 0.44 crores. Further, GIAL had not provided any information about space rental from airlines for the FY2022-23.

11.2.20 The Authority further observed that out of the total actual non-aeronautical revenue ₹ 23.32 crores in FY 2022-23, ₹ 0.58 crores was related to Fair Value of Financial Instrument and proposed to not consider the same while determining NAR for FY 2022-23 as it is an IND AS adjustment.

11.2.21 Based on the above discussion the adjustment to the actual Non-Aeronautical Revenue for FY 2022-23 is as given below

**Table 176: Adjustment to Revenue from Non-Aeronautical Services considered by the Authority for FY 2022-23**

*(₹ crores)*

| Particulars | FY23 |
|---|---|
| **Actual Non-Aeronautical Revenue as submitted by GIAL (A)** | 23.32 |
| Adjustment: | |
| Fair Value of Financial Instrument as per Ind AS (B) | 0.58 |
| **Non-Aeronautical Revenue as per the Authority (A - B)** | **22.74** |

11.2.22 Based on the above considerations, the Authority at the Consultation Stage had estimated the total Non-aeronautical revenues for the Third Control Period for LGBIA as follows:

i. The NAR earned by AAI in FY 2019-20, which is a pre-COVID year, was considered as the base for estimating the NAR for LGBIA for the Third Control Period from FY2024-25 onwards.

ii. The Authority had considered the actual revenue earned by GIAL for FY 2022-23 and FY2023-24 as these FYs have already passed.

iii. The Authority proposed not to consider ₹ 0.58 crores of Fair Value of Financial Instrument in

FY2022-23 as it was related to IND AS adjustment.

iv. The NAR of ₹ 48.90 crores of FY 2019-20 of AAI had been assumed as base for FY 2024-25, since the traffic has reached the pre-COVID level of FY 2019-20 by the close of FY 2023-24.

v. The Authority proposed to consider the impact of inflation as prescribed in Chapter 9 of the Consultation Paper.

vi. The Authority proposed to consider the impact of terminal area increase with respect to NAR from FY2026-27 onwards. Further, the Authoirty proposed to consider an increase of one-third of the total terminal area increase due to operationalization of NITB, i.e. (1/3)*621% = 207%

**Table 177:Total Non-aeronautical revenues proposed by the Authority for Third Control Period**

*(₹ crores)*

| Particulars | NAR of AAI for FY'20 | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| **Total NAR** | 48.90* | 22.74 | 22.07 | 48.90 | 50.71 | 157.55 | **301.97** |
| **% increase** | | | | | | | |
| **Inflation** | | | | | 3.20% | 3.20% | |
| **Terminal Area** | | | | | | 207% | |

** Refer Table 38 of this Tariff Order*

*Note: As submitted by GIAL, there is no space rent from airlines in the actual non-aeronautical revenue submitted by them for the FY2022-23 and FY2023-24. Non-Aeronautical revenue for the FY2025 – FY2027 has been projected on the basis of non-aeronautical revenue of AAI for the FY2019-20 (pre-COVID year)*

## 11.3 Stakeholders' comments on Non-aeronautical revenue for the Third Control Period

11.3.1 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to Non-aeronautical revenue from Non-Aeronautical Services. The comments by the Stakeholders are presented below:

**GIAL's comments on Non-aeronautical revenue for the Third Control Period**

11.3.2 With regard to AERA's observation on the bidding process GIAL has submitted that:

*The proposal made by the Authority in the CP, i.e. taking Non-Aeronautical revenue as notional instead of considering income as per Master Services Agreement, would vitiate the very purpose of the open competitive bidding and undermine the well-established judicial principles in this regard. It is settled in law that the price discovered through open bidding has to be taken at face value and there is no reason to disbelieve such a price. The Authority should not obliviate the entire bidding process on the premise that the price discovered could have been better as the price discovered through the bidding process is highest amongst bidders who submitted their financial proposal. It is well known that even in insolvency / liquidation proceedings, business /assets are sold at lower price than the value / benchmark of the business / assets. Therefore, we request the Authority to relook into their approach to extrapolate the non-aeronautical revenue on a notional basis. The only test which applies is the fairness with which the bidding process was conducted. As long as there is no procedural irregularity, the outcome of the open competitive bidding process cannot be altered to achieve a particular requirement. It is submitted with respect that even the courts of law do not interfere with the outcome of the open competitive bidding process as long as the process is not vitiated by arbitrariness, illegality and unfairness. It is important to note that GIAL has followed all the rules and regulations mandated to conduct the bidding under the Concession Agreement and under Section 13 (a) (vi) of the AERA Act.*

*GIAL has insulated the consumers from negative market risks through the open competitive bidding process. Further and more importantly, no potential bidder has raised any issue with respect to their interest being jeopardized or having been denied equal participation in the entire bid process. The argument of the Authority that the principles of the Public Procurement Guidelines should be applied to the process of selecting the Master Service Provider for Non-Aeronautical Services is not substantiated to demonstrate as to how the process adopted by GIAL of procurement of services vitiated the established principles of procurement process generally adopted in the country.*

*The bid criteria were designed to achieve the highest standards of service and fiscal responsibility. The requirement for experience with a built-up area is to ensure that the bidder has substantial experience in handling large-scale projects, which is essential for efficient airport operations. The turnover criterion crore was set to ensure that the Master Concessionaire has the financial capability to effectively manage a complex airport operation.*

*Secondly, there is no provision in AERA Guidelines 2011 for notional increase in the Non-Aeronautical revenues while determining tariffs. Section 13(1)(a)(v) of AERA Act categorically states the word "revenue", has to be actual revenue and not notional revenue. It is submitted that neither the AERA Act nor Clause 5.6 of the AERA Guidelines envisages the concept of "notional" revenue/cost being ascribed by the Authority.*

*TDSAT has ordered in the case of DIAL and HIAL that Market Driven rates and actuals results need to be considered by the Authority. Refer below extract from TDSAT Orders.*

***HIAL TDSAT Order dated 14th February 2024***

*380 In the absence of any claims of procedural irregularities, fraudulent conduct, or malicious intent, AERA lacks the jurisdiction to intervene in the capital expenditure decisions made for this significant expansion project. It is beyond AERA's scope to revise or override a legally sound and valid contract between HIAL and the foremost successful bidder. Consequently, this Tribunal does not uphold the arguments presented by the counsels for respondent no.1 and respondent no.2 seeking the disallowance of a portion of the capital expenditure incurred by HIAL for the enhancement project designed to expand the capacity of RGIA, Hyderabad to 34 MPPA.*

*381 Looking to Section 13(1)(a)(i) of AERA Act, 2008, AERA cannot rely on any notional or estimated price when the actual price is available for the expansion project in question. AERA has relied upon estimated cost for the project in question given by the consultant – RITES - appointed by AERA, ignoring the actual "Market Discovered Price" (MDP) arrived at through competitive bidding process. 382. This is an error committed by AERA and hence, impugned order dated 31.08.2021, of disallowing part of capital expenditure undertaken by this appellant for phase expansion of RGIA, to increase capacity to 34 MPPA is hereby quashed and set aside.*

*385 Once, this committee is approving the need, nature, and expenditures of construction that perhaps there is little or practically no scope of interference by AERA and that too with the help of some consultant's report under the guise of "efficient cost". If this type of interference by AERA is permitted by this Tribunal, then it tantamount to sitting in appeal against the decision of the committee which is a multimember committee.*

***DIAL TDSAT Order dated 21st July 2023***

*Para 165 "...The cost which is arrived at for Phase 3A expansion for IGIA, Delhi through global bids invited is giving real and efficient cost. It is a market discovered price through competitive and transparent bidding process. As per Section 13-(1)(a) (i) of the AERA Act, 2008, it was a power coupled with a duty vested in AERA to determine the tariff for the aeronautical services taking into* *consideration, "the capital expenditure incurred and timely investment in the improvement of airport facilities" which is on "actual basis" meaning thereby, if the actual capital expenditure is incurred by the appellant, the same has to be considered by AERA as per aforesaid provision of AERA Act and it cannot be so easily brushed and set aside by AERA under the guise of "the efficient cost".*

*It is interesting to note that the Authority has considered the actual revenues for FY23 and FY24 while projecting the Non-Aeronautical revenues for the control period. Hence it is more logical that future years also to be trued-up on actuals during the tariff determination of next control period.*

***In light of above, we request the Authority to accept the Non-Aeronautical Revenues as projected by the AO which is in line with the contract entered based on market discovery rate and also allow for true-up on actual basis without providing any minimum floor.***

**Other Stakeholders' comments on Non-aeronautical revenue for the Third Control Period**

11.3.3 DIAL in its comments regarding Non-aeronautical revenue has stated that:

*AERA has considered non-aeronautical revenue for FY24 for GIAL as same as the non-aeronautical revenue of FY20 for AAI. By considering a notional amount as non-aeronautical revenue for GIAL in FY24, AERA has in effect prescribed the tariff of such services as the aggregate revenues earned by GIAL would largely be dependent on the tariff of such services.*
*Such determination should not be done by AERA.*
*Further, AERA proposed that Non-Aeronautical Revenue will not be trued up at the time of tariff determination of next control period if it is lower than that proposed by the Authority. Such proposal of setting minimum threshold of revenues from non-aeronautical services, AERA has in effect prescribed the tariff of such services as the aggregate revenues earned by the Appellant would largely be dependent on the tariff of such services. AERA's decision to undertake true-up based on actuals only if non-aeronautical revenues exceed the minimum threshold is a departure from its own practice of undertaking true-up in the next control period based on actuals to account for any over-recovery and under-recovery in the past control period.*

***Hence we request AERA to consider the non-aeronautical revenue estimations based on the airport's actuals.***

11.3.4 FIA's comments on Non-aeronautical revenue are as follows:

(a) *AERA itself has observed (refer para 11.2.4, 11.28) the restrictive financial and technical parameters for evaluation of agencies under RFP for selecting a service provider by GIAL's parent company. It was further observed that due to such restrictive nature set by GIAL's parent company there were limited bidders, which included GIAL's own related party. It is imperative to note that tenders were based on a revenue share model instead of competitive / low-price share model for tendering, which is not aligned with the spirit of the competitive market.*

*Accordingly, FIA submits to AERA, that there should be re-tendering of the Master services agreements, to attract more and more agencies and to encourage healthy competition.*

(b) *It is observed that the non-aeronautical revenues projected by GIAL is substantially low / conservative. It is requested that GIAL explores all avenues to maximize revenue from the utilization of the expansion of terminal building for non-aeronautical purposes.*
*As correctly observed by AERA in para 11.2.9, the non-aeronautical revenue projected by GIAL for Third Control Period is substantially lower as compared to other PPP airports and even lower than AAI figures of Second Control Period till COD itself, and from its projected O&M expenses.*
*Accordingly, we request AERA to mandate GIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at GIAL.*

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

*Without prejudice to the above, we submit that increase in NAR is a function of increase in terminal building area, passenger traffic growth, inflationary increase, and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the Third control period by AERA, it was noted that a conservative approach has been taken by AERA.*

*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 Guwahati is widely recognized as one of the most popular tourist destinations globally and a gateway to the north-east Indian region. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.*

***Accordingly, we request AERA:***

*(i) To mandate GIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at GIAL.*

*(ii) To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Third Control Period.*

*(iii) To issue directions for re-tendering of Master Services Agreements without restrictive nature of such RFPs and which may be based on a lower rate revenue model instead of revenue-share model.*

*(iv) To further determine and reassess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Guwahati Airport has to increase their NAR in accordance with the submissions above.*

*AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.*

*Further in para 11.2.11, AERA has remarked that NAR projected by GIAL is significantly less than PPP airports - which are generally not less than 50% of the total O&M expenses of the respective airports.*

***In view of the above, we request AERA to allow higher non-aeronautical revenues being not less than 50% of the projected O&M expenses for GIAL, as approved by AERA.***

11.3.5 IATA in its comments on Non-aeronautical revenue has stated that:

*(a) NAR projected by the Airport Operator is 25% lower compared to the NAR generated in the previous control period when the airport was operated by the AAI. It should be noted that the previous control period includes 2 years which were severely impacted by COVID-19, at an airport which has major footfall of tourists having a natural propensity to spend at airports.*

*As seen in the case of AMD, LKO and TRV airport tariff proposals submitted by Adani Airports earlier, the NAR which is meant to cross-subsidize the Aeronautical charges, are similarly underdeveloped and under-projected in the case of GAU as well. AERA has correctly highlighted that the NAR projected is lower than when the airport was under AAI; and that the increase in non-aero activities with the terminal expansion has not been factored in. We appreciate AERA for closely overseeing this aspect while making the determination.*

*(b) Additionally, we once again highlight that the Airport operator GIAL has entered into a Master Services Agreement (MSA) with Adani Airport Holdings (AAHL), which is supposed to pay the GIAL a minimum guarantee amount of Rs. 21 Cr or 10% of the 'Gross Revenue', whichever is*

*higher. The 'Gross Revenue' referred to in the MSA is actually the NAR of the airport – and under the hybrid till mechanism, 30% (and not 10%, or even an absolute amount of Rs. 21 Cr) of the NAR is to be used to offset aeronautical costs. While the Airport Operator's submission makes a mention of 'Revenue from Master Service Agreement', the component necessary for tariff determination purposes has to be 30% of total NAR; and not 30% of the 10% MSA Revenue Share (30% of 10% of total NAR is in fact only 3% of the total NAR earned). The current arrangement of including a Master Concessionaire between the NAR flowing to the Airport Operator, significantly reduces the level of effective NAR for the tariff determination by AERA and cannot be justified..*

(c) *IATA is concerned with the extremely restrictive criteria for bids for the Master Services Agreement which resulted in only 2 bidders, one of them being a related party. We appreciate AERA for highlighting the restrictive technical eligibility criteria of prior experience of 100,000 sqm of commercial space development/management, as well as the restrictive financial eligibility criteria.*

(d) *IATA urges the Authority to correct the Airport Operator's understanding by explicitly stating/confirming in the final Order that:*

   (i) *30% (in adherence to the hybrid till policy, and not any lower) of the total NAR of the Airport is to be recognized in offsetting aeronautical costs; and*

   (ii) *The level of 'Revenue from Master Service Agreement' earned by the Airport Operator is not material to tariff determination. This will help bring back the NAR from its current artificially low levels in the airport's current understanding.*

(e) *IATA would also expect that any shortfall in the NAR will NOT be trued up in the next control period.*

**11.4 <u>GIAL's response to Stakeholders' comments on Non-aeronautical revenue for the Third Control Period</u>**

11.4.1 With respect to comments by DIAL, GIAL submitted that:

*Airport Operators (such as DIAL, AAI), Industry Bodies (APAO) and Other Stakeholders (HPCPL) have supported GIAL's submissions and comments on certain key matters relating to estimation of Tariff and various Regulatory Principles etc.*

*GIAL has also submitted its detailed explanations and justifications on all the above matters as part of its response to the Consultation Paper. GIAL requests the Authority to consider the well-reasoned comments provided by GIAL which are duly supported by the aforementioned stakeholders.*

11.4.2 With respect to comments by FIA, GIAL submitted that:

(a) *We have provided detailed comments in 7.1 of Comments to CP (refer Para 11.3.2 of the Tariff Order).*

(b) *In the interests of its users and in its own commercial interests, Airport Operator will always endeavor to increase the non-aeronautical revenues to the maximum possible extent, however GIAL has to keep in view requirements of other regulatory agencies like BCAS. GIAL as Airport Operator has already entered into Master Concessionaire Agreement to exploit the potential/ growth of non-aeronautical revenue whereby a minimum amount of Non-Aeronautical revenues is guaranteed to the AO. This has insulated the Airport Operator from any future event which may negatively impact the Non-Aeronautical revenues.*

*The AO invited bids through a global competitive bidding process for selection of a Master Service Provider for Non-Aeronautical services at LGBIA. A third-party consultant was appointed to oversee the process adopted by the AO. The entire process was undertaken in a fair and transparent* *manner. Any further study on this would vitiate the very purpose of the open competitive bidding.*

*The last 3 years of pandemic clearly point to the fact that airport operators are highly vulnerable to passenger volumes and spending power of the customer as far as non-aeronautical revenues are concerned. In order to mitigate the impact of this volatility, AO has entered into a contract which ensures the minimum annual guaranteed amount is also available to airport operator.*

*We agree that the Authority should not make any adjustments on non-aeronautical revenue, which are derived from agreements with concessionaires and hence revenues projected based on Master Concession should be adhered. Further any comparison of non-aeronautical revenues with O&M costs is not rational and unwarranted.*

*In view of the above, we feel there is no need to do any study on determining NAR for TCP.*

11.4.3 With respect to comments by IATA, GIAL stated that:

*In order to avoid repetitions on this matter, please refer to our remarks in point 1.22 (Refer Para 11.4.1 of this Tariff Order) above as counter on FIA's comments and also refer to comments in point 7.1 (refer Para 11.3.2 of this Tariff Order) of GIAL's response to the CP.*

## 11.5 Authority's analysis of Stakeholders' comments on Non-aeronautical Revenue for Third Control Period

11.5.1 The Authority has examined the comments of GIAL and DIAL on Non-aeronautical revenues. The Authority is cognizant about the bidding process undertaken by the AO for selecting the Master Service Provider for Non-Aeronautical services at LGBIA. The Authority is of the view that the criteria used for selection of the Master Concessionaire were restrictive. The Authority's view is also supported by IATA and FIA. The Authority further notes the stakeholder comments suggesting that NAR should be higher than what AERA has considered. The Authority also notes that the revenue projected as per the Agreement, i.e., Rs. 21 crore is even lower than that submitted by AAI for FY 2020-21, which is in spite of the impact of COVID-19 pandemic. Further:

(a) As stated at the Consultation stage (refer para 11.2.14 in this Tariff Order), the Authority is not convinced about the revenue from the Master Services Agreement remaining constant for the entire Control Period, while all the other costs are increasing substantially across the Third Control Period. In this context, there was no obligation on GIAL to accept the bid of Master Concessionaire offering such low revenue share.

(b) The Authority notes that the revenue projected by the AO towards NAR for the Third Control Period is much lower as compared to the other PPP airports (i.e., DIAL, MIAL, BIAL, GHIAL, CIAL) wherein the NAR projected by such PPP airports is comparable to the total O&M expenses projected by them for the respective Control Period. With the steady increase in passenger traffic and increase in Terminal Building space post NITB, the Authority foresees an increase in passenger related non-aeronautical revenue across the Third Control Period.

(c) Further, the Authority expects that the AO should bring in efficiencies in Non-Aeronautical operations as being followed by other Public-Private Partnership (PPP) airports wherein the proportion of non-aeronautical revenue projected by the AO is comparable to the quantum of O&M expenses. Further, it is pertinent to note that the total NAR projected by the AO for the Third Control Period (Rs. 109.54 Crores) is much lower than the actual NAR earned by AAI (Rs. 144.03 Crores) during the period from FY 2016-17 till FY 2020-21. It is to be noted that the period in which AAI was operating the Airport included the pandemic impact where the traffic came to a standstill.

(d) The Authority would like to state that under Hybrid Till mechanism, the Airport operators retain

70% of the Non-Aeronautical revenue and only 30% of the non-aeronautical revenue is used for cross subsidization. The Airport Operators have the benefit of quite high Non-Aeronautical revenue (70%) during the normal times. Therefore, the Authority does not agree with the AO's contention to consider lower NAR projection for the Third Control Period due to COVID-19 pandemic (which is an exceptional circumstance). If any dispensation has to be given to the airport operators on NAR, then the interests of the airport users will be adversely impacted because they would not be getting the benefit of 30% NAR as cross-subsidization.

Therefore, it is in the benefit of the AO to harness maximum potential of non-aeronautical revenue to increase its own cash flow in NPV terms vis-a-vis to incentivize the aeronautical charges through its 30% share. Based on the above factors and the positive outlook on the growth in the passenger traffic during the Third Control Period and the increase in the Terminal Building space (after planned commissioning of NITB in FY2025-26), the Authority feels that there is large scope for expanding the NAR. Hence. the Authority feels that there is no reason to deviate from its proposal at the Consultation stage (refer para 10.2.22 of this Tariff Order).

11.5.2 The Authority has carefully examined the comments of FIA and the response of GIAL on the Non-aeronautical revenues (NAR) and has the following views:

(a) The Authority has observed that the AO has entered in various contracts with related parties. In this regard, the Authority has noted the relevant provisions in the Concession Agreement. The Authority expects that GIAL and the AAI, (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has relevant experience of providing similar service to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

(b) The Authority has increased the NAR submitted by the AO for the Third Control Period, after taking into consideration the NAR of AAI, inflation, and the expansion of the Terminal Building area.

(c) The Authority is also of the view that the AO should bring in efficiencies in non-aeronautical operations as being followed by other PPP airports wherein the proportion of non-aeronautical revenue projected by the AO is comparable to similar other Airports.

(d) The Authority also notes the comments of FIA on conducting an independent study on the Non-Aeronautical Revenue. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of GIAL.

The Authority will review the NAR achieved by the AO in the Third Control Period at the time of determination of tariff for the next Control Period and if it is lower than the estimate by the Authority, the Authority shall consider the NAR for the Third Control Period, as projected by it, while determining tariff for the Fourth Control Period, in the interest of the Airport Users.

11.5.3 The Authority has examined IATA's comments on NAR and is also of the view that NAR should not be restricted to the higher of the following two criteria as specified in the Master Service Agreement:

a. Minimum Guarantee amount of Rs. 21 Crores per annum or

b. The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

11.5.4 Further, the Authority has made adjustments to the Non-Aeronautical Revenue based on the NAR earned by AAI NAR in FY 2019-20, growth drivers like inflation rate, and growth owing to terminal area expansion.

11.5.5 Further, as stated in para 11.5.1 of this Tariff Order, the Authority would like to state that it is in the benefit of the AO to harness maximum potential of non-aeronautical revenue to increase its own cash flow vis-a-vis to incentivize the aeronautical charges through its 30% share as 70% of the non-aeronautical revenue remains with AO whereas only 30% of the non-aeronautical revenue is utilized for cross subsidization.

11.5.6 The Authority further clarifies that the NAR will be trued up at the time of tariff determination of next control period if it is higher than that proposed by the Authority.

11.5.7 Based on the above factors and the revision in inflation as per Table 141. The Authority decides to consider NAR for the Third Control Period as given below.

**Table 178: Non Aeronautical Revenue decided by the Authority for the Third Control Period**

*(₹ crores)*

| Particulars | FY23 | FY24 | FY25 | FY26 | FY27 | Total |
|---|---|---|---|---|---|---|
| **Total NAR for the year** | 22.74 | 22.07 | 48.90 | 50.46 | 156.54 | **300.72** |

## 11.6 Authority's decisions relating to Non-aeronautical revenue for the Third Control Period

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

11.6.1 To consider Non-aeronautical revenues for the Third Control Period for LGBIA as per Table 178.

11.6.2 Non-Aeronautical Revenue will be trued up at the time of tariff determination of next control period if it is higher than that proposed by the Authority in Table 178.

# 12 TAXATION FOR THE THIRD CONTROL PERIOD

## 12.1 GIAL's submission of Taxation for the Third Control Period

12.1.1 GIAL had submitted that the computation of income tax on aeronautical income, had been made on the prevailing Income Tax laws and rules.

12.1.2 GIAL had calculated the revenue generated from Regulated services, Non-aeronautical revenue Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per the Income Tax Act. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by LGBIA are shown in the table below:

**Table 179: Taxation submitted by GIAL for the Third Control Period**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Aeronautical Revenue with Revised Rates | 154.58 | 430.04 | 1,204.91 | 1,426.73 | 1,811.14 | 5,027.39 |
| *Add:* 30% of Non-aeronautical revenue | 6.98 | 6.46 | 6.47 | 6.47 | 6.48 | 32.86 |
| *Less:* O&M expenses | 119.58 | 225.03 | 262.36 | 654.93 | 775.11 | 2,037.03 |
| *Less:* Tax Depreciation | 20.27 | 26.83 | 216.80 | 496.19 | 566.72 | 1,326.82 |
| Aero Profit Before Tax | 21.70 | 184.63 | 732.21 | 282.07 | 475.78 | 1,696.41 |
| Tax rate (%) | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% | |
| **Tax** | **5.46** | **46.47** | **184.30** | **71.00** | **119.76** | **426.99** |

## 12.2 Authority's examination of Taxation for the Third Control Period at the Consultation Stage

12.2.1 The Authority noted that GIAL had considered 30% Non-aeronautical revenues in the estimation of Aeronautical PBT, which was then used in the computation of Aeronautical taxes. The fact that a part of Non-aeronautical revenues is used for cross subsidization as per the Hybrid Till mechanism, doesn't change the nature of such revenues 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 to make effective investments in Non-aeronautical generating sources.

12.2.2 Therefore, the Authority is of the view that:

- 30% Non-Aeronautical revenues should not be treated as a subsidy for the Airport Operator as the airport operator 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 revenues as part of revenues from Aeronautical services would result in undeserved enrichment to the Airport Operator effectively reducing the cross-subsidy benefit to the airport user from the present 30% Non-Aeronautical income.

12.2.3 The Authority thus proposed to consider only Aeronautical revenues and expenses in the calculation of Aeronautical PBT.

12.2.4 The Authority hasd also noted that GIAL had not considered the interest expense on the long-term borrowings while computing the Aeronautical PBT for the Third Control Period. This has resulted in estimating higher Aeronautical Profit and consequently, higher Aeronautical taxes. The Authority proposed to consider actual interest expense in FY23 as a base for forecasting expenses for future tariff years in the Third Control Period. This expense has been deducted for estimating the Aeronautical P&L.

12.2.5 The Authority had recomputed taxes of GIAL based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical revenue.

12.2.6 The Authority noted that as per clause 28.11.4 of the CA, the Adjusted Deemed Initial RAB will be reduced for over-recoveries of Aeronautical Revenues, or increased for under-recoveries, impacting Aeronautical Charges for the next Control Period. The Authority had considered that the compensation paid to AAI by GIAL for shortfall, will be claimed as a deduction in the Income Tax computation of GIAL and the same had been considered accordingly in the Income Tax computations.

12.2.7 The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

**Table 180: Taxation proposed by the Authority for the Third Control Period**

*(₹ crores)*

| Particulars | Ref. | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Aeronautical Revenue* | A | 154.62 | 176.00 | 572.06 | 671.61 | 839.64 | **2,413.93** |
| Less: O&M expenses (refer Table 171) | B | 112.63 | 124.12 | 149.43 | 346.61 | 416.24 | **1,149.03** |
| Less: Tax Depreciation | C | 20.51 | 21.47 | 33.61 | 219.02 | 373.36 | **667.97** |
| Less: Interest Expense | D | 13.30 | 13.65 | 23.96 | 173.57 | 175.46 | **399.94** |
| Less: Payment to AAI – PV of recovery as on March 31, 2023 (refer Table 45) | E | 172.80 | | | | | **172.80** |
| Profit Before Tax | F=A-SUM(B:E) | (164.63) | 16.75 | 365.06 | (67.57) | (125.43) | **24.19** |
| Previous Loss Adjustment | G | - | 16.75 | 147.87 | - | - | **164.63** |
| Taxable profit | H=F-G | - | - | 217.19 | - | - | |
| Tax rate (%) | I | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% | |
| **Aeronautical Tax** | J=H*I | - | - | **54.67** | - | - | **54.67** |
| Opening Losses | K | - | (164.63) | (147.87) | - | (67.57) | |
| Current period (loss)/profit | L=F | (164.63) | 16.75 | 365.06 | (67.57) | (125.43) | |
| Closing Losses | M=K+L | (164.63) | (147.87) | - | (67.57) | (193.00) | |

**This is subject to revision based on tariff rate card which is to be submitted by GIAL (refer para 14.2.8). For FY 2022-23 and FY2023-24, actual revenues have been considered.*

***Computed using WDV method considering useful lives as per IT Act.*

### 12.3 Stakeholders' comments on Taxation for the Third Control Period

12.3.1 During the Stakeholders' Consultation Process, the Authority has received comments/views from Stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2024-25 with respect to Taxation for the Third Control Period. The comments by the Stakeholders are presented below:

12.3.2 GIAL's comments on Taxation are as follows:

*As per AERA guidelines 5.5.1 as provided below, corporate tax paid on **income from assets/ amenities/ facilities/ services** (emphasis) taken into consideration for determination of Aggregate Revenue Requirement (ARR) will be considered for calculation of taxation component of ARR. Clause 5.5 of the AERA Guidelines is reproduced below:*

*"5.5. Taxation (T)*

*5.5.1. Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement.*

*5.5.2. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.*

*Explanation: For avoidance of doubt, it is clarified that any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration for calculation of Taxation."*

*Income from Non-Aeronautical services are used in calculating the overall ARR. Therefore, in order to calculate the taxation under the regulatory framework, income from Non-Aeronautical services as proposed by AERA in the CP need to be considered. In case, the Authority does not consider income from Non-Aeronautical services for the purposes of taxation, it will be in contradiction to its guidelines.*

***Latest TDSAT judgement for DIAL, MIAL and HIAL dated 21st July 2023, 06th October 2023 and 14th February 2024 respectively.***

*DIAL TDSAT Order Para 140 and 141*

*"140.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'.*

*141.AERA's observation regarding reduction in the level of cross subsidy is also misconceived in as much as the non-aeronautical revenue cross subsidizes aeronautical revenue and the tax is only resultant on the profit earned and thus, the cross subsidy is nothing but a part of recovery of eligible aeronautical revenue only and thus has to be considered while drawing aeronautical Profit & Loss."*

*MIAL TDSAT Order Para 398*

*"398. It has been further observed by AERA in the impugned order that as and when MIAL will pay the Income Tax for the 3rd Control Period in the true up process in the next control period, the said amount of tax will be taken into consideration. This observation is also devoid of any merit for the reason that in the formula of target revenue as stated hereinabove, the component of an amount equal to "T" has to be added and the methodology to calculate "T" is an amount equal to corporate taxes on earnings pertaining to aeronautical services (including the amount upon "S" factor), irrespective of the fact that whether actually the taxes are paid or not. The payment of tax to income tax authority and calculation of target revenue are two different things. The formula of a target revenue is an agreed formula as per the agreements between the appellant and the Government of India. Thus, the T factor is equal to an amount of corporate taxes. AERA has presumed that T is equal to amount of corporate taxes paid by the appellant. This definition cannot be amended, nor the formula can be amended by AERA. AERA has presumed that T=corporate taxes paid by appellant. This addition of the words, neither in the definition nor the formula is permissible because it is an agreement between the appellant and the Government of India. We, therefore, quash and set aside observations of AERA, so far as they are related to exclusion of "S" factor as part of aeronautical base, while determining aeronautical taxes (i.e. T). We, hereby hold to include "S"-factor as part of aeronautical revenue base while determining aeronautical taxes (i.e. T)."*

*HIAL TDSAT Order Para 423 and 424*

*"423. The aforesaid facts of the matter have not been properly appreciated by AERA, and therefore, the decision of AERA not to consider 30% of Non-Aeronautical Revenue (NAR) as part of Aeronautical Revenue Base for computation of aeronautical taxes is incorrect, improper and unjustified.*

*424. We, hereby direct AERA to consider (i) the calculation of "T" on 30% of Nonaeronautical Revenue because it partakes the character of Aeronautical Revenue in calculation of ARR as per the aforesaid formula,"*

***We hereby request the Authority to add 30% of Non-Aeronautical revenues while determining the tax which is as per guidelines and as per TDSAT orders.***

12.3.3 FIA's comments on Taxation are as follows:

***Tax Efficiencies:***

*Airlines are now paying separately for FIC and ITP, which was earlier part of ATF pricing. FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines.*

*FIA 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 to the tune of sixty-four (64) % - seventy (70) % sixty-seven (67) % to Airlines.*

## 12.4 GIAL's response to Stakeholder's comments

12.4.1 GIAL in response to comments by FIA stated that:

*We believe the relevant Authority has been mindful of the undue tax burdens on various players in the aviation ecosystem. This is substantiated by the fact that fuel throughput charges were abolished by the Authority / MoCA in Jan 2020 and airport operators were compensated by way of an increase in landing charges and airlines were benefitted by way of lower tax burden. Having said the above, we will welcome any new steps that are taken by MoCA/GoI/ the Authority in this direction.*

*However, as far as billing of FIC and ITP charges is concerned, OMCs (not airlines) are the users of the open access facility and fuel farm operator is appropriately charging FIC and ITP charges to the users of the facility.*

## 12.5 Authority's analysis of Stakeholders' comments on Taxation for the Third Control Period

12.5.1 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, MIAL and HIAL. The Authority notes that the tariff methodology for DIAL and MIAL is detailed in the relevant State Support Agreement and the Tariff determination for DIAL and MIAL is made based on the methodology detailed in such State Support Agreement.

12.5.2 The Authority also notes that the Concession Agreement of GIAL also indicates a 30% Shared Till approach. AERA had issued Order No. 14/2016-17 dated 12th 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.

12.5.3 The Authority believes that 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.

12.5.4 The Authority is continuously and uniformly calculating Aeronautical Tax by excluding Non-Aeronautical revenues used for cross-subsidization.

12.5.5 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 Third Control Period.

12.5.6 The Authority has noted the comments of FIA and the response of the AO on taxes charged on FIC and ITP, The Authority would like to highlight that taxes are levied by the Ministry of Finance, GoI and are beyond AERA's domain.

12.5.7 Based on the revisions in the CAPEX, O&M expenses and the projected aeronautical revenue, the Authority has recomputed the Taxation for the Third Control Period as shown below.

**Table 181: Taxation decided by the Authority for the Third Control Period**

*(₹ Crores)*

| Particulars | Ref. | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Aeronautical Revenue | A | 153.68 | 176.00 | 386.16 | 679.98 | 908.68 | **2,304.50** |
| Less: O&M expenses | B | 112.63 | 142.94 | 158.15 | 260.02 | 427.36 | **1101.10** |
| Less: Tax Depreciation | C | 20.51 | 24.84 | 38.95 | 224.06 | 378.97 | **687.33** |
| Less: Interest Expense | D | 13.30 | 23.84 | 33.52 | 160.04 | 186.12 | **416.82** |
| Less: Payment to AAI – PV of recovery as on March 31, 2023 (refer Table 46) | E | 182.09 | | | | | **182.09** |
| Profit Before Tax | F=A-SUM(B:E) | (174.85) | (15.62) | 155.54 | 35.86 | (83.77) | **(82.84)** |
| Previous Loss Adjustment | G | | - | 155.54 | 35.86 | - | **191.40** |
| Taxable profit | H=F-G | - | - | - | - | - | - |
| Tax rate (%) | I | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% | |
| **Aeronautical Tax** | J=H*I | - | - | - | - | - | - |
| Opening Losses | K | (1.52) | (176.37) | (191.99) | (36.45) | (0.59) | |
| Current period (loss)/profit | L=F | (174.85) | (15.62) | 155.54 | 35.86 | (83.77) | |
| Closing Losses | M=K+L | (176.37) | (191.99) | (36.45) | (0.59) | (84.36) | |

12.5.8 As can be seen above, the tax decided by the Authority for Third Control Period is nil as against ₹ 54.67 crores (Refer Table 180) proposed at the Consultation stage. The revision is due to the revision of O&M expenses as per Table 173, and tax depreciation and interest expenses after considering the revised CAPEX as per Table 130, by the Authority.

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

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

12.6.1 To consider the Taxation for the Third Control Period for LGBIA as per Table 181.

12.6.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

# 13 QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

## 13.1 GIAL's submission relating to Quality of Service

13.1.1 GIAL had submitted that it will abide by the ASQ performance indicators mentioned in Annexure I to Schedule H in the Concession Agreement.
Clause 23.7.1 of the CA states:

*"The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within 5 years from the COD and maintain the same throughout the rest of the Concession Period."*

Clause 23.7.2 of the CA states:

*"The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction."*

13.1.2 GIAL had further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that GIAL had considered the cost implications, while preparing future projections as part of its MYTP submission.

## 13.2 Authority's examination regarding Quality of Service for the Third Control Period

13.2.1 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."*

13.2.2 The Authority noted that the ACI ASQ survey results for LGBIA for the years 2020 to 2024 (Q3) is in the range of 4.48 to 4.95.

**Table 182: ASQ rating for LGBIA**

| Year | ASQ rating |
|---|---|
| 2020 | 4.48 |
| 2021 – Q1 & Q2 | ASQ was not conducted due to lockdown on account of COVID-19 pandemic |
| 2021- Q3 | 4.84 |
| 2021- Q4 | 4.86 |
| 2022 -Q1 | 4.88 |
| 2022- Q2 | 4.90 |
| 2022-Q3 | 4.78 |
| 2022-Q4 | 4.87 |
| 2023 -Q1 | 4.90 |
| 2023- Q2 | 4.90 |
| 2023-Q3 | 4.91 |
| 2023-Q4 | 4.95 |
| 2024 -Q1 | 4.92 |

| Year | ASQ rating |
|---|---|
| 2024- Q2 | 4.94 |
| 2024- Q3 | 4.93 |

13.2.3 The Authority also noted that as per the Concession Agreement, GIAL is required to maintain an ASQ rating of at least 4.5 out of 5. In this regard, the Authority noted that GIAL had achieved ASQ rating for FY 2023 in the range of 4.90 to 4.95 which is above the prescribed rating of 4.5 as mentioned in the CA.

13.2.4 Based on the above factors, the Authority did not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by the LGBIA.

## 13.3 Stakeholders' comments on Quality of Service for the Third Control Period

13.3.1 No comments have been received from stakeholders regarding Quality of Service for the Third Control Period.

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

13.4.1 The Authority notes that there are no stakeholder's comments regarding Quality of Service for the Third Control Period and decides not to consider any adjustment towards tariff determination with regard to the same.

## 13.5 Authority's decisions relating to Quality of Service for the Third Control Period

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

13.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of LGBIA.

13.5.2 GIAL should ensure that service quality at LGBIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

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

## 14.1 GIAL's submission regarding ARR for the Third Control Period

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

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

**Table 183: ARR submitted by GIAL for the Third Control Period**

*(₹ crores)*

| Particulars | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|
| Average RAB | 152.55 | 191.40 | 2,010.85 | 4,674.63 | 5,440.58 | |
| Fair Rate of Return | 14.76% | 14.76% | 14.76 % | 14.76 % | 14.76 % | |
| Return on average RAB | 22.51 | 28.24 | 296.72 | 689.79 | 802.81 | **1,840.07** |
| Total O&M expenses (including interest on working capital & financing charges) | 119.58 | 225.03 | 262.36 | 654.93 | 775.11 | **2,037.03** |
| Depreciation | 23.11 | 32.83 | 117.76 | 284.13 | 366.46 | **824.29** |
| Tax expense | 5.46 | 46.47 | 184.30 | 71.00 | 119.76 | **426.99** |
| Less: 30% NAR | (6.98) | (6.46) | (6.47) | (6.47) | (6.48) | **(32.86)** |
| Add: True up for the period from COD till March 31, 2021 | 28.81 | | | | | 28.81 |
| **ARR per year (₹ crores)** | **192.49** | **326.12** | **854.67** | **1,693.38** | **2,057.65** | **5,124.32** |
| Discount factor (@ 14.76%) | 1.00 | 0.87 | 0.76 | 0.66 | 0.58 | |
| PV of ARR | 192.49 | 284.19 | 649.01 | 1,120.54 | 1,186.51 | **3,432.74** |
| **Sum Present value of ARR (₹ crores)** | **3,432.74** | | | | | **3,432.74** |

## 14.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Third Control Period

14.2.1 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 in computation of ARR and Yield in the table above, the Authority proposed to consider the regulatory building blocks as discussed in the above chapters.

14.2.2 The Authority noted that GIAL had on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. The existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff. Further, a significant increase in Aeronautical tariff, is also attributable on account of the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by August 2024, thereby resulting in only lesser tariff years being available for recovery of the ARR.

In this regard, the Authority would like to 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. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

This may also be read in conjunction with the objectives 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 the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future.*" The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated January 12, 2017.

Further, it is pertinent to note that considerable investments in capacity have already been made which would be sufficient for the foreseeable future. Therefore, the subsequent control periods are expected to witness lower capital expenditure requirements while catering to a larger traffic base.

Determination of Aeronautical charges and UDF 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 would decide the balance between cost recovery and its potential impact on air traffic demand.

**Air Freight Station (AFS)**

14.2.3 The Authority noted the Policy Guidelines on 'Air Freight Station' (AFS) issued by MoCA in October 2014. This Policy shall create an off Airport Common User facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load Devices (ULD) and Cargo in bulk/ loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the Country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the Inland Container Depots (ICD) to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

14.2.4 The Authority noted that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

14.2.5 The Authority directed GIAL to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card.

14.2.6 The Authority also sought comments from the stakeholders on application of tariff on AFS Cargo, as the Authority felt that the tariff on AFS Cargo should be significantly lesser than the tariff levied on the General Cargo.

14.2.7 After considering the above, the Authority at the Consultation Stage proposed the following ARR and YPP:

**Table 184: ARR proposed by the Authority for the Third Control Period at Consultation Stage**

*(₹ crores)*

| Particulars | Table/ Para Ref. | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Average RAB (A) | Table 127 | 167.91 | 179.28 | 282.52 | 2,069.48 | 3,681.24 | |
| Fair Rate of Return (B) | Table 137 | 12.21% | 12.21% | 12.21% | 12.21% | 12.21% | |
| Return on average RAB (C= A*B) | | 20.51 | 21.90 | 34.51 | 252.76 | 449.61 | **779.28** |
| O&M expenses (D) | Table 171 | 112.63 | 124.12 | 149.43 | 346.61 | 416.24 | **1,149.03** |
| Depreciation (E) | Table 125 | 13.93 | 17.37 | 22.99 | 104.88 | 178.51 | **337.68** |
| Taxation (F) | Table 180 | - | - | 54.67 | - | - | **54.67** |
| Add: PV of Under-recovery of AAI as on March 31, 2023 (G) | Table 41 | 172.80 | | | | | **172.80** |
| Add: PV of Under-recovery of GIAL as on March 31, 2023 (H) | Table 69 | 5.29 | | | | | **5.29** |
| ARR (I = SUM (C:H)) | | 325.16 | 163.39 | 261.59 | 704.24 | 1,044.36 | **2,498.75** |
| NAR (J) | Table 177 | 22.74 | 22.07 | 48.90 | 50.71 | 157.55 | **301.97** |
| Less: 30% NAR (K) | | 6.82 | 6.62 | 14.67 | 15.21 | 47.27 | **90.59** |
| Net ARR (L = I – K) | | 318.34 | 156.77 | 246.92 | 689.03 | 997.09 | **2,408.15** |
| Discount factor (@ 12.21%) (M) | | 1.00 | 0.89 | 0.79 | 0.71 | 0.63 | |
| PV of ARR/ Target Revenue as on 31 March 2023 (N=L*M) | | 318.34 | 139.71 | 196.10 | 487.64 | 628.86 | **1,770.64** |
| Sum Present value of ARR (O) | | **1,770.64** | | | | | |
| Total Traffic (million passengers) (P) | Table 79 | 34.30 | | | | | |
| Yield per passenger on Total Traffic (YPP) (₹) (Q=O/P) | | **516.21** | | | | | |
| Total Departing Passenger traffic (R) | | 17.15 | | | | | |
| Yield per Departing Passenger (₹) (S=O/R) | | 1,032.42 | | | | | |

14.2.8 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 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 No. 01/2024-25 dated 6th June 2024.

## 14.3 Stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Third Control Period

14.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 01/2024-25 dated 6th June 2024 regarding Aggregate Revenue Requirement (ARR) for the Third Control Period. The comments of the stakeholders are presented below.

**GIAL's comments on Aggregate Revenue Requirement for the Third Control Period**

14.3.2 In response to the Authority's proposals relating to carry forward of some portion of ARR at the consultation stage, GIAL has provided following comments:

*We request the Authority to take cognizance of the following facts:*

***Investment mobilization through Privatization***

- *In the last 31 years investments of approx. Rs. 643 Crs has been made in Guwahati Airport.*
- *Considering the potential demand and operational requirements, AAI planned for the expansion of terminal in FY2020-21 which was allowed by the Authority on incurrence basis in the tariff order for SCP. The same project is also mandated under Schedule U of the Concession Agreement.*
- *GIAL has earmarked various investments including but not limited to what was envisaged by AAI, obligated under the Concession Agreement and it is mobilizing investments of approx. Rs 6,000 crores during the control period.*

***Financial Position of the Airport***

*In respect to the financial position of the Airport, it is to be noted that: -*

*Guwahati Airport has been incurring losses since privatization. GIAL has incurred losses in FY22, FY23 and FY24 totaling ~Rs. 194 Crs.*

*There are certain obligations under the Concession Agreement which are to be met like payment of Adjusted Deemed Initial RAB to AAI, reimbursement of select employee salaries to AAI, monthly concession fees payments to AAI, maintenance of service standards for operation and development.* ***Out of total ARR proposed of NPV Rs. 1,771 Crs, approx. 10% (Rs. 173 Crs.) relates to true-up amount for AAI and AAI Manpower reimbursement of approx. 6% (Rs. 108 Crs in NPV terms).***

*The existing debt of the company is based on cash flow assumptions including full recovery of the ARR. In case it does not happen, the credit profile of the company will further erode, and it will have cascading impact leading to higher cost of debt. This will ultimately translate into a higher FRoR.*

***Unserved Consideration***

*In the proposed CP, substantial amounts relating to justified projects like land filling, fuel farm, Apron-2 and other operational expenditure are already proposed on actual incurrence basis without taking its impact in current ARR. It is expected that YPP in the next control period will be equal or more than the proposed YPP in the CP. Therefore, any shortfall in recovery of ARR is not going to serve any purpose other than causing undue cash flow burden to GIAL.*

*Further the shortfall in recovery amount is to be trued-up along with carrying cost in the next control period which will also be higher burden on the passengers.*

***Economic and viable operations***

*As per AERA Act 2008, Clause 13 (a) (iv) Functions of Authority, the Authority need to consider the economic and viable operations of the Airport while determining the tariffs.*

***Latest TDSAT judgement dated 14th February 2024 for HIAL. Refer Para 489 to 492***

*489.No such direction has been issued by Central Government under Section 42 of the AERA Act, 2008, in consonance with NCAP, 2016. Moreover, eligible ARR has been determined by AERA itself* *in accordance with AERA Guidelines, 2011, and, therefore, it cannot be said to be "excessive". Thus, para 12(c) of NCAP, 2016, does not permit AERA to postpone the partial recovery of Aggregate Revenue Requirement (ARR) for the next Control Period.*

*490.It is also to be kept in mind that ARR is to be utilised on capital expenditure projects undertaken by the Airport Operator. There is a systematic operation of work and operational expenditures which can be recovered through the levy of regulated charges determined by AERA and, therefore, the recovery of ARR in a given Control Period is necessary for economic and viable operation of major airports.*

*491. 'Moreover, looking to Section 13(1)(a)(i) of the AERA Act, 2008 mandates AERA to determine tariff for aeronautical services taking into consideration the "Capital Expenditure incurred and timely investment in the improvement of the airport facilities". There is also violation of Tariff Guidelines Clause 6.2 by AERA if postponement of recovery of ARR is allowed because "Y, Yield per Passenger, calculated by AERA must be equal to ARR divided by Volume estimated in the tariff year.*

*492.Meaning thereby to if the recovery of part of ARR is to be postponed, there will be mismatch of ARR and "Y". We, therefore, quash and set aside the decision of AERA to postpone the part of recovery of ARR in the next Control Period and direct AERA to allow Airport Operator to recover ARR during the Control Period.*

***Authority vide order number 02/2024-25 dated 21st June 2024 has allowed full recovery of ARR for Thiruvananthapuram International Airport (TRV) for Third Control Period.***

***In light of the above and as done in the case of TRV Airport, we request the Authority to allow full recovery of ARR.***

14.3.3 In response to the Authority's proposal on the Tariff Rate Card, GIAL has submitted the following response:

*The tariff card was submitted to the Authority on 13th June 2024 and subsequently published by the Authority vide Public Notice No. 4/2024-25 dated 13th June 2024.*

*We request the Authority to make suitable adjustments in the ARR after considering the impacts of the requests raised in this document.*

*In the tariff card we have requested, and we re-iterate that **"the tariff card has multiple variables like concession agreement obligation to pay true-up to AAI which is almost 10% of total ARR and final ARR amount, mix of tariff structure (Landing Charges vs UDF) and effective date of new rates. We therefore request the Authority to kindly provide GIAL an opportunity to discuss the ATP, once the final ARR is determined."***

**Other Stakeholders' Comments regarding ARR for the Third control Period**

14.3.4 FIA's comments regarding increase in tariff are as follows:

*It is submitted that, AERA has noted that "AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic."*

*Further, AERA has also observed and considered 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". This should be applied particularly during periods of economic difficulty (i.e., airlines incurring adverse financial impact post Covid-19).*

***FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no tariff shall be increased for this control period.***

14.3.5 FIA s comment regarding AFS Cargo Tariff is as follows:

*The tariffs on the AFS cargo should be significantly lesser than the tariff levied on General cargo.*

*FIA submits that:*

*(c) AFS should have 50% or lesser rates from the Terminal.*

*(d) Processing of such Cargo may be considered for direct access to the Aircraft, thereby avoiding the charges levied by Custodian.*

*(e) Subsidize and incentivize a certain % of cargo tonnage processed out of AFS for better sustainability to Airlines, this may boost further AFS stations in terms of revenue as well.*

14.3.6 FIA's comment on Tariff rate card are as follows:

*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 tariff 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 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:*

***1. Landing Charges:***

*(a) It is to be noted that, the proposed increase to the Landing Charges for all flights is between 170% to 250% approx., from the existing charges. In accordance with that, we request AERA to kindly consider rationalising the same.*

*(b) Note 6 (a) to Landing Charges: We request AERA for further clarification on unscheduled flights operated by domestic scheduled operator as the same are currently being charged by PIA. There should be a clarification to this effect since the exemption is provided to domestic scheduled operators and not restricted to only schedule operations by them.*

***2.** Ref: Notes to User Development Fee (UDF) Charges:*

*(a) **Collection Charges**: We would like to invite AERA's attention to notes 1 of UDF charges in the Public notice 04/2024-25, wherein the rate of collection of UDF charges has been proposed to be reduced by GIAL from the current Rs. 5.00 per embarking passenger to Rs. 2.50 per embarking passenger. As airlines have not agreed to this reduction, we request AERA to*

*consider the collection charges to be reverted to Rs. 5.00 embarking passenger, in line with other Airports. Collection charges also need to be published for arrival Passengers as well.*

(b) *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) *We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against GIAL having received the 'undisputed' invoiced UDF amount within the applicable due date.*

***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 Guwahati because of the increase is total cost to fly to GIAL.*

*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 passengers as proposed in the CP.*

(d) *UDF effective from 1st September 2024 to 31st March 2027: -*

(i) *Comment to note no. 1. of Collection Charges: Please note that the same is paid by airport operator to airlines separately after airlines raises an invoice against the same as a standard industry practice. We request the same practice is applied.*

*Note no.1 (b)- "However, no collection charge shall be payable by GIAL to the airline if the airline fails to make UDF invoice payment within aforesaid applicable time limit/credit period" In view of the above-mentioned para, we recommend point no. (b) to be deleted, as the above paragraph is self-explanatory.*

(ii) *There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to claim collection charges at 2.5% of PSF per passenger, is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued.*

(iii) *It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded.*

(iv) *Note 3 to UDF Charges: "3. UDF (Domestic / International) will be determined and levied based on ultimate Destination in particular ticket / PNR."*

*It may be noted that, that it appears that implication of UDF will be determined on the basis of ultimate destination. However, we request GIAL to clarify that this will only be applicable in case of embarking passengers and not Disembarking passengers.*

3. *CUTE, CUPPS, CUSS:*

*As these are aeronautical revenues, we could neither find a proposal for the same in the Annual Tariff Plan submitted by the GIAL for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that:*

(a) ***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 tariff of USD 0.90 per passenger at GIAL 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.*

*(b) whatever bouquet of services is agreed between the GIAL and the service provider, this is enforced upon the airlines.*

*(c) the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and*

*(d) 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.*

*(e) 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.*

*AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices per the AERA Act, with transparency to all stakeholders.*

4. *Parking Charges effective from 1st September 2024 to 31st March 2027*

*(a) "4..Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre. (AOCC)."*

***Query**: As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here.*

*(b) "6.In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order"*

***Query**: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card.*

*(c) "5. For calculating chargeable parking time, 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 nearest hour*

5. *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.*

6. *Variable Tariff Plan for Scheduled Passenger Airlines*

*(a) "New Route: A flight to a new destination that is currently unserved from Guwahati by any airline already operating at Guwahati. (Destination must be unserved for the previous 24 months)"*

*We understand that "unserved" means no scheduled operations. Please confirm.*

7. *AERA to review our comment at Sr. No. 4 (Traffic) above.*

8. *FIA 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.*

9. *Landing charges:*

   (a) *AERA has proposed to increase the Landing Charges for all flights between 171% to 375% approx.- from the existing charges. We request AERA to kindly consider rationalising the same.*

   (b) *Note 6 (a) to Landing Charges: We request AERA further clarification on unscheduled flights operated by domestic scheduled operator as the same are currently being charged by Airport operator. There should be a clarification to this effect since the exemption is provided to domestic scheduled operators and not restricted to only schedule operations by them.*

14.3.7 FIA's comment regarding Shrinkage of control period is as follows:

*FIA submits 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...'*

*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 - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2022.*

*We submit that cost of operations for the airlines are 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 multilayered 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.*

14.3.8 FIA's comment regarding Royalty is as follows:

*Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.*

*It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.*

*As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at the airport are as high as up to 45% for some services.*

*It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.*

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

14.3.9 APAO's comment regarding recovery of ARR is as follows:

*Cash flow requirement and recovery of ARR*

*The Authority has mentioned that based on proposed rate card it would look into various issues and impact of increase in tariff on the potential air travel demand. In the regard, we would like to share that airport charges are only 6-7% of overall cost of airline's operations. The airline ticket prices are based on dynamic systems built on demand and supply of the relevant markets. Since airport charges are very small in proportion of the airline's operating cost structure, it does not play any significant role in airline ticket prices.*

*Further, Airports being of infrastructure nature has largely fixed costs of operations, unlike airlines where cost are variable or semi variable. Therefore, in order to recover the cost and to run the operations efficiently and safely Airport Operators are required to have regular stream of cash inflows through airport charges.*

*We are pleased to note that the Authority has taken a comprehensive and thorough view while deciding the tariffs in the recently released tariff order for Thiruvananthapuram Airport. On the similar basis, we request Authority to consider cash flow requirements of the Guwahati Airport while making a decision on the deferment of ARR. It is to be noted that Deferment of ARR is not in interest of airport users too as they will have to pay for any shortfall in ARR with higher amounts (with carrying costs) in the next Control Period.*

14.3.10 IATA's comment regarding tariff rate card is as follows:

*(a) A significant increase has been proposed by the Airport Operator in its Tariff Card, both on landing & parking charges. Significant Capex additions in the 3rd Control Period are slated particularly from FY25/26 with the addition of the new terminal, runway, taxiway and apron, boundary wall, access road etc. It is important to ensure affordability while delivering the required capacity and service levels through stronger partnerships with airport users such as airlines etc.*

*(b) The UDF too has increased significantly. However, feedback from the Airport Users community in GAU suggests that the proposed tariff increase does not correlate to any facility enhancement at the existing Terminal 1.*

*(c) We request that AERA adopts the same approach as in the determination for other airports by moderating the increases to facilitate recovery in traffic and consider a significant reduction & to rationalize the Airport's current proposal for landing & parking and UDF charges.*

14.3.11 DACAAI's comments are as follows:

*1. Lack of Competition*

*Except at Delhi airport where there are 2 CUT operators; most of the other CUTs are single operator. Therefore, there is no competition as envisaged in the AERA guidelines. Even in Delhi, practically customer has no choice of selecting either terminal or the airline as these are fixed with the operators. Therefore, there is a monopolistic situation. Besides, as per TDSAT order, with DIAL/MIAL having been taken out of Purview of AERA, there are multiple tariff regulations which are counterproductive to the growth of air cargo.*

2. *Lack of Infrastructure*

   *Except Bengaluru, where a proper planned domestic CUT is in operation along with action for futuristic development, all other CUTs are abysmally small. Most of these remain makeshift till date. CUTs are operating from old dilapidated pax terminals with inadequate space; improper layout with negligible capex or modifications for over 14 years.*

3. *High Dwell Time - Inefficient cargo handling process*

   *As an outcome of gross lack of infrastructure and inefficient handling, the dwell time of cargo has increased from 5-6 hours to 12-13 hours thereby losing the essence of speed for which customers use premium air cargo mode. This has resulted in shifting substantial tonnage away from air to surface.*

4. *Multiple heads of Terminal handling Charges*

   *There are multiple heads of terminal handling charges, each with a 'minimum' which works as a deterrent for small and short haul consignments. Coupled with several revisions of tsp charges, the air cargo is rendered unviable. The TSP charges constitute approx. 30-35% of airfreight.*

5. *Lack of Service Level Agreement with Users; No-service quality monitoring mechanism*

   *At the CUTs while the charges are levied as per AERA approved tariff; surprisingly there are no service level agreements with users neither there is service quality monitoring mechanism. Therefore, the quality of service has deteriorated drastically. Besides, AERA while it approves the MYTPs and YoY tariff revisions, the SLAs and Service quality is not built in to be strived for by CUT operators.*

   *DACAAI has been pursuing to impress upon the CUT operators in order to bring efficiency of ground processes CUTs must achieve the 'dwell time' of Departure minus 120 minutes for outbound; and Arrival (+) 90 minutes for inbound cargo. In case, the air cargo is not delivered within 5-6 hours at destination, it is no good for customers.*

   *Therefore,* ***AERA may kindly consider integrating SLAs and service quality monitoring system vis a vis the levy of terminal handling charges. Without accountability being fixed, the service quality cannot be achieved. During initial period of 2010-11, AERA had given reduction in charges on account of deficiency in service.***

6. *There is a Strong Case of Substantial Reduction in Terminal Handling Charges*

   *As a principle, with higher volumes handled, charges should come down. But, handling the increasing tonnage with the same grossly inadequate infrastructure, with poor quality service, congestion, delays etc; the TSP charges have been revised upwards to the extent of 20-30% YoY in MYTPs in recent past for Bengaluru and at other CUTs. Cumulative effect of revision of tariff YoY has taken Terminal charges to the extent of 30-35% of airfreight resulting in making air cargo unviable and shift to other modes.*

7. *Secondly, the investments made by CTOs in 'makeshift' facilities have been depreciated multiple*

*times for over 13-14 years. The CUTs have earned substantial revenues from the same facilities with negligible additional capex which makes our case for overall Reduction in tariff. Thirdly, since only insignificant capex has been deployed in domestic facilities; there is no justification for such a hefty increase in domestic tariff. The increases, if any could only be justified to inflationary effect. The main thing to keep in mind is to keep domestic air cargo "to be viable by air and to retain its speed."*

8. *Therefore, we request your good self to kindly get a de novo technical survey of the state of CUTs infrastructure, the service standards vis a vis the tariff revisions under various MYTPs and get the tariff parameters reassessed, in the interest of viability of the domestic air cargo business with ever increasing flight space which is only used approximately 50%. This is further to DACAAI views expressed during the Stakeholders Meeting Chaired by Chairman AERA on LGBI on 21st June 2024 and may kindly be taken as DACAAI's written submission. Based on the above factual position, we sincerely and humbly request your good self to kindly look into our request for reduction of the proposed tariff keeping in view the viability of domestic air cargo at LGBIA.*
9. *DACAAI shall be happy to make a detailed presentation on the subject of domestic air cargo sector, inter alia, the challenges and the impact of constant YoY tariff increases in hampering its growth potential, for which we request Chairman AERA, to give time for hearing as per your convenience before approving the LGBIA tariff.*

### 14.4 GIAL's responses to Stakeholders' comments regarding ARR for the Third Control Period

14.4.1 In response to FIA's comments regarding increase in tariff, GIAL submitted that:

*In order to avoid repetitions on this matter, please refer to our comments in point 9.1 of GIAL's comments on CP (refer Para 14.3.2 of the Tariff Order).*

14.4.2 GIAL's response to FIA's comment regarding AFS Cargo Tariff is as follows:

*The rates proposed by FIA are without any scientific study. The Authority has already done a detailed examination of the matter in tariff determination of Lucknow, Ahmedabad, Thiruvananthapuram, and Jaipur.*

14.4.3 GIAL's response to FIA's comment on Tariff rate card are as follows:

*GIAL appreciates the vision of the Government to introduce UDAN scheme. We will continue to abide by all the orders of the Authority to boost regional connectivity whereby no landing charges are charged to Airlines and no UDF is charged to the departing passenger.*

1. ***Landing Charges:***

*The proposed tariff card is an outcome of the ARR computed as per the Regulatory Building blocks after rationalization of several capex and opex items by GIAL as well as the Authority. Further, the increase in tariff also considers the under recovery of charges of the Second Control Period relating to AAI and almost 2 years of the current control period. The cumulative impact of these factors has affected the tariff.*

*Further, there are certain obligations under the Concession Agreement which are to be met like payment of Adjusted Deemed Initial RAB to AAI, reimbursement of select employee salaries to AAI, monthly concession fees payments to AAI, maintenance of service standards for operation and development. Out of total ARR proposed of NPV Rs. 1,771 Crs, approx. 10% (Rs. 173 Crs) relates to true-up amount for AAI.*

*Also, Guwahati Airport has been incurring losses since privatization. GIAL has incurred losses in FY22, FY23 and FY24 totaling ~Rs. 194 Crs.*

*The percentage increase as calculated by FIA is on account of the facts already brought out in the preceding paras.*

2. ***Ref: Notes to User Development Fee (UDF) Charges:***

***Collection charges:***

*Collection charges paid to airlines is pass though expense for airport operator. Reduction in collection charges is in the interest of all airport users. W.r.t. FIA's comment on collection charges for arrival passengers, the same is duly mentioned in the ATP submitted by GIAL.*

*As approved by the Authority for other airports, airlines' entitlement to collection charges should only be against full and timely payment of all outstanding dues.*

***Disembarkation:***

*Airport charges or revenues are drawn from Aggregate Revenue Requirement (ARR) determined based on various regulatory building blocks.*

*In the present case, true up value for AAI of approx. Rs. 173 Cr pertains to the pre-COD period which accounts for almost 10% of overall ARR.*

*GIAL has proposed levying some portion of UDF on disembarking passengers which will 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. 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, comparatively a lesser amount of UDF is proposed for disembarking passengers.*

*Keeping in view the above, in the recent past, the Authority has approved levying UDF on disembarking passengers in case of brownfield airport like Mangaluru, Thiruvananthapuram, Jaipur, and greenfield airport like MOPA.*

*In case the Authority agrees with the suggestion of FIA for not levying any UDF on disembarking passengers, we would request the Authority to adjust the same by suitably increasing the UDF of Embarking passengers and/or Landing Charges.*

***UDF effective from 1st September 2024 to 31st March 2027:***

*Once GIAL receives the UDF amount within the due date as mentioned in the invoice; and there are no overdue on any account with GIAL, the collection charges due to the Airlines will be paid as per due dates mentioned on the invoice. However, no collection charge shall be payable by GIAL to the airline if the airline fails to make UDF invoice payment within the aforesaid applicable time limit/credit period. This is as per the existing provisions made in the Authority's order for other airports.*

***No mention of Collection charges for PSF:***

*When GIAL took over the operation in Oct-2021, there was only UDF in the tariff card and no PSF (facilitation) was mentioned in the then prevailing rate card. The same tariff card is carried forward by GIAL with the necessary approval of the Authority. As the PSF (FC) charges are subsumed in tariff and not collected separately from passengers. Hence, the question of collection charges on* *the same doesn't arise.*

*Further, with effect from July 1, 2019, Security component of Passenger Security Fee (PSF – SC) has been replaced by Aviation Security Fee (ASF) and this is being administered by National Aviation Security Fee Trust (NASFT) formed by MoCA. ASF billing is done by NASFT and payment is made directly by airlines to NASFT. GIAL is not involved in Levy, exemption and collection charges on ASF.*

***Applicability of Exemption on RCS Flights:***

*The exemption pertaining to RCS flights is already mentioned in the ATP submitted by GIAL as below:*

*"Flights 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."*

*Note 3 on UDF Charges:*

*It is hereby clarified that UDF for embarking passengers will be levied based on the final destination where the passenger will disembark For example: international rates of UDF will be applicable in case of GAU-DEL-DXB.*

3. ***CUTE, CUPPS, CUSS:***

*At GIAL, the CUTE/CUPPS/CUSS (CUTE) charges are levied by third party concessionaire who in turn shares certain portion of these charges with GIAL. GIAL is not directly charging the users. The arrangement was existing before COD when AAI was operating the Airport, and it is novated to GIAL from COD onwards as per terms of the CA.*

*It is clarified that CUTE revenue has been considered Aeronautical and it has been suitably accounted for while determining the tariff card. Therefore, other aeronautical charges like landing, UDF etc. calculated to provide the recovery of ARR, as provided in the tariff card are arrived after reducing contribution of revenues from CUTE services from eligible ARR.*

*In simple terms, Present value of eligible ARR = Present value of Aeronautical Revenues other than revenues from CUTE services + Present value of revenues from CUTE services.*

*Any reduction in revenues from CUTE services will increase landing/parking charges by that amount as the ARR to be recovered is a fixed number.*

*In view of the above, we feel that there is no need for the Authority to intervene.*

4. ***Parking Charges effective from 1st September 2024 to 31st March 2027***

   (a) *On Block and Off Block time are much cleaner to monitor and is more relevant from a true parking time perspective unlike touch-down / take-off which is highly variable in nature.*

   (b) *Reference is invited to the ATP submitted by AO wherein it refers to "this tariff order". Also, "governing tariff order" does not find any mention in the ATP submitted by AO.*

   (c) *We have found "Next hour" is a standard in tariff card for all Airports like BIAL, HIAL and AAI Airports. The statement was existing in the previous tariff card for the LGBIA which was approved by the Authority when the Airport operations were managed by AAI.*

5. *We would like to clarify that Aviation Security Fee (ASF) is charged by National Aviation Security Force Trust (NASFT) and not by GIAL. Payment is made directly by airlines to NASFT. GIAL is not involved in Levy, exemption, and collection charges on ASF.*

6. ***Variable Tariff Plan for scheduled Passenger Airline:***

   *The same is already duly clarified in the ATP submitted by GIAL as below:*

   *"For removal of doubts, "Unserved" would mean "No Scheduled Operations"*

7. *GIAL is unable to find any comment related to traffic in Sl.no. 4 of FIA's comment, hence unable to comment on the said observation.*

8. *Repetition of point by FIA. In order to avoid repetitions on this matter, please refer to our comments in point 5 of this response.*

9. ***Landing Charges:***

   *(a) Rates for Landing Charges, Parking Charges, UDF and other Aeronautical revenues are determined to achieve an overall ARR of approx. Rs. 1,771 Cr. Any change in any of the rates of aero revenue would have corresponding reverse effect on the other rates. And hence, in case Landing charges are reduced by the Authority, the corresponding increase to offset the differential revenue has to be met through UDF or other Aero revenues.*

   *(b) As per the existing circular from MoCA, scheduled operations of less than 80-seater aircraft are exempt from landing charges. The non-scheduled operations irrespective of the operator doesn't fall under this category. In case the exemption for the same is considered appropriate by the Authority, the corresponding effect should also be duly noted and considered in calculation of billable traffic and other revenues.*

14.4.4 GIAL's response to FIA's comment on shrinkage of control period is as follows:

*It is to be noted that GIAL started commercial operations from 8th October 2021. As per clause 28.11.1 of the CA, GIAL shall have not less than 365 days from the COD to seek revision of the Aeronautical Charges from the Authority. The existing tariffs are extended till 30th September 2024 or till the determination of tariff for Third Control Period. GIAL had submitted its MYTP to the Authority on 28th July 2023 and complied with provisions of CA.*

*In view of the detailed exercise for review and rationalization of O&M expenses already conducted by the Authority, we feel that there is no need to conduct any such study relating to O&M expenses.*

*Further, It is noted that FIA has requested for independent studies on various building blocks without any substantial evidence-based feedback as part of their comments for individual building blocks. We would like to humbly submit that the tariff determination process has already been through various levels of due diligence and scrutiny by the Authority. Any further studies would entail longer due diligence time, thereby further delaying of the tariff order. Consequently, the tariff recovery period will reduce further with increased aeronautical charges, which will not be in the interest of any stakeholder including airlines.*

14.4.5 GIAL's response to FIA's comment on royalty is as follows:

*In case of LGBIA, there is no royalty or concession fee which will be recovered in case of cargo and fuel activities as these facilities will be managed and operated by Airport Operator only. As far as royalty of 45% on Ground Handling (GH) activity is concerned, we would like to state GH is an aeronautical service. Abolition or reduction in royalty will result in an increase in other aeronautical charges like Landing, Parking and UDF as ARR of AO as determined by the Authority is fixed. Further, we would like to state that selection of concessionaire through competitive bidding based on highest revenue share is common industry practice being followed by various airports in India and World.*

14.4.6 GIAL's response to APAO's comment on recovery of ARR is as follows:

*Airport Operators (such as DIAL, AAI), Industry Bodies (APAO) and Other Stakeholders (HPCPL) have supported GIAL's submissions and comments on certain key matters relating to estimation of Tariff and various Regulatory Principles etc.*

14.4.7 GIAL's response to IATA's comment on Tariff Rate Card is as follows:

*In order to avoid repetitions on this matter, please refer to our remarks above as a cointer on FIA's comments (Refer para 14.4.3 of this Tariff Order).*

14.4.8 GIAL's response to DACAAI's comments is as follows:

*DCCAAI has provided general remarks about the industry and its own point of view. There are no specific points raised in regard to the Consultation Paper. Further in response to para 7 and 8 raised by DCCAAI, GIAL submits that GIAL Cargo rates are on par with the the existing Cargo Service Provided present at LGBIA (AAI Cargo Logistics & Allied Service Company Limited).*

**14.5 Authority's analysis of Stakeholders' comments on ARR for the Third Control Period**

14.5.1 The Authority has noted the comments of the AO regarding carry forward of some portion of the ARR and has the following views:

- The Authority notes GIAL comment stating that a total of Rs. 643 Crores has been incurred over the last 31 years. The Authority notes that comparing the amount spent over the last 31 years with the present scenario is not appropriate. For instance, the Authority notes that the Terminal Building was constructed at that time at a cost considerably less than the base cost of Rs. 2194 crores submitted by GIAL for the construction of the new terminal.
- The Authority notes that the AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. The Authority is of the view that if any ARR is carried forward to next control period, it will create a substantial burden as such amount is to be paid with carrying cost.
- The Authority is also cognizant of the fact that there are certain obligations under the Concession Agreement, which need to be fulfilled by the AO.

Based on the above considerations, the Authority has decided not to carry forward any portion of the ARR to the next Control Period.

14.5.2 With respect to GIAL's comment relating to Tariff Card for TCP, the Authority would like to state that based on the Authority's decisions regarding the various regulatory building blocks, the ARR has been re-computed by the Authority and necessary adjustments have been made to the tariff rate card. The Authority also notes the comments of the AO on providing an opportunity to discuss the ATP as per the finally approved ARR. The Authority hereby clarifies that it is a uniform practice followed by AERA in all PPP airports, wherein the Authority analyses the comments from all the stakeholders, the counter comments of the AO, and then finalises the tariff rate card.

14.5.3 The Authority has noted comments and concerned raised by FIA on increase in tariff. The Authority is cognizant to the fact that any deferment of ARR will lead to additional burden on the passenger in terms of time value of money due to carrying cost, applied at the time of true up exercise.

Also, considering that the Guwahati Airport is a gateway to East India and has high potential, it is of utmost priority for the AO to create infrastructure and make it available for the passenger and airlines. In view of the same the Authority decides to allow full recovery of the ARR within control period.

14.5.4 The Authority has noted comments of FIA on AFS Cargo and that the tariff of AFS Cargo should be lesser than that levied on General Cargo and the response of the AO. As for the cargo handling rates for AFS Cargo, the Authority has drawn inference from the Policy guidelines on 'Air Freight Station' (AFS) issued by Ministry of Civil Aviation (MoCA) in October 2014. This Policy shall create an off airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters. The Authority supports the progressive step taken by the Government of India to improve the air cargo logistics in the Country.

Further, at the Consultation stage, the Authority had directed the AO to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card. However, the Authority notes that the AO has not submitted a separate tariff rate for the Cargo received from an approved AFS, in its Tariff Rate Card.

The Authority notes that pursuant to the operationalization of AFS facility in future, some of the cargo handling activities, which in normal course are performed by the CTOs/Airport Operator at their Cargo Terminals at GIA, will get shifted to AFS facility as detailed below:

- Acceptance of Cargo from Shippers/Agents
- Palletization, Unit Load Device (ULD) build-up for export cargo
- X-ray scanning of export cargo & compliance of BCAS & Customs regulatory norms

In view of the above, the Authority notes that the handling of AFS Cargo in palletized form at city side of Cargo Terminal is comparatively less cumbersome than processing the cargo coming in loose packets from different shippers/agents. Further, AFS Cargo is likely to be held at the Airport's Cargo Terminal for a shorter duration due to lesser processing activities involved. The AO/CTO is expected to save on processing time and lower deployment of manpower in respect of AFS Cargo, resulting in cost savings while handling AFS Cargo.

The Authority, after considering the above and taking cognizance of the intent of MoCA's AFS Policy dated 28th October 2014, to encourage the concept of AFS Cargo in the country, as a step towards improvement of air cargo logistics, has concluded that though in case of AFS Cargo, many of the activities, similar to handling in general cargo are still to be performed by the CTOs but those are not to the extent as performed for General Cargo (cargo directly handled by Airport Operator/CTOs). In this background, 30% lower TSP charges for AFS cargo have been kept after a thorough examination of the facts on the ground. The 30% proposed above is considered for the initial years. The same would be reviewed once the scheme matures.

The Authority directs GIAL to maintain separate accounts for its Cargo Handling and Fuel services and submit Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.5.5 The Authority has reviewed both FIA's and GIAL's comments with regards to the Tariff Rate Card.

The Authority notes that it has to balance the interest of all stakeholders and also ensure that the rates determined are not excessive. The Authority accordingly decides to balance the interest of the stakeholders and determine the rate card.

The Authority has, as part of the tariff determination exercise, rationalized the regulatory building blocks such as CAPEX (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 Third Control Period.

It is pertinent to note that the new Aeronautical tariff will be implemented from 16th September 2024, thereby resulting in less than three (3) tariff years being available for recovery of the ARR. Since, the Guwahati Airport has optimum traffic volume and other financial aspects/obligations the Authority, decides to allow full recovery of ARR within control period.

The Authority also decided to increase aeronautical tariff in progressive manner and thus has revised the tariff rate card proposed by the AO, after making the necessary revisions in the regulatory building blocks based on detailed analysis as given in the relevant paras of the Tariff Order. The Authority would like to state that the proposed tariff card submitted by AO is not the final decision of the Authority and is purely to aid the consultation process so that Stakeholder may have a better understanding of the potential changes in tariff while preparing the responses. The Authority does its own due diligence with respect to the same and the tariff rates have been finalized based on the comments of all the Stakeholders. The Authority has ensured a balanced approach so that no Stakeholder benefits at the expense of others.

The Authority also notes the ICAO guiding principles on Non-discrimination and simplicity as fundamental features in the Tariff Card.

14.5.6 The Authority has noted the comments of FIA and the response of the AO on levying UDF on the disembarking passengers and would like to clarify that the Authority has decided to allow UDF on disembarking passengers. The Authority notes that:

- Arriving passengers also use airport infrastructure, even if it is to a lesser extent. Hence, charging a proportion of UDF on arriving passengers is justified.
- Significant investment is being made by GIAL in improvement of infrastructure at the airport. Hence, levying higher tariff only on embarking passengers may not be justified.

14.5.7 With respect to FIA's comment on "Will the above UDF effective date shall be considered as Travel date or sale date or both-travel and sale date and domestic flight/international flight", the Authority has noted FIA's comment and clarified the issue in the Rate Card.

14.5.8 With respect to FIA's comment on payment of collection charges, the Authority is of the opinion that the collection charges are a matter between the Airport Operator and the Airlines.

14.5.9 Other issues raised by FIA on UDF have also been clarified in the Tariff Card.

14.5.10 The revenue from CUTE, CUSS, CUPPS are part of Aeronautical Revenue, and the same treatment is followed at other airports as well. This revenue component is used for recovery of ARR and helps in reducing Aeronautical tariff levied towards Landing and Parking charges.

14.5.11 The Authority has noted the comments of FIA which state that "As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here." and is of the view that Parking time will be calculated based on ON-BLOCK and OFF-BLOCK time as recorded at Airport Operations Control Centre (AOCC). Therefore, there is no need to separately factor in the taxiing time. Further, the practice of recording parking time based on ON-BLOCK and OFF-BLOCK time is generally followed at other PPP airports as well.

14.5.12 With respect to FIA's comment on "6. In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order. Query: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card.", the Authority hereby clarifies that the governing order is the tariff order issued by the Authority for the Third Control Period for LGBIA.

14.5.13 With respect to FIA's comment on "5. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour", the Authority has carefully examined FIA's comment and is of the view that it is a standard practice of rounding off part of an hour to the next hour. In case of other Airports like BIAL. HIAL, the same practice is followed. FIA's query on variable tariff plan, aviation security fees and exemption from landing charges has been addressed in Tariff Card.

14.5.14 With respect to FIA's comment on "AERA to review our comment at Sr. No.4 (Traffic) above", the Authority has already clarified the issue.

14.5.15 The Authority notes FIA's comment on the Variable Tariff Plan and the AO's response and would like to state the following:

- The Authority has examined the Variable Tariff Plan (VTP) submitted by GIAL and has decided to consider the VTP for the TCP as this will aid in developing new routes leading to generation of additional revenue. This will help to reduce aeronautical charges in long term and also encourage growth in international traffic.
- The Authority directs the AO to ensure that the proposed VTP will not be discriminatory, as mandated by ICAO.
- Accordingly, the Authority agrees to accept the VTP as this will help in developing new international routes leading to additional revenue generation and will also help in decreasing the aeronautical tariff in the long run. The Authority would like to further state that it will be beneficial for the airline in the current situation and will help to revive the traffic.
- The Authority also directs the AO to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the TCP for the information of all the Stakeholders and the Authority, so as to take a considered view during tariff determination for the next Control Period.
- Based on its examination, the Authority decides to consider the Variable Tariff Plan effective from the date of effect of the Tariff Rate Card as mentioned in Annexure 1: Tariff Rate Card of this Tariff Order.

14.5.16 The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period and GIAL's comments on the same.

The Authority would like to emphasize that the tariff determination process for GIAL was conducted in strict adherence to the AERA Act, AERA Guidelines of 2011, and the relevant provisions outlined in the Concession Agreement (CA).

The Authority mandates early submission of the tariff proposals by the Airport Operators. It is to be noted that LGBIA is a brownfield airport, and GIAL had submitted its Multi-Year Tariff Proposal (MYTP) dated 28th July 2023 i.e. one year ten months after achieving the Commercial Operation Date (COD) on 8th October 2021 based on its assessment of actual cost incurred etc. This delay in the submission of MYTP and other details by AAI and the new Concessionaire was due to delays in the hand-over/take-over of the Airport on account of unforeseen circumstances such as the COVID -19 pandemic.

Also, the Authority's analysis is exhaustive in nature and requires a reasonable amount of time to examine and evaluate the various building blocks, keeping in mind the need to balance the interests of all stakeholders. During the process of evaluation, the Authority has sought various clarifications from time to time, from AAI and the new Concessionaire on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority. In the background of the special circumstances involving change of AO, provisions of Concession Agreement and two Airport Operators being involved in the tariff determination process, it has resulted in the time lag in the determination of tariff for the Third Control Period for GIAL.

The Authority also notes the comments of FIA on conducting an independent study on passengers and air traffic at selected airports. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If the Authority feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of GIAL.

14.5.17 With respect to FIA's comments on royalty, the Authority notes that in case of LGBIA, there is no royalty or concession fee which will be recovered in case of cargo and fuel activities as these facilities will be managed and operated by Airport Operator only. As far as royalty of 45% on Ground Handling (GH) activity is concerned, the Authority would like to state that GH is an aeronautical service. Abolition or reduction in royalty will result in an increase in other aeronautical charges like Landing, Parking and UDF as the ARR of GIAL as determined by the Authority is fixed. Further, the Authority would like to state that selection of concessionaire through competitive bidding based on highest revenue share is common industry practice which is being followed by various airports in India and the World.

14.5.18 With respect to APAO's comments on recovery of ARR, the Authority would like to state that the Authority as an independent regulator, has to draw balance between tariff burden and AO cash flows. In view of the same the Authority has to take its decisions. However, the Authority notes the APAO comment and concern highlighted towards additional burden to passenger in terms of carrying cost. Accordingly, Authority decides to consider full recovery of ARR within control period with no deferment.

14.5.19 The Authority notes IATA's comments on landing charges. The Authority is of the view that it has to balance the interest of all stakeholders and also ensure that the rates determined are not excessive. The Authority accordingly decides to balance the interest of the stakeholders and determine the rate card.

The Authority has, as part of the tariff determination exercise, rationalized the regulatory building blocks such as CAPEX (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 Third Control Period.

It is pertinent to note that the new Aeronautical tariff will be implemented from 16th September 2024, thereby resulting in less than three (3) tariff years being available for recovery of the ARR. Since, the Guwahati Airport has optimum traffic volume and other financial aspects the Authority, decides to allow full recovery of ARR within control period.

The Authority has also decided to increase aeronautical tariff in progressive manner and thus revised the tariff rate card proposed by the AO, after making the necessary revisions in the regulatory building blocks based on detailed analysis as given in the relevant paras of the Tariff Order. The Authority would like to state that the proposed tariff card submitted by AO is not the final decision of the Authority and is purely to aid the consultation process so that Stakeholder may have a better understanding of the potential changes in tariff while preparing the responses. The Authority does its own due diligence with respect to the same and the tariff rates have been finalized based on the comments of all the Stakeholders. The Authority has ensured a balanced approach so that no Stakeholder benefits at the expense of others.

The Authority also notes the ICAO guiding principles on Non-discrimination and simplicity as fundamental features in the Tariff Card.

14.5.20 The Authority notes DACAAI submission and would like to mention that keeping in mind the market competition at Guwahati Airport, the Authority has considered second cargo operator i.e., GIAL apart from the existing service provider i.e., AAICLAS.

The Authority expects GIAL to take care of the other concerns raised by DACAAI.

14.5.21 Based on the decisions taken by the Authority with respect to the various regulatory building block in the Second Control Period and the Third Control Period and the tariff plan approved by the Authority, the recomputed ARR for the Third Control Period is given below.

**Table 185: ARR decided by the Authority for the Third Control Period**

*(₹ Crores)*

| Particulars | Table/ Para Ref. | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Average RAB (A) | Table 132 | 167.91 | 204.77 | 323.02 | 2,121.99 | 3,753.88 | |
| Fair Rate of Return (B) | Table 137 | 12.21% | 12.21% | 12.21% | 12.21% | 12.21% | |
| Return on average RAB (C= A*B) | | 20.50 | 25.00 | 39.44 | 187.62* | 458.35 | **730.92** |
| O&M expenses (D) | Table 173 | 112.63 | 142.94 | 158.15 | 260.02 | 427.36 | **1101.10** |
| Depreciation (E) | Table 131 | 13.93 | 20.89 | 29.22 | 88.34* | 180.37 | **332.75** |
| Taxation (F) | Table 181 | - | - | - | - | - | **-** |
| Add: PV of Under-recovery of AAI as on March 31, 2023 (G) | Table 46 | 182.09 | | | | | **182.09** |
| Add: PV of Under-recovery of GIAL as on March 31, 2023 (H) | Table 70 | 7.13 | | | | | **7.13** |
| ARR (I = SUM (C:H)) | | 336.28 | 188.83 | 226.81 | 535.99 | 1,066.08 | **2,353.99** |
| NAR (J) | Table 178 | 22.74 | 22.07 | 48.90 | 50.46 | 156.54 | **300.72** |
| Less: 30% NAR (K) | | 6.82 | 6.62 | 14.67 | 15.14 | 46.96 | **90.21** |
| Net ARR (L = I – K) | | 329.46 | 182.21 | 212.14 | 520.85 | 1,019.12 | **2,263.77** |

| Particulars | Table/ Para Ref. | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| Discount factor (@ 12.21%) (M) | | 1.00 | 0.89 | 0.79 | 0.71 | 0.63 | |
| PV of ARR/ Target Revenue as on 31 March 2023 (N=L*M) | | 329.46 | 162.37 | 168.47 | 368.62 | 642.75 | **1,671.68** |
| Sum Present value of ARR (O) | | 1,671.68 | | | | | |
| Total Traffic (million passengers) (P) | Table 80 | 34.31 | | | | | |
| Yield per passenger on Total Traffic (YPP) (₹) (Q=O/P) | | **487.23** | | | | | |
| Total Departing Passenger traffic (R) | | 17.16 | | | | | |
| Yield per Departing Passenger (₹) (S=O/R) | | **974.17** | | | | | |

*Refer para 7.9.19

14.5.22 The Authority, based on the revised ARR and accordingly the tariffs decided by it, computed the projected Aeronautical Revenue for LGBIA for the Third Control Period as follows:

**Table 186 Projected Aeronautical Revenue decided by the Authority for Third Control Period**

| Particular | Ref | FY'23 | FY'24 | FY'25 | FY'26 | FY'27 | Total |
|---|---|---|---|---|---|---|---|
| PV of ARR as on 31st March'2023 (Table 185) | **A** | 329.46 | 162.37 | 168.47 | 368.62 | 642.75 | **1,671.68** |
| **Aeronautical Revenue** | | | | | | | |
| Landing Revenue | **B** | 39.34 | 41.49 | 135.92 | 275.35 | 332.61 | **824.70** |
| Parking & Housing Revenue | **C** | 0.58 | 1.51 | 3.18 | 4.79 | 6.07 | **16.13** |
| UDF Revenue | **D** | 101.18 | 116.00 | 208.17 | 338.59 | 454.32 | **1218.26** |
| Cargo Revenue | **E** | - | 4.00 | 3.90 | 4.52 | 10.73 | **23.15** |
| Fuel Revenue | **F** | - | 1.00 | 19.97 | 29.94 | 36.13 | **87.04** |
| CUTE Revenue | **G** | 4.44 | 5.00 | 5.83 | 6.60 | 7.96 | **29.83** |
| Ground Handling Revenue | **H** | 6.96 | 7.00 | 9.18 | 10.32 | 12.45 | **45.92** |
| X-Ray Charges | **I** | - | - | - | 9.87 | 48.41 | **58.28** |
| CGF Rentals | **J** | 1.18 | - | - | - | - | **1.18** |
| **Total Aeronautical Revenue** | **K= Sum(B:J)** | 153.68 | 176.00 | 386.16 | 679.98 | 908.68 | **2304.50** |
| PV Factor | **L** | 1.00 | 0.89 | 0.79 | 0.71 | 0.63 | |
| **PV of Aero Revenue as on 31st March'2023** | **M= K*L** | **153.68** | **156.85** | **306.69** | **481.28** | **573.17** | **1,671.68** |

14.5.23 The Authority notes that based on the projected Aeronautical Revenue determined by it (considering Aeronautical Tariff as per the approved Tariff Rate Card in Annexure I), there would be no under-recovery (shortfall) in Third Control Period.

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

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

14.6.1 To consider the ARR and YPP for the Third Control Period for LGBIA in accordance with Table 185.

14.6.2 To consider projected Aeronautical Revenue for GIAL for the Third Control Period as per Table 186.

14.6.3 To consider VTP effective from 16th September 2024 as given in Annexure 1 - B of this Tariff Order.

14.6.4 To direct GIAL to keep a separate record of landing and night parking charges , expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs GIAL to ensure compliance with the ICAO principles of non-discrimination.

14.6.5 To direct GIAL to maintain separate accounts for its Cargo Handling and Fuel services and to submit the Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.6.6 To consider Tariff Rate Card for GIAL for the Third Control Period as per Annexure 1 – A: Landing Charges, Parking Charges, UDF, Fuel Infrastructure Charges and X Ray Screening Charges.

## 15 SUMMARY OF THE AUTHORITY'S DECISIONS

**Chapter 4: True up of AAI for the Second Control period from FY 2017 till COD**

4.16.1 To consider the Passenger traffic and ATM as detailed in Para 4.4.1 (Table 9) for true up of the Second Control Period and Pre-COD Period.

4.16.2 To consider capital additions and aeronautical allocation of assets as detailed in Table 22.

4.16.3 To recompute Depreciation considering the revised allocation of assets as detailed in Para 4.7.4 (Table 24) for true up of AAI for the Second Control Period and pre-COD period.

4.16.4 To consider RAB for AAI as detailed in Para 4.8.2 (Table 25) for true up of the Second Control Period and pre-COD period.

4.16.5 To consider Deemed Initial RAB for LGBIA as per Para 4.8.3c) (Table 27).

4.16.6 To consider true up of FRoR for the Second Control Period and Pre-COD Period as per para 4.9.14.

4.16.7 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 34.

4.16.8 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 38.

4.16.9 To consider true up of Aeronautical revenue for the pre-COD period as per Table 41.

4.16.10 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 44.

4.16.11 To consider true up of ARR for the pre-COD period as per Table 46.

4.16.12 To consider the present value of under recovery of ₹ 152.07 crores for True up of AAI for the Pre-COD period as per Table 46 and readjust the same in the ARR for the Third Control Period.

**Chapter 5: True up of GIAL for the period from COD till March 31, 2022**

5.12.1 To consider true up of CAPEX, depreciation and RAB for the period from COD till March 31, 2022 as per Table 56.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2022 as per Table 57.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2022 as per Table 62.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2022 as per Table 64.

5.12.5 To consider true up of Aeronautical revenue for the period from COD till March 31, 2022 as per Table 66.

5.12.6 To consider true up of Taxation for the period from COD till March 31, 2022 as per Table 68.

5.12.7 To consider under recovery of ₹ 7.13 crores as per Table 70 for Post-COD period, while calculating the ARR for the Third Control Period.

**Chapter 6: Traffic Projections for the Third Control Period**

6.6.1 To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for LGBIA as per Table 80.

6.6.2 To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third

Control Period while determining tariffs for the Fourth Control Period.

**Chapter 7: Capital Expenditure (Capex), Depreciation and RAB for the Third Control Period**

7.10.1 To consider the Terminal Building ratio of 90:10 in line with the Study on allocation of assets, IMG norms and as approved for other similar Airports.

7.10.2 To allow IDC during the Third Control Period as per Para 7.9.8 and not to allow Financing Allowance as mentioned in Para 7.9.7.

7.10.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 130.

7.10.4 To reduce (adjust) 1% of uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per approved capitalization schedule, as mentioned in para 7.9.6. The same will be examined at the time of tariff determination of next Control Period.

7.10.5 To consider GST on RAB/CWIP on actual incurrence basis as detailed in para 7.3.9.

7.10.6 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 Fourth Control Period.

7.10.7 To true up the Aeronautical Capital expenditure based on actuals subject to, cost efficiency and reasonableness at the time of determination of tariff for the Fourth Control Period.

7.10.8 To adopt Aeronautical Depreciation as per Table 131 for the Third Control Period.

7.10.9 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.10.10 To consider average RAB for the Third Control Period for LGBIA as per Table 132.

7.10.11 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

**Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period**

8.6.1 To consider the Cost of equity at 15.18%.

8.6.2 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.

8.6.3 To consider cost of debt of 9% for the Third Control Period.

8.6.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

**Chapter 9: Inflation for the Third Control Period**

9.6.1 To consider WPI inflation as per Table 141.

**Chapter 10: Operation and Maintenance Expenses for the Third Control Period**

10.6.1 To consider total Aeronautical O&M Expenses including Operating Expenses, Fuel Operating Expenses and Cargo Operating Expenses for the Third Control Period for LGBIA as per Table 173.

10.6.2 To consider the actual total Aeronautical O&M expenses incurred by GIAL during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control period.

**Chapter 11: Non-aeronautical revenue for the Third Control Period**

11.6.1 To consider Non-aeronautical revenues for the Third Control Period for LGBIA as per Table 178.

11.6.2 Non-Aeronautical Revenue will be trued up at the time of tariff determination of next control period if it is higher than that proposed by the Authority in Table 178.

**Chapter 12: Taxation for the Third Control Period**

12.6.1 To consider the Taxation for the Third Control Period for LGBIA as per Table 181.

12.6.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

**Chapter 13: Quality of Service for the Third Control Period**

13.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of LGBIA.

13.5.2 GIAL should ensure that service quality at LGBIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

**Chapter 14: Aggregate Revenue Requirement (ARR) for the Third Control Period**

14.6.1 To consider the ARR and YPP for the Third Control Period for LGBIA in accordance with Table 185.

14.6.2 To consider projected Aeronautical Revenue for GIAL for the Third Control Period as per Table 186

14.6.3 To consider VTP effective from 16th September 2024 as given in Annexure I – B of this Tariff Order.

14.6.4 To direct GIAL to keep a separate record of landing and night parking charges, expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs GIAL to ensure compliance with the ICAO principles of non-discrimination.

14.6.5 To direct GIAL to maintain separate accounts for its Cargo Handling and Fuel services and to submit the Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.6.6 To consider Tariff Rate Card for GIAL for the Third Control Period as per Annexure I – A: Landing Charges, Parking Charges, UDF, Fuel Infrastructure Charges and X Ray Screening Charges.

## 16 Tariff Order

16.1 In exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at LGBIA for the Third Control Period as placed in Annexure 1 (1-A, 1-B, 1-C).

16.2 In exercise of powers conferred by Section 13(1)(b) of the AERA Act, 2008 read with Rule 89 of the Aircraft Rules, 1937, made under the Aircraft Act, 1934, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure 1to the Order for the current Control Period.

16.3 The tariff determined herein are the ceiling rates, exclusive of taxes, if any.

16.4 This tariff order shall be made effective from 16th September 2024.

16.5 GIAL shall submit its MYTP submission to the Authority for the Fourth Control Period in a timely manner as per Authority's Regulatory Guidelines, 2011.

By the Order and in the name of the Authority

(Suyash Narain)

Secretary

To,

Mr. Ashwin Noronha

Chief Airport Officer

Guwahati International Airport Limited

Guwahati



**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
3. **The Chairman,** Airports Authority of India, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003

# 17 ANNEXURES

## 17.1 Annexure 1: Tariff Card

**Tariff Rate Card Aprroved by the Authority for Lokpriya Gopinath Bordoloi International Airport (LGBIA), Guwahati for the Third Control Period (April 1, 2022 – March 31, 2027) - Effective from 16th September 2024 to 31st March 2027**

**Annexure 1 – A: Landing Charges, Parking Charges, UDF, Fuel Infrastructure Charges and X-Ray Screening Charges**

### 17.1.1 Landing Charges

**Applicable tariff rates from September 16, 2024 to March 31, 2027**

Rate in Rs. per MT

| Flight | September 16, 2024 to March 31, 2025 | April 1, 2025 to March 31, 2026 | April 1, 2026 to March 31, 2027 |
|---|---|---|---|
| Domestic | 995 | 1,195 | 1,195 |
| International | 1,345 | 1,625 | 1,675 |

**Notes:**

1. Weight of an aircraft means Maximum Take-Off Weight (MTOW) in MT (i.e. 1,000 Kg) as indicated in the Certificate of Airworthiness (CoA).
2. Landing charges shall be calculated on the basis of nearest MT (i.e., 1,000 kg)
3. Above mentioned rates are Rack Rates (RR), wherever necessary in the tariff order.
4. Landing charges shall be a higher of the charges derived as per above matrix or as mentioned in below table:

| Flight | September 16, 2024 to March 31, 2025 | April 1, 2025 to March 31, 2026 | April 1, 2026 to March 31, 2027 |
|---|---|---|---|
| **Domestic** | 21,000 | 21,000 | 21,000 |
| **International** | 53,000 | 53,000 | 53,000 |

5. Domestic legs of international routes flown by Indian operators to be treated as domestic flights as far as landing charges are concerned, irrespective of the flight numbers assigned to such flights.
6. 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 scheduled operators at the 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.

### 17.1.2 Parking Charges

**Applicable tariff rates from September 16, 2024 to March 31, 2025**

Rate in Rs. per MT per hour

| Details | Weight of Aircraft | Domestic Flight | International Flight |
|---|---|---|---|
| Parking charges (First two hours after free parking period) | Upto 100 MT | 19.13 | 19.48 |
| | Above 100 MT | 19.13 | 19.48 |
| Parking charges (beyond four hours) | Upto 100 MT | 38.26 | 38.96 |
| | Above 100 MT | 38.26 | 38.96 |

**Applicable tariff rates from April 1, 2025 to March 31, 2026**

Rate in Rs. per MT per hour

| Details | Weight of Aircraft | Domestic Flight | International Flight |
|---|---|---|---|
| Parking charges (First two hours after free parking period) | Upto 100 MT | 20.09 | 20.45 |
| | Above 100 MT | 20.09 | 20.45 |
| Parking charges (beyond four hours) | Upto 100 MT | 40.18 | 40.90 |
| | Above 100 MT | 40.18 | 40.90 |

**Applicable tariff rates from April 1, 2026 to March 31, 2027**

Rate in Rs. per MT per hour

| Details | Weight of Aircraft | Domestic Flight | International Flight |
|---|---|---|---|
| Parking charges (First two hours after free parking period) | Upto 100 MT | 21.09 | 21.48 |
| | Above 100 MT | 21.09 | 21.48 |
| Parking charges (beyond four hours) | Upto 100 MT | 42.18 | 42.96 |
| | Above 100 MT | 42.18 | 42.96 |

**Notes:**

1. Weight of an aircraft means MTOW in MT (1000 kg) as indicated in the certificate of airworthiness filed with DGCA.
2. The charges set forth herein shall be calculated based on the nearest rounded off MT.
3. Free parking is allowed on all aircraft stands (Contact and Remote) for the first two hours.
4. For the next two hours, normal parking rates as mentioned above shall be applicable. After this period, the charges shall be double of the normal parking charges.
5. Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre (AOCC).
6. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour.
7. In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in line with this tariff order.

### 17.1.3 User Development Fee (UDF)

**Applicable tariff rates for travel date from September 16, 2024 to March 31, 2025**

Rate in Rs.

| Type of Passenger | Domestic | International |
|---|---|---|
| **Embarking Passenger** | 555 | 770 |
| **Disembarking Passenger** | 235 | 330 |

**Applicable tariff rates for travel date from April 1, 2025 to March 31, 2026**

Rate in Rs.

| Type of Passenger | Domestic | International |
|---|---|---|
| **Embarking Passenger** | 625 | 980 |

| Type of Passenger | Domestic | International |
|---|---|---|
| Disembarking Passenger | 265 | 420 |

**Applicable tariff rates for travel date from April 1, 2026 to March 31, 2027**

Rate in Rs.

| Type of Passenger | Domestic | International |
|---|---|---|
| Embarking Passenger | 695 | 1,120 |
| Disembarking Passenger | 295 | 480 |

**Notes:**

1. Collection Charges on User Development Fees (UDF): As per the agreement between GIAL and the Airlines.
2. For calculating 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.
3. Above UDF charges will be applicable on the tickets issued on or after September 16, 2024.
4. Exemptions 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:
   a. Children (Under age of 2 years)
   b. Holders of Diplomatic Passport.
   c. 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),
   d. Persons travelling on official duty on aircraft operated by Indian Armed Forces.
   e. Persons travelling on official duty for United Nations Peace Keeping Missions.
   f. Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 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 two separate tickets are issued, it would not be treated as a transit passenger").

### 17.1.4 Fuel Infrastructure Charges

**Applicable tariff rates from September 16, 2024 to March 31, 2027**

Rate in Rs. per KL

| Fuel Infrastructure Cost (including Aircraft Refueling) | Aircraft Defueling | Aircraft re-fueling of defueled product | |
|---|---|---|---|
| | | Within 24 hours | Beyond 24 hours |
| Rs. 2,200 per KL | Rs. 300 per KL | Rs. 350 per KL | Rs. 400 per KL |

### 17.1.5 X-Ray Screening Charges

**Applicable tariff rates from January 1, 2026 to March 31, 2027**

Rate in Rs. per Flight

| Type of Flight | Applicable Charge (Per Scheduled Departure Flight) |
|---|---|
| Domestic Flight upto 80 seater aircraft | Rs. 8,000 |
| Domestic Flight above 80 seater aircraft | Rs. 12,000 |
| International Flight (all flights) | Rs. 25,000 |

### 17.1.6 General Conditions

1. All above mentioned charges (Landing, Parking, UDF, Fuel Infrastructure Charge and X-Ray Screening Charges) are exclusive of all the applicable taxes.
2. Aviation Security Fee (ASF) shall be applicable as prescribed by Government of India/ MoCA from time to time.
3. Flights operating under Regional Connectivity Scheme will be exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 (as amended from time to time) of the Authority from the date the scheme is operationalized by the GoI.
4. All the charges applicable to Indian Carriers (including international operations) will be done in INR and to International Carriers in USD.
5. For all the above charges, the Airlines will be allowed a credit period as may be decided by LGBIA from time to time.

**Annexure 1 – B: Variable Tariff Plan for Scheduled Airlines**

## 17.1.7 VTP Applicable Rates for Scheduled Passenger Airlines

| Type | Rack Rate (RR) per MT in Rs. | Existing flight/ Route | | New Route | | |
|---|---|---|---|---|---|---|
| | | Year 1 | Year 2 | Year 1 | Year 2 | Year 3 |
| **Domestic Flights** | | | | | | |
| Rate per MTOW (MTOW<=100 MT) | RR | | | 0.50 *RR | 0.75*RR | |
| **International Flights** | | | | | | |
| Rate per MTOW (MTOW<=100 MT) | RR | | | 0.25*RR | 0.50*RR | 0.75*RR |
| Rate per MTOW (MTOW >100 MT) | RR | | | 0.25*RR | 0.50*RR | 0.75*RR |
| **New Airline on an Existing International Route** | | | | | | |
| Rate per MTOW (MTOW<=100 MT) | RR | 0.75*RR | 0.50*RR | | | |
| Rate per MTOW (MTOW >100 MT) | RR | 0.75*RR | 0.50*RR | | | |
| **Up-gauging of aircraft from less than 80-Seater and to above 80-Seaters (applicable for existing passenger routes)** | | | | | | |
| Rate per MTOW | RR | 0.75*RR | | | | |

**Validity**

The VTP for applicable domestic and international flights is valid from the date of commencement of operations and for the duration of 24 months for new domestic route, equipment up-gauge of existing route/flight and 36 months for new international route.

The Variable Tariff Plan (VTP) shall be valid till 31st March 2027

**Notes:**

1. No discount over and above the Variable Tariff Plan is applicable.
2. VTP is applicable only for scheduled passenger airlines, as applicable in the table above.
3. Scheduled airline must operate VTP eligible flights for (a) a minimum of 42 weeks within a rolling 12- month period; and (b) ensure strict slot adherence on laid down parameters of the Airport Operator, to qualify for the incentive.
4. The payment of landing charges should be done by the airline in full without any deductions, as per the invoicing by GIAL. The settlement shall be provided in the form of a 'Credit Note' at the end of each 12-month period.
5. GIAL reserves the right to change any term or condition of this VTP, withdraw or replace any of the category, at any time at its absolute discretion, by way of prior approval of AERA.

### 17.1.8 VTP for Incremental Night Parking by scheduled passenger airlines

0.50 * RR parking charges shall be applicable to the additional aircraft (above 80-seater) being night parked at the airport from 23:00 to 8:00 IST.

**Notes:**

1. This waiver shall be applicable for the first 12 months, effective from when the aircraft (above 80-seater) in operation is being night parked at the airport.
2. The Airline must park the operating aircraft for at-least 80% of the filed passenger flight schedule to avail this benefit.

**Definition of Category**

1. **Existing flights:** Flights that are currently being operated at Lokpriya Gopinath Bordoloi International Airport (LGBIA), Guwahati.
2. **New Route:** A flight to a new destination that is currently unserved from Guwahati by any airline. (Destination must be unserved for the previous 24 months).

   *E.g., Airline A introduces a new nonstop route Guwahati - Dubai, or Guwahati-Agatti, which is currently unserved from Guwahati by any airline directly.*

   *For removal of doubts, "Unserved" would mean "No Scheduled Operations".*
3. **Aircraft Up-gauge:** Equipment up-gauge to Code C and above aircraft type by scheduled passenger airlines.
4. **Night Parking:** Incremental Night Parking at the airport, shall be governed by the condition as mentioned in the incremental Night Parking section
5. **RR:** Rates mentioned in Para 17.1.1 and 17.1.2 of the Tariff Order for Landing Charges and Parking Charges respectively.

**Annexure 1 – C: Cargo Charges**

## 17.1.9 Export Cargo

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 1.18 | 199 |
| | Special & Valuable | 2.34 | 390 |
| | Perishable | 1.18 | 199 |
| | | | |
| 2 | **Demurrage Charges (Leviable from Shippers)** | | |
| | General | 1.21 | 199 |
| | Special & Valuable | 2.39 | 390 |
| | Perishable | 1.21 | 199 |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 1.30 | 219 |
| | Special & Valuable | 2.57 | 429 |
| | Perishable | 1.30 | 219 |
| | | | |
| 2 | **Demurrage Charges (Leviable from Shippers)** | | |
| | General | 1.33 | 219 |
| | Special & Valuable | 2.63 | 429 |
| | Perishable | 1.33 | 219 |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 1.43 | 241 |
| | Special & Valuable | 2.83 | 472 |
| | Perishable | 1.43 | 241 |
| | | | |
| 2 | **Demurrage Charges (Leviable from Shippers)** | | |
| | General | 1.46 | 241 |
| | Special & Valuable | 2.89 | 472 |
| | Perishable | 1.46 | 241 |

**If Cargo at GIAL is received through approved AFS, then 30% lower TSP (Terminal, Storage and Processing) charges shall be applicable.*

**Notes:**

1. The free period for export cargo shall be 12 hours, or as applicable based on the government regulations for examination/processing by the shippers.

2. Consignments of human remains, coffins including unaccompanied baggage of deceased and Human eyes will be exempted from the purview of Terminal, Storage and Processing and Demurrage charges. No XBIS/ETD usage charges will also be leviable on these shipments.

3. Terminal, Storage and processing charges are inclusive of Forklift charges wherever Forklift usage is involved. No separate Forklift charges will be levied.

4. Special cargo consists of live animals, hazardous goods and vulnerable cargo.

5. Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.

6. For misdeclaration of weight above 2% and upto 5% of declared weight, penal charges @ double the applicable Terminal, Storage and Processing charges and for variation above 5%, the penal charges @ 5 times the applicable Terminal, Storage and Processing charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum Terminal Storage and Processing Charges . No penal charges will be leviable for variation upto and inclusive of 2%. (For any variation, all the documents/ records to be invariably amended). No weight variation acceptable in the case of VAL consignments.

7. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum and items valued at USD 1000 per Kg. and above.

8. Terminal Operator shall levy packing/repacking charges @ 2% of packages per shipping bill with a minimum of INR 20.00 for FY 2024-25, INR 22.00 for FY 2025-26 & INR 24.00 for FY 2026-27 per Airway Bill. Packing / Repacking charges will be at INR10.00 for FY 2024-25, INR 11.00 for FY 2025-26 & INR 12.00 for FY 2026-27 per packet.

9. XBIS usage charges INR 1.00 per kg for FY 2024-25, INR 1.10 per kg for 2025-26, & INR 1.21 per kg for FY 2026-27 subject to minimum of INR 150.00 for FY 2024-25, INR 165.00 for FY 2025-26, & INR 182.00 for FY 2026-27 per shipment. The same is applicable at 50% per kg subject to minimum of INR100.00 for FY 2024-25, INR 110.00 for FY 2025-26, & INR 121.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.

10. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.

11. Merchant Over Time (MOT) charges @ Rs. 200.00 for FY 2024-25, INR 220 for FY 2025-26, & INR 242.00 for FY 2026-27 per consignment for admitting cargo beyond normal working hours, wherever 24x7 Export Cargo operation does not exist.

12. The export TSP charges paid in advance through online by the shippers/ agents will be refunded in case the export cargo is not physically brought to the Air Cargo Terminal for processing on the same day subject to retention of minimum rate per consignment of General/ Special/ Valuable cargo respectively. Proportionate Applicable GST on minimum rate will also be retained.

13. For the Export Cargo withdrawal from the examination area, withdrawal demurrage charge will be collected equivalent to examination area demurrage charges. Similarly, for the

withdrawal of export cargo from the bonded area, bonded area demurrage charges will be collected.

14. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
15. No X-Ray charges leviable for the Custom cleared Export Cargo moving by bonded trucks to other destinations.
16. All minimum charges shall be rounded off to the nearest Rupee 1.00
17. All Bills shall be rounded up to the nearest higher of Rupee 1.00
18. All the above charges are excluding GST, which will be levied at applicable rates announced by the Government of India from time to time.
19. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for FY 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.10 **Import Cargo**

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 7.89 | 215 |
| | Special & Valuable | 15.74 | 422 |
| | | | |
| 2 | **Demurrage Charges** | | |
| | General (Up to 96 Hrs/ 4 working days) including free period | 2.29 | 517 |
| | General (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 4.57 | |
| | General (Beyond 720 Hrs/ 30 days) | 6.86 | |
| | Special (Up to 96 Hrs/ 4 working days) including free period | 4.57 | 1,018 |
| | Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 9.12 | |
| | Special (Beyond 720 Hrs/ 30 days) | 13.68 | |
| | Valuable (Up to 96 Hrs/ 4 working days) including free period | 9.12 | 2,037 |
| | Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 18.25 | |
| | Valuable (Beyond 720 Hrs/ 30 days) | 27.37 | |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 8.68 | 237 |
| | Special & Valuable | 17.31 | 464 |
| | | | |
| 2 | **Demurrage Charges** | | |
| | General (Up to 96 Hrs/ 4 working days) including free period | 2.52 | |

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| | General (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 5.03 | 569 |
| | General (Beyond 720 Hrs/ 30 days) | 7.55 | |
| | Special (Up to 96 Hrs/ 4 working days) including free period | 5.03 | 1,120 |
| | Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 10.03 | |
| | Special (Beyond 720 Hrs/ 30 days) | 15.05 | |
| | Valuable (Up to 96 Hrs/ 4 working days) including free period | 10.03 | 2,241 |
| | Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 20.08 | |
| | Valuable (Beyond 720 Hrs/ 30 days) | 30.11 | |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges *** | | |
| | General | 9.55 | 261 |
| | Special & Valuable | 19.04 | 510 |
| | | | |
| 2 | **Demurrage Charges** | | |
| | General (Up to 96 Hrs/ 4 working days) including free period | 2.77 | 626 |
| | General (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 5.53 | |
| | General (Beyond 720 Hrs/ 30 days) | 8.31 | |
| | Special (Up to 96 Hrs/ 4 working days) including free period | 5.53 | 1,232 |
| | Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 11.03 | |
| | Special (Beyond 720 Hrs/ 30 days) | 16.56 | |
| | Valuable (Up to 96 Hrs/ 4 working days) including free period | 11.03 | 2,465 |
| | Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days) | 22.09 | |
| | Valuable (Beyond 720 Hrs/ 30 days) | 33.12 | |

**If Cargo at GIAL is received through approved AFS, then 30% lower TSP (Terminal, Storage and Processing) charges shall be applicable.*

**Notes:**

1. Free storage period for import cargo shall be 48 hrs. (02 working days) from the date and time of segregation reflected in the ICEGATE. For the next 48 hrs, (02 working days), demurrage will be charged at "per kg per day" non-cumulative basis, provided the consignment is cleared within 96 hrs. (04 working days), from the date and time of segregation reflected in the ICEGATE. If clearance is affected after 96 hrs. (04 working days), demurrage will accrue for the entire period from the date/time of segregation reflected in the ICEGATE.
2. Consignments of human remains, coffins including baggage of deceased and Human eyes will be exempted from the purview of Terminal, Storage and Processing charges and Demurrage charges.
3. Terminal, Storage and processing charges are inclusive of Forklift charges wherever Forklift

usage is involved. No separate Forklift charges will be levied.

4. Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight' or 'chargeable weight' whichever is higher.
5. Special Import cargo consists of cargo stored in cold storage, live animals and hazardous goods.
6. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum and items valued at USD 1000 per Kg. and above.
7. Any product/commodity having inbuilt/ mounted with Lithium batteries will be continued to be treated as Hazardous Cargo for storage / handling purpose. Special charges will be levied accordingly.
8. Wherever 24 hours operations are NOT implemented due to lack of presence of all related/regulatory agencies, INR 200.00 for FY 2024-2025, INR 220.00 for FY 2025-2026, & INR 242 for FY 2026-2027 per consignment will be levied as overtime charges in addition to next working day demurrage charges.
9. XBIS usage charges INR 1.00 per kg for FY 2024-2025, INR 1.10 per kg for FY 2025-2026, & INR 1.21 per kg for FY 2026-2027 subject to minimum of INR 150.00 for FY 2024-2025, INR 165.00 for FY 2025-2026, & INR 182 for FY 2026-2027 per consignment (as per the requirement of Customs for speedy clearance of import cargo).
10. Charges shall be leviable on airlines separately for installation/ commissioning/ maintenance of Air cargo Inspection System (ACIS) as stipulated by CBIC, as and when implemented.
11. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
12. All minimum charges shall be rounded off to the nearest Rupee 1.00.
13. All Bills shall be rounded up to the nearest higher of Rupee 1.00.
14. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
15. Opening / Repacking Charges: INR 10.00 for FY 2024-25, INR 11.00 for 2025-26, & INR 12.00 for FY 2026-27 per pkg. subject to minimum of INR 20.00 for FY 2024-25, INR 22.00 for 2025-26, & INR 24.00 for FY 2026-27 per consignment.
16. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.11 Schedule of charges leviable to Airlines for various International Cargo handling Services by GIAL at the Cargo Terminal

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | Charges for Export Cargo unitization/handling | 2.53 per kg | Rs. 570 per EGM |
| 2 | Charges for De-stuffing | 1.96 per kg | Rs. 441 per IGM |

<table>
<tr><th>Sl. No.</th><th>Activity</th><th colspan="2">Rate per Kg (Rs.)</th><th colspan="2">Minimum rate (Rs.)</th></tr>
<tr><td>3</td><td>Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service)</td><td colspan="2">3.85 per kg</td><td colspan="2">Rs. 294 per CTM</td></tr>
<tr><td>4</td><td>Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available)</td><td colspan="2">0.84 per kg</td><td colspan="2">Rs. 294 per CTM</td></tr>
<tr><td rowspan="2">5</td><td>(i) Storage Charges for General Export uplifted beyond free period</td><td colspan="2">2.88 per kg per day</td><td colspan="2"></td></tr>
<tr><td>(ii) Storage Charges for valuable Export Cargo Perishable/Live Animals and Hazardous Cargo uplifted beyond free period shall be two times of normal</td><td colspan="2">5.76 per kg per day</td><td colspan="2"></td></tr>
<tr><td rowspan="6">6</td><td rowspan="3">(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)</td><td colspan="2">Loaded ULD</td><td colspan="2">General Bulk Cargo</td></tr>
<tr><td colspan="2">(in Rs) (ULD/day)</td><td colspan="2">(in Rs) (kg/day)</td></tr>
<tr><td colspan="2">1,150/ULD/day</td><td colspan="2">2.88/kg/day</td></tr>
<tr><td rowspan="3">(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)</td><td colspan="2">Valuable</td><td>Haz/PER/ Live Animals</td><td>Minimum Charges per Consignment/AWB</td></tr>
<tr><td colspan="2">(per kg/day) (in Rs.)</td><td>(per kg/day) (in Rs.)</td><td>(in Rs.)</td></tr>
<tr><td colspan="2">7.27</td><td>4.77</td><td>401</td></tr>
</table>

## Applicable rates from April 1, 2025 to March 31, 2026

<table>
<tr><th>Sl. No.</th><th>Activity</th><th>Rate per Kg (Rs.)</th><th>Minimum rate (Rs.)</th></tr>
<tr><td>1</td><td>Charges for Export Cargo unitization/handling</td><td>2.78 per kg</td><td>Rs. 627 per EGM</td></tr>
<tr><td>2</td><td>Charges for De-stuffing</td><td>2.16 per kg</td><td>Rs. 485 per IGM</td></tr>
<tr><td>3</td><td>Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service)</td><td>4.24 per kg</td><td>Rs. 323 per CTM</td></tr>
<tr><td>4</td><td>Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available)</td><td>0.92 per kg</td><td>Rs. 323 per CTM</td></tr>
<tr><td rowspan="2">5</td><td>(i) Storage Charges for General Export uplifted beyond free period</td><td>3.17 per kg per day</td><td></td></tr>
<tr><td>(ii) Storage Charges for valuable Export Cargo Perishable/Live Animals and Hazardous Cargo uplifted beyond free period shall be two times of normal</td><td>6.34 per kg per day</td><td></td></tr>
<tr><td rowspan="3">6</td><td rowspan="3">(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)</td><td>Loaded ULD</td><td>General Bulk Cargo</td></tr>
<tr><td>(in Rs)(ULD/day)</td><td>(in Rs)(kg/day)</td></tr>
<tr><td>1265/ULD/day</td><td>3.17/kg/day</td></tr>
</table>

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| | (ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Valuable | Haz/PER/ Live Animals | Minimum Charges per Consignment/AWB |
| | | (per kg/ day) (in Rs.) | (per kg/day) (in Rs.) | (in Rs.) |
| | | 8.00 | 5.25 | 441 |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| 1 | Charges for Export Cargo unitization/handling | 3.06 per kg | Rs. 690 per EGM | |
| 2 | Charges for De-stuffing | 2.38 per kg | Rs. 534 per IGM | |
| 3 | Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service) | 4.66 per kg | Rs. 355 per CTM | |
| 4 | Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available) | 1.01 per kg | Rs. 355 per CTM | |
| 5 | (i) Storage Charges for General Export uplifted beyond free period | 3.49 per kg per day | | |
| | (ii) Storage Charges for valuable Export Cargo Perishable/Live Animals and Hazardous Cargo uplifted beyond free period shall be two times of normal | 6.97 per kg per day | | |
| 6 | (i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Loaded ULD | General Bulk Cargo | |
| | | (in Rs) (ULD/day) | (in Rs) (kg/day) | |
| | | 1,392/ULD/day | 3.49/kg/day | |
| | (ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Valuable | Haz/ PER/Live Animals | Minimum Charges per Consignment/AWB |
| | | (per kg/day) (in Rs.) | (per kg/day) (in Rs.) | (in Rs.) |
| | | 8.80 | 5.78 | 485 |

**Notes:**

1. Demurrage charges on Import Transshipment cargo will be as applicable to Import cargo except that no handling charges shall be levied on the airlines handled by the terminal operator where the TP cargo handed over to the airlines on airside designated area on the airport. Minimum charges will be applicable accordingly.
2. Demurrage charges on Transshipment cargo from Domestic to International and from International to International shall be treated as same as applicable for export cargo, after allowing the normal free period and subject to payment of minimum applicable export demurrage charges.

3. The free period for export cargo for the carrier from the time of entry in bonded area till upliftment shall be as per Government regulations issued from time to time.
4. No free period may be allowed on second time handling/upliftment of export cargo from cargo terminal. Applicable charges (Demurrage/Storage) shall be levied.
5. In case of Transit ULDs brought by the Airlines handed over to the terminal operator for Storage in the Bonded Area/ETV stacker for any reasons, the Storage Charges as per point 6(i) & 6(ii) of the above table shall be levied.
6. The free period for export cargo for the NSOs in the bonded area, would be same as applicable for scheduled carrier as per the government regulations issued from time to time, from the time of physical acceptance at bonded area.
7. XBIS usage charges @ INR 1.00 per kg for FY 2024-25, INR 1.10 per kg for FY 2025-26, & INR 1.21 per kg for FY 2026-27 subject to minimum of INR 150.00 for FY 2024-25, INR 165.00 for FY 2025-26, & INR 182.00 for FY 2026-27 per shipment at Export. The same is applicable at 50% per kg subject to minimum of INR 100.00 for FY 2024-25, INR 110.00 for FY 2025-26, & INR 121.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
8. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.
9. Additional Packing services required by Airlines for any shipment shall be additionally chargeable.
10. All the Scheduled Airlines shall maintain Security Deposit for adequate amount as prescribed by the terminal operator for the cargo operations apart from the security deposit for License Fee and enter into an agreement for availing credit facility as per the policy prescribed from time to time.
11. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
12. All minimum charges shall be rounded off to the nearest Rupee 1.00
13. All Bills shall be rounded up to the nearest higher of Rupee 1.00
14. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
15. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.12 Schedule of charges leviable on Non-Scheduled Operators

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | Unitization/loading charges | 4.71 per kg | |
| 2 | Charges for De-stuffing | 3.23 per kg | Rs. 831 per IGM |
| 3 | Carting charges for Transhipment Cargo to other Domestic Airlines (if Terminal Operator provides service) | 6.29 per kg | Rs. 554 per CTM |

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| 4 | Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available) | 1.38 per kg | Rs. 554 per CTM | |
| 5 | (i) Storage Charges for General Export uplifted beyond free period | 4.76 per kg per day | | |
| | (ii) Storage Charges for Export valuable perishable Cargo, Live Animals and Hazardous Cargo uplifted beyond free period | 9.58 per kg per day | | |
| 6 | (i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Loaded ULD | General Bulk Cargo | |
| | | (in Rs) (ULD/day) | (in Rs) (kg/day) | |
| | | 1,900/ULD/day | 4.76/kg/day | |
| | (ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Valuable | Haz/PER/Live Animals | Minimum Charges per Consignment /AWB |
| | | (per kg/day) (in Rs.) | (per kg/day) (in Rs.) | (in Rs.) |
| | | 11.97 | 7.92 | 660 |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| 1 | Unitization/loading charges | 5.18 per kg | | |
| 2 | Charges for De-stuffing | 3.55 per kg | Rs. 914 per IGM | |
| 3 | Carting charges for Transhipment Cargo to other Domestic Airlines (if Terminal Operator provides service) | 6.92 per kg | Rs. 609 per CTM | |
| 4 | Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available) | 1.52 per kg | Rs. 609 per CTM | |
| 5 | (i) Storage Charges for General Export uplifted beyond free period | 5.24 per kg per day | | |
| | (ii) Storage Charges for Export valuable perishable Cargo, Live Animals and Hazardous Cargo uplifted beyond free period | 10.54 per kg per day | | |
| 6 | (i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Loaded ULD | General Bulk Cargo | |
| | | (in Rs)(ULD/day) | (in Rs)(kg/day) | |
| | | 2,090/ULD/day | 5.24/kg/day | |
| | (ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian | Valuable | Haz/PER/Live Animals | Minimum Charges per Consignment /AWB |

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| | within 5 hours of flight landing (subject to Customs stipulation) | (per kg/day) (in Rs.) | (per kg/day) (in Rs.) | (in Rs.) |
| | | 13.17 | 8.71 | 726 |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) | |
|---|---|---|---|---|
| 1 | Unitization/loading charges | 5.70 per kg | | |
| 2 | Charges for De-stuffing | 3.91 per kg | Rs. 1,005 per IGM | |
| 3 | Carting charges for Transhipment Cargo to other Domestic Airlines (if Terminal Operator provides service) | 7.61 per kg | Rs. 670 per CTM | |
| 4 | Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available) | 1.67 per kg | Rs. 670 per CTM | |
| 5 | (i) Storage Charges for General Export uplifted beyond free period | 5.76 per kg per day | | |
| | (ii) Storage Charges for Export valuable perishable Cargo, Live Animals and Hazardous Cargo uplifted beyond free period | 11.59 per kg per day | | |
| 6 | (i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Loaded ULD (in Rs) (ULD/day) | General Bulk Cargo (in Rs) (kg/day) | |
| | | 2,299/ULD/day | 5.76/kg/day | |
| | (ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation) | Valuable | Haz/PER/Live Animals | Minimum Charges per Consignment /AWB |
| | | (per kg/day) (in Rs.) | (per kg/day) (in Rs.) | (in Rs.) |
| | | 14.49 | 9.58 | 799 |

**Notes:**

1. Demurrage charges on Import Transshipment cargo will be as applicable to Import cargo except that no handling charges shall be levied on the airlines handled by the terminal operator where the TP cargo handed over to the airlines on airside designated area on the airport. Minimum charges will be applicable accordingly.
2. Demurrage charges on Transshipment cargo from Domestic to International and from International to International shall be treated as same as applicable for export cargo, after allowing the normal free period and subject to payment of minimum applicable export demurrage charges.
3. The free period for export cargo for the NSOs in the bonded area, would be same as applicable for scheduled carrier as per the government regulations issued from time to time, from the time of physical acceptance at bonded area.
4. NSO operators/their authorized agencies shall register with Terminal operator along with all

required permission/documents from Customs & DGCA and various other regulatory agencies and are required to maintain security deposit with Terminal Operator equivalent to two month's transactions or as advised. In addition to security deposit, NSO operators may maintain running account with the terminal operator with adequate balance to avoid Cash & carry model.

5. No free period may be allowed on second time handling/upliftment of export cargo from cargo terminal. Applicable charges (Demurrage/Storage) shall be levied.
6. In case of Transit ULDs brought by the Airlines handed over to the terminal operator for Storage in the Bonded Area/ETV stacker for any reasons, the Storage Charges as per point 6(i) & 6(ii) of the above table shall be levied.
7. XBIS usage charges INR 1.00 per kg for FY 2024-25, INR 1.10 per kg for FY 2025-26, & INR 1.21 per kg for FY 2026-27 subject to minimum of INR 150.00 for FY 2024-25, INR 165.00 for 2025-26, & INR 182.00 for FY 2026-27 per shipment at Export. The same is applicable at 50% per kg subject to minimum of INR 100.00 for FY 2024-25, INR 110.00 for FY 2025-26, & INR 121.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
8. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.
9. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
10. All minimum charges shall be rounded off to the nearest Rupee 1.00
11. All Bills shall be rounded up to the nearest higher of Rupee 1.00
12. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
13. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart

### 17.1.13 Regulated Agent Facilitation (for Export)

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges (Export) | 1.00 per kg | Rs. 150 per Consignment/AWB |
| | ii) Use of ETD for ODC | 0.50 per kg | Rs. 100.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | i) Export | 1.50 per kg | Rs. 150 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to | 0.10 per kg | Rs. 1,000 per flight (Subject to |

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| | Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | | negotiation based on type of Aircraft and load) |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges (Export) | 1.10 per kg | Rs. 165 per Consignment/AWB |
| | ii) Use of ETD for ODC | 0.55 per kg | Rs. 110.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | i) Export | 1.65 per kg | Rs. 165 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | 0.11 per kg | Rs. 1,100 per flight (Subject to negotiation based on type of Aircraft and load) |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges (Export) | 1.21 per kg | Rs. 182 per Consignment/AWB |
| | ii) Use of ETD for ODC | 0.61 per kg | Rs. 121.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | i) Export | 1.82 per kg | Rs. 182 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | 0.12 per kg | Rs. 1,210 per flight (Subject to negotiation based on type of Aircraft and load) |

**Notes:**

1. All minimum charges shall be rounded off to the nearest Rupee 1.00
2. All Bills shall be rounded up to the nearest higher of Rupee 1.00.
3. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
4. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.14 Domestic Outbound Cargo Charges leviable on Shippers/ Consignor(s) etc.

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| | **Domestic Outbound** | | |
| 1 | **Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)** | | |
| | a) General Cargo | 1.19 | 175 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.39 | 350 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.19/kg/day | 175 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.39/kg/day | 350 |
| | | | |
| 3 | Amendment of Airway Bill | 159.00 per AWB | |
| 4 | Return Cargo Charges | 159.00 per AWB | |
| 5 | Strapping/Re-packing Charges | Rs. 10.00 per package subject to a minimum of Rs. 20.00 per AWB for the actual services provided by the terminal operator | |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)** | | |
| | a) General Cargo | 1.31 | 193 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.63 | 385 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.31/kg/day | 193 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.63/kg/day | 385 |
| | | | |
| 3 | Amendment of Airway Bill | 175.00 per AWB | |
| 4 | Return Cargo Charges | 175.00 per AWB | |
| 5 | Strapping/Re-packing Charges | Rs. 11.00 per package subject to a minimum of Rs. 22.00 per AWB for the actual services provided by the terminal operator | |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)** | | |
| | a) General Cargo | 1.44 | 212 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.89 | 424 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.44/kg/day | 212 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.89/kg/day | 424 |
| | | | |
| 3 | Amendment of Airway Bill | 193.00 per AWB | |
| 4 | Return Cargo Charges | 193.00 per AWB | |
| 5 | Strapping/Re-packing Charges | Rs. 12.00 per package subject to a minimum of Rs. 24.00 per AWB for the actual services provided by the terminal operator | |

AVI=Live Animal, PER=Perishable Cargo, VAL=Valuable Cargo

**Notes:**

1. The free period for outbound domestic cargo shall be 12 hours for examination/processing by the shipper/consignor/authorized representative etc. and 12 hours for airlines at SHA.
2. Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the purview of domestic cargo handling & demurrage charges. No XBIS/ETD usage charges will also be leviable on these shipments.
3. The domestic cargo handling charges are inclusive of forklift charges wherever forklift usage is involved. No separate forklift charges will be levied.
4. As per IATA definition, Special cargo consists of cold storage, live animals, hazardous goods & valuable cargo.
5. Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
6. For mis-declaration of weight above 2% and upto 5% of declared weight, penal charges @ double the applicable domestic cargo handling charges and for variation above 5%, the penal charges @ 5 times the applicable domestic cargo handling charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum domestic cargo handling Charges. No penal charges will be leviable for variation upto and inclusive of 2%. No weight deviation permissible in VAL Cargo.
7. XBIS usage charges INR 1.00 per kg for FY 2024-25, INR 1.10 per kg for FY 2025-26, & INR 1.21 per kg for FY 2026-27 subject to minimum of INR 150.00 for FY 2024-25, INR 165.00 for FY 2025-26, & INR 182.00 for FY 2026-27 per AWB. The same is applicable at 50% per kg subject to minimum of INR 100.00 for FY 2024-25, INR 110.00 for FY 2025-26, & INR 121.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.

8. All minimum charges shall be rounded off to the nearest Rupee 1.00
9. All Bills shall be rounded up to the nearest higher of Rupee 1.00
10. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
11. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for FY 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.15 Domestic Inbound Cargo Charges leviable on Consignee(s) etc.

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Standard Charges for processing & Handling at Air Cargo Terminal** | | |
| | a) General Cargo | 1.19 | 175 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.39 | 350 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.19/kg/day | 175 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.39/kg/day | 350 |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Standard Charges for processing & Handling at Air Cargo Terminal** | | |
| | a) General Cargo | 1.31 | 193 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.63 | 385 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.31/kg/day | 193 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL | 2.63/kg/day | 385 |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Type of Charge | Rate per Kg (Rs.) | Minimum rate per consignment (Rs.) |
|---|---|---|---|
| 1 | **Standard Charges for processing & Handling at Air Cargo Terminal** | | |
| | a) General Cargo | 1.44 | 212 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL/VUN | 2.89 | 424 |
| | | | |
| 2 | **Demurrage Charges/Storage** | | |
| | a) General Cargo | 1.44/kg/day | 212 |
| | b) Special (AVI)/PER/HAZARDOUS/VAL/VUN | 2.89/kg/day | 424 |

**Notes:**

1. The free period for inbound domestic cargo shall be one working day for processing/delivery by the consignee/authorized representative etc.
2. Consignment of human remains, coffin including unaccompanied baggage of deceased and

human eyes will be exempted from the purview of domestic cargo handling & demurrage charges.

3. The domestic cargo handling charges are inclusive of fork lift charges wherever fork lift usage is involved. No separate fork lift charges will be levied.
4. Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
5. As per IATA definition, Special cargo consists of cargo stored in cold storage, live animals, valuable & hazardous goods.
6. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewellery, jewellery & watches made of silver, gold platinum & items valued at US$ 1000 and above.
7. All minimum charges shall be rounded off to the nearest Rupee 1.00
8. All Bills shall be rounded up to the nearest higher of Rupee 1.00
9. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
10. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.16 Schedule of charges leviable on Airlines for Domestic Cargo Handling

**Applicable rates from September 16, 2024 to March 31, 2025**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate per flight (Rs.) |
|---|---|---|---|
| 1 | Unloading of incoming cargo loaded on trolleys (Bulk cargo handling) | 1.19 | 159 |
| 2 | Loading of outgoing cargo on trolleys (Bulk cargo handling) | 1.19 | 159 |
| 3 | Loading of Container/Pallet | 2.12 | 398 |
| 4 | De-stuffing of Container/Pallet | 2.12 | 398 |

**Applicable rates from April 1, 2025 to March 31, 2026**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate per flight (Rs.) |
|---|---|---|---|
| 1 | Unloading of incoming cargo loaded on trolleys (Bulk cargo handling) | 1.31 | 175 |
| 2 | Loading of outgoing cargo on trolleys (Bulk cargo handling) | 1.31 | 175 |
| 3 | Loading of Container/Pallet | 2.33 | 438 |
| 4 | De-stuffing of Container/Pallet | 2.33 | 438 |

**Applicable rates from April 1, 2026 to March 31, 2027**

| Sl. No. | Activity | Rate per Kg (Rs.) | Minimum rate per flight (Rs.) |
|---|---|---|---|
| 1 | Unloading of incoming cargo loaded on trolleys (Bulk cargo handling) | 1.44 | 193 |
| 2 | Loading of outgoing cargo on trolleys (Bulk cargo handling) | 1.44 | 193 |
| 3 | Loading of Container/Pallet | 2.56 | 482 |
| 4 | De-stuffing of Container/Pallet | 2.56 | 482 |

**Notes:**

1. All minimum charges shall be rounded off to the nearest Rupee 1.00
2. All Bills shall be rounded up to the nearest higher of Rupee 1:00
3. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
4. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

### 17.1.17 Regulated Agent Facilitation (for Domestic Outbound)

**Applicable rates from September 16, 2024 to March 31, 2025**

| S.No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges | 1.00 per kg | Rs. 150 per shipment |
| | ii) Use of ETD for ODC | 0.50 per kg | Rs. 100 per shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | Domestic Outbound | 1.32 per kg | Rs. 120 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | 0.10 per kg | Rs.1,000 per flight (Subject to negotiation based on type of Aircraft and load) |

**Applicable rates from April 1, 2025 to March 31, 2026**

| S.No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges | 1.1 per kg | Rs. 165 per shipment |
| | ii) Use of ETD for ODC | 0.55 per kg | Rs. 110 per shipment/AWB where physical check with the help of |

| S.No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| | | | ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | Domestic Outbound | 1.45 per kg | Rs. 132 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | 0.11 per kg | Rs. 1,100 per flight (Subject to negotiation based on type of Aircraft and load) |

**Applicable rates from April 1, 2026 to March 31, 2027**

| S.No. | Activity | Rate per Kg (Rs.) | Minimum rate (Rs.) |
|---|---|---|---|
| 1 | i) X-Ray Machine Usage Charges | 1.21 per kg | Rs. 182 per shipment |
| | ii) Use of ETD for ODC | 0.61 per kg | Rs. 121 per shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs. |
| 2 | Screening & Certification Charges | | |
| | Domestic Outbound | 1.60 per kg | Rs. 145 per shipment/AWB |
| 3 | Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines) | 0.12 per kg | Rs. 1,210 per flight (Subject to negotiation based on type of Aircraft and load) |

**Notes:**

1. All minimum charges shall be rounded off to the nearest Rupee 1.00
2. All Bills shall be rounded up to the nearest higher of Rupee 1.00.
3. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
4. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

## 17.2 Annexure 2 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets

### Background

17.2.1 RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an airport operator. 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. Assets not directly related to provision of Aeronautical services, if considered as Aeronautical assets, would result in increased charges for the passengers, stakeholders and other users. Therefore, the diligent allocation of assets into Aeronautical and Non-aeronautical assets becomes an important part of the tariff determination process.

17.2.2 RAB evolves on a continuous basis, primarily due to the addition of capital assets required to meet the growing demand and ensure optimal level of service, replacement of obsolete assets at end of their useful life, sales or transfers of assets and depreciation. The allocation of an asset towards RAB depends upon the type of asset (building & civil works, plant & machinery, equipment, etc.), usage (provision of various services such as Aeronautical, Non-aeronautical, or Common), ownership (by airport operator, concessionaire or other entities) and useful life of the asset. Based on these factors, the rationale for allocation of each asset into the appropriate classification needs to be determined diligently.

17.2.3 Towards this objective, AERA has decided to conduct an independent study on allocation of assets and segregation between Aeronautical and Non-aeronautical components in respect of assets appearing in the Fixed Asset Register (FAR) of Guwahati International Airport Limited as on March 31, 2022, based on the audited financial statements for the year ended March 31, 2022 and the True up workings as submitted by AAI to the AERA up to COD (October 8, 2021).

### Classification of Assets

17.2.4 The study based on the analysis, classified the aggregate assets of LGBIA under the following categories:

a. **Aeronautical assets:** All assets that are exclusively used for the provision of Aeronautical services/ activities have been classified as 'Aeronautical assets'. Such assets would include runway(s), taxiways, drainage, culverts, aprons, etc.

b. **Non-aeronautical assets:** All assets that are exclusively used for the provision of Non-aeronautical services/ activities have been classified as 'Non-aeronautical assets'. Such assets would include land side development, commercial projects, etc.

c. **Common assets:** All assets that cannot be directly allocated to either Aeronautical assets or Non-aeronautical assets have been classified as 'Common assets'. Such assets as the name suggests, get utilised for both Aeronautical and Non-aeronautical activities. They would include terminal building, select terminal equipment, etc.

### Principles for segregation of assets

17.2.5 The study reviewed the various asset categories and developed a basis for classification of assets into aeronautical and non – aeronautical activities. The study also determined the appropriate proportion of the Common Assets that may be included as part of Aeronautical activity in order to determine the Aeronautical asset base. The principles of segregation used by the study are as follows:

Aeronautical Assets

- Assets required for the performance of the Aeronautical services at the airport.
- Classification of aeronautical assets are taken as defined in the AERA Act.
- Assets necessary to maintain the service quality of the airport are proposed to be considered as aeronautical except those located in the Non-aeronautical area.

Non-aeronautical Assets

- Assets required for the performance of the Non-aeronautical activities at the airport. Examples include car parking, advertisement, retail etc.

Common Assets

- Common assets are assets which are not directly attributable to either Aeronautical or Non-aeronautical services. These assets include the terminal building, air conditioning, furniture, administrative office of airport company, etc.
- Common assets are bifurcated between Aeronautical and Non-aeronautical assets based upon Terminal Building ratio or Employee Head Count ratio or Staff Quarters ratio. The ratio of Aeronautical to Non-aeronautical as considered by the Study for the period from FY 2016-17 to FY 2020-21 are as follows:

**Table 187: The ratio of Aeronautical to Non-aeronautical considered by the Study for the period from FY'17 to FY'22**

| Particulars | Ratio (Aeronautical: Non-aeronautical) |
|---|---|
| Terminal Building ratio | 89.02 : 10.98 |
| Employee Head Count ratio (up to October 7, 2021) | 90.45 : 9.55 |
| Employee Head Count ratio (from October 8, 2021) | 95 : 5 |



### 17.2.6 Details of adjustment to RAB

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common. Based on the same, the Authority has reclassified some portion of assets submitted by AAI for true up of the Pre-COD Period.



**i. Terminal building:**

**Details of Asset:** Expansion and Modification of Existing Terminal Building

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertaining to development of terminal building have been considered as Aeronautical assets by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same is reclassified as Common asset and segregated in the Terminal Building ratio (89.02:10.98).

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets from Aeronautical to Common reduces the Capital Additions to the extent of ₹ 0.91 crores.

ii. **Plant & Machinery:**

**Details of Asset:** VRV System, Solar plant, AC plant, Water Softening plant,

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertain to various machinery at several locations in the airport terminal have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.57 crores.

iii. **Furniture & Fixtures:**

**Details of Asset:** Furniture and Fixtures at Administrative offices

**Allocation proposed by AAI:** Aeronautical

**Observation:** The furniture at the administrative offices in the terminal building have been classified as Aeronautical assets by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

**Allocation proposed by the Authority:** Common

**Impact:** Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.09 crores.

iv. **Tools and Equipment:**

**Details of Asset:** Sub-station equipment, DG set, Split AC, Lights, Fan, Baggage disinfectant system, Radio communication equipment, Breath analyzer.

**Allocation proposed by AAI:** Aeronautical

**Observation:** The assets pertaining to the various equipment at several locations in the airport have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

Radio communication equipment and Breath analyzer equipment at ATC Building have been classified as Aeronautical asset by AAI. However, since these assets are for ANS staff use, they have been reclassified as ANS assets.

**Allocation proposed by the Authority:** Common / ANS

**Impact:** Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.10 crores.

v. **Office Appliances:**

**Details of Asset:** Computer, Printer, Scanner, DVD, Fox screen, DSLR Camera, Xerox machine, Handheld Multimeter

**Allocation proposed by AAI:** Aeronautical

**Observation:** Computers, Laptop, Printers, and DVD used in the terminal building have been classified as Aeronautical asset by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

Computers, Scanner, Fox screen, Xerox machine, DSLR Camera, DVD, and Handheld multimeter at the ATC tower and CNS section have been classified as Aeronautical assets by AAI. As these assets are for CNS use, the assets have been reclassified as ANS assets.

**Allocation proposed by the Authority:** Common, ANS

**Impact:** Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.05 crores.

17.2.7 The following table presents the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of AAI for the period April 1, 2016 to COD.

**Table 188: Impact due to reclassification of AAI assets as per Study**

(₹ in crores)

| Additions - WIP Capitalization | Tariff Year 1 (FY17) | Tariff Year 2 (FY18) | Tariff Year 3 (FY19) | Tariff Year 4 (FY20) | Tariff Year 5 (FY21) | Tariff Year 6 (FY22 till COD) | Total |
|---|---|---|---|---|---|---|---|
| Terminal Building | - | - | (0.91) | - | - | - | (0.91) |
| Computers | (0.01) | - | - | (0.03) | - | - | (0.04) |
| Machinery | (0.03) | (0.03) | (0.05) | (0.03) | (0.43) | - | (0.57) |
| Tools & Equipment | - | - | (0.06) | - | (0.03) | - | (0.10) |
| Furniture-Office | - | (0.08) | (0.01) | - | - | - | (0.09) |
| Office Equipment | - | - | - | - | (0.01) | - | (0.01) |
| Total Impact on Additions | **(0.04)** | **(0.11)** | **(1.03)** | **(0.07)** | **(0.47)** | - | **(1.71)** |

17.2.8 Accordingly, the year-wise impact on depreciation on asset additions as determined by the Study (due to reclassification and other adjustments) is summarized in the table below:

**Table 189: Impact on depreciation due to reclassification of AAI assets**

(₹ in crores)

| *Depreciation on Additions during the Year* | Tariff Year 1 (FY17) | Tariff Year 2 (FY18) | Tariff Year 3 (FY19) | Tariff Year 4 (FY20) | Tariff Year 5 (FY21) | Tariff Year 6 (FY22 till COD) | Total |
|---|---|---|---|---|---|---|---|
| Terminal Building | - | - | - | (0.03) | (0.03) | (0.02) | (0.08) |
| Computers | (0.001) | (0.001) | (0.002) | (0.004) | (0.011) | (0.006) | (0.03) |
| Machinery | (0.001) | (0.003) | (0.006) | (0.008) | (0.022) | (0.020) | (0.06) |
| Tools & Equipment | - | - | (0.004) | (0.004) | (0.005) | (0.003) | (0.02) |
| Furniture-Office | - | (0.001) | (0.012) | (0.013) | (0.013) | (0.007) | (0.05) |
| Office Equipment | - | - | - | - | (0.002) | (0.001) | (0.003) |
| Total Impact of Adjustments on | **(0.002)** | **(0.005)** | **(0.025)** | **(0.060)** | **(0.083)** | **(0.052)** | **(0.23)** |

| *Depreciation on Additions during the Year* | Tariff Year 1 (FY17) | Tariff Year 2 (FY18) | Tariff Year 3 (FY19) | Tariff Year 4 (FY20) | Tariff Year 5 (FY21) | Tariff Year 6 (FY22 till COD) | Total |
|---|---|---|---|---|---|---|---|
| Depreciation on Additions | | | | | | | |

17.2.9 Subsequent to the reclassifications and revisions in allocation ratios, the adjusted RAB has been derived by the Authority as under:

**Table 190: Adjusted RAB derived by the Authority post reclassification**

(₹ crores)

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | FY'22 till COD | Total |
|---|---|---|---|---|---|---|---|
| **As per AAI** | | | | | | | |
| Opening RAB (A) | 84.00* | 78.85 | 80.44 | 154.28 | 172.29 | 163.26 | |
| Additions to RAB during the year (B) | 9.77# | 8.84 | 83.77 | 31.33 | 4.82 | 10.26 | **148.79** |
| Deletions from RAB during the year (C) | 7.92 | 0.08 | | | | | **8.00** |
| Depreciation for the year (D) | 7.00 | 7.17 | 9.93 | 13.32 | 13.84 | 7.31 | **58.57** |
| Closing RAB for the year (E=A+B-C-D) | **78.85** | **80.44** | **154.28** | **172.29** | **163.27** | **166.21** | |
| **As per Authority** | | | | | | | |
| Opening RAB (F) | 84.00* | 78.81 | 80.30 | 153.13 | 171.13 | 161.73 | |
| **Reclassification adjustments** | | | | | | | |
| - Reclassification impact (other than depreciation) (G) | (0.04) | (0.11) | (1.03) | (0.07) | (0.47) | | **(1.71)** |
| - Depreciation impact on reclassification (H) | (0.00) | (0.01) | (0.03) | (0.06) | (0.08) | (0.05) | **(0.23)** |
| Total reclassification impact (I=G+H) | (0.04) | (0.12) | (1.06) | (0.13) | (0.55) | (0.05) | **(1.95)** |
| Additions as per Study^ (J=B+G) | 9.73 | 8.73 | 82.74 | 31.26 | 4.35 | 10.26 | **147.07** |
| Deletions as per Study (K=C) | 7.92 | 0.08 | 0.00 | 0.00 | 0.00 | 0.00 | **8.00** |
| Depreciation as per Study^ (L=D+H) | 7.00 | 7.17 | 9.91 | 13.26 | 13.76 | 7.26 | **58.34** |
| Closing RAB (M=F+J-K-L) | 78.81 | 80.30 | 153.13 | 171.13 | 161.73 | 164.73 | |
| **Average RAB (N=(F+M)/2** | **81.41** | **79.55** | **116.71** | **162.13** | **166.43** | **163.23** | |

*^ does not include financing allowance*

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

*# excludes left out asset and cost apportionment as the same has been included in Opening RAB*

17.2.10 **Reclassification of assets of GIAL as on March 31, 2022**

The Authority has conducted an independent study on allocation of assets for the period FY 2016-17 till FY 2020-21 and used the outcome of the study to true up the RAB for the post COD period i.e.as on March 31, 2022 for GIAL.

The Authority has considered the adjusted RAB of GIAL as on COD (which is ₹ 158.80 crores), Capital additions and corresponding depreciation based on the results of the Asset Allocation report (refer Annexure III & V for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for Guwahati International Airport).*

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Based on the same, the

Authority has reclassified some portion of assets submitted by the AO for true up of the period from COD till March 31, 2022 which has been detailed hereunder:

**33 Furniture**

**Details of Asset:** MS Framework and Flax

**Allocation proposed by GIAL:** Aeronautical

**Observation:** The assets such as MS Framework and Flax, have been classified as Aeronautical assets by GIAL. However, since these assets are for the use of employees of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

**Allocation proposed by the Authority:** Employee Head Count Ratio

**Impact:** Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.002 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

**34 IT Equipment**

**Details of Asset:** Laptop, Desktop, Printer, Display, Server and Storage data center, other IT equipment, Software license and support, SITA license and project implementation

**Allocation proposed by GIAL:** Aeronautical

**Observation:** The assets such as laptops, desktops, printers, servers and storage, software license, have been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5). In addition, SITA License and Project Implementation which was classified as Aeronautical by GIAL is allowed to be considered as Aeronautical asset.

**Allocation proposed by the Authority:** Employee Head Count Ratio / Aeronautical

**Impact:** Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.05 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

**35 Office Equipment**

**Details of Asset:** Video Controller, Telephone, IP Phone, Mobile, Security and Safety related equipment and accessories, Document Tray, and other Office equipment.

**Allocation proposed by GIAL:** Aeronautical

**Observation:** All office equipment has been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

**Allocation proposed by the Authority:** Employee Head Count Ratio

**Impact:** Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.03 crores.

**Reference:** Para 4.9 of the *Asset Allocation Study report*

The following table illustrates the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of GIAL between COD and March 31, 2022.

**Table 191: Impact of Reclassification of Asset Additions by GIAL from COD till March 31, 2022**

(₹ crores)

| Asset Category as per MYTP | Reclassification Impact |
|---|---|
| Furniture & fixtures | (0.002) |
| IT equipment | (0.05) |
| Office equipment | (0.03) |
| Software | - |
| **Grand Total** | **(0.08)** |

17.2.11 The Authority has proposed to consider the same rates of depreciation as applied by AAI for the period up to COD, on the assets transferred by AAI to GIAL for the period from COD to March 31, 2022. Further, the assets added by GIAL have been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated January 12, 2018, of AERA. The Authority has proposed the useful life for all the assets of LGBIA post COD as per below table.

**Table 192: Useful Life proposed by GIAL and the Authority**

| Asset Class | Useful life submitted by GIAL* | Useful life proposed by the Authority* |
|---|---|---|
| Terminal Building | 25 | 30 |
| Runway, Taxiway and Apron | 20 | 30 |
| Cargo Building | 25 | 30 |
| Cargo Equipment | 8 | 15 |
| Boundary wall | 5 | 5 |
| Computer Servers, networks, etc. / Software | 3 | 3 |
| Computer End-user devices / IT equipment | 3 | 3 |
| Security equipment | 7.5 | 15 |
| Plant and Machinery | 7.5 | 15 |
| Other buildings | 30 | 30 |
| Access road | 10 | 10 |
| Furniture & fixtures | 7 | 7 |
| Vehicles | 5 | 8 |
| Office Equipment | 5 | 5 |

*All numbers in years

17.2.12 Accordingly, the depreciation on Aeronautical assets of ₹ 0.33 crores as submitted by GIAL has been revised (post reclassification) to ₹ 0.32 crores, thereby resulting a reduction in depreciation of ₹ 0.01 crores. The following table illustrates the impact on depreciation due to reclassification adjustments in Asset Addition/WIP Capitalization values of GIAL from COD till March 31, 2022.

**Table 193: Impact on Depreciation due to Reclassification of Asset Additions by GIAL and Revised Useful Life as per the Authority from COD till March 31, 2022**

(₹ crores)

| Asset Category as per MYTP | Reclassification Impact |
|---|---|
| Furniture & fixtures | (0.0001) |

| Asset Category as per MYTP | Reclassification Impact |
|---|---|
| IT equipment | (0.008) |
| Office equipment | (0.002) |
| Grand Total | **(0.010)** |

17.2.13 Adjustments were also made in the depreciation of the assets handed over to GIAL by AAI for the post COD period, as per the asset reclassification carried out in this Study and the revised useful life as per Table *123*. The total impact on depreciation in post COD period due to reclassification of assets has been summarized in the table below.

**Table 194: Total Impact on Depreciation due to Reclassification of Asset Additions from COD till March 31, 2022**

(₹ crores)

| Particulars | Values | Impact |
|---|---|---|
| Depreciation on pre-COD assets as per GIAL | 16.50 | |
| Depreciation on pre-COD assets after reclassification as per Study | 8.83 | |
| Impact on Depreciation for pre-COD Assets due to reclassification | | **(7.67)** |
| Depreciation on post-COD assets as per GIAL | 0.33 | |
| Depreciation on post-COD assets after reclassification | 0.32 | |
| Impact on Depreciation for post-COD Assets due to reclassification and revised useful life as per Study | | **(0.01)** |
| **Total Impact on Depreciation for all Assets in post-COD period** | | **(7.68)** |

17.2.14 The Adjusted RAB and Depreciation determined by the Authority for the period from COD till March 31, 2022, post reclassifications and other adjustments are as follows:

**Table 195: Average RAB considered by the Authority from COD till March 31, 2022**

(₹ crores)

| Particulars | Amount |
|---|---|
| Adjusted RAB as on COD, transferred to Guwahati International Airport Limited (A)* | 158.80 |
| Additions to RAB from COD to March 31, 2022, proposed by GIAL (Refer Para 5.4.3) (B) | 2.33 |
| Sub-total (C = A + B) | 161.13 |
| Reclassifications on asset additions | |
| Furniture & fixtures (D) | (0.002) |
| IT equipment (E) | (0.049) |
| Office equipment (F) | (0.025) |
| Software (G) | - |
| Total reclassifications (H) Sum (D : G) | (0.08) |
| Adjusted RAB (I = C + H) | 161.05 |
| Depreciation on Initial RAB from COD to March 31, 2022, proposed by GIAL (J) | 16.83 |
| Adjustment in Depreciation for the period from COD to March 31, 2022 (K) | (7.68) |

| Particulars | Amount |
|---|---|
| Total Adjusted Depreciation for the period from COD to March 31, 2022 (L= J + K) | 9.15 |
| **Opening RAB as on 1st April'2022 for Third Control Period** (M = I – L) | **151.90** |
| **Average RAB N = (A+M)/2** | **155.35** |

** includes Aeronautical assets worth ₹ 155.64 crores and ANS assets worth ₹ 3.16 crores determined as per Study of Asset Allocation for Lokpriya Bordoloi International Airport, Guwahati.*

17.2.15 Based on the revision of asset allocation methodology adopted for assets of LGBIA, a revision in the Aeronautical Gross block has been proposed. The year-wise revised value of assets from FY 2016-17 to FY 2020-21 has been summarized in the tables below:

**Table 196: Revised Gross block of Assets up to COD as per the Study report**

(₹ in crores)

| Particulars | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 (up to COD) |
|---|---|---|---|---|---|---|
| Aeronautical Gross block (opening) (A) | 183.50 | 273.19 | 281.84 | 364.58 | 395.84 | 400.19 |
| Non-aeronautical Gross block (opening) (B) | 23.00 | 25.39 | 25.53 | 27.04 | 27.64 | 27.65 |
| Left Out Assets-Aero (C) | 87.88 | - | - | - | - | - |
| Left Out Assets-Non-Aero (D) | 1.88 | - | - | - | - | - |
| Aeronautical Asset Additions (E)* | 9.74 | 8.73 | 82.74 | 31.26 | 4.35 | 10.26 |
| Aeronautical Asset Disposals (F)* | 7.92 | 0.08 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Aeronautical Asset Addition (G)# | 0.50 | 0.14 | 1.51 | 0.60 | 0.01 | 0.39 |
| Aeronautical Gross block (closing) (H=A+C+E-F) | 273.19 | 281.84 | 364.58 | 395.84 | 400.19 | 410.44 |
| Non-aeronautical Gross block (closing) (I=B+D+G) | 25.39 | 25.53 | 27.04 | 27.64 | 27.65 | 28.04 |
| Total Gross block (J = H + I) | **298.58** | **307.37** | **391.61** | **423.48** | **427.84** | **438.48** |
| Aeronautical Ratio - (H/J) | **91.50%** | **91.70%** | **93.10%** | **93.47%** | **93.54%** | **93.61%** |
| Non-Aeronautical ratio - (I/J) | **8.50%** | **8.30%** | **6.90%** | **6.53%** | **6.46%** | **6.39%** |

** Refer Study of Asset Allocation for Lokpriya Bordoloi International Airport, Guwahati*

*# Refer Annexure V*

**Table 197: Revised Gross block of Assets as on March 31, 2022 as per the Study**

(₹ in crores)

| Particulars | Assets transferred from AAI on COD | ANS assets transferred by AAI | Additions – Post COD | Total as on March 31, 2022 |
|---|---|---|---|---|
| Aeronautical Gross block (A) | 155.64 | 3.16 | 2.25 | 161.05 |
| Non-aeronautical Gross block (B) | 7.70 | | 0.08 | 7.78 |
| Total Gross block (C = A + B) | | | | **168.83** |
| Aeronautical ratio | | | | **95.39%** |
| Non-Aeronautical ratio | | | | **4.61%** |

17.2.16 The Gross block of Aeronautical and Non-aeronautical assets as per AAI's submission, as on October 8, 2021 was ₹ 412.17 crores and ₹ 25.47 crores, respectively. The revised Aeronautical and Non-aeronautical Gross block as on October 8, 2021 for AAI, after the proposed adjustments and reclassifications as per the Study, are ₹ 410.44 crores and 28.04 crores, respectively.

17.2.17 The Net block of the Aeronautical and Non-aeronautical assets transferred by AAI to GIAL as on COD, were considered as addition to the Gross block as on COD for GIAL as per the Study. The Gross Aeronautical assets and Non-aeronautical assets as on March 31, 2022 has been determined as ₹ 161.05 crores and 7.78 crores, respectively.

## 17.3 Annexure 3 - Summary of study on efficient Operation and Maintenance expenses

### Background

17.3.1 Establishing efficient Operation and Maintenance (O&M) expenses is an essential component in tariff determination for Aeronautical services. The allocation of O&M expenses as Aeronautical and Non-aeronautical expenses depends on the nature of expenses, type of assets which they service, the business function which they are deployed for, the end-user that benefits or avails services from those expenses, and reasonableness of the quantum of such expenses.

17.3.2 Towards this objective, AERA has decided to conduct an independent study on efficient Operation and Maintenance expenses, and their allocation as Aeronautical and Non-aeronautical components in respect of O&M expenses appearing in the extract of the audited trial balance of AAI for the period from FY 2016-17 to October 7, 2021 and the audited financial statements of Guwahati International Airport Limited for the period from October 8, 2021 (Commercial Operation Date (COD)) to March 31, 2022, and the True up workings as submitted to AERA by AAI up to October 7, 2021 and by the GIAL up to March 31, 2022.

### Comparison of Aeronautical O&M expenses approved as per Tariff Order for the Second Control Period vis-à-vis the actual expenses incurred by AAI and GIAL

17.3.3 The Study compared the Aeronautical O&M expenses as per approved tariff order of Second Control Period (SCP) with actual expenses incurred by both AAI and GIAL and analyzed the reasons for deviation in such O&M expenses. The details of O&M expenses approved as per tariff order and the actuals incurred during the Second Control Period, are shown in the table below:

**Table 198: Aeronautical O&M expenses of LGBIA for the Second Control Period - Approved vs. Actuals**

(₹ in crores)

| Particulars | O&M Expenses as per Tariff Order for SCP (A) | Actuals as per true-up submission of AAI up to FY 21 (B) | Variance (D = B-A) | Variance (%) (E = D / A) | Total Actuals as per true-up submission of AAI till COD* | Actuals as per true-up submission of GIAL post COD till Mar'22 | Total Actuals as per true-up submission of AAI and GIAL for SCP till Mar '22 |
|---|---|---|---|---|---|---|---|
| Employee benefit expenses | 160.5 | 131.82 | -28.68 | **-18%** | 146.62 | 18.91 | **165.53** |
| Administrative & Other expenses | 90.1 | 201.82 | 111.72 | **124%** | 250.25 | 16.53 | **266.78** |
| Repairs & Maintenance expenses | 89.0 | 62.42 | -26.58 | **-30%** | 69.98 | 9.71 | **79.69** |
| Utility (Operating) expenses | 22.0 | 26.81 | 4.81 | **22%** | 29.81 | 2.62 | **32.44** |
| Other outflows | 2.0 | 3.44 | 1.44 | **72%** | 3.52 | 0.09 | **3.62** |
| **Total Aeronautical O&M expense for Second Control Period** | **363.6** | **426.31** | **62.51** | **17%** | **500.19** | **47.87** | **548.06** |

17.3.4 The Aeronautical O&M expenses approved by the Authority in the Tariff Order for Second Control Period amounted to ₹ 363.80 crores. The actual Aeronautical O&M expenses incurred as per AAI's True up submission aggregates to ₹ 426.31 crores for Second Control Period. Aeronautical O&M expenses incurred by AAI in FY22 till COD stood at ₹ 73.89 crores. Thereby, the total Aeronautical O&M Expense incurred by AAI in SCP till COD amounted to ₹ 500.19 crores. The total Aeronautical O&M expenses as per GIAL's True up submission for the period from post COD i.e., October 8. 2021 to March 31, 2022, aggregates to ₹ 47.87 crores. The total Aeronautical O&M expenses of ₹ 548.06 crores incurred as per true up submissions for the Second Control Period excluding FY2021-22, is drastically higher than the amount of ₹ 363.80 crores approved in the Tariff Order, indicating a deviation of 51%.

i. It is noted that the major reason for the overall deviation of 51% in the total Aeronautical O&M expenses for the Second Control period, is the increase in the actual CHQ & RHQ expenses incurred by AAI which is higher by 155% till FY21.

ii. On an overall basis, the actual employee benefit expenses for second control period are well within the range of values approved by AERA in the Tariff Order for the Second Control Period. Therefore, the employee expenses of AAI for the Second Control Period seem to be reasonable as part of this Study.

iii. The A&G expenses incurred during the period significantly exceeded the projections of the Tariff Order. This expense has been examined in detail, and the underlying factors have been rationalized.

iv. The Utility expenses expenses have exceeded the projections, primarily due to the rise in electricity expenses. Electricity expenses have increased since power tariff is determined by third-party utility vendors. Given the criticality of these expenditures to the core operations and the external factors influencing them, the actual utility expenses incurred has been considered reasonable for the purposes of this study.

v. Repairs & Maintenance expenses, does not include any runway recarpeting expenses and are significantly lower compared to the corresponding expense approved by the Authority for the Second Control Period and hence is proposed to be allowed by the Study.

**Principles for segregation of costs**

17.3.5 This Study segregates the O&M expenses of LGBIA into the following:

- **Aeronautical expenses:** Expenses which are incurred for operation and maintenance of Aeronautical assets have been categorized as Aeronautical expenses.
- **Non-aeronautical expenses:** Expenses which are incurred for operation and maintenance of non-aeronautical assets have been categorized as Non-aeronautical expenses.
- **Common expenses:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical or Non-aeronautical activities have been segregated as Common expenses. Expenses primarily incurred for provision of Aeronautical services but are also used for provision of non-aeronautical services are segregated as Common Expenses. Expenses which are used for general corporate purposes including legal, administration, and management affairs are treated as Common Expenses.

17.3.6 The Segregation of the various O&M expenses as per AAI's submission is as below:

**Table 199: Segregation ratio for O&M expenses as per AAI's submission**

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 till COD |
|---|---|---|---|---|---|---|
| Employee Ratio (Aeronautical : Non-aeronautical) | 98.65:1.35 | 98.08:1.92 | 98.84:1.16 | 98.10:1.90 | 98.03:1.97 | 98.60:1.40 |
| Year-wise specific allocation ratio for CHQ & RHQ allocation of Admin Expenses (Aeronautical : Non-aeronautical) | 95:5 | 95:5 | 95:5 | 95:5 | 95:5 | 95:5 |
| Year-wise specific allocation ratio for CHQ allocation of Retirement Benefits (Aeronautical : Non-aeronautical) | 98.65:1.35 | 98.08:1.92 | 98.84:1.16 | 98.10:1.90 | 98.03:1.97 | 98.60:1.40 |
| Terminal Building ratio (Aeronautical : Non-aeronautical) | 89.67:10.33 | 90.5:9.5 | 90.6:9.4 | 92.32:7.68 | 92.81:7.19 | 92.58:7.42 |
| Electricity ratio (Aeronautical : ANS : Non-aeronautical) | 84.79: 15.00: 0.21 | 84.76: 15.05: 0.19 | 84.74: 15.08: 0.18 | 84.77: 15.08: 0.16 | 84.75: 15.05: 0.20 | 84.52: 15.19: 0.29 |
| Staff Quarters ratio (Aeronautical : ANS : Non-aeronautical) | 49.11: 50.89: 0 | 52.94: 46.08: 0.98 | 60.83: 38.33: 0.83 | 65.81: 33.33: 0.85 | 64.58: 35.42: 0 | 59.21: 40.79: 0 |
| Vehicle Ratio (Aeronautical : ANS : Non-aeronautical) | 74.07: 18.52: 7.41 | 75.86: 17.24: 6.90 | 77.14: 17.14: 5.71 | 82.6 : 13.04: 4.35 | 83.33: 12.50: 4.17 | 80.00: 15.00: 5.00 |

**Details of adjustment to O&M expenses**

17.3.7 The study on the basis of the expense classification and principles of segregation adopted, as can be seen in the above paragraphs, has considered re-segregation of Operation and Maintenance expenses to determine Aeronautical O&M costs. The study has proposed the following ratios:

**Table 200: Revised segregation ratio for O&M expenses as per the study**

| Particulars | FY'17 | FY'18 | FY'19 | FY'20 | FY'21 | FY'22-COD |
|---|---|---|---|---|---|---|
| Terminal Building Ratio | 89.02% | 89.02% | 89.02% | 89.02% | 89.02% | 89.02% |
| Gross Fixed Assets ratio | 91.50% | 91.70% | 93.10% | 93.47% | 93.54% | 93.61% |
| Employee Ratio | 90.35% | 89.53% | 91.56% | 90.59% | 90.59% | 90.10% |

17.3.8 Based on the reclassification and change in allocation ratio, the Study has proposed the revised Aeronautical O&M expenses for the period FY 2016-17 up to COD as summarized in the table below:

**Table 201: O&M expenses submitted by AAI and as per Study for the SCP and pre-COD Period**

(₹ in crores)

| O&M expenses | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | Total till FY21 | FY 2021-22* | Total till COD |
|---|---|---|---|---|---|---|---|---|
| **O&M Expenses as per AAI** | | | | | | | | |
| Employee benefit / Payroll | 16.64 | 24.02 | 32.05 | 32.42 | 26.69 | **131.82** | 14.80 | **146.62** |
| Administrative and General | 13.95 | 35.45 | 42.92 | 59.68 | 49.81 | **201.82** | 48.43 | **250.25** |
| Repairs & Maintenance | 7.72 | 15.56 | 12.90 | 13.97 | 12.26 | **62.42** | 7.57 | **69.98** |
| Utilities & Outsourcing | 4.46 | 5.03 | 6.05 | 6.16 | 5.12 | **26.81** | 3.00 | **29.81** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.52** |
| Total | **43.49** | **80.97** | **94.70** | **113.17** | **93.97** | **426.29** | **73.88** | **500.19** |
| **O&M Expenses as per Study** | | | | | | | | |
| Employee benefit / Payroll | 16.62 | 24.00 | 32.05 | 32.37 | 26.62 | **131.66** | 14.78 | **146.44** |
| Administrative and General | 23.56 | 29.71 | 35.36 | 52.05 | 44.03 | **184.70** | 24.99 | **209.69** |
| Repairs & Maintenance | 7.63 | 15.37 | 12.82 | 13.81 | 12.03 | **61.66** | 7.33 | **68.99** |
| Utilities & Outsourcing | 4.45 | 5.02 | 6.03 | 6.12 | 5.10 | **26.72** | 2.99 | **29.71** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | **3.44** | 0.08 | **3.52** |
| Total | **52.97** | **75.01** | **87.03** | **105.28** | **87.86** | **408.16** | **50.17** | **458.34** |
| **Impact** | **9.48** | **(5.96)** | **(7.67)** | **(7.89)** | **(6.11)** | **(18.13)** | **(23.71)** | **(41.84)** |

* Up to COD (October 8, 2021)

17.3.9 The table below provides a summary of submission of GIAL, revision of OPEX as part of this study and net impact for the period 8th October 2021 to 31st March 2022:

**Table 202: Impact of proposed reallocation of GIAL's Aeronautical O&M expenses**

(₹ in crores)

| Particular | GIAL Submission | | | Study | | Net Impact |
|---|---|---|---|---|---|---|
| | Total Expense | Aero % | Aero Expense | Allocation Basis | Aero Expense | |
| Manpower expenses - AAI employees | 14.19 | 100% | 14.19 | Common (ER-AAI) | 14.08 | (0.11) |
| Manpower expenses - GIAL employees | 4.72 | 100% | 4.72 | Common (ER-GIAL) | 4.48 | (0.24) |
| Utility expenses | 2.62 | 100% | 2.62 | Aeronautical | 2.62 | 0.00 |
| IT expenses | 1.49 | 100% | 1.49 | Common (ER-GIAL) | 1.41 | (0.08) |
| Rates & taxes | 0.32 | 100% | 0.32 | Common (GB) | 0.31 | (0.01) |
| Security expenses | 1.37 | 100% | 1.37 | Aeronautical | 1.37 | 0.00 |
| Corporate Allocation | 4.24 | 100% | 4.24 | Common (ER-GIAL) Less: Legal Expenses | 4.00 | (0.24) |

| Particular | GIAL Submission | | | Study | | Net Impact |
|---|---|---|---|---|---|---|
| | Total Expense | Aero % | Aero Expense | Allocation Basis | Aero Expense | |
| Administrative Expenses - Collection Charges on UDF | 0.09 | 100% | 0.09 | Aeronautical | 0.09 | 0.00 |
| Administrative Expenses - Others | 3.58 | 100% | 3.58 | Common (TB/ER/GB) | 3.42 | (0.16) |
| Insurance | 0.99 | 100% | 0.99 | Common (GB) | 0.94 | (0.05) |
| R&M | 9.71 | 100% | 9.71 | Common (TB/ER/GB) | 9.29 | (0.42) |
| Others | 2.83 | 100% | 2.83 | Common (TB) | 2.52 | (0.31) |
| Independent Engineer Fees | 1.69 | 100% | 1.69 | Aeronautical | 1.69 | 0.00 |
| **Total** | **47.87** | | **47.87** | | **46.22** | **(1.65)** |

TB – Terminal Building Ratio
ER – Employee Ratio
GB – Gross Block Ratio

**Rationalisation of O&M expenses**

17.3.10 Based on the Internal Benchmarking analysis, it was observed that the Operation and Maintenance expenses for LGBIA for the period from FY 2017-18 to FY 2020-21 are higher than normal operating efficiency levels, as mentioned below:

i. The key reason of such higher growth in O&M expenses is mainly due to pay scale revision and arrears disbursement to Guwahati Airport employees as per 7th Pay Commission report and increase in CHQ/RHQ allocation due to pay revision, inflation, and increase in revenues of Guwahati station.

17.3.11 It is proposed to rationalize such expenses to determine the efficient Aeronautical O&M expenses for the period from FY 2016-17 to FY 2021-22.

**Efficient Aeronautical O&M expenses**

17.3.12 The year-wise summary of the reclassification and other adjustments to O&M expenses is provided in the table below.

**Table 203: Year-wise summary of reclassification and other adjustments to Aero O&M expenses**

(₹ crores)

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22* | Total till COD | FY 2021-22# | Total till Mar'22 |
|---|---|---|---|---|---|---|---|---|---|
| O&M expenses as per true up submission of AAI and GIAL (A) | **43.50** | **80.96** | **94.70** | **113.17** | **93.98** | **73.89** | **500.19** | **47.87** | **548.06** |
| **O&M expenses as per Study** | | | | | | | | | |
| Employee benefit expenses | 16.62 | 24.00 | 32.05 | 32.37 | 26.62 | 14.78 | **146.44** | 18.56 | **165.00** |
| Administrative and other expenses | 23.56 | 29.71 | 35.36 | 52.05 | 44.03 | 24.99 | **209.69** | 13.20 | **222.89** |

| Particulars | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22* | Total till COD | FY 2021-22# | Total till Mar'22 |
|---|---|---|---|---|---|---|---|---|---|
| Utilities and Outsourcing expenses | 4.45 | 5.02 | 6.03 | 6.12 | 5.10 | 2.99 | **29.71** | 2.62 | **32.33** |
| Repairs & Maintenance expenses | 7.63 | 15.37 | 12.82 | 13.81 | 12.03 | 7.33 | **68.99** | 9.29 | **78.28** |
| Other Outflows | 0.73 | 0.91 | 0.78 | 0.94 | 0.09 | 0.08 | **3.52** | 2.55 | **6.07** |
| **Total (B)** | **52.99** | **75.01** | **87.04** | **105.29** | **87.87** | **50.17** | **458.34** | **46.22** | **504.57** |
| **Impact (B - A)** | **9.49** | **(5.95)** | **(7.66)** | **(7.88)** | **(6.11)** | **(23.72)** | **(41.84)** | **(1.65)** | **(43.49)** |

* Up to the date of COD (October 8, 2021)

\# From COD till March 31. 2022

17.3.13 Based on the reallocation of the O&M expenses, the downward adjustment in the Aeronautical O&M expenses for the period from FY2016-17 to FY2020-21 is ₹ 41.84 crores, and for the period from April 01, 2021 till October 8, 2021 (COD) is ₹ 1.65 crores. The total downward adjustment in the Aeronautical O&M expenses for the period from FY2016-17 till COD is ₹ 43.49 crores and the reallocated Aeronautical O&M expenses for the period FY 2016-17 to October 8, 2021, has been determined as ₹ 504.57 crores. The Aeronautical O&M expenses for the period from FY 2016-17 till COD is reduced by 7.93%.

17.3.14 As per the submission of GIAL the total Aeronautical O&M expenses for the period from COD to March 31, 2022, was ₹ 47.87 crores. Based on the reallocation of the O&M expenses, the downward adjustment in the Aeronautical O&M expenses for the aforesaid period is ₹ 1.65 crores and the reallocated Aeronautical O&M expenses (prior to rationalization) for the period from COD to March 31, 2022 has been determined as ₹ 46.22 crores. The Aeronautical O&M expenses for the period from COD up to March 31, 2022 is reduced by 3.45%.

## 17.4 Annexure 4 – Clauses of the Concession Agreement entered between AAI and GIAL

17.4.1 The Airports Authority of India (AAI) entered into a Concession Agreement with Guwahati International Airport Limited (GIAL) on January 19, 2021, for the Operation, Management and Development of LGBIA for a period of 50 years from the Commercial Operation Date (COD) i.e., October 8, 2021 in accordance with the terms and conditions mentioned in the Concession Agreement.

17.4.2 The relevant Clause of the Concession Agreement may be read as under:

*3.1.1. "Subject to and in accordance with the provisions of this Agreement, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, lease and authority to operate, manage and develop the Airport* ***("Concession")*** *for a period of 50 (fifty) years commencing from the COD, and the Concessionaire hereby accepts the Concession and agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein".*

*3.1.2. Subject to and in accordance with the provisions of this Agreement, the Authority, Applicable Laws and the Applicable Permits, the Concession hereby granted shall oblige or entitle (as the case may be) the Concessionaire to:*

(a) *the Right of Way, access and lease to the Site for the purpose of and to the extent conferred by the provisions of this Agreement.*

(b) *finance the development and expansion of the Airport.*

(c) *operate, maintain and manage the Airport and regulate the use thereof by third parties.*

(d) *demand, collect and appropriate Fee from Users liable for payment of Fee for using the Airport or any part thereof and refuse entry of any such User if the Fee due is not paid.*

(e) *perform and fulfil all of the Concessionaire' s obligations under and in accordance with this Agreement.*

(f) *save as otherwise expressly provided in this Agreement, bear and pay all costs, expenses, Taxes and charges in connection with or incidental to the performance of the obligations of the Concessionaire under this Agreement; and*

(g) *neither assign, transfer or create any lien or encumbrance on this Agreement, or the Concession hereby granted or on the whole or any part of the Airport nor trans fer, orpart possession thereof, save and except as expressly permitted by this Agreement or the Substitution Agreement.*

*27.1.1. Subject to Clause 27.3, the Concessionaire agrees to pay to the Authority, during the Concession Period, a monthly concession fee calculated as follows (the* ***"Monthly Concession Fee"):***

Per Passenger Fee for International Passengers x International Passenger Throughput for that month + Per Passenger Fee for Domestic Passengers x Domestic Passenger Throughput for that month

*Where:*

***"Per Passenger Fee for Domestic Passengers"*** *means ₹ 160 (Rupees One Hundred and Sixty), as may be revised pursuant to Clause 27.3;*

***"Per Passenger Fee for International Passengers"*** *means 2 (two) times the Per Passenger Fee for Domestic Passengers;*

***"Domestic Passenger Throughput"*** *for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.*

***"International Passenger Throughput"*** *for any month shall mean the total International Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.*

*Provided further that, in the first and that last month of the Concession Period,the International Passenger Throughput and Domestic Passenger Throughput shall be pro-rated by the number of the days in such months as reckoned with respect to the COD or Transfer Date, as relevant.*

*27.1.2. The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under*
*and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same.*

*20.1.1 The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorized to undertake the following services **("Reserved Services")** at the Airport:*

- *(a) CNS/ATM Services;*
- *(b) security services;*
- *(c) meteorological services;*
- *(d) mandatory health services;*
- *(e) customs control;*
- *(f) immigration services;*
- *(g) quarantine services;*
- *(h) any other services, as may be notified by GOI;*

*Provided that, subject to the Applicable Laws and the Applicable Permits,* *nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.*

17.4.3 The relevant portion of Schedule T which pertains to the list of capital expenditure contracts already awarded by AAI and handed over to GIAL and Schedule U which pertains to the list of capital expenditure projects proposed / planned by AAI but not yet awarded and forming part of the terms of the Concession Agreement are given below:

## SCHEDULE T

## EXISTING CONTRACTS

**SCHEDULE T**

**EXISTING CONTRACTS**

The revenue contracts at the Airport are indicated as follows:

| S. No. | Name of the Facility | Party Name | Period of the contract (in years) | Regular Contract / Adhoc or extension, plz indicate |
|---|---|---|---|---|
| 1 | Vehicle Parking | S. S. Enterprises | 03 years. 26-10-2017 to 25-10-2020 | Regular |
| 2 | Package Tea sales counter CC | Green Gold Assam Pvt. Ltd | 03 years. 27-05-2014 to 26-05-2017 | Under Retail / ad- hoc/ extension |
| 3 | SNACK BAR (CC) | M/s Kiranshree Portico | 05 years. 30-01-2011 to 29-01-2016 | Under F&B / ad- hoc/ extension |
| 4 | Garbage Disposal Contract | Ms. Nibha Bhattacharjee | 03 years. 01-08-2016 to 31-07-2019 | Regular |
| 5 | HRC (ARR) | M/s Vishwaratna Hotel | 03 years. 07-07-2017 to 06-07-2020 | Regular |
| 6 | SPA (CC) | M/s Blush Spa & Salon | 5 Years 22-07-2016 to 21-07-2021 | Regular |
| 7 8 | Pre Paid taxi service (ARR) | M/s Borjhar Tourist Cab Association | 2 Years. 01-05-2017 to 30-04-2019 | Regular |
| 9 | H&H Stall (CC) | Assam Tourism Development corpn. | 3 Years. 19-06-2013 to 18-06-2016 | |
| 10 | IBS | Smartx Services Limited | 7 years, extendable by 3 Years 01-06-18 to 31-05-2025 | Regular |
| 11 | Executive Lounge (Departure) | Pushpak Air Travel | 3 Years 01-08-2014 to 31-07-2017 | Extension/ Ad-hoc, normal tender pending due to shifting to SHA as per modified diagram |
| 12 | Indoor Advertising Rights | Fast Track Integrated Marketing Services | 4 (+/-1) Years 29-10-2018 to 28-10-2022 (+/-1) | Regular |
| 13 | | Pavers England ltd. | 01 Years | Under Retail / ad- hoc/ extension |

| Sl.No. | Name of the Facility | Party Name | Period of the contract (in years) | Regular Contract / Adhoc or extension, plz indicate |
|---|---|---|---|---|
| | Branded Footwear and accessory shop inside SHA | | 09-11-2014 to 08-11-2015 | |
| | Traveler requisite cum gift shop | AVA Merchandising solutions Pvt. Ltd. | 5 Years 24-02-2015 to 23-02-2020 | As per amended new policy, tender will be floated soon |
| 15 | Food Court (city side) near airindia cargo | Anand Tiffin | 5 Years 02-03-15 to 01-03-2020 | Under F&B / ad- hoc/ extension |
| 16 | Exclusive advertisement right outside T.B. | Fast Track Integrated Marketing Services | 10 years 26-03-2015 to 25-03-2025 | Regular |
| 17 | Vending machine (CC/DEP/SHA/NEW SHA) | M/s Raj Group | 3 Years 24-04-2015 to 23-04-2018 | Under F&B / ad- hoc/ extension |
| 18 | Snack Bar (SHA) Gfloor | Hotel Pradeep | 5 Years 05-08-2015 to 04-08-2020 | Under F&B |
| 19 | ATM (inside) | CANARA BANK | 3 Years 22-02-2017 to 21-02-2020 | Regular |
| 20 | Money exchange counter (arrival & Departure) | M/s Thomas Cook (India) Ltd | 3 years 07-12-2017 to 06-12-2020 | Regular |
| 21 | Master concession, F&B | Hotel Pradeep | 7 years | Regular |
| 22 | Master concession, Retail | Consortium of M/s Future Lifestyle Fashions Limited and Travel Retail Service | 7 years | Regular |
| 23 | Travel Booking Counter (departure) | M/s Subhyatra | 5 Years 24-09-2018 to 23-09-2023 | Regular |
| 24 | Travel Booking Counter (Arrival) | M/s Subhyatra | 5 Years 24-09-2018 to 23-09-2023 | Regular |
| 25 | Domestic Tour Operator 1 | Assam Pushpak Travel AgencY | 3 years 26-08-2018 to 25-08-2021 | Regular |
| 26 | Domestic Tour Operator 2 | Sahara Tour & Travels | 3 Years 30-11-2018 to 29-11-2021 | Regular |
| 27 | Retrieval of PBTs in lieu of Advertisement Rights (stop gap) | Fast Track Integrated marketing Services | 3 months 01-11-2018 to 31-01-2019 | Stop gap arrangement |

## OPERATIONS CONTRACTS

| Sl.No | Name of work | Agency Name & Address | Estimate Amount (Rs) | Awarded Date | Date of Start | Tendered Amount (Rs) | Duration |
|---|---|---|---|---|---|---|---|
| 1 | MESS (Up keeping) of Passenger Terminal Building at LGBI Airport | M/s Upshot Utility Services, H 20 Jeevanandam Salai, 13 sector, K.K Nagar, Chennai 600078 | 1,94,38,794/ | 10/01/2016 | 01/02/2016 | 1,08,11,849/ | 03 years |
| 2 | ESS (Up- keeping) Ancillary Building at LGBI Airport | Varsed Detective and Securities Pvt Ltd, Plot 61 1st Floor, Sector 18 Maruti Industrial Area (Opp HIPA) Gurgaon 122015 (Haryana) | 76,12200/ | 28/02/2017 | 01/03/2017 | 55,25,370/ | 03 years |
| 3 | Job contract for Arrival Reserve Lounge /Departure Reserve Lounge& Ceremonial Lounge at LGBI Airport | M/S Bengal Protective Guard pvt ltd, 60 Lenin Sarani 2nd Floor Kolkata 700013, West Bengal, India, | 1996784/ | 17/05/2018 | 01/06/2018 | 1976904/ | 01 year |
| 4 | Job contract for Information Desk/Rest room /TM office at LGBI Airport | HRD Commercial & Industrial Security Forces Pvt Ltd ST Road, Badarpur Karimganj 788803 | 37,25,784/ | 25/07/2018 | 01/08/2018 | 3290976/ | 01 year |
| 5 | Job integrated Pest Control Treatment at Terminal and other Ancillary building of LGBI Airport | Pest Control M.Walshe, H.O. 503 Embassy Centre Nariman Point, Mumbai (Bombay) 400021. | 9,59,660/- | 26/03/2018 | 01/04/2018 | 6,62,400/ | 01 year |
| 6 | Job Contract for Supply manpower of AOCC at LGBI Airport | M/s Vanity Hospitality Services 16/18 g 1 Nawab Yusuf road, Civil Line Allahabad UP 211001 | 16,40,075/ | 27/07/2018 | 01/08/2018 | 1491879.48/ | 01 year |
| 7 | Job Contract for Bird and Animal Hazard Control at LGBI Airport | HRD Commercial & Industrial Security Forces Pvt Ltd ST Road, Badarpur Karimganj 788803 | 6040390/- | 30/10/2018 | 03/11/2018 | 5124000/- | 01 year |

## MAINTENANCE CONTRACTS

| Sl No. | Name of Work | Name and Address of Contractor | Awarded Value (In Lakhs) | Date of Start | Stipulated Date of Completion |
|---|---|---|---|---|---|
| 1 | Annual Comprehensive Maintenance Contract alongwith Watch and ward of LED type SPOL system at Sajanpara, Borsilla & Mirza hills near LGBI Airport, Guwahati. | M/S N.D. Enterprises, Near Azara Public hall, Guwahati | 7.34 | 01.06.2017 | 31.05.2018 31.12.2018 |
| 2 | Annual Comprehensive Maintenance Contract of 50KW Emersion make solar inverter and its battery bank at LGBI Airport, Guwahati. | M/S Vertiv Energy Pvt. Ltd., Slat Lake Electronic Complex, Kolkata. | 2.39 | 05.10.2017 | 04.10.2018 04.01.2019 |
| 3 | Annual Maintenance Contract of fire alarm, auto dialer system and fire hydrant system at LGBI Airport, Guwahati. | M/S ARC Services, A-123/3 Jaitpur, Badarpur, New Delhi. | 10.89 | 01.12.2017 | 30.11.2018 |
| 4 | Annual Comprehensive Maintenance Contract for weighing Scales at LGBI Airport, Guwhati | M/S North East Scales, Dr. B.K. Kakoti Road, Ulubari, Guwahati. | 3.67 | 06.01.2018 | 05.01.2019 |
| 5 | AMC of Water Filteration plant at LGBI Airport, Guwahati. | M/s TAURUS INDUSTRIES,1st Floor, Temple Tower, G.S. Road, Christianbasti, Guwahati | 3.38 | 01.04.2018 | 31.03.2019 |
| 6 | ACMC of KONE Lift in SHA at LGBI Airport, Guwahati. | M/S Kone Elevator India Pvt Ltd., Beltola Tiniali, Guwahati. | 12.58 | 01.07.2018 | 30.06.2023 |
| 7 | Annual maintenance contract of CCRs & ALCMS system at LGBI Airport, Guwahati | M/S Nasu System, Jaywant Sawant Road, Dahisar (W), Mumbai. | 21.53 | 01.09.2018 | 31.08.2021 |
| 8 | Operation & Maintenance contract of E & M installation of Technical block, operational area, NAV-AIDS, ASR-MSSR (Rardar) & outer marker at LGBI Airport, Guwhati. | M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata. | 228.09 | 01.04.2018 | 31.03.2020 |
| 9 | Annual Opration & maintenance Contract of arrival & departure conveyor belt at LGBI Airport, Guwahati. | M/s Gannon Dunkerley & Co. Ltd., 16F/1, Eagle Street, Kolkata. | 113.43 | 10.04.2018 | 09.04.2021 |
| 10 | Annual Comprehensive Maintenance Contract (ACMC) of OTIS Elevator make lifts & escalators at various Airports for 5 years. (Lift for Guwahati Airport). | M/S OTIS Elevators Co(I) Ltd., Netaji Subhash Palace, Pitam Pura, Delhi. | 9.18 | 01.06.2018 | 31.05.2023 |
| 11 | Annual Comprehensive Maintenance Contract (ACMC) of ET make lifts & escalators at various Airports for 5 years. (Lift for Guwahati Airport) | M/S ET Ltd., 413 Meghdoot, 94 Nehru place, New Delhi. | 6.09 | 01.06.2018 | 31.05.2023 |
| 12 | Annual Coprehensive Maintenance Contract (ACMC) of Johnson make lifts & Escalators at various Airport, for 3 Years. (Sh: Escalators of Guwahati Airport) | M/s Johnson Lift Pvt. Ltd., No.-1, East Main Road, Annaagar, Chennai. | 20.51 | 01.08.2018 | 31.07.2021 |

| Sl No. | Name of Work | Name and Address of Contractor | Awarded Value (In Lakhs) | Date of Start | Stipulated Date of Completion |
|---|---|---|---|---|---|
| 13 | CMC of 2 x 120 KVA GLF UPS of Vertiv Make. | M/S Vertiv Energy Pvt. Ltd., Salt Lake Electronic Complex, Kolkata. | 10.41 | 19.03.2015 | 18.03.2020 |
| 14 | Operation & AICMC of PBBs & VDGS/AVDGS at Various Airports. | M/s Three D Integrated Solutions Ltd, Gurgaon, Haryana,India. | 189.02 | 01.08.2018 | 31.07.2021 |
| 15 | Operation & AICMC of PBBs AVDGS at Various Airports. | M/S Adelte Airport Technologies. | 166.00 | 01.12.2018 | 30.11.2025 |
| 16 | Annual Maintenance contract of Cummins make DG Sets installed at various airports in NER SH: Guwahati Airport. | M/s Cummins India Office Campus, Tower A 5th Floor, Survey No. 21, Balewari, pune – 411045, Maharastra. | 86.26 | 01.08.2018 | 31.07.2021 |
| 17 | Annual Comprehensive Maintenance Contract of tyre Killer and Bollards system installed at LGBI Airport, Guwahati. | M/s Godrej & Boycee Mfg. Co. Ltd.; Basundhara Enclave, 1st & 2nd floor, B.K. Kakoty Road, Ulubari, Guwahati. | 61.03 | 07.05.2018 | 06.05.2021 |
| 18 | Annual Maintenance Contract of KOEL make DG sets installed at various Airports in NER SH: LGBI Airport, Guwahati. | M/s Kirloskar Oil Engines Ltd., 29, GNB Road, Panbazar, Guwahati. | 3.96 | 01.09.2018 | 31.08.2021 |
| 19 | Operation & Maintenanace of complete E&M installation at 33/11/0.433 KV outdoor/ indoor substation, Terminal building, Car park, Approach Roadand Exit Road, M.T.Work shop, Carfo building Etc. at LGBI Airport, Guwahati. | M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata. | 160.94 | 16.04.2018 | 15.04.2020 |
| 20 | Annual comprehensive maintenance contract for 250KWP and 50KWP solar power plant installed at LGBI Airport, Guwahati | M/s Premier Solar Powertech Pvt. Ltd., Secondarabad, Hydrabad. | 33.61 | 02.04.2018 | 01.04.2021 |
| 21 | Comprehensive Maintenance of Blue Star make PCPA units and Air-cold refrigration unit i.e operation of PCPA unit at ATS Automotion centre at LGBI Airport, Guwahati. | M/s. Blue Star Limited, Guwahati | 45.96 | 01.08.2018 | 31.07.2021 |
| 22 | Hydraulic (Articulating type) Boom lift working ladder at LGBI Airport, Guwahti.(AMC Contract) | M/S Mtandt Ltd., Chennai | 1.25 | 11.08.2017 | 10.08.2022 |
| 23 | Comprehensive maintenance contract of window AC & split AC units at LGBI Airport, Guwahati. | M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata. | 49.48 | 01.04.2018 | 31.03.2020 |
| 24 | Operation and comprehensive maintenance contract of centralized and package AC plants at LGBI airport, Guwahati. (2018-21) | M/S Voltas Ltd., Godrej water side, Tower to, Kolkata. | 244.40 | 01.05.2018 | 30.04.2021 |

| Sl. No. | Name of Work | Name and Address of Contractor | Awarded Value (In Lakhs) | Date of Start | Stipulated Date of Completion |
|---|---|---|---|---|---|
| 25 | Installation of ASR/MSSR at LGBI Airport, Guwahati. (SH: Precision Airconditioning & Associated works) (5 years CMC for PAC) | M/s Nikom Infra Solutions Pvt. Ltd., New Delhi | 5.00 | 21.06.2018 | 20.06.2023 |
| 26 | Annual comprehensive maintenace of VRV system installed at AAI/BCAS integrated office complex | M/s ACE Alliance, Guwahati | 33.54 | 01.10.2017 | 30.09.2020 |
| 27 | Comprehensive maintenance contract of 320 KVA DG set at AAI/BCAS integrated office complex at LGBI Airport, Guwahati (2017-20) | M/s. Pratap Technocrats Pvt. Ltd. | 2.48 | 10.02.2018 | 09.02.2021 |
| 28 | Operation & maintenance of water pumping sets in residential colony and E&M installations in hanger substation at LGBI Airport Guwahati. (2018-2020) | M/s J.H. Associates | 74.19 | 01.04.2018 | 31.03.2020 |
| 29 | Annual comprehensive maintenance contract (ACMC) of Omega make lifts installed at integrated office complex at Guwahati Airport for 5 years | M/s Omega Elevators, Ahmedabad, India | 10.11 | 01.08.2018 | 31.07.2023 |
| 30 | AMC of E & M installation installed at AAI/BCAS integrated at AAI/BCAS integrated office complex. | M/s Sterling and Wilson Ltd | 55.75 | 01.10.2018 | 30.09.2020 |
| 31 | AMC of E & M installation installed in old RED building, AAI residential colony & CISF barracks at LGBI Airport Guwahati | M/s Abhishek Associates, Ahmedabad | 98.79 | 01.11.2018 | 31.10.2020 |
| 32 | One time overhauling and five year comprehensive maintenance contract of existing old water filtration plants of AAI Residential Colony at LGBI Airport, Guwahati. | M/S Taurus Industries, Guwahati - 781005 | 34.55 | 23.08.2015 | 22.08.2020 |

## DETAILS OF ONGOING CAPITAL WORK-IN-PROGRESS AND THEIR LIKELY POSITION IN 30.06.2019 AT THE AIRPORT

| Sl. | Name of Work | Name of Agency | Awarded amount (In Cr.) | Date of Start | Date of completion as per agreement | Likely Physical progress by 30/06/2019 | Likely Financial Expenditure by 30/06/2019 (in Cr) | Remarks] |
|---|---|---|---|---|---|---|---|---|
| 1 | Modification of Terminal Building in City side at LGBI Airport, Guwahati: SH: Miscellaneous Civil, Electrical & CNS works | M/s Bikash Enterprises | 2.150 | 22.11.2017 | 04.02.2018 | 100% | 2.62 | Work completed on 14-08-2018. Final bill under preparation of CNS works |
| 2 | Renovation of toilets in NTB | Sri Pankaj Kumar Das | 0.740 | 07.07.2017 | 06.07.2018 | 100% | 0.88 | Work completed on 09.11-2018. Final bill under preparation. |
| 3 | Revamping/Face lift of interiors in Terminal Building including VIP lounge (Departure & Arrival) VIP lounge, ATC Tower etc. at LGBI Airport, Guwahati (Civil & Electrical) | M/s Raj Woodart Interior Ltd. | 1.210 | 30.09.2017 | 28.12.2017 | 100% | 1.18 | Work completed on 28.09.2018. Final bill under preparation. |
| 4 | Providing/Supply and placing in position Immigration counters at LGBI Airport, Guwahati. | Prime Progression Icon (India) Pvt. Ltd | 0.114 | 16.01.2019 | 01.03.2019 | 100% | 0.11 | Work just awarded |
| 5 | Providing/Supply and placing in position Egress table & Frisking booth at LGBI Airport, Guwahati. | M/s Falcon Interiors Solution (India) Pvt. Ltd. | 0.184 | 27.01.2019 | 12.03.2019 | 100% | 0.18 | Work just awarded |
| 6 | Misc Civil works for pending works of MSSR, Cargo and other works around city side area due to expansion of Terminal Building. | M/s Chandan Sahu | 1.000 | 12.01.2018 | 11.11.2018 | 100% | 0.91 | Final bill under process. |
| 7 | C/o additional car parking area at LGBI Airport,Guwahati | M/s Paran Jyoti Saikia | 1.860 | 15.03.2018 | 14.06.2018 | 40% | 0.60 | Work to be foreclosed. |
| 8 | Supply, installation and commissioning of public e-toilet in different areas at LGBI Airport, Guwahati. | M/s Mussadik Iqbal Hazarika | 0.538 | 04.06.2018 | 03.08.2018 | 100% | 0.54 | Final bill under preparation. |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 9 | Construction of common user domestic Cargo Terminal (CUDCT) Phase - II Works of Civil & Electrical | M/s Jai Maa Kamakhya Infrastructure | 6.797 | 13.08.2018 | 12.11.2019 | 40% | 3.25 | Work in progress. |
| 10 | Construction of NTB, control Tower, Hangar, Fire Station, Car park, etc. at LGBI Airport, Guwahati. (S.H: Construction of E &M Workshop at LGBI Airport Guwahati.) | Competent infrastructure and Consulting Pvt. Ltd. | 3.798 | 07.03.2016 | 07.01.2017 | 100% | 4.90 | |
| 11 | Renovation/Construction of Interim International Cargo Terminal at LGBI Airport, Guwahati. | M/s Jai Maa Kamakhya Infrastructure | 1.259 | 08.07.2018 | 07.04.2019 | 100% | 1.25 | |
| 12 | Extension of Tensile Fabric Canopy in front of Terminal Building at LGBI Airport, Guwahati, Assam (Phase-II) | M/s Vinayak Infra Signs | 2.188 | 23.08.2018 | 22.02.2019 | 0% | 0.00 | |
| 13 | Constructionof CISF Barracks & Dog kennel at CISF complex & associated works at Kahikuchi, LGBI Airport, Guwahati | | 6.53 | | | 20% | 2.00 | |
| 14 | Replacement of existing flood light fittings of Apron Flood Lighting towers by LED fittings at New Apron i/c provision of isolation bay light at LGBI Airport, Guwahati. | M/S M.S.Construction, Near Telephone Exchange Guwahati Airport, Guwahati. | 0.565 | 17.03.2018 | 16.07.2018 | 100% | 0.56 | |
| 15 | Provision High mast lighting towers in CAR parking area at LGBI Airport, Guwahati. | M/S Sharma Trade Agency, Haque Market Fancy Bazar, Guwahati. | 0.255 | 03.08.2018 | 02.11.2018 | 100% | 0.25 | |
| 16 | SITC of Misc. Electrical installations at various location of LGBI Airport, Guwahati.SH: Provision of additional power supply cable for Nav-aids installation i/c replacement of existing defective cable and LT Panels. | M/S Rima Electricals, Sitalabari H.No. 9 Ganesh patty LalGanesh Guwahati. | 0.661 | 28.09.2018 | 27.01.2019 | 100% | 0.66 | |
| 17 | Supply & laying of standby 33KV HT cable at LGBI Airport, Guwahati. | M/S Sharma Trade Agency, Haque Market Fancy Bazar, Guwahati. | 0.249 | 24.06.2018 | 23.08.2018 | 100% | 0.25 | |
| 18 | Renovation of VIP rest rooms at LGBI Airport, Guwahati, SH: Electrical Works. | M/S S & B Electricals Lichubagan, Hengrabari Dispur, Guwahati. | 0.088 | 08.11.2018 | 05.02.2019 | 100% | 0.09 | |
| 19 | Replacement of old AC units, water coolers and purifiers for various locations. | M/S ACE Alliance Pvt. Ltd. H.No. 1 Bishnu Rabha Path opp. RG Baruah Road Guwahati. | 0.270 | 17.10.2018 | 16.02.2019 | 100% | 0.27 | |
| 20 | Replacement of existing panels, cables and AHU of central airconditioning system at Guwahati Airport. | M/s Ganga Construction F. No 2/A Ambika Apartment 4th APBN Road Guwahati. | 0.291 | 29.11.2018 | 28.03.2019 | 100% | 0.29 | |
| 21 | Replacement of Defective cable of 02 end Aproach and 02/20 end PAPI lighting system at LGBI Airport, Guwahati. | M/s Bose Engineering & Marketing Co. 12, Ganesh Chandra Avenue, Kolkata - 13 | 0.465 | 12.01.2019 | 11.05.2019 | 100% | 0.46 | |
| 22 | Provision of Water Treatment Plant at CISF Barrack, Guwahati Airport. | M/s Taurus Indrustries Guwahati. | 0.179 | 14.01.2019 | 13.04.2019 | 100% | 0.18 | |
| 23 | Augumentation of 11 KV Sub-station in Residential Colony at Guwahati Airport. | M/s North East Engineering. | 1.225 | 13.01.2019 | 12.07.2019 | 90% | 1.05 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 24 | Providing apron drive glass walled passenger boarding bridges and visual docking guidance system for LGBI Airport, Guwahati (17 PBBs) | M/S Adelte Airport Technologies, S.L.U., No. 1 Calle Buenos Aires, Barcelona - 08029, Spain. | 3.43 | 01.07.2016 | 30.06.2017 | 100% | 1.23 | |
| 25 | SITC of water supply pumping set for residential colony. | M/s. J.H. Associates, Guwahati - 17 | 0.13 | 05.10.2018 | 14.01.2019 | 100% | 0.13 | |
| 26 | Procurement of pet bottle shedder. | M/s. Aditya Corp., Delhi | 0.04 | 27.12.2018 | 26.01.2019 | 100% | 0.04 | |
| **Ongoing Works- CHQ Schemes** | | | | | | | | |
| 1 | a) Strengthening of existing runway 02/20 at LGBI Airport, Guwahati. | M/s Vishal Infrastructure Ltd | 44.370 | 30.10.2017 | 07.03.2019 | 100% | 44.78 | |
| | b) SH: Soil Investigation. | IIT Guwahati | 0.420 | 43444 | 43549 | 100% | 0.42 | |
| 2 | Construction of New Integrated Terminal Building at Guwahati Airport | M/s Shapoorji Pallonji and Company Private Limited | 859.860 | 21.03.2018 | 29.03.2021 | 25% | 214.00 | |
| 3 | Appointment of Project Management Consultant from concept to commissioning for construction of New Integrated Terminal Building at Guwahati Airport. | M/s AECOM ASIA COMPANY LIMITED | 32.170 | 07.03.2017 | 29.03.2021 | 68& | 22.80 | |
| | | **Total** | **973.44** | | | | **305.88** | |

## OTHER WORKS (CIVIL)

| Sl. No. | Name of the work | Name of the agency | Period | Award value |
|---|---|---|---|---|
| 1 | Miscellaneous civil Repairs & Maintenance works of Terminal building i/c ceremonial lounge at LGBI Airport, Guwahati for the year 2018-19 | M/s J.H Associates, Guwahati Aasam | 12 Months | Rs. 60.00 Lakhs |
| 2 | Miscellaneous Civil Repairs & Maintenance works of operational area, Technical Block and other ancillary building in operational area at LGBI Airport, Guwahati for the year 2018-19 | M/s J.H Associates, Guwahati Aasam | 12 Months | Rs. 75.00 Lakhs |
| 3 | Miscellaneous Civil Repairs & Maintenance works city side i/c car park, all ancillary building,facilities,power house. Engg. offices,RTC,DGCA store, outer marker building etc. for the year 2018-19 | M/s Kajal Das, Guwahati Aasam | 12 Months | Rs. 50.00 Lakhs |

## LAND LEASES AT THE AIRPORT

| Cl. Sl. No. | Region | Airport | Sl No. | Name of Agency | Govt/ Non Govt/ PSU | Category | Area (Sq mts) Paved | Un-paved | Others | Purpose | Period of Allotment: Allotment from | Allotment to | Status of Agreement | Details of Security Deposit / BG: SD | BG | Validity of SD/BG: From | To | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | NER | GUWAHATI | 1 | [illegible] | Non Govt | Oil Company | | [illegible] | | AFS | [illegible] | Continue | Renewal Under Process | Rs. [illegible] | | 15/11/2018 | 13/05/2019 | |
| 2 | NER | GUWAHATI | 2 | CPWD | Govt | Aviation | | [illegible] | | Aviation related Services | | | Invalid | | | | | [illegible] |
| 3 | NER | GUWAHATI | 3 | [illegible] | Govt | [illegible] | | [illegible] | | Centre for Perishable Cargo | [illegible] | [illegible] | Valid | | | | | Advance payment received. Construction is in progress. |
| 4 | NER | GUWAHATI | 4 | IOCL | PSU | Oil Company | | [illegible] | | AFS | [illegible] | [illegible] | Valid | Rs. [illegible] | | | | SD submitted in the form of DD |
| 5 | NER | GUWAHATI | 5 | Assam Flying School | Non Govt | Flying School | [illegible] | | | Flying School | | | | | | | | [illegible] |
| 6 | NER | GUWAHATI | 6 | IMD | Govt | Central Govt | | [illegible] | | MET | | | | Rs. [illegible] | | | | Details of allotment and agreement not available |

## SCHEDULE U

## List of Works Proposed by the Authority:

SCHEDULE U

LIST OF WORKS PROPOSED BY THE AUTHORITY

| Sl.No | Name of Work | Name of the Agency | Amount | DOC/PDC |
|---|---|---|---|---|
| Planning Stage | | | | |
| 1 | Extention of Runway 20 beginning and Strengthening of Apron, Construction of New Taxi- Track and Strengthning of Runway & Link Taxiway (20 End) including part parallel taxiway and isolation bay & Vehicular Lane and strom water drain at LGBI Airport, Guwahati. | | AA &ES- Proposals- Rs. 29,393 Lakhs | |

Additional planned works:

Planning Stage -RHQ

(Rs. in Crores)

| S.No | Name of Work | Estimated cost (in Cr.) | A/A and ES amount (if sanctioned) | Status of Tender Invitation |
|---|---|---|---|---|
| 1 | Misc. minor capital civil work at LGBI Airport, Guwahati | 0.6 | Sanctioned (Rs.0.60 Cr) | Tender being called. |
| 2 | Replacement of roof sheet in Power House & Sub-Station area at LGBI Airport, Guwahati. | 0.15 | | Planning stage |
| 3 | **Construction of boundary wall at beginning of RWY-20 side near DVOR measuring** 9.60 acres at LGBI Airport, Guwahati. | 12.68 | | Planning stage |
| 4 | Construction of Perimeter road towards Runway -02 along newly constructed boundary wall at LGBI Airport, Guwahati, S.H. : Civil Works | 8 | | Planning stage |
| 5 | Supply and fixing of metal roofing system and replacement of Gutters at LGBI Airport, Guwahati. | 0.273 | Sanctioned (Rs.0.273 Cr) | Work likely to be awarded shortly. |
| 6 | Replacement of roof sheet merged City side canopy portion & balance departure side of Terminal Building at LGBI Airport, Guwahati. | 0.77 | | Planning stage |
| 7 | Granite flooring, SS glass partition, associated works & misc. civil works at LGBI Airport, Guwahati. | 0.81 | | Planning stage |
| 8 | Replacement of existing conventional Luminious with the LED Luminaries in the SHA of Terminal Building at LGBI Airport, Guwahati. | 0.07 | | Award Stage awaiting for confirmation of crediitiantial and QPBG. |
| 9 | Annual Maintenace Contract of Fire Alarm , Auto Dialer system and Fire Hydrant System at LGBI Airport Guwahati. | 0.24 | | File send for FC. |
| 10 | SITC of drinking water fountains at LGBI Airport, Guwahati. | 0.39 | | Tender have been called. |

Planning Stage -CHQ

| S.No | Name of Work | Estimated cost (in Cr.) | A/A and ES amount (if sanctioned) | Status of Tender Invitation |
|---|---|---|---|---|
| 1 | Extension of Runway 20 Beginning and Strengthening of Apron, construction of New Taxi Track and Strengthening of Runway & link Taxiway (20 End) including parallel Taxiway and isolation Bay and Vehicular Lane at LGBI Airport, Guwahati | 294 | A/A and E/s Sectioned 294.00 | T-S Stage |
| 2 | ATC Tower and Technical back | 92.36 | Engineering consultancy work Awarded to M/S | - |

17.4.4 Carved-out Area - Annexure IV of Schedule A to the Concession Agreement provides details of the carved-out area for Cargo Terminal.

**Annex IV**

*(Schedule A)*

*(See Clause 10.1)*

**Carved Out Assets and Areas**

It is clarified that the Site and Project Assets shall not include the following:

| SL. NO. | ASSET | AREA OF LAND IN SQ.M. (Approx.) |
|---|---|---|
| 1. | ATC TOWER | 1,650 |
| 2. | AAI OFFICES (OLD AAI OFFICE + INTEGRATED OFFICE COMPLEX) | 21,00 |
| 3. | IOCL STAFF QUARTERS | 15,100 |
| 4. | MET OFFICE | 6,100 |
| 5. | TEMPORARY CARGO SHED | 850 |
| 6. | COMMON USE DOMESTIC CARGO TERMINAL (CUDCT) | 2,400 |
| 7. | PROPOSED CUDCT -2 COMPLEX | 6,000 |
| 8. | AIDC CENTRE FOR PERISHABLE CARGO (CPC) (Assam Industrial Development Corp.) | 4,050 |
| 9. | ADDITONAL LAND REQUIRED FOR CPC | 4,050 |
| 10. | EXISTING AIRLINE CARGO | 1,300 |
| 11. | MSSR (RADAR) | 3,400 |
| 12. | PROPOSED ATC CUM TECHNICAL BLOCK | 8,150 |
| 13. | PROPOSED AAI COLONY | 40,500 |
| | **TOTAL** | 1,14,750 Sq.m. (28.40 Acres.) |



17.4.5 Clause 19.4.1. of the Concession Agreement relating to obligations of GIAL towards cargo facilities is reproduced below-

*(a) The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice.*

*(b) Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost.*

*(c) It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS*

*in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS.*

17.4.6 Clause 19.2. relating to GIAL's obligation towards Ground Handling Services is given below:

*"The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, traffic handling, aircraft handling, aircraft cleaning, loading and unloading **("Ground Handling Services").** Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."*

17.4.7 The Clause 19.3. of the Concession Agreement is related to GIAL's obligations towards providing aircraft fueling services, which has been reproduced below:

*"The Concessionaire shall provide, or cause to be provided, the infrastructure requiredfor operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."*

17.4.8 As per the Concession Agreement, the Estimated Deemed Initial RAB as on March 31, 2018, was determined to be ₹ 69 crores, which was due and payable by the Concessionaire to AAI. The terms of the Concession Agreement also provide for the value of ₹ 69 crores to be subject to reconciliation, True up and final determination by AERA. The extract of the relevant clauses from the Concession Agreement shall be read as under:

Clause 28.11.3 states that:

a) *It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***
b) *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is ₹ 69,00,00,000 (Rupees Sixty Nine Crore) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

Clause 28.11.4 states that:

*Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a). any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"'):*

a) *reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

b) *increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

*The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.*

Clause 28.11.5 states that:

*Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.*

a) *The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.*

b) *The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.*

17.4.9 Clause 5.1.1 of the Concession Agreement which states *that "Subject to and on the terms and conditions of this Agreement, the Concessionaire shall, at its own cost and expense, procure finance for and undertake the operations, management and development of the Airport, in accordance with the provisions of the Applicable Permits, Applicable Laws, this Agreement and observe, fulfil, comply with and perform all its obligations set out in this Agreement or arising hereunder".*

17.4.10 The relevant clause (6.4.5) of the Concession Agreement relating to GIAL's obligation regarding CWIP handed-over by AAI as on COD and as set forth in Schedule T, has been reproduced below-

> *"Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire the Authority within a period of 90 (ninety) days thereon.*
>
> *The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.*

*Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.*

*The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."*

17.4.11 The relevant clause 4.1.3. (h) of the Concession Agreement relating to GIAL's obligation regarding Conditions Precedent required to be satisfied within 180 days of the agreement relating to works proposed by AAI and as set forth in Schedule U, has been reproduced below-

*Except as may have been specifically otherwise provided in this Agreement, the Conditions Precedent required to be satisfied by the Concessionaire within a period of 180 (one hundred and eighty) days from the date of this Agreement shall be deemed to have been fulfilled, when the Concessionaire shall, subject to the satisfaction of the Authority, have -*

*(h) delivered to the Authority –*

*(a) a list of Construction works it proposes to undertake in the first 7 (seven) Concession years having due regard to the works:*

*a. Currently being implemented by the Authority; and*

*b. Proposed to be implemented by the Authority as on the date of signing the Agreement and (as set forth in Schedule U),*

*(b) the scheduled date for completion of such Construction works.*

17.4.12 The relevant Clauses relating to the Independent Engineer's appointment, duties & functions and remuneration are reproduced below:

Clause 24.1 Appointment of Independent Engineer

24.1.1 *The Authority (AAI) and the Concessionaire shall appoint a consulting engineering firm substantially in accordance with the selection criteria set forth in Schedule K, to be the independent consultant under this Agreement **("Independent Engineer").** The Independent Engineer shall be appointed in accordance with the provisions of Schedule K.*

24.1.2 *The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said* *appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment.*

Clause 24.2. Duties and Functions

*24.2.1 The Independent Engineer shall discharge its duties and functions substantially in accordance with the terms of reference set forth in Schedule L.*

*24.2.2 The Independent Engineer shall submit regular periodic reports (at least once every month) to the Authority in respect of its duties and functions set forth in Schedule L.*

*24.2.3 A true copy of all communications sent by the Authority to the Independent Engineer and by the Independent Engineer to the Authority shall be sent forthwith by the Independent Engineer to the Concessionaire.*

*24.2.4 All communications required to be sent by the Independent Engineer to the Concessionaire shall be undertaken through the Authority.*

Clause 24.3 Remuneration

*24.3.1 The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.*

17.4.13 The relevant Paras relating to Role and functions of the Independent Engineer as stated in Schedule L of the Concession Agreement are reproduced below:

*3. Role and functions of the Independent Engineer*

*3.1 The role and functions of the Independent Engineer shall include the following:*

*(a) review of the designs, drawings, and documents as set forth in Paragraph 4.*

*(b) review, inspection and monitoring of Construction Works as set forth in Paragraph 4.*

*(c) reviewing and witnessing the Tests on completion of construction and assisting the Authority in issuing Completion Certificate/ provisional certificate as set forth in Paragraph 4.*

*(d) review, inspection and monitoring of O&M as set forth in Paragraph 5.*

*(e) review, inspection and monitoring of Divestment Requirements as set forth in Paragraph 6.*

*(f) determining, as required under the Agreement, the costs of any works or services and/or their reasonableness.*

*(g) determining, as required under the Agreement, the period or any extension thereof, for performing any duty or obligation.*

(h) *assisting the Parties in resolution of Disputes as set forth in Paragraph 8.*

(i) *undertaking all other duties and functions in accordance with the Agreement; and*

(j) *assisting the Concessionaire in determining the Scheduled Completion Dates and Phase Milestones.*

3.2 *The Independent Engineer shall discharge its duties in a fair, impartial and efficient manner, consistent with the highest standards of professional integrity and Good Industry Practice.*

# 18 APPENDICES

I. **Appendix I** - Study on Allocation of Assets for Lokpriya Gopinath Bordoloi International Airport, Guwahati (Second Control Period: FY 2016-17 – FY 2020-21 & FY 2021-22)

II. **Appendix II** – Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport, Guwahati (Second Control Period: FY 2016-17 – FY 2020-21 & FY 2021-22)