

फा.सं. ऐरा/20010/एमवाईटीपी/ एएआई-कोयम्बटूर/सीपी-II/2023-28  
F. No. AERA/20010/MYTP/AAI-Coimbatore/CP-II/2023-28

आदेश संख्या 08/2024-25  
Order No. 08/2024-25



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

कोयम्बटूर अंतरराष्ट्रीय हवाईअड्डा, कोयम्बटूर (सीजेबी) के संबंध में द्वितीय नियंत्रण अवधि  
(01 अप्रैल, 2023 से 31 मार्च, 2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में।

IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
COIMBATORE INTERNATIONAL AIRPORT, COIMBATORE (CJB)  
FOR THE SECOND CONTROL PERIOD  
(01<sup>st</sup> APRIL, 2023 TO 31<sup>st</sup> MARCH, 2028)

जारी करने की तारीख: 09.09.2024  
Date of Issue: 09.09.2024

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सत्यमेव जयते

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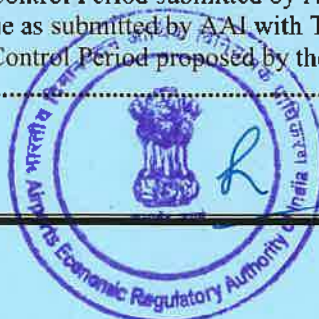


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## List of Abbreviations

Abbreviation	Expansion
A&G	Administration & General
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACFT	Airfield Crash Fire Tender
ACI	Airports Council International
AERA	Airports Economic Regulatory Authority of India
AIASL	AI Airport Services Limited
AMC	Annual Maintenance Contract
ANS	Air Navigation Services
AO	Airport Operator
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATR	Avions de Transport Regional
AUCC	Airport Users Consultative Committee
BASCPL	Bird Airport Services (Coimbatore) Private Limited
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BIAL	Bangalore International Airport Limited
BOT	Build Operate Transfer
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAMC	Comprehensive Annual Maintenance Contract
CAPEX	Capital Expenditure
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CGF	Cargo, Ground Handling and Supply of Fuel to the Aircraft
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CIDS	Cabin Intercommunication Data System
CISF	Central Industrial Security Force
CJB	Coimbatore International Airport (IATA Code)
CNS	Communication, Navigation and Surveillance
COVID-19	Corona Virus Disease of 2019
CP	Consultation Paper
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Surveys
CUTE	Common User Terminal Equipment
CY	Current year
DA	Dearness Allowance
DFMD	Door Frame Metal Detector
DG Set	Diesel Generator Set
DGCA	Directorate General of Civil Aviation



Abbreviation	Expansion
DIAL	Delhi International Airport Limited
EHCR	Employee Head Count Ratio
EPF	Employee Provident Fund
ESI	Employee State Insurance
ESS	Environmental Support Services
ETD	Explosive Trace Detectors
FA	Financing Allowance
FAR	Fixed Asset Register
FBS	Full Body Scanners
FCP	First Control Period
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GBR	Gross Block Ratio
GHA	Ground Handling Agency
GHAL	GMR Hyderabad International Airport Limited
GoI	Government Of India
GST	Goods and Service Tax
HIAL	Hyderabad International Airport Limited
HRA	House Rent Allowance
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICMAI	Institute of Cost Accountants of India
IDC	Interest During Construction
IMG	Inter-Ministerial Group
INR	Indian rupees
IT	Information Technology
MESS	Mechanized Environmental Support Services
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MRO	Maintenance, Repair and Overhaul
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NASFT	National Aviation Security Fee Trust
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
NLJD	Non-Linear Junction Detector
NPV	Net Present Value
O&M	Operation and Maintenance
OMC	Oil Marketing Companies
OMDA	Operation, Management & Development Agreement
OPEX	Operating Expenditure
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PCN	Pavement Classification Number
PERKS	Perquisites



Abbreviation	Expansion
PF	Provident Fund
PLF	Passenger load factors
PPP	Public-private partnership
PSF	Passenger Service Fee
PV	Present Value
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCS	Regional Connectivity Scheme
RHQ	Regional Headquarters
RPK	Revenue Passenger Kilometres
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SQTR	Staff Quarters Ratio
TB	Terminal Building
TBLR	Terminal Building Ratio
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
UDAN	Ude Desh ka Aam Naagrik
UDF	User Development Fee
VAT	Value Added TAX
WDV	Written Down value
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection Systems
YPP	Yield Per Passenger
<b>Units of measurement</b>	
Crs.	Crores
FY	Financial Year
KL	Kilo Litre
Mn.	Million
MPPA	Million Passengers per Annum
MT	Metric Tonnes
Nos.	Numbers
SQM (sqm)	Square meters
Y-o-Y	Year on Year

# AERA



## 1 BACKGROUND

### 1.1 Introduction

- 1.1.1 Coimbatore is second largest city in the state of Tamil Nadu, with a population of more than 15 lakhs. There are more than 30,000 small, medium and large-scale industries and textile mills in Coimbatore. Coimbatore International Airport, operated by AAI, is situated in the neighborhood of Peelamedu, approximately 10 km (6.2 miles) from Coimbatore's city Centre. The airport serves as a primary airport for the industrial towns of Coimbatore, Erode and Tirupur in Tamil Nadu, India.
- 1.1.2 Coimbatore International Airport has a total land area of 420.33 acres. The Airport has a single terminal building and one runway. The Airport has handled passenger traffic of around 2.58 million Pax in FY 2022-23 and 2.90 million Pax in FY 2023-24. Currently, the airport serves eleven domestic and two international destinations, making it the 25<sup>th</sup> busiest airport in India for passengers handled, 29<sup>th</sup> busiest for total aircraft movement and 19<sup>th</sup> busiest for cargo handled in FY 2023-24.
- 1.1.3 Coimbatore International Airport was a Major Airport as per AERA Act 2008. Tariff for the first control period from FY 2018-19 to FY 2022-23 (together with the period FY 2016-17 and FY 2017-18) was determined by AERA vide Order No. 44/2018-19 dated 6<sup>th</sup> March 2019. Pursuant to the amendment of AERA Act in 2019, Airports with designated passenger throughput of over 3.5 MPPA are considered as Major Airports. AAI, vide letter dated 28<sup>th</sup> March 2023 communicated that AAI had enhanced the passenger capacity to 3.63 MPPA, by carrying out certain Infrastructural developments / modification in the Airport. Hence, considering the capacity enhancement by AAI, Coimbatore International Airport continued to be a Major Airport throughout the First Control Period.

### 1.2 Profile of Coimbatore International Airport (CJB)

- 1.2.1 Coimbatore International Airport has a designated passenger handling capacity of 3.63 MPPA and had achieved total passenger traffic of 2.90 million in FY 2023-24, approximately 93% of which constitutes domestic passenger traffic.

**Table 1: Passenger Traffic for the First Control Period submitted by AAI**

Year	Passenger (Nos)			ATMs (Nos)		
	Domestic	International	Total	Domestic	International	Total
FY19	27,63,672	2,37,210	30,00,882	23,390	1,863	25,253
FY20	26,04,603	2,38,232	28,42,835	20,356	1,947	22,303
FY21	8,20,154	26,495	8,46,649	7,893	250	8,143
FY22	12,20,540	65,382	12,85,922	10,418	602	11,020
FY23	23,62,446	1,94,817	25,57,263	16,364	1,278	17,642

- 1.2.2 Technical and Terminal Building details of CJB submitted by the AAI are provided in the table below:

**Table 2: Technical and Terminal Building details of CJB submitted by AAI**

Particulars	Details
Total airport land area	420.33 acres
Terminal Building Area	22,060 sqm
Designated Passenger Handling Capacity	3.63 MPPA
Peak hour passenger	<b>Domestic:</b>
	Departure – 350
	Arrival – 350



Particulars	Details
	<b>International:</b>
	Departure – 150
	Arrival - 150
Apron	423 m X 125 m
Taxiway	5 Nos. (A, B, C, D &E)
Boarding Gates	Domestic – 5 Nos. International - 2 Nos.
Check-in counters	24 Nos.
Immigration Counters	12 Nos.
Custom counters	4 Nos.
Security check booths	6 Nos.
Parking bays	9 Nos.

### 1.3 Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF) Services

#### Cargo Handling Services

- 1.3.1 M/s AAI Cargo Logistics and Allied Service Company Limited (AAICLAS), a 100% subsidiary company of the Airports Authority of India (AAI) is providing cargo handling services at Coimbatore International Airport. AAI had considered a revenue share of 30% from AAICLAS as part of Aeronautical revenue as per AAI's agreement with AAICLAS.

#### Ground Handling Services

- 1.3.2 Currently, there are two service providers at the Airport viz. AI Airport Services Limited (AIASL) and Bird Airport Services (Coimbatore) Private Limited (BASCPL) providing Ground Handling services at Coimbatore International Airport.
- 1.3.3 AERA vide Order No. 29/2023-24 dated 15<sup>th</sup> December 2023 determined tariff for Ground Handling Services for BASCPL from FY 2023-24 to FY 2027-28.
- 1.3.4 The Authority, vide Order No. 37/2023-24 dated 1<sup>st</sup> March 2024, had approved interim tariff in respect of AIASL and currently, the ad-hoc tariff is valid up to 30<sup>th</sup> September 2024.

#### Supply of Fuel to the Aircraft

- 1.3.5 Oil Marketing Companies (OMCs) namely M/s Indian Oil Corporation Limited, M/s Bharat Petroleum Corporation Limited, M/s Hindustan Petroleum Corporation Limited and M/s Reliance Industries Limited are providing Aviation Fuel Facility at Coimbatore International Airport. M/s Indian Oil Corporation Limited had set up its Fuel storage facility, with two fuel storage tanks of 42 KL storage capacity each.

# AERA



## 2 TARIFF DETERMINATION OF COIMBATORE INTERNATIONAL AIRPORT

### 2.1 Tariff Setting Principles

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

- a) To determine the tariff for aeronautical services taking into consideration:
  - (i) The capital expenditure incurred and timely investment in improvement of airport facilities;
  - (ii) The service provided, its quality and other relevant factors;
  - (iii) The cost for improving efficiency;
  - (iv) Economic and viable operation of major airports;
  - (v) Revenue received from services other than aeronautical services;
  - (vi) Any Concession offered by the Central Government in any agreement or memorandum understanding or otherwise;
  - (vii) Any other factor which may be relevant for the purposes of the Act.

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

- b) To determine the amount of development fees in respect of major airports;
- c) To determine the amount of passenger service fee levied under rule 88 of the Aircrafts Rules, 1937 made under Aircraft Act, 1934;
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority by it in this behalf;
- e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a);
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

2.1.2 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008 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 stakeholder 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.

Tariff determination for Air Navigation Services is presently carried out by the Ministry of Civil Aviation (MoCA) across all airports, to maintain uniformity in ANS charges.



## 2.2 Authority's Orders applied in determination of Tariff of Coimbatore International Airport in this Tariff Order

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

- i. Order No. 13/2010-11 dated 12<sup>th</sup> January 2011 (Regulatory Philosophy and Approach in Economic Regulation of Airport Operators), and Direction No. 5 dated 28<sup>th</sup> February 2011 (Terms and Conditions for Determination of Tariff for Airport Operators) (AERA Guidelines).
- ii. Order No. 05/2010-11 dated 2<sup>nd</sup> August 2010 (Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo facility, Ground Handling and Supply of Fuel to Aircraft), Order No. 12/2010-11 dated 10<sup>th</sup> January 2011 and Direction No. 4 dated 10<sup>th</sup> January 2011 (Terms and Conditions for Determination of Tariff for Services provided for Cargo facility, Ground Handling and Supply of Fuel to Aircraft).
- iii. Order No. 07/2016-17 dated 13<sup>th</sup> June 2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iv. Order No. 14/2016-17 dated 23<sup>rd</sup> January 2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.
- v. Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and Amendment No. 01 to Order No. 35/2017-18 dated 9<sup>th</sup> April 2018 in the matter of Determination of Useful Life of Airport Assets.
- vi. Order No. 42/2018-19 dated 5<sup>th</sup> March 2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

## 2.3 Tariff Determination History

2.3.1 AAI had submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2023. AERA vide its Order No. 44/2018-19 dated 6<sup>th</sup> March 2019, had determined tariff for Aeronautical services for Coimbatore International Airport for the First Control Period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2023. Following were the tariff orders for Aeronautical Charges issued by the Authority for Coimbatore International Airport:

**Table 3: Details of Tariff Orders issued by the Authority for Coimbatore International Airport**

Tariff Orders	Applicability Period
Order No. 44/2018-19 6 <sup>th</sup> Mar, 2019	1 <sup>st</sup> April 2018 to 31 <sup>st</sup> March 2023
Order No. 27/2020-21 9 <sup>th</sup> July, 2020	Revision in Landing charges w.e.f. 15 <sup>th</sup> July 2020, in lieu abolition of Fuel Throughput Charges
Order No. 19/2023-24 20 <sup>th</sup> Sep, 2023	1 <sup>st</sup> October 2023 to 31 <sup>st</sup> March 2024
Order No. 40/2023-24 15 <sup>th</sup> Mar, 2024	1 <sup>st</sup> April 2024 to 30 <sup>th</sup> September 2024

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

2.4.1 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI had submitted its MYTP on 22<sup>nd</sup> December 2023 for the Second Control Period commencing from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2028 for Coimbatore International Airport.



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- 2.4.2 The Authority had appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by AAI for Coimbatore International Airport for Second Control Period. Accordingly, M/s PKF Sridhar & Santhanam LLP has assisted the Authority in examining the true up submission of AAI by comparing each regulatory building block with the Tariff Order for the First Control period, examined the MYTP of AAI for the current Control Period by verifying the data from various supporting documents submitted by AAI such as Trial balance, Fixed Asset Register (FAR) and examining the building blocks in tariff determination thereby ensuring that the treatment given to it is consistent with the Authority's methodology, approach etc.
- 2.4.3 The Authority, through its Independent Consultant, had examined the MYTP submitted by AAI, including obtaining clarifications on the information shared by AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure etc., for finalizing this Tariff Order.
- 2.4.4 The AERA team visited Coimbatore International Airport on 23<sup>rd</sup> May and 24<sup>th</sup> May 2024 at the airport and reviewed ongoing schemes and Capex planned to be executed during the Second Control Period. The AERA team during their site visit observed congestion in the terminal building, especially in the departure area during peak hours and Airport Director was advised to take necessary steps to address the same for passenger comfort and convenience.
- 2.4.5 The sequential timeline of the above events has been presented in the table below:

**Table 4: Sequence of events with regard to true-up and MYTP submission of the AAI**

Event	Date
MYTP submissions of AAI received for the Second Control Period and true up of the First Control Period.	22-Dec-23
Initial Data Requirement - First Set of queries raised on Capex, Traffic, Opex and NAR	06-Feb-24
Partial data shared by AAI related to Capex, Opex, Traffic and NAR	12-Feb-24
Follow-up mail sent along with new queries raised on Capex, Traffic, Opex and NAR	13-Feb-24
Partial data shared by AAI related to Opex, Traffic and NAR	14-Feb-24
Follow-up mail sent along with new queries raised on Capex	15-Feb-24
Partial data shared by AAI related to Opex, NAR, Aero Revenue & Capex	19-Feb-24
Follow-up & clarification mail sent to AAI on NAR	27-Feb-24
Partial data shared by AAI related to Capex, NAR & Aero Revenue	28-Feb-24
Partial data shared by AAI related to NAR & Opex	29-Feb-24
Follow-up mail sent along with new queries raised on Opex	01-Mar-24
Online discussion with AAI Team for Clarification on queries raised on MYTP	04-Mar-24
Online discussion with AAI Tariff Team for Clarification on queries raised on MYTP	05-Mar-24
Partial data shared by AAI related to NAR & Opex	06-Mar-24
Partial data shared by AAI related to Capex & Opex	11-Mar-24
Follow-up mail sent along with additional queries raised on Capex, NAR & Aero Revenue	12-Mar-24
Partial data shared by AAI related to NAR	19-Mar-24
Partial data shared by AAI related to NAR	20-Mar-24
Follow-up mail sent along with additional queries raised on Capex, NAR & Aero Revenue	20-Mar-24
Partial responses shared by AAI related to Capex, Aero Revenue & NAR	21-Mar-24
Responses with details of major Capex shared by AAI	24-Apr-24





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Event	Date
Additional Queries sent to AAI related to Capex	25-Apr-24
Partial responses shared by AAI related to Capex	2-May-24
Responses to Queries dated 25 <sup>th</sup> April 2024 and inclusion request for Additional Capex for SCP submitted by AAI	10-May-24
Additional Queries sent to AAI related to Opex, NAR and Capex	13-May-24
Responses to Queries dated 13 <sup>th</sup> May 2024 with details related to Opex, NAR & Capex shared by AAI	15-May-24
Additional Queries sent to AAI related to Capex and Opex	17-May-24
Responses to Queries dated 17 <sup>th</sup> May, 2024	22-May-24
AERA team's visit to Coimbatore International Airport	23-May-24 & 24-May-24
Request for Revision in Cost related to Digi Yatra & Clarity over runway re-carpeting expenses submitted by AAI	27-May-24
AUCC Minutes of meetings shared by AAI	03-Jun-24
Capitalization cost as per FAR of runway recarpeting submitted by AAI	10-Jul-24

2.4.6 AAI had informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues final audit certificate for the AAI as a whole and only trial balance is available for Coimbatore International Airport. The Authority had examined the audited trial balance (FY 2018-19 to FY 2022-23) submitted by AAI for determination of tariff.

2.4.7 All the figures presented in this Tariff Order have been rounded off to two decimals.

2.4.8 After examination of MYTP and other details submitted by AAI, the Authority had issued Consultation Paper No. 03/2024-25 on 22<sup>nd</sup> July 2024. The Authority invited comments from the stakeholders by 21<sup>st</sup> August 2024 and counter comments by 31<sup>st</sup> August 2024. Following the release of the Consultation Paper, the Authority convened a meeting of the stakeholders on 6<sup>th</sup> August 2024. The minutes of the meeting are available on AERA's website.

2.4.9 The following stakeholders have provided their comments on the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 which are available on AERA's website:

- i. Airports Authority of India (AAI)
- ii. Federation of Indian Airlines (FIA)
- iii. International Air Transport Association (IATA)

**Table 5: Names of Stakeholders who submitted comments/views on Regulatory building blocks**

Name of the stakeholders who commented/ submitted views on regulatory building blocks/ tariff determination process.	Component impacting tariff determination of the First Control Period/ Second Control Period
FIA	Process of Tariff determination
AAI, FIA and IATA	True up of the First Control period
FIA	Traffic for the Second Control Period
FIA	Capital Expenditure (Capex), Depreciation and Regulatory Asset Base (RAB)
FIA and IATA	Fair Rate of Return for the Second Control Period
FIA	Inflation for the Second Control Period



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AAI, FIA and IATA	Operation and Maintenance (O&M) Expenses for the Second Control Period
AAI and FIA	Non-Aeronautical revenue for the Second Control Period
No comments	Taxation for the Second Control Period
FIA and IATA	Quality of Service for the Second Control Period
FIA	ARR for the Second Control Period
AAI and FIA	Tariff Card

2.4.10 The counter comments from AAI on the comments from other stakeholders were received on 31<sup>st</sup> August 2024. Thus, the stakeholders' consultation process concluded on the receipt of counter comments by AAI on 31<sup>st</sup> August 2024.

2.4.11 No input was received from Ministry of Civil Association (MoCA) as part of the consultation process.

## 2.5 Construct of this Tariff Order

2.5.1 This Tariff Order has been developed/constructed 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 i.e. Chapter 2 and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 presents the submissions of AAI for True-up for the First Control Period from FY 2018-19 to FY 2022-23. This is followed by the Authority's examination of the same as set out in Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iii. Chapter 5 discusses the submissions of AAI and the Authority's examination regarding Traffic Projections for the Second Control Period as set out in Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iv. Chapter 6 discusses the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period along with the Authority's detailed examination, adjustments, rationalization and proposals on the Aeronautical Capital Expenditure, Depreciation and RAB for the Second Control Period as set out in Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- v. Chapter 7 to 12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return (FRoR), Inflation, Operation & Maintenance (O&M) Expenses, Non-Aeronautical Revenue (NAR), Taxation and Quality of Service along with the Authority's examination and proposals regarding the same as set out in Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- vi. Chapter 13 presents the Aggregate Revenue Requirement (ARR) as determined by the Authority, based on various proposals of the Authority and adjustments considered by the Authority for the Second Control Period at the Consultation Stage. Thereafter, the Authority's analysis and final decisions are set out.



- vii. Chapter 14 presents the Aeronautical Revenue decided by the Authority for the Second Control Period of Coimbatore International Airport.
- viii. Chapter 15 summarizes the Authority's decisions on all matters related Tariff computation and Chapter 16 is the Tariff Order issued by the Authority for the Second Control Period of Coimbatore International Airport.
- ix. Chapter 17 contains Annexures:
  - Annexure 1: Tariff Rate Card approved by the Authority for Coimbatore International Airport for the Second Control Period.

## **2.6 Stakeholders' comments regarding Tariff Determination of Coimbatore International Airport for the Second Control Period**

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. The comments of stakeholder is presented below.

### **2.6.1 FIA's comment on submission of MYTP is as follows:**

*"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."*

## **2.7 AAI's response to stakeholders' comments regarding Tariff Determination of Coimbatore International Airport for the Second Control Period**

2.7.1 No counter comments were received from AAI in response to FIA's comments regarding delay in submission of MYTP by AO for the Second Control Period.

## **2.8 Authority's analysis on Stakeholders' comments regarding Tariff Determination of Coimbatore International Airport for the Second Control Period**

2.8.1 The Authority notes the comments of FIA regarding delay in submitting the MYTP.

2.8.2 In this regard, it is highlighted that AERA for all major airports always tries to determine the tariff in a time bound manner, keeping in mind the interest of all the stakeholders. However, in some cases, due to non-availability of correct and timely submission of required information by AO, the tariff determination process becomes more time consuming. Further, the tariff determination process itself is very exhaustive, which commences on the receipt of MYTP from the AO and then goes through a detailed evaluation process, followed by user consultation culminating in review and issuance of the Tariff Order.

2.8.3 Hence, the timely completion of tariff determination depends upon various factors. The sequence of events relating to the tariff determination process has been elaborated in the Para 2.4.5. AERA keeps advising all Airport Operators to submit MYTPs well in advance i.e., 6 months before the commencement of the new Control Period.

2.8.4 Further, the Regulatory Asset Base (RAB), on which FRoR is allowed to Airport Operator, is finalized based on the review of actual capitalization done/ Capex projected to be capitalized during the Control Period. The issue raised by the stakeholder i.e. 'delay in tariff determination process will lead to increase in adjusted deemed initial RAB' does not arise in this case.

### 3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR COIMBATORE INTERNATIONAL AIRPORT

#### 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 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, for the First Control Period, the Authority has adopted the Hybrid-Till mechanism for tariff determination, wherein, only 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 true-up of the First Control Period and for Tariff Determination in the Second Control Period.
- 3.1.3 The Aggregate Revenue Requirement (ARR) for a given Control Period, under Hybrid Till is calculated as given below:

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

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

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'

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

$NAR_t$  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 Tariff Order, 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 Control Period

3.2.1 In terms of Direction No. 5 issued on 28<sup>th</sup> February 2011, Control Period means “a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist”. The First Control Period for Coimbatore International Airport commenced from 1<sup>st</sup> April 2018 and the Second Control Period has commenced from 1<sup>st</sup> April 2023.

### 3.3 Revenues from Air Navigation Services (ANS) and Cargo facility

3.3.1 AAI provides Air Navigation Services (ANS) in addition to other Aeronautical services at Coimbatore International Airport. AAI had submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This Tariff Order discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently approved by the Ministry of Civil Aviation for all the airports. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry, while determining tariff for ANS services. The tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity in ANS charges across all the Airports in the Country. In view of the above, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

3.3.2 AAI had further submitted that all Cargo Operations had been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI had considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI’s agreement with AAICLAS.

3.3.3 This Tariff Order discusses the Determination of Tariff for Aeronautical Services at Coimbatore International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Coimbatore International Airport will be determined separately, as Cargo Operations are carried out by AAICLAS.

### 3.4 Stakeholders’ comments regarding Framework for Determination of Tariff of Coimbatore International Airport for the Second Control Period

During the stakeholders’ consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. The comments of stakeholder is presented below.

3.4.1 FIA’s comment on using Hybrid Till model 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.”*

3.4.2 FIA’s comment on non-consideration of revenue from ANS is 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."*

### **3.5 AAI's response to stakeholders' comments regarding Framework for Tariff Determination of Coimbatore International Airport for the Second Control Period**

3.5.1 AAI's response to FIA's comment on using Hybrid Till model is as follows:

*"As per National Civil Aviation Policy (NCAP)-2016 there should be uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidise aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the same will be truing up and adjusted in next control period by AERA.*

*AERA vide Order No. 14/2016-17 dated January 12, 2017 conveyed that to determine the future tariffs using Hybrid Till Methodology in line with the policy of Government of India directed Airport operator to submit the proposal on the lines of above said order. Accordingly, the proposal has been submitted by using Hybrid Till Methodology based on the above said directions of AERA."*

3.5.2 AAI's response to FIA's comment on revenue from ANS is as follows:

*"Air Navigation Services (ANS) are a separate segment of services provided by AAI in addition to Airport Services. AAI does not consider the assets, expenses and revenue pertaining to ANS while submitting the tariff proposal to AERA for determining of tariff for Airport Services. The ANS charges have been fixed by MoCA."*

### **3.6 Authority's analysis on Stakeholders' comments regarding Framework for Tariff Determination of Coimbatore International Airport for the Second Control Period**

3.6.1 The Authority notes the comments of FIA on Regulatory Till applicable to major airports, for the determination of tariffs of aeronautical services and response thereon of AAI. In this regard, it is submitted that the determination of tariff for major airports under the Hybrid Till Mechanism is as per the recommendations of the National Civil Aviation Policy 2016 (NCAP 2016) of Government of India and the amendment to the tariff guidelines issued vide AERA Order No. 14/2016-17 dated 12th January 2017. The excerpt of the same is reproduced as under:

*"(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, the Hybrid Till mechanism has been followed to determine the aeronautical tariff uniformly across all the major airports.

It is also relevant to note that the 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.

- 3.6.2 The Authority also notes the comments of FIA pertaining to Air Navigation Services (ANS) and response thereon of AAI. In this regard, it is to be noted that the tariff for ANS is presently approved by the Ministry of Civil Aviation (MoCA) for all the airports to ensure uniformity in ANS Charges across the Country. MoCA, while fixing tariff for ANS provided by AAI, separately considers all the assets, expenses and revenues pertaining to ANS. Hence, AERA determines tariff for Aeronautical services in respect of Airport Operator, by excluding Assets, Revenues & Expenditure related to ANS.



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## 4 TRUE UP OF THE FIRST CONTROL PERIOD

### 4.1 AAI's submission on True up of the First Control Period for Coimbatore International Airport

4.1.1 AAI had submitted a shortfall of ₹ 244.18 crores for Coimbatore International Airport for the First Control Period as part of its MYTP submission for the Second Control Period:

**Table 6: True up for the First Control Period submitted by AAI**

(₹ in crores)

Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
Total Revenue from Regulated Services	A	34.41	78.35	25.59	40.82	76.55	255.72
Total Revenue from services other than Regulated Services (30% considered for Hybrid Till)	B	6.63	7.28	2.49	3.42	7.44	27.26
Operation & Maintenance Expenditure	C	47.61	59.91	47.22	53.23	55.92	263.90
Depreciation	D	7.63	7.58	7.45	7.46	9.22	39.34
Total Expenditure	E= C+D	55.24	67.49	54.67	60.70	65.14	303.23
Regulatory Operating Profit	F = A+B-E	-14.20	18.15	-26.60	-16.46	18.86	-20.25
Average RAB	G	56.56	74.71	83.65	97.12	124.32	436.37
Return on Average RAB	H=G*14%	7.92	10.46	11.71	13.60	17.41	61.09
Corporate Tax	I	-	-	-	-	-	-
True up of FY 2016-17 & FY 2017-18	J	60.63	-	-	-	-	60.63
Interest on Working Capital	K	0.95	-	0.29	1.09	-	2.33
ARR	L=C+D+H+I+J-B	118.11	70.67	64.19	71.96	75.10	400.02
(Excess)/Shortfall	M=L-A	83.70	-7.69	38.60	31.14	-1.45	144.31
PV of (Excess)/Shortfall	N	161.16	-12.98	57.19	40.47	-1.65	244.18

### 4.2 Authority's examination of True up of the First Control Period at Consultation Stage

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical Services for the First Control Period vide Order No. 44/ 2018-19 dated 6<sup>th</sup> March 2019 had been reproduced below:

**Decision No. 1a – Traffic Forecast:** The Authority decides to consider passenger traffic projections given in Table 7 and ATM projections as given in Table 8.

**Decision No. 1b – Traffic Forecast:** The Authority decides to true up the passenger and ATM traffic of the First Control Period based on actuals at the time of determination of tariff for the next control period.

**Decision No. 2a – RAB:** The Authority decides to use the average RAB given in Table 25 for the calculation of ARR.

**Decision No. 2b – RAB:** The Authority decides to true-up the average RAB for the First Control Period while determining the tariff for the Second Control Period.

**Decision No. 3a – FRoR:** The Authority decides to consider the FRoR at 14% for Coimbatore Airport for the First Control Period.

**Decision No. 3b – FRoR:** The Authority will undertake the study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.





**Decision No. 4a – O&M expenses:** The Authority decides to consider the revised operation and maintenance expenditure for Coimbatore Airport as given in Table 28.

**Decision No. 4b – O&M expenses:** The Authority decides to true-up the O&M expenses based on actual expenditure during the control period.

**Decision No. 5a – Non-Aeronautical revenues:** The Authority decides to consider the Non-Aeronautical Revenues given in Table 32 for the determination of aeronautical tariffs for the First Control Period.

**Decision No. 5b – Non-Aeronautical revenues:** The Authority decides to true-up the Non-Aeronautical Revenues of the First Control Period based on actuals at the time of determination of tariff for the next control period.

**Decision No. 6a – Taxation:** The Authority decides to consider the tax computation as per Table 34.

**Decision No. 6b – Taxation:** The Authority decides to true up the First Control Period based on actuals at the time of determination of tariff for the next control period.

**Decision No. 8a – Prior Period Shortfall:** The Authority decides to consider prior period shortfall as given in Table 39 for trueing up in the current control period.

**Decision No. 9a –ARR:** The Authority has decided to consider the ARR as provided in Table 42 for determination of Aeronautical tariffs for the First Control Period.

**Decision No. 9b –**The Authority decided to true up all the building blocks of ARR of the First Control Period based on actuals at the time of determination of tariff for the next control period.

**Decision No. 10a – Aeronautical Revenues –** The Authority decides to consider UDF at ₹ 350 per domestic embarking passenger and at ₹ 450 per international embarking passenger.

**Decision No. 10b – Aeronautical Revenues –** The Authority decides to consider Aeronautical Revenues as given in Table 53.

**Decision No. 10c – Aeronautical Revenues –** The Authority decides to true up the Aeronautical Revenues of the First Control Period based on actual Aeronautical Revenues earned at the time of determination of tariff for the next control period.

### 4.3 True up of Traffic

4.3.1 AAI had submitted actual Passenger Traffic and ATM for Coimbatore International Airport for the First Control Period as follows:

**Table 7: AAI's submission for True up of traffic for the First Control Period for Coimbatore International Airport**

Particulars	FY19	FY20	FY21	FY22	FY23
<b>Passengers (In millions)</b>					
Domestic	2.76	2.60	0.82	1.22	2.36
International	0.24	0.24	0.03	0.07	0.19
<b>Total</b>	<b>3.00</b>	<b>2.84</b>	<b>0.85</b>	<b>1.29</b>	<b>2.56</b>
<b>ATM (In Nos)</b>					
Domestic	23,390	20,356	7,893	10,418	16,364
International	1,863	1,947	250	602	1,278
<b>Total</b>	<b>25,253</b>	<b>22,303</b>	<b>8,143</b>	<b>11,020</b>	<b>17,642</b>



**Authority's examination and proposal regarding true up of Traffic of the First Control Period at Consultation Stage**

4.3.2 The traffic approved by the Authority in the Tariff Order No. 44/ 2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period is shown in table below:

**Table 8: Passenger traffic and ATM approved by the Authority in the Tariff Order for First Control Period**

Particulars	FY19	FY20	FY21	FY22	FY23
<b>Passengers (In millions)</b>					
Domestic	2.50	2.83	3.22	3.65	4.14
International	0.23	0.27	0.31	0.36	0.41
<b>Total</b>	<b>2.73</b>	<b>3.10</b>	<b>3.53</b>	<b>4.01</b>	<b>4.55</b>
<b>ATM (In Nos)</b>					
Domestic	21,670	23,404	25,276	27,298	29,482
International	1,760	2,023	2,327	2,676	3,077
<b>Total</b>	<b>23,430</b>	<b>25,427</b>	<b>27,603</b>	<b>29,974</b>	<b>32,559</b>

4.3.3 The Authority had considered the following facts regarding the variation in the passenger traffic and ATM for the First Control Period (actual traffic vis-à-vis the projections approved in the Tariff Order for the First Control Period):

- i. The adverse impact of COVID-19 pandemic affected the traffic in March 2020 and FY 2020-21 due to travel restrictions and reduced air traffic movements, which led to a significant decline in the passengers and ATMs projected for the control period.
  - ii. The passenger and ATM traffic improved in the next 2 years (FY 2021-22 and FY 2022-23) of the Control Period, with the domestic and international passenger traffic achieving a growth of 93.56% and 197.97% respectively in FY 2022-23. Similarly, the domestic and international ATM had achieved a growth of 57.07% and 112.29% respectively in FY 2022-23 over FY2021-22.
  - iii. Domestic and international passenger traffic in FY 2022-23 had reached 90.70% & 81.78% of pre-COVID passenger traffic (FY 2019-20) respectively. Likewise, the domestic and international ATM traffic in FY 2022-23 had reached 80.39% & 65.64% of pre-Covid Traffic levels (FY 2019-20) respectively.
  - iv. The Authority verified the actual Passenger traffic and ATM (as per Table 7) for the First Control Period based on the details available on AAI's website and noted no variances.
- 4.3.4 Based on the above analysis, the Authority proposed to consider the actual traffic submitted by AAI for the First Control Period, as shown in Table 7 in line with its decision no. 1b of the Tariff Order No. 44/ 2018-19 dated 6<sup>th</sup> March, 2019.

**Stakeholders' comments regarding True-up of Traffic for the First Control Period**

4.3.5 No comments have been received from stakeholders on Traffic for the First Control Period.

**Authority's Analysis on stakeholders' comments regarding True-up of Traffic for First Control Period**

4.3.6 The Authority notes that no comments were received from the Stakeholders on true up of traffic for the First Control Period. Hence, the Authority decides to consider the traffic based on actuals for true-up of the First



Control Period, consistent with the proposal made in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024. The traffic considered by the Authority for true-up of the First Control Period has been shown in Table 7.

#### 4.4 True up of Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB)

4.4.1 The actual CAPEX submitted by AAI for the true up of the First Control Period for Coimbatore International Airport is as follows:

**Table 9: Capital Additions during the First Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

S. No.	Asset Category	Capex approved by AERA (1)	Actual CAPEX incurred* (2)	Variance [(2) - (1)]	Financing Allowance claimed in AAI's submission
<b>A</b>	<b>CAPEX incurred towards projects approved by AERA for the First Control Period</b>				
A.1	Apron	23.64	26.33	2.69	2.55
A.2	Boundary Wall Operational	0.50	0.74	0.24	-
A.3	Boundary Wall Residential <sup>#</sup>	-	0.24	0.24	-
A.4	Computer & Peripherals – End User Devices <sup>#</sup>	-	0.02	0.02	-
A.5	Other Buildings	2.66	3.47	0.81	-
A.6	Electrical Installations	32.53	10.26	-22.27	-
A.7	Plant & Machinery	51.37	16.17	-35.20	-
A.8	Runway	0.30	0.38	0.08	-
A.9	Residential Buildings	40.24	24.10	-16.14	3.97
A.10	Road, Bridges & Culverts	0.44	0.38	-0.06	-
A.11	Terminal Building	60.47	12.48	-47.99	-
A.12	Tools & Equipment	2.66	1.10	-1.56	-
A.13	Vehicle	0.44	1.01	0.57	-
	<b>Subtotal (a)</b>	<b>215.25</b>	<b>96.68</b>	<b>-118.57</b>	<b>6.51</b>
<b>B</b>	<b>Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period</b>				
B.1	Boundary Wall Operational	-	0.01	0.01	-
B.2	Security Fencing	-	0.46	0.46	-
B.3	CFT/Fire Fighting Equipment	-	5.43	5.43	-
B.4	Computer & Peripherals – End User Devices	-	0.39	0.39	-
B.5	Office Equipment	-	0.09	0.09	-
B.6	Furniture & Fixtures – Other than Trolley	-	2.69	2.69	-
B.7	Furniture & Fixtures – Trolley	-	0.23	0.23	-
B.8	Other Buildings	-	0.56	0.56	0.03
B.9	Plant & Machinery	-	8.12	8.12	-
B.10	Terminal Building	-	1.49	1.49	-
B.11	Tools & Equipment	-	7.90	7.90	-
B.12	Vehicle	-	0.15	0.15	-
B.13	X Ray Baggage System	-	1.86	1.86	-
	<b>Subtotal (b)</b>	<b>-</b>	<b>29.38</b>	<b>29.38</b>	<b>0.03</b>
	<b>Total CAPEX [(a) + (b)]</b>	<b>215.25</b>	<b>126.05</b>	<b>-89.20</b>	<b>6.54</b>

\*Excluding Financing Allowance of ₹ 6.54 Crore

# Although these are not included in capex approved in tariff order for First Control Period, these pertain to the capex projects approved in the said order categorized under other heads in the table.



4.4.2 The Authority had approved CAPEX of ₹ 215.25 crores in the Tariff Order for the First Control Period. The year wise details of the approved CAPEX are given below:

**Table 10: Capital Expenditure approved in the Tariff Order for the First Control Period**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Aprons	-	-	23.64	-	-	23.64
Boundary Wall Operational	0.50	-	-	-	-	0.50
Other Buildings	2.66	-	-	-	-	2.66
Plant & Machinery	17.66	-	-	66.24	-	83.90
Runways	0.30	-	-	-	-	0.30
Residential Buildings	0.25	-	39.99	-	-	40.24
Road, Bridges & Culverts	0.44	-	-	-	-	0.44
Terminal Building	13.03	-	-	47.44	-	60.47
Tools & Equipment	2.66	-	-	-	-	2.66
Vehicle	0.44	-	-	-	-	0.44
<b>Total</b>	<b>37.93</b>	<b>-</b>	<b>63.63</b>	<b>113.67</b>	<b>-</b>	<b>215.25</b>

**Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period at Consultation Stage:**

4.4.3 The Authority analyzed the variances between the approved CAPEX (as per Tariff Order No. 44/ 2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period) and the total actual CAPEX incurred for the First Control Period (refer Table 9) and noted that AAI had not implemented 55.08% of the approved CAPEX. The major capital items had been examined in detail and presented asset-wise in the paragraphs below in the following order:

- A. CAPEX incurred towards projects approved by AERA in the Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period
- B. Unplanned /Unapproved CAPEX incurred by AAI during the First Control Period

4.4.4 The Authority proposed to consider various ratios for the purpose of allocation of Capital Expenditure for true up of the First Control Period. The ratios applied are presented in the table below:

**Table 11: Various Ratios considered by the Authority for re-allocation of CAPEX into Aero and Non-Aero**

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23
Employee Ratio (EHCR) (Aero: Non-Aero)	Table 22	96.43%: 3.57%	93.55%: 6.45%	94.07%: 5.93%	95.00%: 5.00%	94.55%: 5.45%
Employee Ratio (EHCR) (Aero: Non-Aero:ANS)		64.29%: 2.38%: 33.33%	66.29%: 4.57%: 29.14%	66.47%: 4.19%: 29.34%	67.46%: 3.55%: 28.99%	64.60%: 3.73%: 31.68%
Staff Quarters Ratio (SQTR) (Aero: Non- Aero:ANS)		91.57%: 0.00%: 8.43%	89.83%: 0.00%: 10.17%	93.22%: 0.00%: 6.78%	92.73%: 0.00%: 7.27%	72.50%: 1.67%: 25.83%
Terminal Building Ratio (TBLR) (Aero: Non-Aero)	Para 4.6.4	92.00%: 8.00%	92.00%: 8.00%	92.00%: 8.00%	92.00%: 8.00%	92.00%: 8.00%

**A. CAPEX incurred towards projects approved by AERA in Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period**

4.4.5 The Authority noted that there were variances between the costs approved by the Authority in the First Control Period Tariff Order and the actual cost incurred. The Authority noted that the costs incurred were capitalized



based on orders issued and works completed based on which these assets had been included as part of the FAR for Coimbatore International Airport.

**A.1 Apron (including additional parking bays) - ₹ 26.33 crores**

4.4.6 The Authority had approved a capex of ₹ 23.64 crores towards the construction of the following:

- five additional parking bays (Category "C" type aircraft) and
- extension of apron for two additional bays in the FCP Tariff Order.

Towards this, AAI had issued 2 work orders totaling to ₹ 27.70 crores. However, the actual expenditure as per FAR submitted by AAI is ₹ 26.33 crores i.e. an increase of ₹ 2.69 crores from the amount approved in FCP Tariff Order. The Authority proposed to consider the actual cost capitalized of ₹ 26.33 crores as per FAR. AAI had considered these expenses as 100% Aeronautical in nature and the Authority proposed to consider the same allocation.

**A.2. Boundary Wall - Operational - ₹ 0.74 crores**

4.4.7 The Authority had approved ₹ 0.50 crores towards wall-to-wall grading of operational area in the FCP Tariff Order. The actual expenditure as per AAI Submission is ₹ 0.74 crores, i.e. an increase of ₹ 0.24 crores from the amount approved in FCP Tariff Order. As this capex is essential and necessary for security and safety of the airport, the Authority proposed to consider the actual cost capitalized of ₹ 0.74 crores based on the details mentioned in para 4.4.5. AAI had considered these expenses as 100% Aeronautical in nature and the Authority proposed to consider the same allocation.

**A.5 Other Buildings - ₹ 3.47 crores**

4.4.8 The Authority had approved ₹ 2.66 crores towards the covering of nallah on "23 side" of the runway in the First Control Period. AAI had actually incurred ₹ 3.47 crores for the same which was more than the approved amount by ₹ 0.81 crores. This CAPEX is essential and necessary for seamless runway operations. The Authority proposed to consider the actual cost capitalized of ₹ 3.47 crores based on the details mentioned in para 4.4.5. AAI had considered these expenses as 100% Aeronautical in nature as they pertain to operations of runway and the Authority proposed to consider the same. For the purposes of calculation of depreciation, this addition had been capitalized as part of "Main access roads/ roads in operational area/ boundary wall/ security fencing" as per Order 35/2017-18 dated 12<sup>th</sup> January 2018.

**A.6 Electrical Installations- ₹ 10.26 crores**

4.4.9 In the FCP Tariff Order, the Authority had approved CAPEX costs of ₹ 32.53 crores towards

- Electrical works for terminal building
- Replacement of cooling towers
- Feeder pillars and cables in residential colony
- Construction of sewage treatment plant
- Provision of apron drive glass walled
- Provision for perimeter lighting

AAI had incurred actual aeronautical expenditure of ₹ 10.26 crores which was lower by ₹ 22.27 crores than the approved amount in the First Control Period Tariff Order. The reason for lower actual expenditure is on account of non-incurrence of Terminal building related expenditure. Considering the requirements of these



projects for airport operations/ operations of residential quarters, the Authority proposed to consider the actual expenses incurred as per FAR for the purposes of true-up of the First Control Period. AAI had considered all these activities as 100% Aeronautical in nature except for an expense amounting to ₹ 0.09 Crores pertaining to “street lighting and perimeter roads” which had been allocated on SQTR. However, the Authority had applied SQTR, TBLR ratios and had considered some CAPEX as 100% Aeronautical as appropriate and the aeronautical expenses as per the Authority works to ₹ 10.22 crores after re-allocation.

**Table 12: Electrical Installations proposed by AAI and proposed by the Authority for the First Control Period**

(₹ in crores)

Particulars	Gross Amount	Allocation as per AAI	Aero Amount as per AAI	Allocation as per the Authority	Aero Amount as per the Authority
Feeder Pillar& Cables @Residential colony	0.11	100%	0.11	SQTR	0.10
Apron Drive Glass Walled Passenger Board	5.45	100%	5.45	100%	5.45
Apron Drive Glass Walled Passenger Board	4.28	100%	4.28	100%	4.28
Provision/Replacement of Cooling Tower	0.35	100%	0.35	TBLR	0.32
Lighting @street and perimeter roads	0.10	SQTR	0.07	SQTR	0.07
<b>Total</b>	<b>10.28</b>		<b>10.26</b>		<b>10.22</b>

**A.7 Plant & Machinery - ₹ 16.17 crores**

4.4.10 In the FCP Tariff Order, the Authority had approved ₹ 51.37 crores towards Plant and Machinery which constituted the following:

- Supply of bomb detection and disposal vehicles
- Mobile command post
- Airport Rotating Beacons
- Grass cutting machines
- Airport system for new domestic departure terminal area

The Authority noted that AAI had incurred actual aeronautical expenditure of ₹ 16.17 crores which was lower than the amount approved in the First Control Period Tariff Order by ₹ 35.20 crores. The main reason for the decrease is non-incurrence of expenses pertaining to “airport system” for the proposed modification of terminal building. The Authority proposed to consider the actual capex incurred and capitalized as per FAR for the purposes of true up of the First Control Period on the basis of their necessity for security / smooth airport operations. AAI had considered some of these expenses as 100% Aeronautical and some on the basis of SQTR, as appropriate and the Authority proposed to consider the same basis of allocation except for 2 specific additions amounting to ₹ 0.77 crores pertaining to “creation of additional room on 1<sup>st</sup> floor arrival” and “SITC of AC units and other works”, which AAI had considered as 100% Aeronautical in nature and whereas the Authority had applied TBLR for apportionment of the same. The total aeronautical expenses as proposed by the Authority after applying allocation ratios amounted to ₹ 16.11 crores. The CAPEX pertaining to Plant & Machinery, which were re-allocated by the Authority are presented in the table below:

**Table 13: Plant & Machinery allocated by AAI and re-allocated by the Authority at Consultation Stage**  
(₹ in crores)

Particulars	Gross Amount	Allocation as per AAI	Aero Amount as per AAI (A)	Allocation as per the Authority	Aero Amount as per the Authority (B)	Variance (A-B)
Creation of additional rooms at 1st Floor Arrival	0.54	100%	0.54	TBLR	0.50	0.04
SITC of AC Units and other allied works 23 no's	0.22	100%	0.22	TBLR	0.20	0.02
<b>Total</b>	<b>0.76</b>		<b>0.76</b>		<b>0.70</b>	<b>0.06</b>

**A.8 Runway - ₹ 0.38 crores**

4.4.11 In the FCP Tariff Order, the Authority had approved ₹ 0.30 crores towards Runway safety area on "23 side" of the runway. AAI had incurred ₹ 0.38 crores against the approved amount of ₹ 0.30 crores. The Authority proposed to consider the actual cost capitalized of ₹ 0.38 crores based on the details mentioned in para 4.4.5. AAI had considered this expense as 100% aeronautical and the Authority proposed to consider the same basis of allocation.

**A.9 Residential Buildings - ₹ 24.10 crores A.3 Boundary Wall – Residential - ₹ 0.24 crores**

4.4.12 In the FCP Tariff Order ₹ 40.24 crores was approved towards construction of additional parking shed for residential colony and employee quarters. AAI had incurred actual aeronautical cost of ₹ 24.34 crores towards the same, categorized as "Residential Building - ₹ 24.10 crores" and "Boundary Wall – Residential ₹ 0.24 crores" against the amount approved. Towards this, the Authority, through its Independent Consultant, had reviewed the tendered cost of ₹ 43.46 crores pertaining to Residential Building. However, the actual expenditure as per FAR submitted by AAI was ₹ 24.27 crores and it was noted that the reason for such decrease was the non-incurrence of cost towards construction of parking shed. The Authority proposed to consider the actual cost capitalized as per the FAR for the purposes of true up of the First Control Period. "Residential Building - ₹ 24.10 Crores" had been allocated based on SQTR by AAI and the Authority proposed to accept the same allocation. However, "Boundary wall – Residential" which contains expenses incurred for construction of wall at staff quarters had been taken as 100% Aeronautical by AAI, which the Authority proposed to consider on the basis of SQTR (72.50%) for allocation of the same.

**A.10 Roads, Bridges and Culverts - ₹ 0.38 crores**

4.4.13 In the FCP Tariff Order, ₹ 0.44 crores was approved towards improvement of drainage system and construction of perimeter road. AAI had incurred ₹ 0.38 crores towards the same. AAI had considered such expenses pertaining to roads at quarters as 100% Aeronautical. However, the Authority proposed to allocate ₹ 0.28 crores using SQTR. Since the project had been already approved during the First Control Period, the Authority proposed to consider the amount actually incurred as per FAR for the purpose of true up of the First Control Period.

**A.11 Terminal Building - ₹ 12.48 crores**

4.4.14 In the FCP Tariff Order, ₹ 60.47 crores was approved towards Terminal Building which constituted the following:

- Civil works on construction of office building

- Sewage treatment plant
- Face-lift work
- Construction of new domestic departure terminal

The Authority noted that AAI had incurred actual aeronautical expenditure of ₹ 12.48 crores which is lower than the amount approved in the FCP Tariff Order by ₹ 47.99 crores, the main reason for decrease being the non-incurrence of expenses pertaining to the new domestic departure terminal and construction of the office building. AAI had considered these expenses as 100% Aeronautical. However, the Authority proposed to consider these expenses as 100% Aeronautical or using TBLR, as appropriate and had accordingly considered an amount of ₹ 11.68 crores for the purpose of true up of the First Control Period.

#### A.12 Tools & Equipment - ₹ 1.10 Crores A.4 Computers and Peripherals – End User Devices - ₹ 0.02 crores

4.4.15 The cost approved in the FCP Tariff Order of ₹ 2.66 crores was towards:

- Procurement of tools and plant
- Biometric access control system

AAI in their MYTP had submitted that actual aeronautical expenditure of ₹ 1.12 crores categorized as “Tools & Equipment - ₹ 1.10 Crores” and “Computers and Peripherals – End User Devices - ₹ 0.02 crores” had been incurred, against the approved cost of ₹ 2.66 crores, which was lower by ₹ 1.54 crores than the amount approved in the FCP tariff order. The allocation of gross value of such assets amounting to ₹ 2.72 crores as per AAI and as per the Authority were as under:

**Table 14: Capex on “Tools & Equipment” and “Computers & Peripherals – End User Devices” as submitted by AAI and as proposed by the Authority at Consultation Stage**

(₹ in crores)

Asset Category	Gross Value	Submitted by AAI		Proposed by the Authority		Variance (B-A)
		Ratios applied	Aeronautical Value (A)	Ratios applied	Aeronautical Value(B)	
Tools & Equipment – Other than Biometric Access System	0.49	SQTR	0.35	SQTR	0.35	-
Tools & Equipment - Biometric Access System	2.21	34%	0.75	EHCR	2.08	1.33
Computers & Peripherals – End User Devices	0.02	100%	0.02	EHCR	0.02	-
<b>Total</b>	<b>2.72</b>		<b>1.12</b>		<b>2.45</b>	<b>1.33</b>

The Authority had applied EHCR and SQTR as appropriate for the allocation of these expenses while AAI had apportioned Tools & Equipment on EHCR and End use devices as 100% Aeronautical. Further it was noted from the above table that the expense pertaining to “SITC of Biometric Access Control System” amounting to ₹ 2.21 crores (gross) had been apportioned by AAI in the ratio of 59/174 based on no. of users as aeronautical, whereas the Authority proposed to apportion the same on the basis of EHCR. Therefore, the Authority proposed to consider the revised aeronautical expenditure incurred of ₹ 2.45 crores for the purpose of true up of the First Control Period.

#### A.13 Vehicle - ₹ 1.01 Crores

4.4.16 The cost approved in the FCP Tariff Order of ₹ 0.44 crores was towards procurement of ambulance. Apart from the purchase of ambulance, AAI had included other additions under the head “vehicles” as follows:



- A. ₹ 0.26 crores towards purchase of ambulance.
- B. ₹ 0.22 crores relating to other vehicles.
- C. ₹ 0.37 crores relating to mobile command post – which was approved as part of plant & machinery in the FCP tariff order.
- D. ₹ 0.16 crores BDDS vehicles - which was approved as part of plant & machinery in the FCP tariff order.

The Authority noted that ₹ 0.79 crores (A+C+D) pertain to expenses approved under other heads in the FCP tariff order, and accordingly the same was considered for true up for the First Control Period. The Authority noted that expenses pertaining to ₹ 0.22 crores (B) which were classified as planned expenditure by AAI relate to purchase of vehicles such as buggy for transportation of passengers/grass cutting tractor which were not approved in the First Control Period Tariff Order. Since these vehicles are required for operational requirement, the Authority proposed to consider ₹ 0.22 crores of unapproved capex additions as part of true up of the First Control Period. AAI had considered all these assets as 100% Aeronautical in nature. The Authority proposed to consider the allocation submitted by AAI except for allocating vehicles amounting to ₹ 0.09 crores, based on EHCR as it is used by employees. The total aeronautical additions as per the Authority amounts to ₹ 1.01 crores.

- 4.4.17 The Authority observed from FCP Tariff Order that Terminal building modifications were included as part of the Capital Expenditure (₹ 113.68 crores) with a proposed capitalisation date of 30<sup>th</sup> September 2021. However, as per the MYTP submission, this capitalization had been proposed to be shifted to the second half of FY 27, i.e. the last tariff year of the Second Control Period.

It was noted that though the MYTP submission included the Terminal Building in the Second Control Period, the financial working submitted by AAI had not proposed Terminal Building modification in the SCP as well. On enquiry about the reason for the shift in capitalization date, AAI informed that *“the terminal building modification was not taken up as State Government had informed that action of land acquisition on the other side of runway is in final stage. Hence, competent Authority decided not to go ahead with terminal building modification in the Second Control Period.”*

The Authority noted that in view of the above proposed CAPEX for the First Control Period, there had already been a substantial increase in the ARR, which had resulted in an increase in the Aeronautical tariffs. The Authority also noted that such a practice is not in the interest of Airport users as they have started paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure.

#### **B. Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period**

- 4.4.18 The Authority noted that AAI had incurred unplanned capex amounting to ₹ 29.38 crores (i.e. 13.65% of the approved capex), which is not part of the total capex amounting to ₹ 215.25 crores approved for the FCP. The Authority, while examining the unplanned capex noted that unplanned capex had been mainly incurred for safety, security and smooth conduct of airport operations.

The Authority in the following paragraphs had discussed the major unplanned capex additions for categories having total value of over ₹ 1 crore.

#### **B.3 CFT/Fire Fighting Equipment - ₹ 5.43 crores**

- 4.4.19 The Authority observed that AAI had incurred ₹ 5.27 crores towards purchase of ACFT (Aircraft Crash Fire Tender) and ₹ 0.16 crores towards purchase of spares. Fire station of Coimbatore International Airport is a category 7 station, and hence on account of operational requirements, a new firefighting vehicle was procured



by AAI in FY 2018-19. As Firefighting equipment is essential for Airport and passenger safety, the Authority found the same to be justifiable and in line with the cost incurred in other similar airports and proposed to consider the same for True up of the First Control Period.

**B.6 Furniture & Fixtures – Other than Trolley - ₹ 2.69 crores**

4.4.20 The Authority noted that ₹ 2.69 crores were incurred by AAI towards purchase of furniture such as chairs, tables, check-in counters and cabinets for the Terminal Building. The Authority had examined the expenses and found them to be reasonable and proposed to consider the same for True up of the First control Period. AAI had considered these assets as 100% Aeronautical in nature. However, the Authority had applied TBLR, EHCR as appropriate and proposed to consider ₹ 2.55 crores as additions to RAB.

**B.9 Plant & Machinery - ₹ 8.12 crores**

4.4.21 AAI had submitted that ₹ 8.12 crores of Plant & Machinery include cost towards DG set, dual view XBIS, provision of turn pads and fillets lights, outdoor feeder panel, way finding signages, etc. The Authority noted that the CAPEX was related to airport operations and therefore the same was proposed to be considered as part of Capital additions for True up of the First Control Period. AAI had considered these additions as 100% Aeronautical in nature. However, the Authority had applied TBLR as appropriate and proposed to consider ₹ 7.86 crores as aeronautical additions to Plant & Machinery.

**B.10 Terminal Building - ₹ 1.49 crores**

4.4.22 The Authority noted that the CAPEX of ₹ 1.49 crores relates to construction of toilets in arrival area and renovation of departure area. The Authority noted that such expenditure was required for passenger facilitation, and hence, proposed to consider the same for true up of the First Control Period. While AAI had considered these additions as 100% Aeronautical in nature, the Authority had applied TBLR and proposed to consider ₹ 1.37 crores as aeronautical additions to Terminal Building.

**B.11 Tools & Equipment - ₹ 7.90 crores**

4.4.23 The Authority noted that the CAPEX of ₹ 7.90 crores had been incurred by AAI towards CCTV, E-gate at immigration arrival and departure, dynamic signage display for immigration counters, Human Life Detectors etc. Considering that these expenses pertain to security/ passenger facilitation, the same was proposed to be considered for true up of the First Control Period. While AAI had considered these additions as 100% Aeronautical in nature, the Authority had applied TBLR as appropriate and proposed to consider ₹ 7.59 crores as aeronautical additions to Tools & Equipment.

**B.13 X-Ray Baggage System - ₹ 1.86 crores**

4.4.24 It was observed that assets worth ₹ 1.86 crores were acquired under a contract to operate the X-ray Baggage Inspection Systems (XBIS) using a Build-Operate-Transfer (BOT) model. According to this contract, AAI leased the XBIS system for a period of 6 years, with an annual lease payment of ₹ 0.39 crores. Initially, AAI treated this lease as an operating lease, recording the lease payment as part of its O&M expenses until FY 2018-19.

However, in FY 2019-20, due to the implementation of accounting standard on financial leases, AAI reclassified the lease from an operating lease to a "Finance Lease." Consequently, the asset value of ₹ 1.86 crores was included as additions to the Regulated Asset Base (RAB).



As these assets had been leased under the contract, the Authority proposed to consider the lease payments as part of Operating Expenditure and not consider these assets as part of additions to RAB.

4.4.25 **Other minor projects:** The Authority observed that there were minor projects undertaken by AAI with respect to boundary wall – operational, security fencing, computer and peripherals, office equipment, furniture and fixtures – trolley, other buildings and vehicles which the Authority found to be reasonable and accordingly, proposed to consider the for true up of the First Control Period. The total value of these projects amounted to ₹ 1.89 crores.

4.4.26 The Authority noted that Coimbatore International Airport had claimed Financing Allowance of ₹ 6.54 crores in the MYTP submitted for true up of the First Control Period. The Authority had examined AAI's claim towards Financing Allowance and had the following views:

- 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.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO 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.
- 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 the initial stages to such airports. It may be further noted that the Authority has never provided Financing Allowance in the case of brownfield airports and airport of AAI, in any of the Tariff Orders. Further, the 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.
- 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 had been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and the AO keeps on enjoying the charges from the users. Hence, in the instant case, Coimbatore International Airport being a brownfield airport, is not eligible for financing allowance.
- Financing Allowance is a notional allowance. 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 availed for execution of a project.

- AERA Guidelines, 2011 did 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 stated 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)”.

- 4.4.27 Therefore, based on the above analysis, the Authority proposed not to allow the Financing Allowance of ₹ 6.54 crores claimed by AAI for the First Control Period.
- 4.4.28 Also, the Authority noted that AAI had availed debts amounting to ₹ 19.13 crores during the First Control Period (from FY 2020-21 to FY 2022-23), as confirmed by AAI vide email dated 11<sup>th</sup> March 2024. Further, AAI had confirmed that the interest on debt had already been capitalized in the books of account along with the respective assets and the same had been claimed as part of RAB for the First Control Period.
- 4.4.29 The Authority proposed to consider IDC amounting to ₹ 0.32 crores on debts availed totaling to ₹ 19.13 crores for execution of capital projects in the First Control Period, which had been included in the cost of the assets.
- 4.4.30 The Authority noted that the AO had submitted an average Terminal Building Ratio of 92.29:7.71 based on the actual commercial area let out during the First Control Period. The Authority proposed to consider the ratio of 92:8 for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical) in line with the ratio decided by it in the First Control Period Tariff Order.
- 4.4.31 AAI had considered staff quarter ratio as 72.5%:27.5% for allocation of assets. Based on verification of the computation, the Authority proposed to consider the same allocation ratio as submitted by AAI for the True-up of Capital Addition pertaining to employee quarters during the First Control Period.

The Authority also noted that AAI considered all other assets as 100% Aeronautical except for a few assets totaling to ₹ 2.38 crores where the Employee Head Count Ratio was applied. However, the Authority proposed to re-allocate the assets based on who the end user was or where the asset was located using appropriate ratios such as Terminal Building Ratio, Employee Head Count Ratio and Staff Quarter Ratio as applicable.

Based on the above factors, the Authority proposed to consider the actual CAPEX for the purpose of true up of the First Control Period as follows:

**Table 15: Capital Addition proposed by the Authority for True up of the First Control Period at Consultation Stage**

(₹ in crores)

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
<b>A</b>	<b>CAPEX incurred towards projects approved by AERA for the First Control Period</b>						
A.1	Apron	-	-	-	26.33	-	26.33
A.2	Boundary Wall – Operational	0.74	-	-	-	-	0.74
A.3	Boundary Wall – Residential	-	-	-	-	0.17	0.17
A.4	Computers - End User Devices	-	-	0.02	-	-	0.02
A.5	Other Building	3.47	-	-	-	-	3.47
A.6	Electrical Installations	9.82	0.32	-	-	0.07	10.22
A.7	Plant & Machinery	0.55	7.39	1.30	-	6.87	16.11
A.8	Runway	0.38	-	-	-	-	0.38
A.9	Building – Residential	-	-	-	-	24.10	24.10
A.10	Road, Bridges & Culverts	-	-	-	-	0.28	0.28
A.11	Building – Terminal	9.18	2.50	-	-	-	11.68



## TRUE UP OF THE FIRST CONTROL PERIOD

S. No.	Asset Category	FY19	FY20	FY21	FY22	FY23	Total
A.12	Tools & Equipment	-	-	2.08	-	0.35	2.43
A.13	Vehicle – Others	0.23	0.52	-	0.26	-	1.01
	<b>Subtotal (A)</b>	<b>24.36</b>	<b>10.74</b>	<b>3.40</b>	<b>26.59</b>	<b>31.84</b>	<b>96.94</b>
<b>B</b>	<b>Unplanned/Unapproved CAPEX incurred by AAI during the First Control Period</b>						
B.1	Boundary Wall – Operational	-	0.01	-	-	-	0.01
B.2	Security Fencing	-	-	0.46	-	-	0.46
B.3	CFT/Fire Fighting Equipment	0.16	5.27	-	-	-	5.43
B.4	Computers - End User Devices	0.08	0.16	0.07	0.07	0.08	0.46
B.5	Office Equipment	0.06	0.01	-	0.02	-	0.09
B.6	Furniture & Fixtures - Other than trolleys	0.50	0.59	1.47	-	-	2.55
B.7	Furniture & Fixtures – Trolleys	0.23	-	-	-	-	0.23
B.8	Other Building	-	0.04	-	0.49	-	0.53
B.9	Plant & Machinery	1.36	1.36	1.93	1.73	1.48	7.86
B.10	Building – Terminal	-	-	-	-	1.37	1.37
B.11	Tools & Equipment	0.45	3.16	3.37	0.61	-	7.59
B.12	Vehicle – Others	0.08	-	-	-	0.07	0.15
B.13	X Ray Baggage System	-	-	-	-	-	-
	<b>Subtotal (B)</b>	<b>2.92</b>	<b>10.60</b>	<b>7.30</b>	<b>2.92</b>	<b>3.00</b>	<b>26.74</b>
	<b>Total CAPEX incurred (A+ B)</b>	<b>27.28</b>	<b>21.34</b>	<b>10.70</b>	<b>29.51</b>	<b>34.85</b>	<b>123.68</b>

4.4.32 The Authority proposed to consider CAPEX of ₹ 123.68 crores as against CAPEX of ₹ 132.59 crores claimed by AAI (including Financing Allowance) for True up of the First Control Period. The variance is on account of the following:

- Not considering the Financing Allowance of ₹ 6.54 crores in RAB as claimed by AAI for the First Control Period.
- Not considering Financial Lease assets of ₹ 1.86 crores in RAB as claimed by AAI for the First Control Period excluded from RAB (considered as part of Operation & Maintenance Expenses)
- Change in the allocation ratio of various assets resulting in variance of ₹ 0.51 crores.

**Stakeholders' comments regarding true-up of Capital Expenditure for the First Control period**

4.4.33 FIA's comment on readjustment of the uncanceled project cost from ARR is as follows:

*"It is noted that the New Terminal Building, which was proposed and approved in the First Control period was not undertaken. Additionally, there is no mention of this project for the next Control Period as well.*

*As observed by AERA in para 4.4.3 of the CP, about 55.08% (118.31 Cr) of the approved capital expenditure was not utilized by AAI in the First Control Period, which was part of the computed ARR at that time. We request AERA to consider implementing a 1% adjustment for the delay in this case as the Airport Operator did not implement/complete the project within the stipulated time."*

**AAI's response to Stakeholders' comments regarding true-up of Capital Expenditure for the First Control Period**

4.4.34 AAI's response to FIA's comment on readjustment of the uncanceled project cost from ARR is as follows:

*"The work of Construction of New Terminal Building proposed in the 1st Control period could not be taken up because of the land had not been handed over by the State Govt which is still under process.*

*The capital expenditure approved in the 1st CP could not be utilized because of the Covid-19, Pandemic-shortage of labour and restriction impose by the GOI."*



**Authority's Analysis on Stakeholders' comments regarding true-up of Capital Expenditure for the First Control Period**

- 4.4.35 The Authority notes FIA's comments and response of AAI on readjustment of 1% of non-completed project costs in the ARR/Target Revenue and AO's response thereon. The Authority has in other airports, proposed that, if there is a delay in completion of the project, beyond the timeline given in the capitalization schedule, due to any reason beyond the control of the Airport Operator and is properly justified, the Authority would take the same into cognizance and not levy the above re-adjustment.

In this regard, the Authority notes that AAI had not incurred the Capex of Rs. 118.31 Crores, out of the total approved Capex of Rs 215.25 crores for the FCP. The Authority from the AAI submission notes that AO could not undertake major Projects planned for the FCP, such as Modification of Terminal building & Construction of new Domestic Departure Terminal and associated Electrical works, Construction of Office Building etc., as the additional Land required for the projects could not be acquired, due to issues connected with land acquisition/ transfer of land by State Govt. to AAI. As per AAI, the process of handover of acquired land is still under process. Further, the Covid-19 Pandemic was also another factor due to which, various planned projects were not executed by AAI, Thus, due to reasons beyond the control of AAI, major portion of approved capex for the First Control Period was not undertaken by the AO.

Considering the above, the Authority decides not to implement the 1% adjustment for delay in implementation/completion of capital projects not incurred during the First Control Period for Coimbatore International Airport.

- 4.4.36 The Authority also notes FIA's comment that the construction of new Terminal Building proposed in FCP was not undertaken by AAI and the same has not been proposed by AO for the Second Control Period also.

The Authority, in this regard, also takes the cognizance of the comments expressed by the Stakeholders in the Stakeholders' Consultation Meeting held on 6<sup>th</sup> August 2024, that the existing terminal building is congested and there is a need to augment the Terminal Building capacity & other infrastructure at the Airport, to cater to current and future traffic growth at the airport.

The Authority, from AAI submission, during stakeholders' consultation meeting, notes that construction of New Terminal Building and other air-side/ city-side projects to augment airport capacity are likely to be taken up during the next control period (Third Control Period), once the additional land for above schemes is made available to AAI by the State Govt.

In the meantime, the Authority directs AAI to undertake necessary measures to decongest the terminal building and decrease the dwell time for passenger related processes at the airport through implementation of options such as Self Baggage Drop etc. for increasing passenger handling and airside capacity of the airport, to avoid any inconvenience to the passengers and other stakeholders.

- 4.4.37 Based on the above, the Authority decides to consider the true-up of Capital Expenditure for the First Control Period as has been shown in Table 15, consistent with the proposal made in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024.

**True up of Depreciation for the First Control Period**

- 4.4.38 AAI had submitted the following depreciation for the First Control Period for Coimbatore International Airport.



**Table 16: Depreciation for the First Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Aprons	0.22	0.23	0.23	0.71	1.19	2.59
Boundary Wall Operational	0.07	0.07	0.18	0.18	0.14	0.65
Boundary Wall Residential	0.00	0.00	0.01	0.01	0.02	0.04
Boundary Wall Temporary	-	-	0.02	0.15	0.05	0.22
CFT/Fire Fighting Equipment	0.01	0.19	0.36	0.36	0.36	1.28
Computer & Peripherals - End User Devices	0.06	0.10	0.03	0.21	0.42	0.83
Computer Software	0.01	0.01	0.01	0.01	0.00	0.03
Electrical Installations	3.22	2.17	0.86	0.20	0.16	6.61
Furniture & Fixtures - Other than Trolley	0.04	0.04	0.01	0.01	0.01	0.10
Furniture & Fixtures - Trolley	0.13	0.15	0.15	0.03	-	0.46
Office Appliance	0.02	0.02	0.02	0.02	0.00	0.09
Office Furniture	0.14	0.22	0.37	0.34	0.49	1.55
Other Buildings	-	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	0.79	1.55	2.02	2.18	2.52	9.06
Residential Buildings	0.05	0.05	0.04	0.04	0.50	0.67
Road, Bridges & Culverts	0.24	0.42	0.42	0.14	0.43	1.64
Runways	0.72	0.03	0.03	0.03	0.03	0.84
Terminal Building	1.73	1.90	1.90	1.91	1.94	9.38
Tools & Equipment	0.07	0.22	0.47	0.61	0.63	2.02
Vehicle	0.04	0.09	0.12	0.14	0.15	0.55
Vehicle - Cars & Jeeps	0.06	0.05	0.04	0.04	0.03	0.21
X Ray Baggage System	0.01	0.08	0.14	0.14	0.14	0.51
<b>Total</b>	<b>7.63</b>	<b>7.58</b>	<b>7.45</b>	<b>7.46</b>	<b>9.22</b>	<b>39.34</b>

4.4.39 The Authority noted that AAI had considered Useful Life as per Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 read with Amendment No. 01 to Order No. 35/2017-18 dated 9<sup>th</sup> April 2018 on 'Determination of Useful Life on Airport Assets' while determining the depreciation for the First Control Period. Accordingly, the rates of depreciation approved by the Authority had been applied by AAI from FY 2018-19 onwards.

The Authority also noted that AAI had depreciated assets @ 50% of depreciation rates in the year of capitalization of the asset. However, the Authority proposed to consider the depreciation based on the date of capitalization of the asset and accordingly recompute the depreciation for the First Control Period.

4.4.40 Based on the above factors, the Authority had recomputed the depreciation as ₹ 35.51 crores and the same is presented below:

**Table 17: Depreciation proposed by the Authority for True up of the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
Apron	0.20	0.20	0.20	0.66	1.08	2.36
Boundary Wall – Operational	0.44	0.33	0.14	0.07	0.07	1.06
Boundary Wall – Residential	0.04	-	-	-	0.02	0.06
Computers - End User Devices	0.06	0.07	0.13	0.11	0.11	0.50
Other Building	0.00	0.35	0.35	0.35	0.36	1.41
Electrical Installations	2.17	3.16	2.36	1.75	1.19	10.63
Plant & Machinery	0.33	0.52	1.08	1.29	1.82	5.04
Runway	0.04	0.05	0.05	0.05	0.05	0.23
Building – Residential	0.03	0.03	0.03	0.03	0.76	0.88

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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Road, Bridges & Culverts	0.07	0.07	0.07	0.06	0.09	0.36
Building – Terminal	1.01	1.32	1.40	1.40	1.40	6.53
Tools & Equipment	0.05	0.16	0.40	0.67	0.71	2.00
Vehicle – Others	0.05	0.08	0.15	0.16	0.18	0.62
Security Fencing	-	-	0.02	0.05	0.05	0.11
CFT/Fire Fighting Equipment	0.01	0.22	0.36	0.36	0.36	1.31
Office Equipment	0.02	0.02	0.02	0.02	0.02	0.10
Furniture & Fixtures - Other than trolleys	0.06	0.14	0.25	0.38	0.37	1.20
Furniture & Fixtures – Trolleys	0.09	0.15	0.15	0.08	-	0.46
X Ray Baggage System	0.01	0.01	0.01	0.01	0.01	0.07
Computers – Software	0.01	0.01	0.01	0.01	0.01	0.03
Office Furniture	0.10	0.10	0.10	0.10	0.10	0.49
Vehicle - Cars & Jeeps	0.02	0.02	0.01	0.01	0.01	0.07
<b>Total</b>	<b>4.81</b>	<b>7.02</b>	<b>7.29</b>	<b>7.62</b>	<b>8.77</b>	<b>35.51</b>

4.4.41 Variance in the depreciation proposed by the Authority i.e. ₹ 35.51 crores as against the amount proposed by AAI ₹ 39.34 crores is on account of the following factors:

- Not considering Financing Allowance of ₹ 6.54 crores in RAB as claimed by AAI for the First Control Period and thereby its impact on depreciation
- Not considering Financial Lease assets of ₹ 1.86 crores claimed by AAI in RAB as for the First Control Period and thereby its impact on depreciation.
- Reclassification and reallocation of assets resulting in variance of ₹ 0.51 crores resulting in a corresponding impact on depreciation.
- Re-computation of depreciation based on the date of capitalization of the asset/ assets put to use instead of 50% as claimed by AAI as part of its true up submission for the First Control Period.

**Stakeholders' comments regarding true-up of Depreciation for the First Control Period**

4.4.42 IATA's comment on Depreciation is as follows:

*"IATA also support AERA in correcting the asset depreciation approach by AAI i.e. 50% depreciation rates in the year of capitalization of the asset."*

**AAI's response to Stakeholders' comments regarding true-up of Depreciation for the First Control Period**

4.4.43 No counter comments were received from AAI .

**Authority's Analysis on Stakeholders' comments regarding true-up of Depreciation for the First Control Period**

4.4.44 The Authority noted the IATA's comments and would like to emphasize that AERA considers the depreciation based on the actual date of capitalization.

4.4.45 Accordingly, the Authority decides to consider the true-up of Depreciation for the First Control Period as has been shown in Table 17, consistent with the proposal made in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024.





**True up of Regulatory Asset Base for the First Control Period**

4.4.46 After considering the aforementioned analysis and adjustments, the Authority had re-computed the RAB as presented in the table below:

**Table 18: RAB proposed by the Authority for True up of the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
Opening RAB	A	46.26 <sup>^</sup>	68.73	82.92	86.32	108.19	
Additions (Refer Table 15)	B	27.28	21.34	10.70	29.51	34.85	123.68
Disposal/Transfer*	C	-	0.13	0.00	0.02	0.25	0.41
Depreciation (Refer Table 17)	D	4.81	7.02	7.29	7.62	8.77	35.51
<b>Closing RAB</b>	<b>E=A+B-C-D</b>	<b>68.73</b>	<b>82.92</b>	<b>86.32</b>	<b>108.19</b>	<b>134.01</b>	
<b>Average RAB</b>	<b>F = (A+E)/2</b>	<b>57.49</b>	<b>75.82</b>	<b>84.62</b>	<b>97.26</b>	<b>121.10</b>	

<sup>^</sup>Opening RAB has been obtained from tariff order 44/2018-19 dated 6<sup>th</sup> March 2019 (Refer Table 16 of that tariff order).

\*Relates to demolition of old staff quarters as submitted by AAI in the MYTP for the First Control Period

**Stakeholders' comments regarding true-up of Regulatory Asset Base (RAB) for the First Control Period**

4.4.47 No comments have been received from stakeholders on true-up of Regulatory Asset Base (RAB) for the First Control Period

**Authority's Analysis on Stakeholders' comments regarding true-up of Regulatory Asset Base (RAB) for the First Control Period**

4.4.48 The Authority notes that no comments were received from the Stakeholders regarding true-up of Regulatory Asset Base (RAB) for the First Control Period. Hence, the Authority decides to consider the true-up of Regulatory Asset Base (RAB) for the First Control Period as has been shown in Table 18, consistent with the proposal made in the Consultation Paper No. 03/2024-25 dated 22nd July 2024.

**4.5 True up of Fair Rate of Return (FRoR)**

- 4.5.1 The Authority noted that AAI had claimed 14% as Fair Rate of Return, as part of its True up submission for the First Control Period. AAI had not factored any debt as part of their MYTP submission for FRoR. Hence, the cost of equity considered at 14% was taken as FRoR, assuming that there was no debt.
- 4.5.2 The Authority noted that there were interest expenses in the trial balance provided by AAI for the First Control Period, while there was no corresponding debt appearing in the financial model submitted by AAI. A query was raised to AAI seeking clarity on debts availed during the First Control Period for Coimbatore International Airport. AAI vide mail dated 19<sup>th</sup> February 2024 stated that it had availed debts of ₹ 19.13 crores during First Control Period (from FY 2020-21 to FY 2022-23) and it had inadvertently missed to consider the same in MYTP submission.
- 4.5.3 The Authority had therefore computed FRoR taking into consideration the debt availed by AAI during the First Control Period. The Authority had computed total equity as the closing RAB less the closing debt for a particular financial year. The Authority had considered cost of debt as 7.25% (calculated as per interest details submitted by AAI vide email dated 28<sup>th</sup> February 2024) and cost of Equity as 14%. The same is shown as follows:



**Table 19: FRoR considered by the Authority for True up of the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	Reference	FY19	FY20	FY21	FY22	FY23	Total
Debt	A	-	-	14.76	18.64	19.13	
Equity	B	68.73	82.92	71.56	89.55	114.88	
Debt + Equity	C = A + B	68.73	82.92	86.32	108.19	134.01	<b>480.17</b>
Cost of Debt (%)	D	7.25%	7.25%	7.25%	7.25%	7.25%	
Cost of Equity (%)	E	14.00%	14.00%	14.00%	14.00%	14.00%	
Gearing (%)	F = A ÷ C	0.00%	0.00%	17.01%	17.23%	14.28%	
Weighted Average Gearing (%)	$G = \frac{\sum(F * C)}{\sum C}$						10.94%
Cost of Debt (%)	H						7.25%
Cost of Equity (%)	I						14%
FRoR (%)	$J = H * G + I * [1 - G]$						<b>13.26%</b>

4.5.4 The Authority proposed to consider 13.26% as FRoR for true up of the First Control Period for Coimbatore International Airport.

**Stakeholders' comments regarding true-up of Fair Rate of Return (FRoR) for the First Control Period**

4.5.5 No comments have been received from stakeholders on true-up of Fair Rate of Return (FRoR) for the First Control Period

**Authority's Analysis on Stakeholders' comments regarding true-up of Fair Rate of Return (FRoR) for the First Control Period**

4.5.6 The Authority notes that no comments were received from the Stakeholders regarding true-up of Fair Rate of Return (FRoR) for the First Control Period. Hence, the Authority decides to consider the true-up of Fair Rate of Return (FRoR) for the First Control Period as has been shown in Table 19, consistent with the proposal made in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024.

**4.6 True up of Aeronautical Operation and Maintenance (O&M) expenses**

4.6.1 The Authority noted that the actual O&M expenses submitted by AAI for Coimbatore International Airport for true up of the First Control Period was ₹ 263.90 crores and the same is presented in table below:

**Table 20: Actual O&M expenses submitted by AAI for Coimbatore International Airport for the First Control Period**

(₹ in crores)

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
1	Payroll Expenses (Other than CHQ/RHQ)	17.49	21.03	18.52	20.29	19.20	96.53
2	Payroll Expenses (CHQ/RHQ)	6.03	3.45	0.81	2.03	0.63	12.94
<b>A</b>	<b>Total Payroll Expenditure (1+2)</b>	<b>23.52</b>	<b>24.48</b>	<b>19.33</b>	<b>22.32</b>	<b>19.83</b>	<b>109.47</b>
3	Admin & General Expenses (Other than CHQ/RHQ)	5.47	5.43	4.49	5.99	8.02	29.40
4	Admin & General Expenses (CHQ/RHQ)	6.94	16.87	12.51	13.14	13.80	63.27
<b>B</b>	<b>Total Admin &amp; General Expenditure (3+4)</b>	<b>12.41</b>	<b>22.30</b>	<b>17.01</b>	<b>19.13</b>	<b>21.82</b>	<b>92.67</b>



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Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
C	Repairs & Maintenance Expenditure	6.89	7.75	6.81	7.55	9.10	38.09
D	Utilities & Outsourcing Expenditure	4.56	4.89	3.94	3.95	4.60	21.94
E	Other Outflows	0.23	0.49	0.14	0.28	0.57	1.72
	<b>Total (A+B+C+D+E)</b>	<b>47.61</b>	<b>59.91</b>	<b>47.23</b>	<b>53.23</b>	<b>55.92</b>	<b>263.90</b>

4.6.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 251.69 crores. Component-wise details of the O&M expenses approved by the Authority in the Tariff Order No.44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period was as follows:

**Table 21: O&M expenses as per the Tariff Order for the First Control Period**

(₹ in crores)

Sl. No.	Particulars	FY19	FY20	FY21	FY22	FY23	Total
A	Payroll Expenditure	22.48	23.84	25.31	26.89	28.57	127.09
B	Admin & General Expenditure	9.09	9.70	10.36	11.07	11.83	52.05
C	Repairs & Maintenance Expenditure	7.69	8.46	9.31	10.72	12.31	48.49
D	Utilities & Outsourcing Expenditure	4.25	4.25	4.25	4.41	4.58	21.74
E	Other Outflows	0.35	0.40	0.46	0.52	0.59	2.32
	<b>Total (A+B+C+D+E)</b>	<b>43.86</b>	<b>46.66</b>	<b>49.69</b>	<b>53.61</b>	<b>57.88</b>	<b>251.69</b>

The Authority noted a difference of ₹ 12.21 crores between the O&M expenses submitted for true up by AAI for Coimbatore International Airport and expenses approved by the Authority in the Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period. The Authority had examined the variances and the same had been explained in the following paragraphs:

**Authority's examination and proposal regarding true up of O&M expenses of the First Control Period at Consultation Stage:**

The Authority has discussed AAI's submission of O&M expenses under various heads for the First Control Period in the following sequence:

- Allocation Ratios
- Assessment, Rationalization & Reallocation of O&M expenses

**a) Allocation Ratios**

**Employee Head Count Ratio (EHCR)**

4.6.3 There are two different EHCR ratios applied by AAI. One EHCR has been applied for apportionment of payroll expenses (Aero: Non-Aero) and the other was for apportionment of expenses other than payroll (Aero: Non-Aero:ANS) e.g. telephone charges, printing and stationery etc.

The EHCR submitted by AAI in its MYTP proposal was as presented below:

**Table 22 : EHCR Allocation % as submitted by AAI in MYTP proposal**

Particulars	FY19	FY20	FY21	FY22	FY23
<b>EHCR (Aero: Non-Aero)</b>					
Aero	96.43%	93.55%	94.07%	95.00%	94.55%
Non-Aero	3.57%	6.45%	5.93%	5.00%	5.45%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



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Particulars	FY19	FY20	FY21	FY22	FY23
<b>EHCR (Aero: Non-Aero:ANS)</b>					
Aero	64.29%	66.29%	66.47%	67.46%	64.60%
Non-Aero	2.38%	4.57%	4.19%	3.55%	3.73%
ANS	33.33%	29.14%	29.34%	28.99%	31.68%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Authority had analyzed the above EHCR computations submitted by AAI and proposed to consider the same for allocation of common expenses and assets pertaining to employees.

**Terminal Building Ratio (TBLR)**

- 4.6.4 AAI had submitted an average Terminal Building Ratio of 92.29%: 7.71% (Aero: Non-Aero) based on the actual commercial area let out during the First Control Period. The Authority proposed to consider the ratio as 92%:8% for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical), for the First Control Period as considered in other similar airports.

**Computation of Gross Block Ratio (GBR)**

- 4.6.5 The Authority noted that AAI had not submitted Gross Block Ratio computation and consequently no expenses were allocated using GBR. However, the Authority proposed to compute GBR and apply the same on allocation of expenses such as Municipal Taxes, Consultancy fees etc. The GBR computed by the Authority was as follows:

**Table 23: GBR Allocation % as computed by the Authority at Consultation Stage**

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	93.26%	93.70%	93.80%	94.34%	89.94%
Non-aero	2.13%	2.04%	2.11%	1.95%	1.93%
Others*	4.61%	4.26%	4.09%	3.71%	8.13%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Includes both ANS and Cargo Assets

AAI had submitted the following ratios, which the Authority found to be reasonable and therefore proposed to consider the same.

**Electricity Ratio**

- 4.6.6 AAI had submitted an Electricity ratio allocation between Aero: ANS of 82.08%:17.92% for all years of the First Control Period. The Authority had analyzed the same and proposed to consider the same for the purposes of true up of the First Control Period.

**Staff Quarters Ratio (SQTR)**

- 4.6.7 Staff Quarters Ratio was computed on the basis of no. of staff quarters utilized by employees categorized under various segments i.e. Aeronautical/Non-Aeronautical/ANS. SQTR was utilized for the purposes of allocation of expenses pertaining to staff residence such as residential telephone expenses, watch & ward expenses, etc.,

**Table 24: Staff Quarter Ratio as submitted by AAI and considered by the Authority at Consultation Stage**

Particulars	FY19	FY20	FY21	FY22	FY23
<b>Total no. of Staff Quarters</b>	<b>83</b>	<b>59</b>	<b>59</b>	<b>55</b>	<b>120</b>
<b>Staff Quarters utilized by</b>					
Aeronautical Employees	76	53	55	51	87
Non-Aeronautical Employees	0	0	0	0	2



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Particulars	FY19	FY20	FY21	FY22	FY23
ANS Employees	7	6	4	4	31
<b>Total</b>	<b>83</b>	<b>59</b>	<b>59</b>	<b>55</b>	<b>120</b>
<b>Staff Quarters Ratio</b>					
Aero	91.57%	89.83%	93.22%	92.73%	72.50%
Non-Aero	0.00%	0.00%	0.00%	0.00%	1.67%
ANS	8.43%	10.17%	6.78%	7.27%	25.83%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Vehicle Ratio**

- 4.6.8 AAI had submitted Vehicle Ratio used for the apportionment of "R&M-Vehicle Expenses". Vehicle Ratio was computed on the basis of hired vehicles used by employees pertaining to Aeronautical/Non-Aeronautical/ANS segments.

**Table 25: Vehicle Ratio as submitted by AAI and considered by the Authority at Consultation Stage**

Particulars	FY19	FY20	FY21	FY22	FY23
Aero	80.00%	75.00%	75.00%	75.00%	75.00%
Non-aero	0.00%	0.00%	0.00%	0.00%	0.00%
ANS	20.00%	25.00%	25.00%	25.00%	25.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**b) Assessment, Rationalization & Reallocation of O&M expenses**

**A. Payroll Expenses - ₹ 109.47 crores**

- 4.6.9 The Authority had observed that the actual total payroll expenses (both other than CHQ/RHQ and CHQ/RHQ) for the First Control Period submitted by AAI for Coimbatore International Airport was ₹ 109.47 crores, as presented in the table below:

**Table 26 : Payroll expenses submitted by AAI for True up of the First Control Period**

(₹ in crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll expenses (Other than CHQ/RHQ)	17.49	21.03	18.52	20.29	19.20	96.53
Payroll Expenses (CHQ/RHQ)	6.03	3.45	0.81	2.03	0.63	12.94
<b>Total</b>	<b>23.52</b>	<b>24.47</b>	<b>19.32</b>	<b>22.32</b>	<b>19.83</b>	<b>109.47</b>

- 4.6.10 The Authority in FCP Tariff Order had considered a one-time increase of 37.16% for non-executive staff and their respective overtime expenses due to pay revision in FY 2018-19 and thereafter considered an average Y-o-Y increase of 6%, keeping FY 2018-19 expenses as the base. On account of this, the projected payroll expenses in the FCP Tariff Order were higher than the actual payroll expenses incurred during the First control Period. However, the actual increase in FY 2018-19 as compared to FY 2017-18 was ~24%.
- 4.6.11 Since, the actual payroll expenses (₹ 109.47 crores) for Coimbatore International Airport is within the expense approved by the Authority in the FCP Tariff Order (₹ 127.09 crores), the Authority proposed to consider the actual payroll expenses submitted by AAI from FY 2018-19 to FY 2022-23 for true up of the First Control Period.

**B. Apportionment of Administration & General expenditure of CHQ/RHQ - ₹ 63.27 crores**

- 4.6.12 The Authority had reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Coimbatore International Airport and other airports and noted the following:



- i. All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) were allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
- ii. Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these had been allocated to the common pool and apportioned to all the AAI airports. The Authority was of the view that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.
- iii. The Authority proposed the following for allocation of Payroll expenses pertaining to CHQ and RHQ to airport (under Administration and General expenses (CHQ/RHQ):

**a) Pay and Allowances of CHQ/RHQ**

- AAI had considered payroll expenses of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.
- AAI had excluded payroll expenses of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion was done for support services of the departments of Human Resource, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.
- Considering all the facts and figures as stated above, the Authority was of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
  - i. Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
  - ii. Officials of Directorate of Commercial.

A balance of 80% of the pay & allowances of CHQ/RHQ are to be allocated to the airports.

**b) Administration & General Expenses of CHQ and RHQ**

- This head contains, administration and general expenses pertaining to CHQ/RHQ such as legal & arbitration expenses, interest/ penalties, insurance, travelling costs etc. and R&M expenses and other utility charges which is netted off against "other income/ sale of scrap" and then allocated to various AAI airports on the basis of revenue.
- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details were not 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 was of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence the Authority proposed to not consider interest/penalties appearing in AAI submission.

4.6.13 The Authority was of the view that the users should pay only for the services availed by them. This view was also consistent with the International Civil Aviation Organization's (ICAO) principle of 'Cost-relatedness'.

Based on the above principles, the Authority has rationalized the CHQ/ RHQ expenses being allocated to Coimbatore International Airport.

- 4.6.14 The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is on higher side, as it brings large variation in such expenses Y-o-Y, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority therefore expected AAI to examine these issues in detail and devise a foolproof method for allocation of CHQ & RHQ expenses on priority.

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

The Authority was aware that AAI had commissioned a study through the Institute of Cost Accountants of India (now ICMAI), regarding the methodology for apportionment of CHQ/RHQ expenses to airports. Therefore, AAI was advised to share the outcome along with a copy of the study report with AERA for further taking appropriate decision in this regard.

Based on the above methodology, the Authority had derived the revised allocation of Administration & General Expenses (CHQ/RHQ) and the same is presented in the table below:

**Table 27: Re-allocation of CHQ/RHQ – Administration & General expenses proposed by the Authority for the First Control Period at Consultation Stage**

(₹ in crores)						
Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
CHQ/RHQ - Admin & General expenses (as allocated by AAI) (A)	6.94	16.87	12.51	13.14	13.80	63.27
Revised allocation of CHQ/RHQ expenses proposed by the Authority (B)	5.02	13.95	10.76	11.30	11.87	52.91
<b>Variance (A-B)</b>	<b>1.93</b>	<b>2.92</b>	<b>1.75</b>	<b>1.84</b>	<b>1.93</b>	<b>10.36</b>

**C. Administration expenses (Other than CHQ/RHQ) - ₹ 29.40 crores**

- 4.6.15 The Authority noted that the increase in Administration Expenses is due to incurrence of higher upkeep expenses, installation of “May I Help You” counters and revision of travelling allowance rates.
- 4.6.16 The Authority noted that AAI had claimed ₹ 2.17 crores towards CSR Expenses in the True up of the First Control Period.
- 4.6.17 The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided below:
- 4.6.18 Section 135 (1) of Companies Act, 2013 states that ‘Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.’ Further section 135(5) states that ‘The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility’.



4.6.19 In this regard, the Authority was of the view that as the CSR is a mandatory Social Responsibility of the Companies (covered under Section 135(1) of Companies Act). As the CSR expenditure is to be incurred by Companies out of their net profits, it is to be regarded as an essential element of the appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as a pass-through expenditure of the companies. Otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

Section 37(1) of the Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity. In view of the above, henceforth, the Authority will not consider CSR expenses under the O&M Expenditure.

4.6.20 AAI had apportioned Telephone charges, Printing & stationery and other expenses based on the EHCR presented in Table 22. The Authority also proposed to apportion Residential telephone charges based on Staff Quarter Ratio instead of Employee Ratio, Insurance and R&M-Vehicles based on Vehicle ratio, travelling expenses and R&M-Furniture based on Employee ratio instead of considering these as 100% aeronautical as submitted by AAI.

4.6.21 The Authority also noted that the total manpower hiring expenses for FY 2020-21 as per the trial balance for that year was ₹ 0.56 crores, but AAI had considered only ₹ 0.14 crores due to a formula error. The Authority proposed to consider the appropriate amount as per Trial Balance.

#### Interest on Finance Lease

4.6.22 The Authority noted that the interest on finance lease of ₹ 0.29 crores had been recorded by AAI from FY 2019-20 to FY 2022-23 as part of Administration & General expenses. It is noted that AAI made adjustments to its treatment of lease expense due to the requirements of the provisions of the accounting standard. Initially, in FY 2017-18, AAI entered into a contract to operate X-ray Baggage Inspection Systems (XBIS) on a Build-Operate-Transfer (BOT) model basis with M/s. Rapiscan System Pvt. Ltd., Under this contract, AAI leased the XBIS system for a period of 6 years at an annual lease payment of ₹ 0.39 crores.

4.6.23 Initially, AAI accounted for this lease as an operating lease under the head of Repair & Maintenance (R&M) – Electrical expenses until FY 2018-19. However, in FY 2019-20, due to the change in accounting standards, AAI changed the lease classification from operating lease to "Financial Lease". As a result of this change in accounting treatment, AAI had made the following changes in the MYTP:

- Addition to Regulated Asset Base (RAB): Assets amounting to ₹ 1.86 crores were added to the RAB as of 1st April 2019, considering its useful life as 15 years (included under X-Ray Baggage System).
- Depreciation: AAI charged depreciation of ₹ 0.21 crores per year from FY 2019-20 onwards on the capitalized asset.
- Interest on the finance lease was recognized as Admin & General expense from FY 2019-20 with corresponding adjustments entries for previous years i.e., FY 2017-18 and FY 2018-19.
- Income of ₹ 0.41 crores was recognized in FY 2019-20 for the adjustment of accumulated depreciation and interest on the finance lease for previous years i.e., FY 2017-18 and FY 2018-19. This was accounted for under Repairs & Maintenance.
- Liability Recognition: A liability of ₹ 1.17 crores was recognized in FY 2019-20 to account for the financial lease obligation.





4.6.24 Based on the above data, it is observed that the accounting does not reflect the lease commitment of ₹ 0.39 crores payable annually to the vendor every year. Therefore, it is proposed to consider the value of lease payment as part of the O&M expenses by adjusting the following:

- Recategorizing the amount of ₹ 0.41 crores shown under R&M head to A&G expense head.
- In RAB, excluding the amount of ₹ 1.86 crores that is considered as addition in FY 2019-20 along with the depreciation.
- Removing the liability so recognized from the books (which does not have an impact on ARR)
- Excluding Interest on Finance lease and recognizing Lease rent of ₹ 0.39 crores per annum.

After incorporating the above adjustment, the lease expense under A&G expense was as follows:

**Table 28: Lease expense adjustment as per the Authority for the First Control Period at Consultation Stage**

(₹ in crores)						
Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
R&M BOT XBIS Lease as per AAI Submission (A)	0.39	0.02	-	-	-	0.41
Operational Lease payment to be adjusted (B)	-	0.37	0.39	0.39	0.39	1.54
<b>Lease expenditure as per the Authority (A+B)</b>	<b>0.39</b>	<b>0.39</b>	<b>0.39</b>	<b>0.39</b>	<b>0.39</b>	<b>1.95</b>

4.6.25 The revised Administration & General expenses after carrying out the above-mentioned adjustments proposed by the Authority for True up of First Control Period is as follows:

**Table 29: Administration & general expenses (Other than CHQ/RHQ) proposed for True up of First Control Period at Consultation Stage**

(₹ in crores)						
Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Administration & General expenses after change in allocations and other adjustments	4.37	4.08	4.64	5.35	7.59	26.03
(Less): XBIS lease expense accounted by AAI	-	(0.11)	(0.09)	(0.06)	(0.03)	(0.29)
(Add): Prior period income recognized on account of change in lease accounting	-	0.41	-	-	-	0.41
(Add): Lease expenses (recomputed by the Authority)	0.39	0.39	0.39	0.39	0.39	1.95
<b>Administration &amp; General expenses (Other than CHQ/RHQ) for True-up</b>	<b>4.76</b>	<b>4.77</b>	<b>4.94</b>	<b>5.68</b>	<b>7.95</b>	<b>28.10</b>

**D. Repairs and Maintenance (R&M) - ₹ 38.09 crores**

- 4.6.26 The Authority noted that the actual R&M cost for the First Control Period is ₹ 38.09 crores and the same was within the amount of ₹ 48.49 crores approved by the Authority in the Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period.
- 4.6.27 The Authority observed that R&M expenses comprise of various Annual Maintenance Contracts (AMCs) pertaining to ETD, CCTV, Apron drive glass walled PBB, E-gates, FIDS, BDDS, etc., for electrical and electronic maintenance. The Authority had reviewed these expenses and proposed to consider the same for true-up.
- 4.6.28 As explained in para 4.6.22, the lease interest expenses on XBIS BOT had been recomputed by the Authority to reflect the actual yearly lease expenses as part of the administration & general expenses (comprising of rent, rates & taxes, insurance, advertising expenses etc.). Accordingly, the lease expenses accounted under R&M in FY 2019-20 had been reduced from R&M expenses for the purposes of true up of First Control Period.



- 4.6.29 AAI had allocated common R&M expenses on the basis of TBLR, SQTR and Electricity ratio, as appropriate. The Authority, after using revised ratios computed by it, proposed to consider R&M expenses of ₹ 37.28 crores for true-up of the First Control Period. The reason for the variance being Terminal Building Ratio recomputed by the Authority is as explained in para 4.4.30.

**Table 30: R&M expenses proposed by the Authority for True up of First Control Period at Consultation Stage**

(₹ in crores)						
Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
R&M expenses after change in allocations and other changes (A)	6.69	7.76	6.79	7.48	8.97	37.69
Less: XBIS BOT lease (B)	(0.39)	(0.02)	-	-	-	(0.41)
<b>Total R&amp;M expenses (A-B)</b>	<b>6.30</b>	<b>7.75</b>	<b>6.79</b>	<b>7.48</b>	<b>8.97</b>	<b>37.28</b>

**E. Utilities & Outsourcing Expenses - ₹ 21.94 crores**

- 4.6.30 The Authority observed that Utilities & Outsourcing Expenses consist of Power charges, Water charges, Consumption of stores & spares, Fees paid to consultants and Hire charges for vehicles. AAI had submitted a total of ₹ 21.94 crores during the First Control Period as compared to ₹ 21.74 crores approved in the tariff order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period. The Authority's analysis of various sub-heads of the utilities and outsourcing expenses had been discussed in the paragraphs below:

**I. Power Charges**

- 4.6.31 The Authority noted that AAI had incurred actual power charges of ₹ 21.56 crores during First Control Period out of which ₹ 3.12 crores had been recovered from concessionaires, and the net power charges of ₹ 18.44 crores had been claimed by AAI for true-up of the First Control Period. The total power costs incurred, recoveries made from Concessionaires and the net power costs had been summarized in the table below:

**Table 31: Details of power costs incurred and recoveries made from Concessionaires for the First Control Period**

(₹ in crores)						
Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Total Power Costs (A)	4.54	5.02	3.60	3.85	4.56	21.56
(-) Recoveries from Concessionaires (B)	(0.73)	(0.75)	(0.33)	(0.53)	(0.78)	(3.12)
<b>Net Power Costs (C = A-B)</b>	<b>3.80</b>	<b>4.27</b>	<b>3.26</b>	<b>3.32</b>	<b>3.78</b>	<b>18.44</b>
<b>Recoveries % (B/A)</b>	<b>16%</b>	<b>15%</b>	<b>9%</b>	<b>14%</b>	<b>17%</b>	

- 4.6.32 The Authority found the net power costs submitted by AAI for true-up to be reasonable and proposed to consider the same for the true-up of First Control Period.

**II. Water Charges**

- 4.6.33 The Authority noted that AAI had incurred Water charges of ₹ 0.71 crores during the First Control Period. The Authority found the same to be reasonable and hence proposed to consider the same for true up of the First Control Period.

**III. Consumption of Stores & Spares**

- 4.6.34 AAI had submitted actual expenses amounting to ₹ 1.76 crores for the consumption of Stores & Spares which include fuel expenses and other consumables. Expenses towards consumption of stores and spares had not been separately approved in the Tariff Order for the First Control Period. The Authority noted the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposed to consider the same for true-up of the First Control Period.



**IV. Consultancy and Other Charges**

4.6.35 AAI had submitted Consultancy & other charges and Hire charges for car/jeep to the tune of ₹ 1.02 crores for the First Control Period. These charges were not separately approved in the tariff order for the First Control Period. The Authority found the expenses to be reasonable and proposed to consider the same for True-up of First Control Period. While these were considered as 100% Aeronautical in AAI's submission, the Authority had applied gross block ratio for the apportionment of these expenses for true-up of the First Control Period.

**Table 32: Utilities & Outsourcing expenses proposed by the Authority for True up of First Control Period at Consultation Stage**

(₹ in Crores)

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Power Charges	3.80	4.27	3.26	3.32	3.78	18.44
Consumption of Stores & Spares	0.38	0.29	0.35	0.33	0.41	1.76
Water Charges	0.16	0.16	0.12	0.11	0.16	0.71
Fees paid to Outsiders (Consultancy/Advisory)	0.08	0.05	0.12	0.12	0.13	0.49
Hire Charges – Car/Jeep & Others	0.15	0.12	0.08	0.08	0.10	0.52
<b>Revised Utilities &amp; Outsourcing Expenses</b>	<b>4.56</b>	<b>4.89</b>	<b>3.94</b>	<b>3.95</b>	<b>4.58</b>	<b>21.92</b>

**F. Other Outflows - ₹ 1.72 crores**

4.6.36 Other outflows which include collection charges on PSF and UDF submitted by AAI for true up of Coimbatore International Airport of ₹ 1.72 crores was within the limits approved by the Authority in Tariff Order for the First Control Period of ₹ 2.32 crores. AAI had considered these outflows as 100% aeronautical, which the Authority found reasonable and proposed to consider the same for true-up of the First Control period.

4.6.37 Based on the above review and analysis, the revised O&M expenses proposed to be considered by the Authority for the First Control Period are provided in the table below:

**Table 33: O&M expenses as proposed by the Authority for True up of the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	Ref	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll Costs - Other than CHQ/RHQ	Table 26	17.50	21.02	18.52	20.29	19.20	96.52
Payroll Costs - CHQ/RHQ		6.03	3.45	0.81	2.04	0.63	12.95
<b>Total Payroll Costs</b>		<b>23.52</b>	<b>24.48</b>	<b>19.33</b>	<b>22.32</b>	<b>19.83</b>	<b>109.47</b>
Admin. & General Expenses - Other than CHQ/RHQ	Table 29	4.76	4.77	4.94	5.68	7.95	28.10
Admin. & General Expenses - CHQ/RHQ	Table 27	5.02	13.95	10.76	11.30	11.87	52.91
<b>Total Admin. &amp; General Expenses</b>		<b>9.77</b>	<b>18.72</b>	<b>15.71</b>	<b>16.98</b>	<b>19.82</b>	<b>81.01</b>
Repairs & Maintenance	Table 30	6.30	7.75	6.79	7.48	8.97	37.28
Utilities & Outsourcing	Table 32	4.56	4.89	3.94	3.95	4.58	21.92
Other Outflows	-	0.23	0.49	0.14	0.28	0.57	1.72
<b>Total</b>		<b>44.38</b>	<b>56.33</b>	<b>45.90</b>	<b>51.01</b>	<b>53.78</b>	<b>251.40</b>

4.6.39 Reasons for variance in O&M expenses as submitted by AAI (₹ 263.90 crores) and as proposed by the Authority (₹ 251.40 crores) for true up of the First Control Period is as follows:



- Administration & General Expenses (CHQ/RHQ) – Rationalization by ₹ 10.36 crores due to rationalization of expenses on account of legal & arbitration expenses and fines/penalties consistent with proposals at other similar airports.
- Administration & General Expenses (Other than CHQ/RHQ) – Rationalization of costs to the tune of ₹ 1.30 crores due to disallowance of CSR expenses, re-computation of EHCR, considering TBLR as 92%:8% and usage of GBR for certain expense heads
- Repairs & Maintenance Expenses - Rationalization of expenses to the extent of ₹ 0.80 crores due to the consideration of various ratios that had been recomputed.
- Utilities & Outsourcing Expenses – Rationalization of costs by ₹ 0.02 crores on account of using Gross Block Ratio for apportionment of Consultancy charges as enumerated in para 4.6.35.

**Stakeholders' comments regarding true-up of Operation and Maintenance (O&M) expenses for the First Control period**

4.6.40 AAI's comment on Terminal Building Ratio is as follows:

*"AAI has worked out the Terminal Building Ratio based on the actual utilization of Terminal Building for Non-Aero activities. However, AERA has considered the space allotted to Airlines for office space, Ticketing Office & Back-up office used for Aeronautical purpose and accordingly amount received from the Airlines as also shifted from non-aeronautical (30% used for cross subsidized against ARR) to Aeronautical Revenue.*

*It is submitted that AERA has considered the space rent revenue from airlines as Aeronautical Revenue however the same has been considered as non-aeronautical for the purpose of calculating Terminal Building Ratio (Ratio of utilization of area of Terminal Building for Non- Aero Activity i.e. Commercial purpose.)*

*However, if AERA is treating space rent revenue as Aeronautical revenue then similar treatment should be given to the area allotted to Airlines while calculating the Terminal Building area ratio.*

*The Revised calculation of the Terminal Building Ratio based on the actual utilization is as under:*

<i>As per AAI's Submission (Space to airlines considered as non-Aero)</i>						
<i>Particulars</i>	<i>Location</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
<i>Space Rented (In TB-Sqm)</i>	<i>T.Build.</i>	<i>1608.33</i>	<i>1706.61</i>	<i>1649.62</i>	<i>1883.98</i>	<i>1653.5</i>
<i>Capacity (TB-Sqm)</i>	<i>T.Build.</i>	<i>22060</i>	<i>22060</i>	<i>22060</i>	<i>22060</i>	<i>22060</i>
<i>Non-Aero %</i>	<i>T.Build.</i>	<i>7.29%</i>	<i>7.74%</i>	<i>7.48%</i>	<i>8.54%</i>	<i>7.50%</i>
<i>Aero%</i>	<i>T.Build.</i>	<i>92.71%</i>	<i>92.26%</i>	<i>92.52%</i>	<i>91.46%</i>	<i>92.50%</i>

<i>Revised Terminal Building area (Space allotted to Airlines considered as Aero instead of Non-Aero as per AERA Decision)</i>						
<i>Particulars</i>	<i>Location</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
<i>Space Rented (A)</i>	<i>T.Build (SOM)</i>	<i>1608.33</i>	<i>1706.61</i>	<i>1649.62</i>	<i>1883.98</i>	<i>1653.5</i>
<i>Space to Airline (B) (Included in space rent)</i>	<i>Considered as AERO</i>	<i>423.72</i>	<i>572.23</i>	<i>518.93</i>	<i>518.93</i>	<i>530.29</i>
<i>Airlines space (%) on total Area</i>		<i>1.92%</i>	<i>2.59%</i>	<i>2.35%</i>	<i>2.35%</i>	<i>2.40%</i>
<i>Airlines space (%) on Non-Aero</i>		<i>26.35%</i>	<i>33.53%</i>	<i>31.46%</i>	<i>27.54%</i>	<i>32.07%</i>



C=(B-A)	T.Build (SQM) Excluding airlines space	1184.61	1134.38	1130.69	1365.05	1123.21
Capacity (D)	T.Build.(SQM)	22060	22060	22060	22060	22060
Non-Aero %	T.Build.(C/D)%	5.37%	5.14%	5.13%	6.19%	5.09%
Aero %	T.Build.(Revised)	94.63%	94.86%	94.87%	93.81%	94.91%

**AERA 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 and accordingly revise the apportionment of common assets within the terminal building for the First and Second Control Periods and also revise the apportionment of overheads based on the revised Terminal Building Ratio.”**

**Authority’s Analysis on Stakeholder’ comments regarding true-up of Operation and Maintenance (O&M) for the First Control period**

4.6.41 The Authority notes comments of AAI on Terminal Building ratio. In this regard, AERA feels that there should be continued efforts by AAI to increase the efficiency in Airport operation by generating sufficient non-aeronautical revenue for cross subsidization of aeronautical charges. Merely accepting the ratios provided by Airport Operator would not bring efficiencies in the airport operations. Further, AERA is mandated to consider factors such as IMG recommendations, IATA norms and uniform practices followed in other similar airports relating to appropriate aero and non-aero ratio, for determining the non-aeronautical areas in the terminal building.

The Authority, therefore, decides to follow the Terminal Building Ratio as 92:8 (Aeronautical: Non – aeronautical) for true up of the First Control Period as approved in the Tariff Order for the First Control Period.

However, with respect to the Second Control Period, AERA decides to consider Terminal Building Ratio as 90:10 (Aeronautical: Non- aeronautical) as proposed by AAI.

4.6.42 The Authority observed that interest on term loan amounting to ₹ 1.96 Crores was included as part of Admin and General Expenses for the First Control Period, in the actual information submitted by AAI for true up. However, since the same has been considered as part of FRoR computations, in order to ensure that there is no duplication, thereby, the Authority decides to exclude the same for the true up of O&M Expenses for the First Control Period. The revised O&M Expenses after exclusion of such interest on term loan is as follows:

**Table 34: O&M Expenses decided by the Authority for the First Control Period**

		(₹ in crores)					
Particulars	Ref	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Payroll Expenses (Other than CHQ/RHQ)	Table 26	17.50	21.02	18.52	20.29	19.20	96.52
Payroll Expenses (CHQ/RHQ)		6.03	3.45	0.81	2.04	0.63	12.95
<b>Total Payroll Expenditure</b>		<b>23.52</b>	<b>24.48</b>	<b>19.33</b>	<b>22.32</b>	<b>19.83</b>	<b>109.47</b>
Admin & General Expenses (Other than CHQ/RHQ)	Para 4.6.42	4.76	4.77	4.94	5.34	6.35	26.16
Admin & General Expenses (CHQ/RHQ)	Table 27	5.02	13.95	10.76	11.30	11.87	52.91
<b>Total Admin &amp; General Expenditure</b>		<b>9.77</b>	<b>18.72</b>	<b>15.70</b>	<b>16.64</b>	<b>18.22</b>	<b>79.06</b>

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Particulars	Ref	FY 19	FY 20	FY 21	FY 22	FY 23	Total
Repairs & Maintenance Expenditure	Table 30	6.30	7.75	6.79	7.48	8.97	37.28
Utilities & Outsourcing Expenditure	Table 32	4.56	4.89	3.94	3.95	4.58	21.92
Other Outflows	-	0.23	0.49	0.14	0.28	0.57	1.72
<b>Total O&amp;M Expense (A)</b>		<b>44.38</b>	<b>56.33</b>	<b>45.90</b>	<b>50.67</b>	<b>52.18</b>	<b>249.46</b>
O&M at CP Stage (B) (Refer Table 33)		44.38	56.33	45.90	51.02	53.78	251.40
<b>Difference (A-B)</b>		<b>0.00</b>	<b>-0.00</b>	<b>-0.00</b>	<b>-0.36</b>	<b>-1.60</b>	<b>-1.96</b>

4.7 True up of Non-Aeronautical Revenue

4.7.1 The Authority noted that the actual Non-Aeronautical Revenue submitted by AAI for Coimbatore International Airport for true-up of the First Control Period is ₹ 90.88 crores and the same has been presented in the table below:

**Table 35: Actual Non-aeronautical Revenue for the First Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Trading Concessions: A</b>	<b>11.69</b>	<b>13.98</b>	<b>3.05</b>	<b>5.38</b>	<b>14.85</b>	<b>48.95</b>
Restaurant / Snack Bars	2.26	2.72	0.54	0.93	2.79	9.24
T.R. Stall	2.95	3.84	0.97	1.90	4.13	13.79
Hoarding & Display	6.48	7.42	1.54	2.55	7.93	25.92
<b>Rent &amp; Services: B</b>	<b>2.70</b>	<b>2.86</b>	<b>2.96</b>	<b>2.85</b>	<b>2.45</b>	<b>13.82</b>
Land Leases	0.30	0.18	0.27	0.22	0.30	1.27
Building (Residential)	0.02	0.02	0.02	0.01	0.03	0.10
Building (Non-Residential)	1.08	1.05	1.06	1.29	1.49	5.97
Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
<b>Miscellaneous: C</b>	<b>7.72</b>	<b>7.43</b>	<b>2.28</b>	<b>3.17</b>	<b>7.50</b>	<b>28.11</b>
Duty Free Shops	1.74	1.76	0.16	0.56	2.01	6.22
Car Rentals	0.58	0.73	0.21	0.44	1.20	3.16
Car Parking	3.03	1.93	0.24	0.66	1.17	7.04
Admission Tickets	0.80	0.77	0.06	0.06	0.10	1.79
Other Income/ Sale of Scrap etc.	1.56	2.24	1.61	1.46	3.02	9.90
<b>Total (A+B+C)</b>	<b>22.11</b>	<b>24.27</b>	<b>8.29</b>	<b>11.41</b>	<b>24.80</b>	<b>90.88</b>

4.7.2 The non-aeronautical revenue approved by the Authority in the Tariff Order No - 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period was ₹ 137.24 crores. The details of Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period is as follows:

**Table 36: Non-Aeronautical revenue approved by the Authority for the First Control Period**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Trading Concessions: A</b>	<b>10.48</b>	<b>11.53</b>	<b>12.68</b>	<b>14.58</b>	<b>16.77</b>	<b>66.04</b>
Restaurant / Snack Bars	2.10	2.31	2.54	2.92	3.36	13.23
T.R. Stall	2.68	2.95	3.24	3.73	4.29	16.89
Hoarding & Display	5.70	6.27	6.90	7.93	9.12	35.92
<b>Rent &amp; Services: B</b>	<b>3.63</b>	<b>3.96</b>	<b>4.33</b>	<b>4.84</b>	<b>5.43</b>	<b>22.19</b>
Land Leases	0.33	0.33	0.33	0.33	0.33	1.65



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Building (Residential)	0.03	0.04	0.04	0.04	0.05	0.20
Building (Non-Residential)	1.93	2.12	2.34	2.69	3.09	12.17
Land Rent	1.34	1.47	1.62	1.78	1.96	8.17
<b>Miscellaneous: C</b>	<b>7.94</b>	<b>8.68</b>	<b>9.47</b>	<b>10.73</b>	<b>12.19</b>	<b>49.01</b>
Duty Free Shops	1.92	2.11	2.32	2.67	3.07	12.09
Car Rentals	0.86	0.95	1.05	1.20	1.38	5.44
Car Parking	3.03	3.34	3.67	4.22	4.86	19.12
Admission Tickets	0.74	0.82	0.90	1.03	1.19	4.68
Other Income/ Sale of Scrap etc.	1.39	1.46	1.53	1.61	1.69	7.68
<b>Total (A+B+C)</b>	<b>22.05</b>	<b>24.17</b>	<b>26.48</b>	<b>30.15</b>	<b>34.39</b>	<b>137.24</b>

**Authority's examination and proposal regarding the true-up of Non-Aeronautical Revenues of the First Control Period at Consultation Stage:**

- 4.7.3 The Non-Aeronautical Revenue approved by the Authority in the Tariff Order for the First Control Period was ₹ 137.24 crores. The actual Non-Aeronautical Revenue amounting to ₹ 90.88 crores submitted by AAI for Coimbatore International Airport for the First Control Period was lower than that approved by AERA in the tariff order for the First Control Period.
- 4.7.4 The Authority examined variances between projected and actual revenue from restaurants and snack bar, T.R stalls, hoardings and displays, car parking, admission tickets and observed that the same was on account of a decline in passenger traffic due to the adverse effects of the COVID-19 pandemic which led to a decline in both domestic and international passenger traffic. For FY 2021-22 and FY 2022-23 such decline was ~62.2% and ~27.9% respectively between the actual non-aeronautical revenues and non-aeronautical revenues approved in the tariff order for the First Control Period.
- 4.7.5 The Authority, in line with its decision taken in other Airports, proposed to consider the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) as aeronautical revenue and exclude the same from non-aeronautical revenue amounting to ₹ 3.37 crores for the First Control Period (currently classified in Building (Non-Residential) and Land leases).
- 4.7.6 The Authority noted that Misc. Income includes other segment income (pertaining to NASFT) amounting to ₹ 0.28 crores submitted by AAI in the MYTP submission which the Authority proposed to exclude from the Non-Aeronautical Revenues.
- 4.7.7 Based on the above analysis, the Authority proposed to consider the actual Non-Aeronautical Revenue as presented in table below for the purpose of true-up of the First Control Period.

**Table 37: Non-Aeronautical Revenue true-up proposed by the Authority for the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Trading Concessions: A</b>	<b>11.69</b>	<b>13.98</b>	<b>3.05</b>	<b>5.38</b>	<b>14.85</b>	<b>48.95</b>
Restaurant / Snack Bars	2.26	2.72	0.54	0.93	2.79	9.24
T.R. Stall	2.95	3.84	0.97	1.90	4.13	13.79
Hoarding & Display	6.48	7.42	1.54	2.55	7.93	25.92
<b>Rent &amp; Services: B</b>	<b>2.70</b>	<b>2.86</b>	<b>2.96</b>	<b>2.85</b>	<b>2.45</b>	<b>13.82</b>
Land Leases	0.30	0.18	0.27	0.22	0.30	1.27
Building (Residential)	0.02	0.02	0.02	0.01	0.03	0.10
Building (Non-Residential)	1.08	1.05	1.06	1.29	1.49	5.97



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
<b>Miscellaneous: C</b>	<b>7.72</b>	<b>6.97</b>	<b>2.47</b>	<b>3.17</b>	<b>7.50</b>	<b>27.83</b>
Duty Free Shops	1.74	1.76	0.16	0.56	2.01	6.22
Car Rentals	0.58	0.73	0.21	0.44	1.20	3.16
Car Parking	3.03	1.93	0.24	0.66	1.17	7.04
Admission Tickets	0.80	0.77	0.06	0.06	0.10	1.79
Other Income/ Sale of Scrap etc.	1.56	1.78	1.79	1.46	3.02	9.62
<b>Total (D=A+B+C)</b>	<b>22.11</b>	<b>23.81</b>	<b>8.48</b>	<b>11.41</b>	<b>24.80</b>	<b>90.60</b>
Less: Revenue from Lease Rentals from Ramp area for Airlines & Ground Handling Agency (E)	0.27	0.16	0.15	0.15	0.15	0.88
Less: Revenue from Space Rent from Airlines (F)	0.61	0.38	0.36	0.51	0.64	2.49
<b>Total (G=D-E-F)</b>	<b>21.23</b>	<b>23.28</b>	<b>7.97</b>	<b>10.75</b>	<b>24.01</b>	<b>87.23</b>

4.7.8 Based on the above analysis, the Authority proposed to consider the Non-Aeronautical Revenues as per Table 37 after adjustments detailed below:

- Exclusion of Other Segment Income (NASFT) amounting to ₹ 0.28 crores.
- Recategorizing the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) amounting to ₹ 3.37 crores from Non-Aeronautical Revenue to Aeronautical Revenue.

**Stakeholders' comments regarding true-up of Non -Aeronautical Revenue for the First Control period**

4.7.9 No comments have been received from stakeholders on Non-Aeronautical Revenue for the First Control Period.

**Authority's Analysis on Stakeholders' comments regarding true-up of Non -Aeronautical Revenue for the First Control period**

4.7.10 The Authority notes that no comments were received from the Stakeholders regarding true-up of Non-Aeronautical Revenue for the First Control Period.

4.7.11 The Authority notes from the scrutiny of documents that the nomenclature Land rent in Table 37 indicates Hangar Land rent collected by AAI. The Authority, during site visit, noted that the Hangar in Coimbatore International Airport is located in the airside and used for aeronautical activities (aircraft parking/MRO activities etc.). While the revenue from Hangar rental was considered as non-aeronautical in the First Control Period of Tariff Order no. 44/2018-19 dated 6<sup>th</sup> March 2019, the Authority decides to consider Hangar Land Rent amounting to ₹ 6.47 Crores as Aeronautical Revenue for the true up of First Control Period. Accordingly, the Non-aeronautical revenue decided for true up of the First Control Period is given in the table below:

**Table 38: Non-Aeronautical Revenue decided by the Authority for the First Control Period**

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Trading Concessions: A</b>	<b>11.69</b>	<b>13.98</b>	<b>3.05</b>	<b>5.38</b>	<b>14.85</b>	<b>48.95</b>
Restaurant / Snack Bars	2.26	2.72	0.54	0.93	2.79	9.24
T.R. Stall	2.95	3.84	0.97	1.90	4.13	13.79
Hoarding & Display	6.48	7.42	1.54	2.55	7.93	25.92
<b>Rent &amp; Services: B</b>	<b>2.70</b>	<b>2.86</b>	<b>2.96</b>	<b>2.85</b>	<b>2.45</b>	<b>13.82</b>
Land Leases	0.30	0.18	0.27	0.22	0.30	1.27





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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Building (Residential)	0.02	0.02	0.02	0.01	0.03	0.10
Building (Non-Residential)	1.08	1.05	1.06	1.29	1.49	5.97
Hangar Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
<b>Miscellaneous: C</b>	<b>7.72</b>	<b>6.97</b>	<b>2.47</b>	<b>3.17</b>	<b>7.50</b>	<b>27.83</b>
Duty Free Shops	1.74	1.76	0.16	0.56	2.01	6.22
Car Rentals	0.58	0.73	0.21	0.44	1.20	3.16
Car Parking	3.03	1.93	0.24	0.66	1.17	7.04
Admission Tickets	0.80	0.77	0.06	0.06	0.10	1.79
Other Income/ Sale of Scrap Etc	1.56	1.78	1.79	1.46	3.02	9.62
<b>Total (D=A+B+C)</b>	<b>22.11</b>	<b>23.81</b>	<b>8.48</b>	<b>11.41</b>	<b>24.80</b>	<b>90.60</b>
Less: Lease Rent Airlines/GHA (E)	0.27	0.16	0.15	0.15	0.15	0.88
Less: Space Rentals from Airlines (F)	0.61	0.38	0.36	0.51	0.64	2.49
Less: Hangar Land Rent (G)	1.30	1.61	1.62	1.33	0.62	6.47
<b>Total (H=D-E-F-G)</b>	<b>19.93</b>	<b>21.67</b>	<b>6.36</b>	<b>9.42</b>	<b>23.39</b>	<b>80.75</b>
<b>NAR at CP Stage (I) (Refer Table 37)</b>	<b>21.23</b>	<b>23.28</b>	<b>7.97</b>	<b>10.75</b>	<b>24.01</b>	<b>87.23</b>
<b>Difference (J=H-I)</b>	<b>-1.30</b>	<b>-1.61</b>	<b>-1.61</b>	<b>-1.33</b>	<b>-0.62</b>	<b>-6.47</b>

## 4.8 True up of Aeronautical Revenue

4.8.1 AAI had submitted Aeronautical Revenue for the First Control Period as follows:

**Table 39: Aeronautical Revenue for the First Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Landing Charges (A)</b>	<b>14.46</b>	<b>19.49</b>	<b>8.58</b>	<b>13.32</b>	<b>22.61</b>	<b>78.46</b>
Landing Charges - Domestic	12.03	16.54	8.16	12.24	20.08	69.05
Landing Charges - International	2.43	2.95	0.42	1.08	2.53	9.41
<b>PSF &amp; UDF Charges (B)</b>	<b>12.06</b>	<b>50.55</b>	<b>14.47</b>	<b>23.49</b>	<b>46.44</b>	<b>147.00</b>
PSF - Domestic	11.19	0.37	-	-	-	11.57
PSF - International	0.86	0.12	-	-	-	0.99
UDF - Domestic	-	44.56	13.96	21.90	41.46	121.89
UDF - International	-	5.49	0.51	1.59	4.98	12.56
<b>Parking &amp; Housing Charges (C)</b>	<b>0.05</b>	<b>0.17</b>	<b>0.16</b>	<b>1.17</b>	<b>0.96</b>	<b>2.52</b>
Parking & Housing Charges	0.05	0.17	0.16	1.17	0.96	2.52
<b>Other Revenues (D)</b>	<b>7.84</b>	<b>8.15</b>	<b>2.37</b>	<b>2.84</b>	<b>6.54</b>	<b>27.73</b>
Extension of Watch Hours	-	-	0.06	0.01	-	0.08
CUTE Charges	2.28	2.60	0.73	0.99	2.83	9.43
Fuel Throughput Revenue	0.73	1.98	-	-	-	2.71
Ground Handling Revenue	3.20	1.88	0.44	0.50	2.21	8.23
Cargo Revenue (Royalty from AAICLAS)	1.16	1.08	0.64	0.87	0.94	4.68
Land Lease - Oil Companies	0.41	0.40	0.42	0.42	0.46	2.11
Land Lease - Ground Handling Agency	0.06	0.06	0.05	0.02	0.05	0.24
Land Lease - MRO	-	0.08	0.01	0.01	0.00	0.10
Revenue from MRO	-	0.07	0.01	0.02	0.05	0.14
<b>Total Aeronautical Revenue (A+B+C+D)</b>	<b>34.41</b>	<b>78.35</b>	<b>25.59</b>	<b>40.82</b>	<b>76.55</b>	<b>255.72</b>

4.8.2 The Authority compared the actual Aeronautical Revenue submitted by AAI with the Aeronautical Revenues as per the Tariff Order for the First Control Period and the same is detailed below:



**Table 40: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period**

(₹ in crores)

Particulars	Ref	FY19	FY20	FY21	FY22	FY23	Total
As per Tariff Order	A	28.09	79.77	90.54	102.82	116.82	418.04
As per AAI submission	B	34.41	78.35	25.59	40.82	76.55	255.72
Difference	C=B-A	6.32	-1.42	-64.95	-62.00	-40.27	-162.32
<b>Change %</b>	<b>D=C/A</b>	<b>22.49%</b>	<b>-1.77%</b>	<b>-71.74%</b>	<b>-60.30%</b>	<b>-34.47%</b>	<b>-38.83%</b>

- 4.8.3 The Authority noted that there was a significant variance between actual Aeronautical Revenues and Aeronautical Revenues as approved by the Authority in Tariff Order for the First Control Period for FY 2020-21 to FY 2022-23, which is attributable to lower passenger traffic and ATMs due to the adverse impact of the COVID-19 pandemic on the aviation sector.
- 4.8.4 The Authority reviewed the Aeronautical Revenues submitted by AAI with the trial balance for FY 2018-19 to FY 2022-23 and noted no deviations. Therefore, the Authority proposed to consider the Aeronautical Revenue as submitted by AAI.
- 4.8.5 The Authority proposed to re-classify the space rentals and land leases from airlines and ground handling agency as Aeronautical Revenue from the current classification of Non-Aeronautical Revenue, in line with its decision taken in other airports as discussed in para 4.7.5. The Aeronautical Revenues post reclassification proposed by the Authority for the true-up of the First Control Period is as shown in the following table:

**Table 41: Aeronautical Revenue for the First Control Period proposed by the Authority for Coimbatore International Airport at Consultation Stage**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Landing Charges (A)</b>	<b>14.46</b>	<b>19.49</b>	<b>8.58</b>	<b>13.32</b>	<b>22.61</b>	<b>78.46</b>
Landing Charges – Domestic	12.03	16.54	8.16	12.24	20.08	69.05
Landing Charges – International	2.43	2.95	0.42	1.08	2.53	9.41
<b>PSF &amp; UDF Charges (B)</b>	<b>12.06</b>	<b>50.55</b>	<b>14.47</b>	<b>23.49</b>	<b>46.44</b>	<b>147.00</b>
PSF – Domestic	11.19	0.37	-	-	-	11.57
PSF – International	0.86	0.12	-	-	-	0.99
UDF – Domestic	-	44.56	13.96	21.90	41.46	121.89
UDF – International	-	5.49	0.51	1.59	4.98	12.56
<b>Parking &amp; Housing Charges (C)</b>	<b>0.05</b>	<b>0.17</b>	<b>0.16</b>	<b>1.17</b>	<b>0.96</b>	<b>2.52</b>
Parking & Housing Charges	0.05	0.17	0.16	1.17	0.96	2.52
<b>Other Revenues (D)</b>	<b>7.84</b>	<b>8.15</b>	<b>2.37</b>	<b>2.84</b>	<b>6.54</b>	<b>27.73</b>
Extension of Watch Hours	-	-	0.06	0.01	-	0.08
CUTE Charges	2.28	2.60	0.73	0.99	2.83	9.43
Fuel Throughput Revenue	0.73	1.98	-	-	-	2.71
Ground Handling Revenue	3.20	1.88	0.44	0.50	2.21	8.23
Cargo Revenue (Royalty from AAICLAS)	1.16	1.08	0.64	0.87	0.94	4.68
Land Lease - Oil Companies	0.41	0.40	0.42	0.42	0.46	2.11
Land Lease - Ground Handling Agency	0.06	0.06	0.05	0.02	0.05	0.24
Land Lease – MRO	-	0.08	0.01	0.01	0.00	0.10
Revenue from MRO	-	0.07	0.01	0.02	0.05	0.14
<b>Total (A+B+C+D)</b>	<b>34.41</b>	<b>78.35</b>	<b>25.59</b>	<b>40.82</b>	<b>76.55</b>	<b>255.72</b>



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Add: Revenue from Lease Rentals from Ramp area for Airlines & Ground Handling Agency	0.27	0.16	0.15	0.15	0.15	0.88
Add: Revenue from Space Rent from Airlines	0.61	0.38	0.36	0.51	0.64	2.49
<b>Total Aeronautical Revenue</b>	<b>35.29</b>	<b>78.89</b>	<b>26.09</b>	<b>41.48</b>	<b>77.35</b>	<b>259.09</b>

**Stakeholders' comments regarding true-up of Aeronautical Revenue for the First Control Period**

4.8.6 No comments have been received from stakeholders regarding Aeronautical Revenue for the First Control Period.

**Authority's Analysis on Stakeholders' comments regarding Aeronautical Revenue for the First Control Period**

4.8.7 The Authority notes that no comments were received from the Stakeholders regarding true-up of Aeronautical Revenue for the First Control Period.

4.8.8 As stated in para 4.7.11, the Authority has considered Hangar Land Rent as part of the Aeronautical Revenue. Accordingly, the Aeronautical Revenue decided by the Authority for the first control period is shown in the table below:

**Table 42: Aeronautical Revenue decided by the Authority for the First Control Period**

(₹ in crores)

Particulars	FY19	FY20	FY21	FY22	FY23	Total
<b>Landing Charges</b>	<b>14.46</b>	<b>19.49</b>	<b>8.58</b>	<b>13.32</b>	<b>22.61</b>	<b>78.46</b>
Landing Charges - Domestic	12.03	16.54	8.16	12.24	20.08	69.05
Landing Charges - International	2.43	2.95	0.42	1.08	2.53	9.41
<b>PSF &amp; UDF Charges</b>	<b>12.06</b>	<b>50.55</b>	<b>14.47</b>	<b>23.49</b>	<b>46.44</b>	<b>147.00</b>
PSF - Domestic	11.19	0.37	-	-	-	11.57
PSF - International	0.86	0.12	-	-	-	0.99
UDF - Domestic	-	44.56	13.96	21.90	41.46	121.89
UDF - International	-	5.49	0.51	1.59	4.98	12.56
<b>Parking &amp; Housing Charges</b>	<b>0.05</b>	<b>0.17</b>	<b>0.16</b>	<b>1.17</b>	<b>0.96</b>	<b>2.52</b>
Parking & Housing Charges	0.05	0.17	0.16	1.17	0.96	2.52
<b>Other Revenues</b>	<b>7.84</b>	<b>8.15</b>	<b>2.37</b>	<b>2.84</b>	<b>6.54</b>	<b>27.73</b>
Extension of Watch Hours	-	-	0.06	0.01	-	0.08
CUTE Charges	2.28	2.60	0.73	0.99	2.83	9.43
Fuel Throughput Revenue	0.73	1.98	-	-	-	2.71
Ground Handling Revenue	3.20	1.88	0.44	0.50	2.21	8.23
Cargo Revenue (Royalty from AAICLAS)	1.16	1.08	0.64	0.87	0.94	4.68
Land Lease - Oil Companies	0.41	0.40	0.42	0.42	0.46	2.11
Land Lease - Ground Handling Agency	0.06	0.06	0.05	0.02	0.05	0.24
Land Lease - MRO	-	0.08	0.01	0.01	0.00	0.10
Revenue from MRO	-	0.07	0.01	0.02	0.05	0.14
<b>Total</b>	<b>34.41</b>	<b>78.35</b>	<b>25.59</b>	<b>40.82</b>	<b>76.55</b>	<b>255.72</b>
Add: Revenue from Lease Rent - Ramp Airlines	0.27	0.16	0.15	0.15	0.15	0.88



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Particulars	FY19	FY20	FY21	FY22	FY23	Total
Add: Space Rentals from Airlines	0.61	0.38	0.36	0.51	0.64	2.49
Add: Hangar Land Rent	1.30	1.61	1.62	1.33	0.62	6.47
<b>Total Aeronautical Revenue (A)</b>	<b>36.59</b>	<b>80.50</b>	<b>27.71</b>	<b>42.80</b>	<b>77.97</b>	<b>265.56</b>
<b>Aeronautical Revenue at CP Stage (B) (Refer Table 41)</b>	<b>35.29</b>	<b>78.89</b>	<b>26.09</b>	<b>41.48</b>	<b>77.35</b>	<b>259.09</b>
<b>Difference (C=A-B)</b>	<b>1.30</b>	<b>1.61</b>	<b>1.62</b>	<b>1.32</b>	<b>0.62</b>	<b>6.47</b>

## 4.9 True up of Taxation

4.9.1 AAI had submitted taxation for the First Control Period as follows:

**Table 43: Aeronautical Taxation for the First Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue		34.41	78.35	25.59	40.82	76.55	255.72
<b>Total Revenue</b>	<b>A</b>	<b>34.41</b>	<b>78.35</b>	<b>25.59</b>	<b>40.82</b>	<b>76.55</b>	<b>255.72</b>
O& M Expenses		47.61	59.91	47.22	53.23	55.92	263.90
Depreciation (As per IT Act, 1961)		7.02	9.71	11.04	12.03	13.62	53.42
<b>Total Expenses</b>	<b>B</b>	<b>54.63</b>	<b>69.62</b>	<b>58.26</b>	<b>65.27</b>	<b>69.54</b>	<b>317.32</b>
Profit/(Loss)	C=A-B	(20.22)	8.73	(32.67)	(24.45)	7.01	(61.60)
Set off of prior period tax losses	D	-	(8.73)	-	-	(7.01)	(15.74)
Profit/Loss after setting off of prior period tax losses	E	(20.22)	-	(32.67)	(24.45)	-	(77.34)
Tax Rate	F	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	-	-	-	-	-

4.9.2 The Authority had recomputed Aeronautical Revenues based on the building blocks as discussed in previous paragraphs and the details are as below:

**Table 44: Aeronautical Taxation for the First Control Period to be proposed by the Authority for Coimbatore International Airport at Consultation Stage**

(₹ in crores)

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue (Refer Table 41)		35.29	78.89	26.09	41.48	77.35	259.09
<b>Total Revenue</b>	<b>A</b>	<b>35.29</b>	<b>78.89</b>	<b>26.09</b>	<b>41.48</b>	<b>77.35</b>	<b>259.09</b>
O&M Expenses (Refer Table 33)		44.38	56.33	45.90	51.01	53.78	251.40
Depreciation (As per IT Act, 1961)		7.09	10.21	10.98	13.31	14.23	55.82
<b>Total Expenses</b>	<b>B</b>	<b>51.47</b>	<b>66.54</b>	<b>56.88</b>	<b>64.32</b>	<b>68.01</b>	<b>307.22</b>
Profit/(Loss)	C=A-B	(16.18)	12.35	(30.79)	(22.84)	9.33	(48.14)
Prior period losses carried forward	D	(43.47) ^	(59.65)	(47.30)	(78.10)	(100.94)	
Set off of prior period tax losses	E	-	12.35	-	-	9.33	(21.68)
Profit/Loss after setting off of prior period tax losses	F	(16.18)	-	(30.79)	(22.84)	-	(69.82)
<b>Loss Carried Forward (Closing)</b>	<b>G=D-E+F</b>	<b>(59.65)</b>	<b>(47.30)</b>	<b>(78.10)</b>	<b>(100.94)</b>	<b>(91.61)</b>	
Tax Rate	H	34.94%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	I=F*H	-	-	-	-	-	-

^Carried Forward Losses amounting to ₹ 43.47 crores has been obtained from tariff order 44/2018-19 dated 6<sup>th</sup> March 2019 (Refer Table 34 of that tariff order).



- 4.9.3 The Authority noted that AAI had incurred losses during the First Control Period and had carried forward the losses to Second Control Period. Therefore, the Authority proposed to consider the Aeronautical Tax as NIL for the First Control Period as per Table 44 above at Consultation Stage.

**Stakeholders' comments regarding true-up of Taxation for the First Control Period**

- 4.9.4 No comments have been received from stakeholders on Taxation for the First Control Period.

**Authority's Analysis on Stakeholders' comments regarding true-up of Taxation for the First Control Period**

- 4.9.5 The Authority notes that no comments were received from the Stakeholders regarding true-up of taxation for the First Control Period.
- 4.9.6 However, based on the changes to Aeronautical Revenue, O&M Expenses etc. the Authority has recomputed the Taxation considering Interest Cost as an allowable deduction for the purpose of computing Income Tax, for true up of the First Control Period as detailed below.

**Table 45: Taxation decided by the Authority for the First Control Period**

(₹ in crores)

Particulars	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Aeronautical Revenue (Refer Table 42)		36.59	80.50	27.71	42.80	77.97	265.56
<b>Total Revenue</b>	<b>A</b>	<b>36.59</b>	<b>80.50</b>	<b>27.71</b>	<b>42.80</b>	<b>77.97</b>	<b>265.56</b>
O&M Expenses (Refer Table 34)		44.38	56.33	45.90	50.67	52.18	249.46
Depreciation (As per IT Act, 1961)		7.09	10.21	10.98	13.31	14.23	55.82
Interest Expenses including Working Capital		0.75	-	0.10	1.21	1.60	3.66
<b>Total Expenses</b>	<b>B</b>	<b>52.22</b>	<b>66.54</b>	<b>56.98</b>	<b>65.19</b>	<b>68.01</b>	<b>308.94</b>
Profit/(Loss)	<b>C=A-B</b>	<b>(15.63)</b>	<b>13.96</b>	<b>(29.27)</b>	<b>(22.39)</b>	<b>9.95</b>	<b>(43.38)</b>
Prior period losses carried forward	<b>D</b>	<b>(43.47) ^</b>	<b>(59.10)</b>	<b>(45.14)</b>	<b>(74.41)</b>	<b>(96.80)</b>	
Set off of prior period tax losses	<b>E</b>	<b>-</b>	<b>(13.96)</b>	<b>-</b>	<b>-</b>	<b>(9.95)</b>	<b>(23.92)</b>
Profit/Loss after setting off of prior period tax losses	<b>F</b>	<b>(15.63)</b>	<b>-</b>	<b>(29.27)</b>	<b>(22.39)</b>	<b>-</b>	<b>(67.29)</b>
<b>Loss Carried Forward (Closing)</b>	<b>G=D-E+F</b>	<b>(59.10)</b>	<b>(45.14)</b>	<b>(74.41)</b>	<b>(96.80)</b>	<b>(86.85)</b>	
Tax Rate	<b>H</b>	<b>34.94%</b>	<b>25.17%</b>	<b>25.17%</b>	<b>25.17%</b>	<b>25.17%</b>	
Aeronautical Tax	<b>I=F*H</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>^</sup>Carried Forward Losses amounting to ₹ 43.47 crores has been obtained from tariff order 44/2018-19 dated 6<sup>th</sup> March 2019 (Refer Table 34 of that Tariff Order).

**4.10 True up of Aggregate Revenue Requirement (ARR) for the First Control Period**

- 4.10.1 Based on the regulatory building blocks as per above sections, the Authority had computed the ARR for the true-up of the First Control Period as below:

**Table 46: Aggregate Revenue Requirement proposed by the Authority for the First Control Period at Consultation Stage**

(₹ in crores)

Particulars	Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 18	A	57.49	75.82	84.62	97.26	121.10	
FRoR	Table 19	B	13.26%	13.26%	13.26%	13.26%	13.26%	



## TRUE UP OF THE FIRST CONTROL PERIOD

Particulars	Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
<b>Return on Average RAB</b>		<b>C=A*B</b>	<b>7.62</b>	<b>10.06</b>	<b>11.22</b>	<b>12.90</b>	<b>16.06</b>	<b>57.86</b>
Depreciation	Table 17	D	4.81	7.02	7.29	7.62	8.77	35.51
O&M Expenses	Table 33	E	44.38	56.33	45.90	51.01	53.78	251.40
Aeronautical Tax		F	-	-	-	-	-	-
Interest on Working Capital <sup>f</sup>		G	0.95	-	0.29	1.09	-	2.33
True up of prior to FCP <sup>^</sup>		H	60.63	-	-	-	-	60.63
<b>ARR</b>		<b>I=Sum (C:H)</b>	<b>118.39</b>	<b>73.40</b>	<b>64.70</b>	<b>72.63</b>	<b>78.61</b>	<b>407.74</b>
Non-Aeronautical Revenue	Table 37		21.23	23.28	7.97	10.75	24.01	87.23
30% of NAR		J	6.37	6.98	2.39	3.22	7.20	26.17
<b>Net ARR</b>		<b>K=I-J</b>	<b>112.02</b>	<b>66.42</b>	<b>62.31</b>	<b>69.40</b>	<b>71.41</b>	<b>381.57</b>
Aeronautical Revenue	Table 41	L	35.29	78.89	26.09	41.48	77.35	259.09
<b>Under/ (Over) recovery of First Control Period</b>		<b>M=K-L</b>	<b>76.74</b>	<b>-12.47</b>	<b>36.22</b>	<b>27.93</b>	<b>-5.94</b>	<b>122.48</b>
PV Factor @ 13.26%		N	1.86	1.65	1.45	1.28	1.13	
<b>PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24</b>		<b>O=M*N</b>	<b>143.03</b>	<b>-20.52</b>	<b>52.63</b>	<b>35.83</b>	<b>-6.72</b>	<b>204.24</b>
<b>True up of Under Recovery of First Control Period as on 31-Mar-24</b>								<b>204.24</b>

<sup>^</sup>Under recovery of prior to First Control Period has been obtained from Table 39 of the Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for Coimbatore International Airport for the First Control Period.

#Working capital has been taken as per AAI submission

- 4.10.2 The Authority had re-computed the under recovery of ₹ 204.24 crores for First Control Period as against ₹ 244.18 crores claimed by AAI and proposed to adjust the same in computation of ARR for the Second Control Period.
- 4.10.3 The variation between the ARR proposed by the Authority and claimed by the AAI was due to the below factors:
- Non-consideration of Finance allowance claimed by the AAI amounting to ₹ 6.54 crores as part of RAB.
  - Determination of FRoR as 13.26% as against FRoR of 14.00% submitted by AAI.
  - Rationalization of the O&M expenses by ₹ 12.49 crores.
  - Re-computation of Depreciation lesser by ₹ 3.83 Crores.

**Stakeholders' comments regarding true-up of Aggregate Revenue Requirement (ARR) for the First Control Period**

- 4.10.4 FIA's comment impact of under recovery pertaining to the First Control Period is as follows:

*"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 NPV of the Under-recovery or due to interest/penalties paid to Government of India at both CHQ and RHQ levels due to various lapses/delays on the part of the Airport Operator, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Second Control Period caused due to under-recovery pertaining to the First Control Period."*



**AAI's response to Stakeholders' comments regarding true-up of Aggregate Revenue Requirement (ARR) for the First control Period**

4.10.5 No counter comments were received from AAI in response to stakeholders' comments on true-up of Aggregate Revenue Requirement (ARR) for Coimbatore International Airport for the First Control Period.

**Authority's Analysis on Stakeholders' comments regarding true-up of Aggregate Revenue Requirement (ARR) for the First Control Period**

4.10.6 The Authority noted FIA's comments with regard to under-recovery pertaining to the First Control Period. It is submitted that in case of Coimbatore International Airport, there is a shortfall in the First Control Period due to COVID-19 and other factors, which as per Authority's methodology, is included as part of ARR for the Second Control Period. AERA's endeavour is to strike a balance between the interests of various stakeholders.

4.10.7 Based on the changes to various building blocks of the First Control Period as indicated in the relevant section, the following table details the true-up of ARR as decided by the Authority.

**Table 47: Aggregate Revenue Requirement decided by the Authority for the First Control Period**

(₹ in crores)

Particulars	Ref.	Ref.	FY19	FY20	FY21	FY22	FY23	Total
Average RAB	Table 18	A	57.49	75.82	84.62	97.26	121.10	436.29
FRoR	Table 19	B	13.26%	13.26%	13.26%	13.26%	13.26%	
<b>Return on Average RAB</b>		<b>C=A*B</b>	7.62	10.06	11.22	12.90	16.06	57.86
Depreciation	Table 17	D	4.81	7.02	7.29	7.62	8.77	35.51
O&M Expenses	Table 34	E	44.38	56.33	45.90	50.67	52.18	249.46
Aeronautical Tax	Table 45	F	-	-	-	-	-	-
Interest on Working Capital <sup>a</sup>		G	0.95	-	0.29	1.09	-	2.33
True up of prior to FCP <sup>^</sup>		H	60.63	-	-	-	-	60.63
<b>ARR</b>		<b>I=Sum (C:H)</b>	118.39	73.40	64.70	72.29	77.01	405.80
Non-Aeronautical Revenue	Table 38		19.93	21.67	6.36	9.42	23.39	80.75
30% of NAR		J	5.98	6.50	1.91	2.83	7.02	24.23
<b>Net ARR</b>		<b>K=I-J</b>	112.41	66.91	62.79	69.46	70.00	381.57
Aeronautical Revenue	Table 42	L	36.59	80.50	27.71	42.80	77.97	265.56
<b>Under/ (Over) recovery of First Control Period</b>		<b>M=K-L</b>	75.83	-13.59	35.09	26.66	-7.97	116.01
PV Factor @ 13.26%		N	1.86	1.65	1.45	1.28	1.13	
<b>PV of Under/ (Over) recovery of First Control Period as on 31-Mar-24</b>		<b>O=M*N</b>	141.33	-22.37	50.98	34.20	-9.03	195.11
<b>True up of Under Recovery of First Control Period as on 31-Mar-24</b>								195.11

4.10.8 The variance of ₹ 9.13 Crores between the under recovery decided by the Authority (₹ 195.11 Crores) for true of the First Control Period and that proposed at the Consultation Stage (₹ 204.24 Crores) (refer Table 46) is on account of the following:

- Reduction in Operating & Maintenance Expenses due to non-considering of the interest on term loan amounting to ₹ 1.96 crores as part of O&M Expense (refer Table 81).



2. Decrease in Non-Aeronautical Revenue resulting from the reclassification of Hangar Land Rent to Aeronautical Revenue, amounting to ₹ 6.47 crores (which represents 30% of Non-Aeronautical Revenue, or ₹ 1.94 crores), and a corresponding increase in Aeronautical Revenue.

#### 4.11 Authority's decisions on True up of the First Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to true-up of the First Control Period.

- 4.11.1 To consider Capital Additions as per details in Table 15 for true-up of the First Control Period.
- 4.11.2 To consider Aeronautical Depreciation as per details in Table 17 for true-up of the First Control Period.
- 4.11.3 To consider RAB as per Table 18 for true-up of the First Control Period.
- 4.11.4 To consider FRoR as per Table 19 for true-up of the First Control Period.
- 4.11.5 To consider the O&M Expenses as detailed in Table 34 for the purpose of true-up of the First Control Period.
- 4.11.6 To consider the Non-Aeronautical Revenues as presented in Table 38 for the purpose of true-up of the First Control Period.
- 4.11.7 To consider Taxation as per Table 45 for true-up of First Control Period.
- 4.11.8 To consider the Aeronautical Revenue as per Table 42 for true-up of the First Control Period.
- 4.11.9 To consider ARR and Under-recovery as detailed in Table 47 for true up of the First Control Period and adjust the shortfall of First Control Period in the Second Control Period.

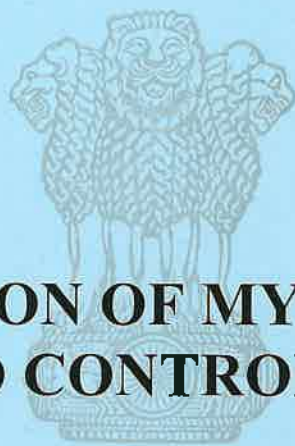
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# EVALUATION OF MYTP FOR THE SECOND CONTROL PERIOD

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## 5 TRAFFIC FOR THE SECOND CONTROL PERIOD

### 5.1 AAI's submission regarding Traffic for the Second Control Period for Coimbatore International Airport

5.1.1 The historical passenger<sup>1</sup> traffic and ATM at the Airport has been shown in the table below:

**Table 48: Historical passenger and ATM traffic for Coimbatore International Airport**

Year	Domestic Passengers	International Passengers	Total Passenger Traffic	Domestic ATM	International ATM	Total ATM
FY06	5,59,133	14,758	5,73,891	8,528	783	9,311
FY07	8,52,239	14,730	8,66,969	12,858	674	13,532
FY08	10,10,517	52,288	10,62,805	15,442	915	16,357
FY09	9,21,282	89,535	10,10,817	14,355	926	15,281
FY10	10,14,791	94,546	11,09,337	14,346	850	15,196
FY11	11,43,469	1,00,354	12,43,823	13,423	853	14,276
FY12	12,43,107	1,02,274	13,45,381	13,710	862	14,572
FY13	11,85,407	1,12,397	12,97,804	12,006	846	12,852
FY14	11,24,743	1,19,565	12,44,308	12,400	949	13,349
FY15	13,05,948	1,23,250	14,29,198	16,760	931	17,691
FY16	15,60,092	1,31,461	16,91,553	16,982	953	17,935
FY17	19,64,709	1,40,195	21,04,904	19,710	1,012	20,722
FY18	22,00,194	2,03,741	24,03,935	20,065	1,530	21,595
FY19	27,63,672	2,37,210	30,00,882	23,390	1,863	25,253
FY20	26,04,603	2,38,232	28,42,835	20,356	1,947	22,303
FY21	8,20,154	26,495	8,46,649	7,893	250	8,143
FY22	12,20,540	65,382	12,85,922	10,418	602	11,020
FY23	23,62,446	1,94,817	25,57,263	16,364	1,278	17,642

<sup>1</sup> Source: Traffic News from AAI website

5.1.2 The traffic growth rates, passenger & ATM traffic as submitted by AAI for the Second Control Period are as per table below:

**Table 49: Traffic growth rates and passenger & ATM traffic submitted by AAI for the Second Control Period**

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth Rates</b>						
FY24	20.00%	13.00%	19.50%	8.08%	15.00%	5.90%
FY25	18.00%	25.00%	18.50%	16.00%	24.00%	16.60%
FY26	16.00%	18.00%	16.20%	15.00%	17.00%	15.20%
FY27	16.00%	18.00%	16.20%	15.00%	17.00%	15.20%
FY28	10.00%	15.00%	10.40%	9.00%	14.00%	9.40%
<b>Traffic</b>						
FY24	28,34,935	2,20,143	30,55,078	17,346	1,342	18,688
FY25	33,45,224	2,75,179	36,20,403	20,121	1,664	21,785
FY26	38,80,459	3,24,711	42,05,170	23,139	1,947	25,086
FY27	45,01,333	3,83,159	48,84,492	26,610	2,278	28,888
FY28	49,51,466	4,40,633	53,92,099	29,005	2,597	31,602
<b>Total</b>	<b>1,95,13,417</b>	<b>16,43,826</b>	<b>2,11,57,243</b>	<b>1,16,222</b>	<b>9,827</b>	<b>1,26,049</b>



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- 5.1.3 AAI had projected a growth of 20% in domestic passenger traffic and 15% in international traffic in FY 2023-24. Similarly, it had projected a growth rate of 6% in domestic ATMs & 15% in international ATMs in FY 2023-24.
- 5.1.4 AAI had also projected a growth rate ranging from 10% to 18% for domestic passengers and from 15% to 25% for international passengers from FY 2024-25. Likewise, it had projected a growth rate range of 9% to 16% for Domestic ATMs and 14% to 24% for international ATMs for the above-mentioned period.
- 5.1.5 AAI had submitted that the passenger traffic and aircraft movement projections submitted by AAI were based on past trends, econometric and regression analysis and various economic factors including policy framework.

**5.2 Authority's examination regarding Traffic for the Second Control Period at Consultation Stage**

- 5.2.1 The Authority analyzed the historic traffic data and calculated the Compounded Annual Growth Rate (CAGR) for Passenger Traffic and ATM for 10 years, 5 years and 3 years computed as at the end of FY 2019-20 for Coimbatore International Airport as per the table below:

**Table 50: CAGR for Passenger Traffic and ATM**

Particulars	3-Year CAGR (FY18 – FY20)	5-Year CAGR (FY16 – FY20)	10-Year CAGR (FY11 – FY20)
<b>Passenger</b>			
Domestic	5.79%	10.79%	8.58%
International	3.35%	12.63%	9.03%
<b>Total Passenger Traffic</b>	<b>5.75%</b>	<b>10.94%</b>	<b>8.62%</b>
<b>ATM</b>			
Domestic	0.48%	3.69%	4.25%
International	8.37%	15.36%	8.60%
<b>Total ATM</b>	<b>1.08%</b>	<b>4.46%</b>	<b>4.56%</b>

- 5.2.2 The CAGRs computed above were stable until FY 2019-20. However, the traffic levels from FY 2020-21 were hugely affected by the impact of the COVID-19 pandemic causing a significant decline in traffic levels which was followed by a subsequent recovery during FY 2021-22 and FY 2022-23 making the traffic volume volatile and skewed, and hence the Authority observed that CAGRs were not suitable for estimation of future growth rates of traffic.
- 5.2.3 Further, the Authority also analyzed the actual passenger and ATM traffic for FY 2023-24 from AAI website and compared with projections submitted by AAI, which is as listed in the table below:

**Table 51: Comparison of Actual Passenger Traffic and ATM traffic with AAI projections for the FY 2023-24**

Particulars (Numbers)	Passengers			ATM		
	Domestic	International	Total	Domestic	International	Total
Projections by AAI (A)	28,34,935	2,20,143	30,55,078	17,346	1,342	18,688
Actual Data from AAI website (B)	26,93,524	2,11,087	29,04,611	17,057	1,339	18,396
Difference (C=B-A)	(1,41,411)	(9,056)	(1,50,467)	(289)	(3)	(292)
Difference % (D=C/A)	-4.99%	-4.11%	-4.93%	-1.67%	-0.22%	-1.56%

- 5.2.4 The Authority noted from the above table that the traffic projected by AAI for Coimbatore International Airport for FY 2023-24 was higher than actual data from AAI website. The Authority proposed to consider traffic (Passenger and ATM) as per AAI website for FY 2023-24 and as the base for projection of traffic for the Second Control Period.



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

The revised traffic forecasts had been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

#### 5.2.5 Airport Council International (ACI)

ACI in its latest report had analyzed air travel outlook revealing global passenger traffic expected to recover from the impacts of COVID-19 pandemic in early 2024 as it reaches 9.4 billion passengers:

- *“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. The region is expected to reach approximately 3.4 billion passengers in 2024, or 99.5% of the 2019 level.*
- *Global passenger volume in 2023 is expected to reach 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)”.*

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

IATA in its report on 1<sup>st</sup> May 2024 had enumerated that:

- *Industry total Revenue Passenger-Kilometers (RPK) maintained a positive trajectory in March growing 13.8% annually, mostly carried by strong momentum of international traffic. Passenger load factors (PLF) were higher than in comparison to previous years while available seat capacity continued to follow increases in demand.*
- *Domestic traffic rose 6.6% over the year. PR China remained the fastest growing market among those monitored with 17.6% YoY growth. All markets saw solid increases in RPK, maintaining the industry total growth within the pre-pandemic average pace.*
- *International traffic continued to show resilient momentum in March with 18.9% YoY growth in RPK across the entire industry. Traffic from Asia Pacific still surges at a rapid pace, while the remaining regions saw consistent results in regard of the previous month.*
- *India passenger traffic continue to climb at a stable rate, increasing 3.8% YoY.*

### Conclusion on traffic forecasts based on above studies

- 5.2.7 Considering the unexpected adverse impact of COVID-19 pandemic and the resultant reductions in domestic and international air travel, the Authority had taken cognizance of the forecast/data published by ACI and IATA cited in para 5.2.5 and para 5.2.6 above for deciding on the traffic projections.
- 5.2.8 In the Authority’s opinion, with the gradual revival of the economy, the aviation industry is expected to recover at a better pace in the next few years.



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5.2.9 The Authority noted that according to the actual traffic data from AAI website for FY 2023-24, both domestic and international traffic (i.e. passengers and ATM's) had surpassed the pre COVID-19 levels of FY 2019-20 and exhibited positive trend in the growth of passenger traffic thereon.

5.2.10 Based on the above factors, the Authority proposed to consider traffic as per AAI website for FY 2023-24 and considering the possible demands that exists in Coimbatore International Airport, the Authority proposed to consider the growth rate projected by AAI for during FY 24-25 to FY 27-28 of the Second Control Period. The traffic projections and growth rates considered by the Authority for the Second Control Period had been given in the table below:

**Table 52: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage**

<b>Domestic Passengers (In Mn.)</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>Total</b>
As submitted by AAI	2.83	3.35	3.88	4.50	4.95	19.51
<b>As proposed by the Authority</b>	<b>2.69*</b>	<b>3.18</b>	<b>3.69</b>	<b>4.28</b>	<b>4.70</b>	<b>18.54</b>
Y-o-Y growth of Domestic pax. submitted by AAI		18%	16%	16%	10%	
Y-o-Y growth of Domestic pax. proposed by the Authority		18%	16%	16%	10%	
<b>International Passengers (In Mn.)</b>	<b>FY24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>Total</b>
As submitted by AAI	0.22	0.28	0.32	0.38	0.44	1.64
<b>As proposed by the Authority</b>	<b>0.21*</b>	<b>0.26</b>	<b>0.31</b>	<b>0.37</b>	<b>0.42</b>	<b>1.58</b>
Y-o-Y growth of International pax. submitted by AAI		25%	18%	18%	15%	
Y-o-Y growth of International pax. proposed by the Authority		25%	18%	18%	15%	
<b>Total Passengers (In Mn.)</b>	<b>FY24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>Total</b>
As submitted by AAI	3.06	3.62	4.21	4.88	5.39	21.16
<b>As proposed by the Authority</b>	<b>2.90*</b>	<b>3.44</b>	<b>4.00</b>	<b>4.64</b>	<b>5.13</b>	<b>20.12</b>
Y-o-Y growth of Total pax. submitted by AAI		19%	16%	16%	10%	
Y-o-Y growth of Total pax. proposed by the Authority		19%	16%	16%	10%	
<b>Domestic ATM (In 000s)</b>	<b>FY24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>Total</b>
As submitted by AAI	17.35	20.12	23.14	26.61	29.01	116.22
<b>As proposed by the Authority</b>	<b>17.06*</b>	<b>19.79</b>	<b>22.75</b>	<b>26.17</b>	<b>28.52</b>	<b>114.29</b>
Y-o-Y growth of Domestic ATM submitted by AAI		16%	15%	15%	9%	
Y-o-Y growth of Domestic ATM proposed by the Authority		16%	15%	15%	9%	
<b>International ATM (In 000s)</b>	<b>FY24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>Total</b>
As submitted by AAI	1.34	1.66	1.95	2.28	2.60	9.83
<b>As proposed by the Authority</b>	<b>1.34*</b>	<b>1.66</b>	<b>1.94</b>	<b>2.27</b>	<b>2.59</b>	<b>9.81</b>
Y-o-Y growth of International ATM submitted by AAI		24%	17%	17%	14%	
Y-o-Y growth of International ATM proposed by the Authority		24%	17%	17%	14%	
<b>Total ATM (In 000s)</b>	<b>FY24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>Total</b>
As submitted by AAI	18.69	21.79	25.09	28.89	31.60	126.05
<b>As proposed by the Authority</b>	<b>18.40*</b>	<b>21.45</b>	<b>24.70</b>	<b>28.44</b>	<b>31.11</b>	<b>124.09</b>
Y-o-Y growth of Total ATM submitted by AAI		17%	15%	15%	9%	
Y-o-Y growth of Total ATM proposed by the Authority		17%	15%	15%	9%	

\*Based on actual data from Traffic News - AAI website



### 5.3 Stakeholders' comments regarding Traffic for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Traffic for the Second Control Period. The comments of stakeholders are presented below.

#### 5.3.1 FIA's comment on Traffic forecast is as follows:

*"While we appreciate that AERA has considered the traffic forecast data published by ACI and IATA (refer para 5.2.5 and 5.2.6 and 5.2.7), further, we understand that, AERA itself have considered the actual traffic from AAI's website for FY23-24 has surpassed pre-covid-19 levels and exhibit a positive trend. Accordingly, we request AERA to kindly conduct an independent study, which may also include demand drivers that may not have been part of the report issued by IATA and ACI India. 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, however there have been certain increase in the load factors, post recovery of COVID-19 period.*

*Hence, we request that 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."*

### 5.4 AAI's response to Stakeholders' comments regarding Traffic for the Second Control Period

#### 5.4.1 AAI's response to FIA's comment on Traffic Forecast is as follows:

*"Projection of traffic forecast is carried out by the AAI specialized cell i.e. CP&MS Dept. which has carried out projections of traffic on real time survey and data analysis."*

### 5.5 Authority's analysis on Stakeholders' comments regarding Traffic for the Second Control Period

#### 5.5.1 The Authority notes FIA's comments on conducting an independent study on traffic and AAI's response to the same. In this regard, the Authority is 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. Further, it is to be noted that Traffic projection for the Second Control Period in respect of Coimbatore airport is based on Traffic forecast done by the specialized cell of AAI i.e. CP&MS.

In addition, M/s PKF Sridhar & Santhanam LLP, independent consultants appointed by AERA, have also evaluated the traffic projections submitted by AAI. The Authority has also taken cognizance of the actual traffic up to FY 2023-24 and finalized the traffic estimates for the period from FY 2024-25 onwards (refer Table 52 of this Tariff Order). Further, the traffic estimates will be true up on an actual basis, at the time of determination of Aeronautical Charges for the next Control Period.

### 5.6 Authority's decisions regarding Traffic for the Second Control Period

Based on the available facts and analysis thereupon, the Authority decides the following regarding traffic for the Second Control Period:

- 5.6.1 To consider the ATM and passenger Traffic for the Second Control Period for Coimbatore International Airport as per Table 52.
- 5.6.2 To true up the traffic volume (ATM and passenger traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.



## 6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

### 6.1 Background

6.1.1 The Authority had organized the discussions in the chapter in the following order:

- Allocation of Gross block of assets into Aeronautical and Non-aeronautical
- Capital expenditure proposed for the Second Control Period
- Depreciation for the Second Control Period
- Regulatory Asset Base (RAB) for the Second Control Period

#### Allocation of Gross Block of Assets into Aeronautical and Non-Aeronautical

6.1.2 AAI had submitted the following allocation of gross block of assets as on 1<sup>st</sup> April 2023 between Aeronautical and Non-aeronautical services for Coimbatore International Airport:

**Table 53: Allocation of opening gross block of assets as on 1<sup>st</sup> April 2023, between Aeronautical and Non-aeronautical as submitted by AAI**

(₹ in crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
	A=B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land	-	-	-	-	-	-	-	-	0.00%
Runway, Taxiway, Apron	101.50	-	-	101.50	-	-	-	101.50	100.00%
Roads, Bridges & Culverts	4.49	-	-	4.49	-	-	-	4.49	100.00%
Building – Terminal	71.94	2.99	0.79	30.30	37.85	34.90	2.95	65.21	90.64%
Building – Temporary	0.46	-	-	0.46	-	-	-	0.46	100.00%
Building – Residential	41.00	15.98	0.01	-	25.00	24.32	0.68	24.32	59.32%
Other Building	4.02	-	-	4.02	-	-	-	4.02	100.00%
Security Fencing	1.37	-	-	1.37	-	-	-	1.37	100.00%
Boundary Wall – Operational	3.42	-	-	3.42	-	-	-	3.42	100.00%
Boundary Wall – Residential	0.31	-	-	0.31	-	-	-	0.31	100.00%
Computers - End User Devices	1.21	0.01	-	1.02	0.19	0.09	0.09	1.11	91.24%
Computer Software	0.51	-	-	0.51	-	-	-	0.51	100.00%



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

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non-Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non-Aero		
Computers - Servers and Networks	0.46	-	-	0.46	-	-	-	0.46	100.00%
Plant & Machinery	45.75	7.57	-	28.62	9.56	6.95	2.61	35.57	77.74%
Tools & Equipment	12.76	0.14	-	9.91	2.70	1.11	1.60	11.02	86.37%
Vehicle - Others	1.81	-	-	1.81	-	-	-	1.81	100.00%
Vehicle - Cars & Jeeps	0.64	-	-	0.64	-	-	-	0.64	100.00%
Electrical Installations	53.27	0.40	0.01	44.15	8.71	8.01	0.70	52.16	97.91%
Office Equipment	0.37	0.02	0.01	0.33	0.01	0.01	0.00	0.34	91.66%
Furniture & Fixtures - Other than trolleys	5.21	0.05	-	5.15	0.01	0.01	0.00	5.17	99.12%
Furniture & Fixtures - Trolleys	1.06	0.04	-	1.01	-	-	-	1.01	96.01%
X-Ray Baggage System	4.77	0.42	-	4.35	-	-	-	4.35	91.18%
CFT/Fire Fighting Equipment	19.29	-	-	19.29	-	-	-	19.29	100.00%
<b>Total</b>	<b>375.64</b>	<b>27.63</b>	<b>0.83</b>	<b>263.14</b>	<b>84.04</b>	<b>75.41</b>	<b>8.63</b>	<b>338.54</b>	<b>90.13%</b>

\* Includes ANS and Cargo Assets

**Authority's examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical at Consultation Stage**

- 6.1.3 The Authority noted that AAI had submitted Terminal Building ratio of 90%:10% for Coimbatore International Airport, for apportionment of common assets/ expenses for the Second Control Period. The Authority proposed to consider the ratio of 90%:10% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses for the Second Control Period, in line with the optimum non-aeronautical area allocation of 8% to 12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved by AERA for other similar airports.
- 6.1.4 Financing Allowance had not been considered for arriving at the Aeronautical Gross block as on 1<sup>st</sup> April 2023 as per the proposal of the Authority in para 4.4.26 of the true up for the First Control Period.
- 6.1.5 Finance Lease assets had not been considered while recomputing the Opening Gross Block as on 1<sup>st</sup> April 2023 as per the proposal of the Authority in para 4.4.24





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

- 6.1.6 The Authority also noted that, as per AAI submission, Employee Quarters related assets amounting to ₹ 0.41 crores had been disposed off during the First Control Period. The Authority proposed to consider the same as deletion while determining the Opening Gross Block as on 1<sup>st</sup> April 2023.
- 6.1.7 Based on the above observations, the Authority had presented the allocation of Gross Block of assets as on 1<sup>st</sup> April 2023 between Aeronautical and Non-aeronautical as per table below:

**Table 54: Allocation of Opening Gross Block of Assets as on 1<sup>st</sup> April 2023 between Aeronautical and Non-Aeronautical proposed by the Authority at Consultation Stage**

(₹ in crores)

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non- Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non- Aero		
	A=B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Land	-	-	-	-	-	-	-	-	0.00%
Runway, Taxiway, Apron	101.50	-	-	101.50	-	-	-	101.50	100.00%
Roads, Bridges & Culverts	4.49	0.10	-	4.10	0.28	0.28	0.01	4.38	97.65%
Building - Terminal	71.94	2.99	0.79	18.84	49.32	45.45	3.87	64.29	89.36%
Building - Temporary	0.46	-	-	0.46	-	-	-	0.46	100.00%
Building - Residential	41.00	15.98	0.01	-	25.00	24.32	0.68	24.32	59.32%
Other Building	4.02	-	-	3.51	0.52	0.49	0.03	4.00	99.36%
Security Fencing	1.37	-	-	1.37	-	-	-	1.37	100.00%
Boundary Wall - Operational	3.42	-	-	3.42	-	-	-	3.42	100.00%
Boundary Wall - Residential	0.31	0.06	-	0.08	0.17	0.17	0.00	0.25	79.46%
Computers - End User Devices	1.21	0.01	-	0.69	0.52	0.49	0.03	1.17	96.61%
Computer Software	0.51	-	-	0.51	-	-	-	0.51	100.00%
Computers - Servers and Networks	0.46	-	-	0.46	-	-	-	0.46	100.00%
Plant & Machinery	45.75	10.02	-	24.65	11.08	10.60	0.48	35.25	77.05%
Tools & Equipment	12.76	0.27	0.01	6.20	6.29	5.85	0.44	12.05	94.42%
Vehicle - Others	1.81	-0.00	-	1.73	0.09	0.08	0.00	1.81	99.83%
Vehicle - Cars & Jeeps	0.64	-	-	0.64	-	-	-	0.64	100.00%



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

Asset Category	Total Assets (Inclusive of ANS)	Other Assets*	Non-Aero Assets	Pure Aero Assets	Common Assets	Common Assets		Total Aero Assets	% Aero
						Aero	Non-Aero		
Electrical Installations	53.27	0.44	0.01	43.69	9.14	8.44	0.70	52.12	97.84%
Office Equipment	0.37	0.02	0.01	0.30	0.04	0.04	0.00	0.34	91.25%
Furniture & Fixtures - Other than trolleys	5.21	0.05	-	3.17	1.99	1.86	0.13	5.03	96.55%
Furniture & Fixtures - Trolleys	1.06	0.04	-	1.01	-	-	-	1.01	96.01%
X-Ray Baggage System	2.90	0.42	-	2.48	-	-	-	2.48	85.51%
CFT/Fire Fighting Equipment	19.29	-	-	19.29	-	-	-	19.29	100.00%
<b>Total</b>	<b>373.77</b>	<b>30.40</b>	<b>0.84</b>	<b>238.10</b>	<b>104.44</b>	<b>98.06</b>	<b>6.37</b>	<b>336.17</b>	<b>89.94%</b>

\* Includes ANS and Cargo Assets

6.1.8 The total Gross block of Aeronautical assets, as on 1<sup>st</sup> April 2023 amounts to ₹ 336.17 crores (which excludes Financing Allowance of ₹ 6.54 crores and Finance Lease assets of ₹ 1.86 crores).

**6.2 Capital Expenditure (CAPEX) for the Second Control Period**

**AAI's submission regarding Capital Expenditure (CAPEX) for the Second Control Period**

6.2.1 AAI had submitted capital expenditure of ₹ 78.46 crores for the Second Control Period for Coimbatore International Airport, which has been summarized in the table below:

**Table 55: Summary of Capital Expenditure projects submitted by AAI for Coimbatore International Airport for the Second Control Period**

S. No.	Particulars	Amount
1	Construction of Boundary Wall	43.92
2	Replacement of FIDS & CIDS	4.08
3	CCTV Cameras for vehicle entry gate	0.40
4	SITC of Door Frame Metal Detector (4 Nos.)	0.08
5	Non-Linear Junction Detector (NLJD)	0.05
6	Explosive Trace Detector (ETD)	0.45
7	Full Body Scanner (FBS)	12.50
8	BDDS	4.33
9	Construction of Boundary Wall (Elect.)	7.39
10	X-Ray Baggage System - HB X-BIS	0.62
11	X-Ray Baggage System - RB X-BIS	0.69
12	X-Ray Baggage System (X-BIS)	1.50
	<b>Capital expenditure submitted for the Second Control Period (A)</b>	<b>76.01</b>
	Financing Allowance (B)	2.45
	<b>Total including Financing Allowance (A + B)</b>	<b>78.46</b>

The above table has been submitted by AAI as part of MYTP-submission. As per their submission dated 10<sup>th</sup> May 2024, 15<sup>th</sup> May 2024 and 27<sup>th</sup> May 2024, it may be noted that AAI has submitted revised CAPEX as discussed in para 6.2.4.



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

**Authority's examination of Capital Expenditure (CAPEX) for the Second Control Period at Consultation stage**

The Authority while analyzing the Capital Expenditure submitted by AAI for the Second Control Period, had rationalized the proposed CAPEX taking into cognizance the essentiality and necessity of the CAPEX for the smooth operation of the Airport as explained in the following paragraphs.

- 6.2.2 The Independent Consultant appointed by the Authority had evaluated each capital item on the basis of their requirements and justifications provided by AAI.
- 6.2.3 AAI had, in reply to query dated 19<sup>th</sup> February 2024, submitted the actual capital expenditure incurred for FY 2023-24 as part of its FAR. The Authority noted that the actual capital expenditure incurred, included assets that were not proposed by AAI in its MYTP submission. The Authority, based on its review of FAR, had included those additional assets in its proposal for the Second Control Period.
- 6.2.4 AAI vide email dated 10<sup>th</sup> May 2024, 15<sup>th</sup> May 2024 and 27<sup>th</sup> May 2024, had revised the projection of the following two projects proposed to be undertaken by it in the Second Control Period:
- a) Replacement of FIDS & CIDS – cost estimate changed from ₹ 4.08 crores to ₹ 3.90 crores.
  - b) Implementation of Digi Yatra amounting to ₹ 4.13 crores – was not part of MYTP submission.

**Table 56: Summary of Revised Cost Estimate submitted by AAI for Coimbatore International Airport for the Second Control Period**

(₹ in crores)

Project Name	Cost estimate as per MYTP dated 22.12.2023	Cost estimate as per revised submission dated 27.05.2024	Capitalization date as per MYTP dated 22.12.2023	Capitalization as per revised submission
Replacement of FIDS & CIDS	4.08	3.90	2024-25	2024-25
Implementation of Digi Yatra	-	4.13	-	2024-25

- 6.2.5 Along with its submission for revised cost of assets, AAI submitted that runway recarpeting expenses which was earlier classified as operating expenses, would now need to be classified as capital expenditure due to increase in PCN value post re-carpeting. Accordingly, the Authority had included Runway recarpeting as part of capital expenditure for analysis and discussed in detail in the following paragraphs.
- 6.2.6 Summary of changes requested by AAI to its proposed Capital Expenditure for the Second Control Period and the resultant revised Capital Expenditure for the Second Control Period is as shown below:

**Table 57: Details of Changes made in CAPEX Projection for SCP as per AAI**

(₹ in crores)

Particulars	Ref	Amount
Original Submission	Table 55	78.46
<b>Add: Reclassification from OPEX to CAPEX</b>		
Runway re-carpeting & associated works	Para 6.2.5	49.54
<b>Add: Additional/Revised Submission by AAI</b>		
Digi Yatra	Para 6.2.4	4.13
Revision in cost for FIDS	Para 6.2.4	(0.18)
<b>Revised Capex</b>		<b>131.96</b>

- 6.2.7 The revised list of capital expenditures for the Second Control Period as drawn up by the Authority based on submissions made by AAI, from time to time is presented in the below table.



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**Table 58: Project wise Capital Expenditure submitted by AAI for Coimbatore International Airport for Second Control Period**

(₹ in crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning	Project Cost	Financing Allowance (FA)	Total CAPEX (incl. FA)
<b>A</b>	<b>Boundary Wall - Operational</b>				
A.1	Construction of Boundary Wall (Civil)	2027-28	43.92	2.10	46.02
<b>B</b>	<b>Plant &amp; Machinery</b>				
B.1	Replacement of FIDS & CIDS <sup>^</sup>	2024-25	3.90	-	3.90
B.2	CCTV Cameras for vehicle entry gate	2024-25	0.40	-	0.40
B.3	SITC of DFMD (4 Nos.)	2023-24	0.08	-	0.08
B.4	Non-Linear Junction Detector (NLJD)	2024-25	0.05	-	0.05
B.5	Explosive Trace Detector (ETD)	2023-24	0.15	-	0.15
B.6	Explosive Trace Detector (ETD)	2024-25	0.30	-	0.30
B.7	Full Body Scanner (FBS)	2025-26	12.50	-	12.50
B.8	BDDS	2024-25	4.33	-	4.33
<b>C</b>	<b>Electrical Installations</b>				
C.1	Construction of Boundary Wall (Elect.)	2027-28	7.39	0.35	7.74
<b>D</b>	<b>X-Ray Baggage System</b>				
D.1	HB X-Bis	2023-24	0.62	-	0.62
D.2	RB X-Bis	2023-24	0.69	-	0.69
D.3	X-BIS	2024-25	1.50	-	1.50
<b>E</b>	<b>Other Assets</b>				
E.1	Digi Yatra*	2024-25	4.13	-	4.13
<b>F</b>	<b>Runway, Taxiway, Apron</b>				
F.1.	Runway Re-carpeting#	2023-24	49.54	-	49.54
<b>Capital Expenditure submitted by AAI for the Second Control Period</b>			<b>129.52</b>	<b>2.45</b>	<b>131.96</b>

<sup>^</sup>Revised Cost Estimate submitted by AAI vide mail dated 15<sup>th</sup> May 2024 considered

\* Not included as part of MYTP submission, based on mail dated 27<sup>th</sup> May 2024.

# As per request by AAI dated 27<sup>th</sup> May 2024 to be included as part of Capex instead of earlier submission under Opex. (refer para 6.2.23)

The Authority's examination of the major Capital Expenditure projected for the Second Control Period has been explained in detail in the following paragraphs.

**A.1 and C.1 Construction of the Boundary Wall (Civil and Electrical) - ₹ 53.76 crores**

6.2.8 The Authority noted that AAI proposed to construct boundary wall around newly acquired land by State Govt. for AAI. AAI had submitted the bifurcation of cost for the construction of the boundary wall as below:

- ₹ 46.02 crores inclusive of FA for Civil works, and
- ₹ 7.74 crores inclusive of FA for the Electrical works

The Authority had reviewed the administrative approval & expenditure sanction memo provided by AAI and noted the cost to be reasonable. Accordingly, the Authority proposed to consider ₹ 43.92 crores (for civil construction) and ₹ 7.39 crores (for electrical installations pertaining to Boundary wall) as additions to RAB, excluding Financing Allowance of ₹ 2.10 crores & ₹ 0.35 crores respectively, in line with Authority's proposal as explained in para 6.2.26. However, based on discussion with AAI, the Authority noted that the execution of this project is contingent upon the transfer of land already acquired by State Govt. to AAI. While AAI in its



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MYTP submission had given the projected date of completion to be October 2027, in its financial model, the asset is projected to be capitalized in FY 2024-25. Upon discussion with AAI and noting the constraints in the execution, the Authority proposed to consider this capital expenditure for the last FY i.e. FY 2027-28 of the Second Control Period as submitted by AAI in its MYTP submission.

**B.1 Replacement of Flight Information Display System (FIDS) & Cabin Intercommunication Data System (CIDS) - ₹ 3.90 crores**

- 6.2.9 The Authority noted that AAI had submitted that ₹ 3.90 crores (revised cost vide email dated 15<sup>th</sup> May 2024) was proposed to be incurred in FY 2024-25 for the replacement of existing FIDS and CIDS. On discussion, it was noted that the current FIDS/ CIDS had technical constraints/ limitations and hence was to be replaced. The Authority had also reviewed the cost estimate provided by the AAI for ₹ 3.90 crores and the same was considered to be reasonable. Since this asset is essential for the facilitation of passengers and visitors, the Authority proposed to consider the same as addition to RAB in FY 2024-25 as submitted by AAI.

**B.2 CCTV Cameras for Vehicle Entry Gate - ₹ 0.40 crores**

- 6.2.10 The Authority noted that AAI had submitted that a capital expenditure of ₹ 0.40 crores was proposed to be incurred for CCTV Cameras at Vehicle entry Gate in FY 2024-25. This project is essential for safety and security at the airport, and therefore the Authority proposed to consider the same as addition to RAB in FY 2024-25 as submitted by AAI. The Authority reviewed the cost estimate for the project which was found to be reasonable.

**B.3 SITC of Door Frame Metal Detector (DFMD) - ₹ 0.08 crores**

- 6.2.11 The Authority noted that as per the FAR, AAI had capitalized actual expenditure of ₹ 0.07 crores against SITC of DFMD in FY 2023-24. The Authority noted this being a security requirement, it is essential for the operations at the airport. Therefore, the Authority proposed to consider the same as addition to RAB amounting to ₹ 0.07 crores in FY 2023-24 as accounted by AAI.

**B.4 Non-Linear Junction Device (NLJD) - ₹ 0.05 crores**

- 6.2.12 The Authority noted that AAI had submitted a capital expenditure of ₹ 0.05 crores for the procurement of NLJD in FY 2024-25 but had not issued work order for the same. However, since this is a security requirement and is essential for the operations of the airport, the Authority proposed to consider the same as addition to RAB amounting to ₹ 0.05 crores in FY 2024-25 as submitted by AAI during the Second Control Period.

**B.5 and B.6 Explosive Trace Detectors (ETD) - ₹ 0.45 crores**

- 6.2.13 The Explosive Trace Detectors (ETD) are essential security equipment in airports, as per BCAS guidelines. AAI had projected ₹ 0.15 crores (1 qty.) in FY 2023-24 and ₹ 0.30 crores (2 qty.) in FY 2024-25. However, AAI had not furnished detailed cost breakup for the same.

The Authority, while reviewing the quantity, cost and the capitalization schedule of ETD noted that a similar component was being considered at AAI airports at a cost of ₹ 0.15 cr. per ETD. Further regarding the capitalization of ETD, AAI had responded to query vide email dated 19<sup>th</sup> February 2024 stating that the ETD proposed during the FY 2023-24 was not capitalized in the said FY. Hence, the Authority proposed to shift the capitalization of 1 ETD at ₹ 0.15 crores to FY 2024-25.

Further, as per the email dated 24<sup>th</sup> April 2024, AAI had requested the deferment of the proposed capital expenditure amounting to ₹ 0.30 crores (2 qty.) to FY 2025-26 from the current submission of FY 2024-25.



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Accordingly, the Authority proposed to consider ₹ 0.45 crores as total cost for 3 ETDs in line with costs approved in other similar airports.

6.2.14 Based on the above analysis, the Authority proposed to consider these ETDs as additions to RAB as follows:

- ₹ 0.15 crores (1 qty.) in FY 2024-25 and
- ₹ 0.30 crores (2 qty.) in FY 2025-26.

**B.7 Full Body Scanner (FBS) - ₹ 12.50 crores**

6.2.15 AAI had submitted that as per BCAS guidelines, Coimbatore International Airport is categorized as a sensitive airport. As per such guidelines, Full Body Scanners (FBS) is to be provided in hypersensitive and sensitive airports. In this regard, AAI had proposed to capitalize FBS at a cost of ₹ 12.50 crores (5 qty.) in FY 2025-26. Considering the safety and security of the Airport, the Authority proposed to consider, 5 quantities of FBS as submitted by AAI, as additions to RAB amounting to ₹ 12.50 crores, which is in line with the cost considered by the Authority for other similar airports.

**B.8 Bomb Detection and Disposal Squad (BDDS) - ₹ 4.33 crores**

6.2.16 The Authority noted that AAI had submitted a capital expenditure of ₹ 4.33 crores for the purchase of BDDS assets in FY 2024-25, in compliance with BCAS circular dated 20<sup>th</sup> October 2017. The Authority had reviewed the aforementioned circular and noted that BCAS had directed all airports to implement BDDS. Extract from the BCAS circular were provided below:

*"In exercise of powers conferred by Section 5A of the Aircraft Act, 1934, delegated to him vide Government of India, Ministry of Civil Aviation, Notification No. 1797 dated 03rd July, 1997 and Rule 3(b) of the Aircraft (Security) Rules, 2011, Director General, BCAS, for the purpose of securing aircraft operations directs that all Airport Operators will provide BDDS equipment to ASG/APSU as mentioned in AVSEC Circular No. 14/2010".*

6.2.17 In this regard, AAI had submitted a detailed cost estimate dated 2<sup>nd</sup> May 2024 comprising estimates for procurement of Liquid explosive detector, mini remote operated vehicle, suspect luggage containment vessel, remote wire cutter, search light, search kit, thermal cutter, etc. This estimate had been reviewed by the Authority and is found to be reasonable.

6.2.18 As per the email dated 24<sup>th</sup> April 2024, AAI had requested to shift the proposed Capital Expenditure from FY 24-25 to FY 25-26. Accordingly, the Authority proposed to consider this Capital Expenditure as addition to RAB in FY 2025-26.

**D.1, D.2 & D.3 - X-Ray Baggage System (X-BIS) - ₹ 2.81 crores**

6.2.19 The Authority noted that AAI had projected 5 qty. of RB X-BIS and 7 qty. of HB X-BIS to be capitalized as per the details given here under:

**Table 59: Details of Capital Expenditure for X-Ray Baggage System submitted by AAI**

Year of capitalization	RB X-BIS	HB X-BIS	Total Cost (₹ in Crores)
2023-24	2	3	1.31
2024-25	3	4	1.50
<b>Total</b>	<b>5</b>	<b>7</b>	<b>2.81</b>

6.2.20 The Authority noted that this is a security related requirement and supplements in decongestion of the airport. Further, the X-BIS amounting to ₹ 1.31 crores which was initially proposed to be capitalized in FY 2023-24



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was not capitalized in books during that period. Hence, the Authority proposed to shift such additions submitted for FY 2023-24 to FY 2024-25 as per the submission of AAI.

- 6.2.21 The Authority considered the cost submitted by AAI to be reasonable (in line with other similar airports) and proposed to consider 12 qty. amounting to ₹ 2.81 crores as addition to RAB in FY 2024-25.

**E.1 Implementation of Digi Yatra - ₹ 4.13 crores**

- 6.2.22 The Authority noted that AAI had submitted a capital expenditure of ₹ 4.13 crores towards implementation of Digi Yatra in FY 2024-25 vide mail dated 27<sup>th</sup> May 2024. This was in addition to the CAPEX submitted in MYTP for the Second Control Period. This work included one-time implementation of central application, SITC of Biometric Gates, Biometric Pods and CISF Tablets.

Digi Yatra is an initiative of MoCA to provide paperless and hassle-free access to passengers through biometric authentication at the airport. The Authority had reviewed the work orders issued and considered the cost to be reasonable. As Digi Yatra aids passenger facilitation, the Authority proposed to consider the same as addition to RAB in FY 2024-25.

**F.1 Runway Re-carpeting - ₹ 49.54 crores**

- 6.2.23 The Authority noted that AAI had submitted a capital expenditure of ₹ 49.54 crores towards runway re-carpeting work in FY 2023-24. Upon enquiry into the necessity and background of the runway re-carpeting work for Coimbatore Airport, AAI's response vide mail dated 15<sup>th</sup> May 2024 included the following details:

*"The surface of the runway was deteriorated at many places with potholes, rutting, gravelling etc. Hence, to improve the surface of runway, Resurfacing of runway was carried out. Usually resurfacing/recarpeting is required in 6 to 8 years. The last runway resurfacing was done in 2003-2004. The same was also pointed out in DGCA inspection."*

The Authority, through its Independent Consultant, had reviewed the work orders issued, work status, ATR report on DGCA Surveillance Inspection Report and PCN values before or after the recarpeting work provided by AAI and noted that PCN value was increasing post runway re-carpeting from 66 to 73 in the middle portion (i.e. 300m to 2,590m) of the runway.

Further, the Authority noted that runway re-carpeting work was completed on 1<sup>st</sup> August 2023. On enquiry, AAI vide mail dated 10<sup>th</sup> July 2024, had provided the actual cost of runway recarpeting as capitalized in its books of accounts to be ₹ 49.54 Crores. Based on the above analysis and considering the regulatory, operational and safety requirements, the Authority proposed to consider the actual cost incurred by AAI, as captured in the FAR, as addition to RAB in FY 2023-24.

**Other assets capitalized in FAR but not part of MYTP submission**

- 6.2.24 The Authority also noted that AAI, vide reply to query dated 19<sup>th</sup> February 2024, had shared the actual capital addition of ₹ 0.78 crores during the FY 2023-24. The details of such additions were as follows:

**Table 60: Capital Expenditure incurred in FY 2023-24 as per FAR but not part of MYTP submission by the AAI**

(₹ in crores)		
Particulars	Amount Incurred	Description
Computer: End User Device	0.06	Procurement of Laptop, Projector and Routers
Electrical Installation	0.55	Hydraulic Bollards, LED Flood Lights for Apron and SITC of Indoor MV Panel System



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<b>Particulars</b>	<b>Amount Incurred</b>	<b>Description</b>
Plant & Machinery	0.01	Video Conferencing Facility
Tools & Equipment	0.16	Procurement of Hydraulic Cutter & Spreader and Thunder boom
<b>Total</b>	<b>0.78</b>	

The Authority had considered these assets as justified for operational requirements and therefore proposed to consider the same as capital addition to RAB during the Second Control Period.

6.2.25 The Authority proposed to reduce (adjust) 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule. It was 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 the AAI 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.

6.2.26 The Authority had examined AAI's claim towards Financing Allowance (₹ 2.45 crores) and had the following views:

- 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, non-consideration of Financing Allowance to the Airport Operators would ensure 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.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO 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.
- 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 the initial stages to such airports. It may be further noted that the Authority had never provided Financing Allowance in the case of brownfield airports and airports of AAI, in any of the Tariff Orders. Further, the 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.
- 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 had been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and the AO keeps on enjoying the charges from the users. Coimbatore International Airport, being a brownfield airport, is not eligible for Financing Allowance.





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- Financing Allowance is a notional allowance and is 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 availed for execution of a project.
- 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)”.

6.2.27 Therefore, based on the above analysis, the Authority proposed not to allow the Financing Allowance claimed by AAI for the Second Control Period. In accordance with the above analysis, the Authority proposed the capital expenditure for the Second Control Period as per the table below:

**Table 61: Capital Expenditure (Project-wise) proposed by the Authority for the Second Control Period at Consultation stage**

(₹ in crores)

Sl. No.	Capital Expenditure Project	FY of Commissioning		Amount of Capitalization		Difference (2-1)
		Submitted by AAI <sup>^</sup>	Proposed by the Authority	Submitted by AAI (incl. FA) (1)	Proposed by the Authority (2)	
<b>A</b>	<b>Boundary Wall - Operational</b>					
A.1	Construction of Boundary Wall	2027-28	2027-28	46.02	43.92	-2.10
<b>B</b>	<b>Plant &amp; Machinery</b>					
B.1	Replacement of FIDS & CIDS	2024-25	2024-25	3.90	3.90	-
B.2	CCTV Cameras for Vehicle entry gate	2024-25	2024-25	0.40	0.40	-
B.3	SITC of Door Frame Metal Detector (4 Nos.)	2023-24	2023-24	0.08	0.07	-0.01
B.4	Non-Linear Junction Detector (NLJD)	2024-25	2024-25	0.05	0.05	-
B.5	Explosive Trace Detector (ETD)	2023-24	2024-25	0.15	0.15	-
B.6	Explosive Trace Detector (ETD)	2024-25	2025-26	0.30	0.30	-
B.7	Full Body Scanner (FBS)	2025-26	2025-26	12.50	12.50	-
B.8	BDDS	2024-25	2025-26	4.33	4.33	-
<b>C</b>	<b>Electrical Installations</b>					
C.1	Construction of Boundary Wall (Elect.)	2027-28	2027-28	7.74	7.39	-0.35
<b>D</b>	<b>X-Ray Baggage System</b>					
D.1	HB X-BIS	2023-24	2024-25	0.62	0.62	-
D.2	RB X-BIS	2023-24	2024-25	0.69	0.69	-
D.3	X-BIS	2024-25	2024-25	1.50	1.50	-
<b>E</b>	<b>Other Assets</b>					
E.1	Digi Yatra	2024-25	2024-25	4.13	4.13	
<b>F</b>	<b>Runway, Taxiway, Apron</b>					
F.1	Runway Re-carpeting & allied works	2023-24	2023-24	49.54	49.54	-



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Sl. No.	Capital Expenditure Project	FY of Commissioning		Amount of Capitalization		Difference (2-1)
		Submitted by AAI <sup>^</sup>	Proposed by the Authority	Submitted by AAI (incl. FA) (1)	Proposed by the Authority (2)	
	Actual Additions as per FAR FY 2023-24	-	2023-24	-	0.78	0.78
	<b>Capital Expenditure proposed by the Authority for the Second Control Period</b>			<b>131.96</b>	<b>130.28</b>	<b>-1.68</b>

<sup>^</sup> based on revised submission of AAI

6.2.28 Based on the above analysis, the Authority proposed to consider the capital expenditure as addition to RAB for the Second Control Period as detailed below:

**Table 62: Capitalization (year-wise) proposed by the Authority for the Second Control Period at Consultation Stage**

Particulars	₹ in crores					
	FY24	FY25	FY26	FY27	FY28	Total
Boundary Wall - Operational	-	-	-	-	43.92	43.92
Plant & Machinery	0.08	4.50	17.13	-	-	21.71
Electrical Installations	0.55	-	-	-	7.39	7.94
X-Ray Baggage System	-	2.81	-	-	-	2.81
Tools & Equipment	0.16	-	-	-	-	0.16
Computers - End User Devices	0.06	-	-	-	-	0.06
Other Assets	-	4.13	-	-	-	4.13
Runway, Taxiway, Apron	49.54	-	-	-	-	48.43
<b>Total</b>	<b>50.39</b>	<b>11.44</b>	<b>17.13</b>	<b>-</b>	<b>51.31</b>	<b>130.28</b>

6.2.29 Clause A1.3.1 of the Appendix 1 to The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 enumerates that, "The Airport User shall undertake user consultation with AUCC on major capital projects planned at the airport. The major capital projects shall be defined as capital investment projects that may represent more than 5% of the value of the RAB at the beginning of the control period or ₹ 50 crores rupees, whichever is the lower amount".

6.2.30 The opening RAB proposed by the Authority for the first year of Second Control Period is ₹ 134.01 crores (refer Table 18), 5% of which amounts to ₹ 6.70 crores, which is lower than ₹ 50 crores, and thus shall be considered as the threshold value for conducting AUCC by Coimbatore International Airport for capital projects proposed in the Second Control Period.

As per the above criteria for Coimbatore International Airport, AUCC is required for the following assets:

- Construction of Boundary Wall (Civil & Electrical) - ₹ 51.31 crores; year of proposed capitalization – FY 2027-28
- Full Body Scanner (FBS) - ₹ 12.50 crores; year of proposed capitalization – FY 2025-26
- Runway Re-carpeting - ₹ 49.54 crores; year of capitalization – FY 2023-24.

6.2.31 The Authority noted that AAI had conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure for Runway Recarpeting at Coimbatore International Airport. The same had been approved in the AUCC meeting no AAI/CBE/Jt.GM/AUCC dated 29<sup>th</sup> December 2021.



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6.2.32 The Authority proposed to consider aeronautical capital additions for Coimbatore International Airport for the Second Control Period as ₹ 130.28 crores as against ₹ 131.96 crores submitted by AAI. The variance is due to the following factors:

- a. Actual cost considered on account of DFMD - ₹ 0.01 crores.
- b. Non-Consideration of Financing allowance of ₹ 2.45 crores
- c. Consideration of actual asset additions during FY 2023-24 - ₹ 0.78 crores

**6.3 Depreciation for the Second Control Period**

**AAI's submission regarding Depreciation for the Second Control Period**

6.3.1 While submitting the Multi-Year Tariff proposal for the Second Control Period for Coimbatore International Airport, AAI had taken cognizance of the rates of depreciation approved by the Authority in Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and Amendment No. 01 to Order No. 35/2017-18 on 'Determination of Useful Life on Airport Assets'. Accordingly, the rates of depreciation approved by the Authority had been applied by AAI from FY 2018-19 onwards.

6.3.2 The Authority considered useful life of assets as per Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and Amendment No. 01 to Order No. 35/2017-18 on 'Determination of Useful Life on Airport Assets' and details are as under:

**Table 63: Useful life considered by the Authority for proposed addition from FY24 to FY28 at Consultation Stage**

Particulars	Useful life
Computer - End User Devices	3
Computer – Software	3
Computers-Service and Network	6
Electrical Installation	10
Furniture and Fixture – trolley	3
Furniture and Fixtures without trolley	7
Office Equipment	15
Operational Building	30
Plant and Machinery	15
Terminal Building	30
Utility Building	30
Vehicle	8

6.3.3 Depreciation had been computed separately on opening block of assets and on the proposed additions. The depreciation amount submitted by Coimbatore International Airport for the Second Control Period has been presented in the table below:

**Table 64: Depreciation submitted by AAI for Coimbatore International Airport for the Second Control Period**

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Land	-	-	-	-	-	-
Runway, Taxiway, Apron	1.21	1.21	1.21	1.21	1.21	6.05
Roads, Bridges & Culverts	0.44	0.44	0.44	0.44	0.44	2.22
Building - Terminal	1.97	1.96	1.96	1.93	1.81	9.63
Building - Temporary	-	-	-	-	-	-



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Particulars	FY24	FY25	FY26	FY27	FY28	Total
Building - Residential	0.96	0.93	0.93	0.93	0.93	4.70
Security Fencing	0.05	0.05	0.05	0.05	0.05	0.23
Boundary Wall - Operational	0.11	2.30	4.60	4.60	4.60	16.22
Boundary Wall - Residential	0.03	0.03	0.02	0.02	0.02	0.13
Computers - End User Devices	0.43	0.04	-	-	-	0.47
Computer Software	0.00	-	-	-	-	0.00
Computers - Servers and Networks	-	-	-	-	-	-
Plant & Machinery	2.80	3.06	3.74	4.07	4.06	17.72
Tools & Equipment	0.65	0.65	0.64	0.64	0.64	3.21
Vehicle - Others	0.15	0.15	0.15	0.15	0.15	0.73
Vehicle - Cars & Jeeps	0.03	0.02	-	-	-	0.05
Electrical Installations	0.16	0.54	0.93	0.93	0.93	3.49
Office Equipment	0.02	0.02	-	-	-	0.04
Furniture & Fixtures - Other than trolleys	0.49	0.49	0.49	0.35	-	1.80
Furniture & Fixtures - Trolleys	-	-	-	-	-	-
X-Ray Baggage System	0.18	0.28	0.33	0.33	0.33	1.44
CFT/Fire Fighting Equipment	0.36	0.36	0.36	0.36	0.36	1.81
Other Building	0.00	0.00	0.00	0.00	0.00	0.01
<b>Total</b>	<b>10.05</b>	<b>12.52</b>	<b>15.85</b>	<b>16.01</b>	<b>15.53</b>	<b>69.97</b>

**Authority's examination of Depreciation for the Second Control Period at Consultation Stage**

- 6.3.4 The Authority noted that AAI had calculated the depreciation for the Second Control Period based on the useful life of the asset as per Order No.35/2017-18 dated 12<sup>th</sup> January 2018. The Authority had reviewed the depreciation rates submitted by AAI for the Second Control Period with the rates as per Order No.35/2017-18 dated 12<sup>th</sup> January 2018 and noted no deviation.
- 6.3.5 The Authority proposed to consider the useful life of 30 years for Runway recarpeting in line with the useful life of the runway as per Order No.35/2017-18 dated 12<sup>th</sup> January 2018. This expenditure was considered by the Authority as an addition to the Capital Expenditure, as explained in para 6.2.23.
- 6.3.6 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Second Control Period:

**Table 65: Depreciation proposed by the Authority for the Second Control Period at Consultation stage**  
(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Runway, Taxiway, Apron	1.92	2.78	2.78	2.78	2.78	13.05
Roads, Bridges & Culverts	0.09	0.09	0.09	0.09	0.08	0.43
Building - Terminal	1.45	1.45	1.45	1.45	1.45	7.23
Building - Residential	0.81	0.80	0.80	0.80	0.80	4.03
Security Fencing	0.05	0.05	0.05	0.05	0.05	0.23
Boundary Wall - Operational	0.07	0.07	0.07	0.07	2.28	2.58
Boundary Wall - Residential	0.02	0.02	0.02	0.02	0.02	0.09
Computers - End User Devices	0.08	0.06	0.03	0.00	-	0.17
Plant & Machinery	1.92	2.07	2.71	3.36	3.33	13.40
Tools & Equipment	0.72	0.73	0.73	0.73	0.73	3.63
Vehicle - Others	0.15	0.15	0.15	0.15	0.11	0.70
Vehicle - Cars & Jeeps	0.03	0.02	0.01	-	-	0.05
Electrical Installations	1.22	1.23	1.23	1.22	1.52	6.41
Office Equipment	0.02	0.01	0.00	0.00	0.00	0.03
Furniture & Fixtures - Other than trolleys	0.46	0.45	0.33	0.25	0.14	1.64
X-Ray Baggage System	0.01	0.11	0.20	0.20	0.20	0.74



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Particulars	FY24	FY25	FY26	FY27	FY28	Total
CFT/Fire Fighting Equipment	0.36	0.36	0.36	0.36	0.36	1.81
Other Building	0.36	0.36	0.36	0.36	0.36	1.82
Other Assets	-	0.07	0.28	0.28	0.28	0.89
<b>Total</b>	<b>9.75</b>	<b>10.87</b>	<b>11.64</b>	<b>12.17</b>	<b>14.47</b>	<b>58.91</b>

6.3.7 The Authority proposed to consider depreciation for Coimbatore International Airport for the Second Control Period as ₹ 58.91 crores. The above depreciation is lesser by ₹ 11.06 crores as compared to that proposed by AAI, due to shifting of work related to Construction of boundary wall from FY 2024-25 (as submitted by AAI) to FY 2027-28 as proposed by the Authority, non-consideration of related Financing Allowance thereon and consideration of revised cost on Runway re-carpeting expenses as per AAI as against their earlier submission.

**6.4 Regulatory Asset Base (RAB) for the Second Control Period**

**AAI's submission regarding RAB for the Second Control Period**

6.4.1 AAI's submission on RAB for the Second Control Period for Coimbatore International Airport is as follows:

**Table 66: RAB submitted by AAI for Coimbatore International Airport for the Second Control Period**

*(₹ in crores)*

Particulars	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)	139.16	130.62	182.51	179.16	163.15	
Additions (B)	1.55	64.42	12.50	-	-	78.46 ^
Disposals (C)	0.03	-	-	-	-	0.03
Depreciation (D)	10.05	12.52	15.85	16.01	15.53	69.97
Closing RAB (E = A + B - C - D)	130.62	182.51	179.16	163.15	147.62	
<b>Average RAB (F = [A + E] ÷ 2)</b>	<b>134.89</b>	<b>156.57</b>	<b>180.84</b>	<b>171.16</b>	<b>155.38</b>	

<sup>^</sup>as per the initial MYTP submission made by AAI, this has been subsequently updated based on the submissions made by AAI refer Table 55.

**Authority's examination of RAB for the Second Control Period at Consultation Stage**

6.4.2 The Authority proposed to adopt the capitalization of Aeronautical Capital Expenditure in accordance with Table 62 and the depreciation amounts in accordance with Table 65.

The Authority also noted that employee quarters related assets amounting to ₹ 0.06 crores had been disposed-off in FY 2023-24. The Authority proposed to consider the same for the Second Control Period.

6.4.3 Based on the above, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

**Table 67: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage**

*(₹ in crores)*

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Opening RAB (A)		134.01	174.60	175.16	180.65	168.48	
Additions (B)	Table 62	50.39	11.44	17.13	-	51.31	130.28
Disposals (C)	Para 6.4.2	0.06	-	-	-	-	0.06
Depreciation (D)	Table 65	9.75	10.87	11.64	12.17	14.47	58.91
Closing RAB (E = A + B - C - D)		174.60	175.16	180.65	168.48	205.32	
<b>Average RAB (F = [A + E] ÷ 2)</b>		<b>154.31</b>	<b>174.88</b>	<b>177.91</b>	<b>174.56</b>	<b>186.90</b>	



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

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period. The comments of stakeholders are presented below.

**6.5.1 FIA's comment on conducting an independent study on capital expenditure efficiency and applying normative norms for capex projects is as follows:**

*"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.*

*We request that AERA apply the normative norms for capex projects as mentioned under AERA Order No. 7/2016-17 dated 13<sup>th</sup> June, 2016 in order to maintain the overall cost control and efficiencies in capex projects.*

*FIA notes that the normative rate for capex projects is not specified in the consultation paper (CP). We submit that there should not be any incremental normative rate for capex projects.*

*We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses. This is crucial to prevent stakeholders, including passengers, from bearing costs for services or facilities that are not utilized or availed by stakeholders."*

**6.5.2 FIA's comment on putting on hold/deferring all non-essential capital expenditure is as follows:**

*"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."*

**6.5.3 FIA's comment on the re-adjustment (reduction) of 1% of non-completed projects costs in the ARR is as follows:**

*"We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), 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 Second Control Period instead of Third Control Period."*

**6.5.4 FIA's comment on the useful life of the Terminal Building is as follows:**

*"While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-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) of the developed aviation ecosystem.*



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

*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. While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-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) of the developed aviation ecosystem.*

*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.”*

**6.6 AAI's response to Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period**

6.6.1 AAI's response to FIA's comment on conducting an independent study on capital expenditure efficiency and applying normative norms for capex projects is as follows:

*“FY2020-21 and 2021-22 of the first Control Period were unprecedented years affected due to the pandemic Covid-19 resulting in postponement of the capital expenditure to the future years. AAI has cautiously considered only that capex which are essential, through discussions with the Corporate Headquarters and stakeholders during these years.*

*Wherever the normative cost is applicable on the capital work, AAI calculate and submit the normative cost and accordingly AERA allow/approve the same.”*

6.6.2 AAI's response to FIA's comment on putting on hold/deferring all non-essential capital expenditure and on the re-adjustment (reduction) of 1% of non-completed projects costs in the ARR is as follows:

*“AAI is incurring capital expenditure after detailed analysis and based on the need of the capex at the respective airport. FY2020-21 and 2021-22 of the first Control Period were the unprecedented years affected due to the pandemic Covid-19 resulting in postponement of the capital expenditure to the future years. AAI has cautiously considered only that capex which are essential, through discussions with the Corporate Headquarters and stakeholders during these years.*

*Any capital investment is eligible for return & Depreciation only after the assets put to use.”*

6.6.3 AAI's response to FIA's comment on the useful life of the Terminal Building is as follows:

*“AAI has computed the depreciation in compliance with AERA order no. 35 on various fixed assets.”*

**6.7 Authority's analysis on Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period**

6.7.1 The Authority has examined the comments of FIA regarding conducting an independent study on capital expenditure efficiency and AAI's response to the same.

In this regard, it is submitted that the Authority has, through its Independent Consultant, examined in depth, the CAPEX proposals submitted by AAI for the Second Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX, and considered only such capital expenditure that are essential for safety/ security/ operational requirements.



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The Authority also submits that the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA may commission an independent study for the future Control Periods of Coimbatore International Airport, if considered necessary.

- 6.7.2 The Authority notes FIA's comments on the need to consider Capital Expenditure at Normative rates and AAI's response on the same.

In this regard, it is brought out that AERA's Order No. 07/2016-17 dated 13<sup>th</sup> June 2016 on "In the Matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports-Capital Costs Reg." (Order available on AERA's website) applies normative costs only on capex relating to Terminal Building and Runway/Taxiway/Apron.

As the above AERA Order, prescribing normative ceiling costs (in per Sqm.) pertaining to Terminal Building, Runway/ Taxiway/ Apron, was issued during FY 2016-17 and in order to factor in the impact of inflation, normative costs are inflation adjusted up to the estimated year of capitalization of concerned Asset.

The Authority also notes that AAI has submitted mainly bought out items as part of the capital expenditure projected for the Second Control Period to which normative cost is not applied. The Authority, through its independent consultant, has also verified the tendering of Capex projects (bought out items) followed by AAI.

Based on the consideration of the above facts, the Authority finds no reason for undertaking the normative cost comparison exercise for the capex projected for the Second Control Period.

- 6.7.3 The Authority also notes the comments of FIA on putting on hold/deferring all non-essential capital expenditure and AAI's response thereon.

In this regard, refer to the Authority's view on FIA's comments in Para 6.7.1.

- 6.7.4 The Authority has taken note of FIA's comments regarding the re-adjustment (reduction) of 1% of non-completed projects' costs in the ARR/Target Revenue and AO's counter comments thereon.

The Authority has drawn inference from other 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. In this regard, the Authority is of the view that such a practice is not in the interest of airport users as they start paying tariffs in anticipation of enhanced airport facilities against the proposed capital expenditure, which is eventually postponed to next Control period by AAI.

However, if the delay in completion of the project/ non-execution of project, vis-à-vis the capitalization schedule considered in the Tariff Order, is beyond the control of airport operator or its contracting agency and is properly justified, the same would be considered appropriately by the Authority at the time of determination of tariff for the next Control Period.

In the case of Coimbatore airport, the Authority notes that non-availability of land (which was to be provided by the State Govt. to AAI) was one of the reasons for partial execution of the approved capex for the FCP by AAI.

The Authority expects the airport operators to do the required planning and due diligence, while proposing the capex & capitalization schedule in their MYTPs, considering all the relevant factors, upon which tariffs are determined.

In view of the above, the Authority decides to readjust (reduce) 1% of the uncanceled project cost from ARR/target revenue during true-up exercise of the Second Control Period if any particular project is not



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capitalized as per the capex schedule approved in the tariff order. Airports in India are a public utility. The Authority has to consider and balance the interests of all the stakeholders and not only that of the Airport Operator.

- 6.7.5 The Authority has examined the comments of FIA on the useful life of the Terminal Building and AAI's response to the same.

As per Order No. 35/2017-18 dated 12<sup>th</sup> 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 30 years and same has been considered by the Authority, in line with the aforementioned Order No. 35/2017-18 dated 12.01.2018

The Authority does not find the need to conduct an independent study on depreciation as the rates followed by AAI are in line with the aforementioned Order of the Authority.

- 6.7.6 In view of the above, the Authority maintains its stand with respect to capital expenditure and depreciation as was considered at CP stage (Refer Table 62 and Table 65).

**6.8 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period.

- 6.8.1 To consider allocation of Gross Block of Assets as on 1<sup>st</sup> April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 54.
- 6.8.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 62.
- 6.8.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.4 To reduce (adjust) 1% of the uncanceled project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule, as mentioned in para 6.2.25. The same will be examined during the true up of the Second Control Period, at the time of determination of tariff for the Third Control Period.
- 6.8.5 To consider depreciation as per Table 65 for the Second Control Period.
- 6.8.6 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination for the Third Control Period.
- 6.8.7 To consider average RAB for the Second Control Period for Coimbatore International Airport as per Table 67.
- 6.8.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.



## 7 FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

### 7.1 AAI 's submission regarding Fair Rate of Return (FRoR) for the Second Control Period for Coimbatore International Airport

7.1.1 AAI submitted that Coimbatore International Airport would utilize internally accrued funds to fund the capital expenditure that had been projected for the Second Control Period. Considering this, AAI had submitted FRoR of 14% for the Second Control Period.

### 7.2 Authority's examinations regarding Fair Rate of Return (FRoR) for the Second Control Period at Consultation Stage

#### Cost of Debt (CoD)

7.2.1 The Authority noted that AAI had submitted that the capital expenditure proposed for the Second Control Period will be funded through internal accruals and hence no debt component was projected by AAI in its MYTP submission.

7.2.2 However, it was noted that AAI had availed debt of ₹ 19.13 crores during the First Control period from FY 2020-21 to FY 2022-23 and the cost of debt works out to 7.25% (calculated as per interest details submitted by AAI vide email dated 28<sup>th</sup> February 2024).

7.2.3 Considering the absence of information relating to the repayment of debt, the Authority had recalculated the closing debt taking into account that the borrowing of ₹ 19.13 Crores which was outstanding at the end of the First Control Period, would be re-paid in five equal installments in the Second Control Period.

7.2.4 The Authority proposed to consider Cost of Debt as 7.25% as computed in the First Control Period based on data made available by AAI as discussed in para 4.5.3. The same is presented in the table below:

**Table 68 : Debt computation proposed to be considered by the Authority for Second Control Period at Consultation Stage**

Particulars	(₹ in crores)					
	FY24	FY25	FY26	FY27	FY28	Total
Opening Debt	19.13	15.31	11.48	7.65	3.83	
Drawdown (additional loan taken)	-	-	-	-	-	-
Repayment	3.83	3.83	3.83	3.83	3.83	19.13
Closing Debt	15.31	11.48	7.65	3.83	-	-
Average Debt	17.22	13.39	9.57	5.74	1.91	-
Cost of Debt (%)	7.25%	7.25%	7.25%	7.25%	7.25%	

7.2.5 AAI was advised to submit the actual debt availed (for Second Control Period), its repayment and other terms, which will be reviewed by the Authority and appropriately considered for FRoR computation at the Order stage.

#### Cost of Equity (CoE)

7.2.6 The Authority had analyzed AAI's submission relating to FRoR pertaining to Coimbatore International Airport for the Second Control Period. The Authority proposed to consider 14% as Cost of Equity for the Second Control Period, as considered earlier by AERA for other similar airports of AAI.

7.2.7 Considering the changes in the capitalization plan for the Second Control Period, the Authority had recalculated the Equity as the closing RAB after adjustment of closing Debt for a particular financial year and the same had been summarized in the table below:



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**Table 69: Equity computation proposed to be considered by the Authority for Second Control Period at Consultation stage**

(₹ in crores)

Particulars	Ref	FY24	FY25	FY26	FY27	FY28	Total
Closing RAB (Refer Table 67)	A	174.60	175.16	180.65	168.48	205.32	
Closing Debt (Refer Table 68)	B	15.31	11.48	7.65	3.83	-	
Equity	C = A - B	159.29	163.68	173.00	164.65	205.32	865.94

**Fair Rate of Return (FRoR)**

7.2.8 Considering the above, the Authority, at consultation stage, proposed to consider FRoR for Coimbatore Airport for the Second Control Period as per table given below:

**Table 70: FRoR proposed to be considered for Second Control Period for AAI by the Authority at Consultation Stage**

(₹ in crores)

Particulars	Reference	FY24	FY25	FY26	FY27	FY28
Debt	A	15.31	11.48	7.65	3.83	-
Equity	B	159.29	163.68	173.00	164.65	205.32
Debt + Equity	C = A + B	174.60	175.16	180.65	168.48	205.32
Cost of Debt (%)	D	7.25%	7.25%	7.25%	7.25%	7.25%
Cost of Equity (%)	E	14.00%	14.00%	14.00%	14.00%	14.00%
Gearing (%)	F = A ÷ C	8.77%	6.55%	4.24%	2.27%	0.00%
Weighted Average Gearing (%)	G = (F * C) ÷ C					4.23%
Cost of Debt (%)	H					7.25%
Cost of Equity (%)	I					14.00%
FRoR (%)	(J = H * G + I * [1-G])					13.71%

7.2.9 However, the Authority noted that the capital structure of AAI airports was not efficient, and Airport Operator had considered Capex Plans of various airports considering nil or negligible debt. Taking note of inefficient Capital Structure, AERA has been advising AAI to adopt an optimal mix of Debt & Equity to rationalize FRoR. AERA, in the past tariff orders for AAI, has also indicated its intention to consider normative gearing ratio for AAI airports in future.

The aspect of Fair Rate of Return for AAI airports, including Cost of Equity where nil or very low debt is proposed by AAI, is presently under discussion with MoCA/ Niti Aayog and FRoR will be aligned to target gearing ratio. Accordingly, the FRoR for AAI airports will be determined considering the outcome of discussions & other relevant factors.

7.2.10 The Authority solicited the specific views/comments of stakeholders on the FRoR for AAI airports, on evaluation of which, a final decision was proposed to be taken by the Authority.

**7.3 Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period**

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Fair Rate of Return (FRoR) for the Second Control Period. The comments of stakeholders are presented below.

7.3.1 FIA's comment on FRoR is as follows:

*"FIA submits that only reasonable Fair Rate of Return (FRoR) to airport operators should be provided. It is observed that AERA has considered the FRoR at 13.71%, which is based on cost of equity and cost of debt to*



## FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

the airport operator, for the Second Control Period. It may be noted, that AERA in the recent times, have approved lower FRoR for other AAI Airports (Third Control Period), such as Chennai (11.98%) and Pune (11.68%) on the same cost of equity and cost of debt i.e., 14% and 6.21%. Further, it is to be noted, that 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 AAI, 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.
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 closure details, debt to equity ratio based on actual weighted average rather than a notional percentage.

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 the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in the case of certain major airport operators. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR.

It is submitted that:

- a) We observe that the Fair Rate of Return (FRoR) of 13.71% provided to the Airport Authority of India ("AAI") is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to the above, there appears no rationale to provide higher return to AAI for CJB and accordingly AERA may reduce FRoR suitably.
- b) We do appreciate that AERA have tried to rationalize the same, however we request AERA to consider an independent study for the same as AAI has not factored any debt as part of the MYTP submission for FRoR and it was shared later on via email."

7.3.2 IATA's comment on FRoR is as follows:

"At 13.71%, the FRoR continues to be high considering the true-up approach, which essentially removes any downside risk for airports. We request AERA to rationalize this further."

**7.4 AAI's response to Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period**

7.4.1 AAI's response to FIA's comment on FRoR is as follows:

"1. The FRoR for an airport depends upon the cost of equity and cost of debt.



2. In the 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.

3. The cost of Equity submitted by AAI in r/o CJB Airport works out to 16%, whereas AERA has considered cost of equity as 14% only resulting in FRoR of 13.26%.

AERA has been considering cost of equity at 14% as against 15.64% as per study report submitted by M/s KPMG. The variation in the FRoR rates at the airport is due to the gearing ratio and the actual cost of debt which is taken at varied rates over the years."

#### **7.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period**

7.5.1 The Authority has noted and reviewed the submission made by FIA and IATA regarding FRoR and AAI's response on the same.

The Authority has considered the actual gearing while arriving at the FRoR for both the First and Second Control Period of Coimbatore International Airport. It may be noted that the Authority has, at the Consultation Stage (in para 7.2.9), mentioned that for AAI airports where there is Nil/ very low Debt, the issue relating to application of notional gearing in such cases, is presently under discussion with MoCA/ Niti Aayog.

Considering that the above exercise, regarding review of FRoR for AAI airports with low/ nil debt has not concluded, accordingly, the Authority decides to true up the FRoR for Coimbatore Airport for the Second Control Period, based on the outcome of discussion with MoCA/ Niti Aayog and considering other relevant aspects, at the time of determination of tariff for the Third Control Period.

7.5.2 With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that investments on airports have a long gestation period, wherein investors desire a stable return on equity. Considering the business risks undertaken by the airport investors, the Authority finds that it is not pragmatic or fair to cap the FRoR for Airport Operator at 5% (comparable to bank deposit rates) as suggested by the FIA. Airport investments, which are highly capital intensive, necessitating consideration of appropriate FRoR to the Airport Operators. AERA takes a balanced view in the interest of all stakeholders in the Aviation sector while deciding the FRoR for the AO.

7.5.3 As per the Authority, the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA, may commission an independent study for the future Control Periods of Coimbatore International Airport, if considered necessary.

7.5.4 The Authority also notes that AAI has not furnished the details of actual debt including the repayment schedule and the applicable interest rates for the Second Control Period (as required by the Authority at Consultation Stage, in para 7.2.5). Due to non-availability of this information, the Authority decides to consider the FRoR for the Second Control Period as per Table 70.

#### **7.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the Second Control Period**

Based on the materials before it and its analysis, the Authority decides the following with respect to FRoR for the Second Control Period:

7.6.1 To consider the Cost of Equity as 14.00%.

7.6.2 To consider Cost of Debt of 7.25% for the Second Control Period.

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- 7.6.3 To consider FRoR of 13.71% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and Gearing Ratio as per Table 70
- 7.6.4 To True up the FRoR for the Second Control Period while determining tariff for the next Control Period considering relevant factors.



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AERA



## 8 INFLATION FOR THE SECOND CONTROL PERIOD

### 8.1 AAI's submissions regarding Inflation for the Second Control Period for Coimbatore International Airport

8.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for Coimbatore International Airport for the Second Control Period.

### 8.2 Authority's examination regarding Inflation for the Second Control Period at Consultation Stage

8.2.1 The Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 87<sup>th</sup> released on 5<sup>th</sup> April 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposed to consider the mean of WPI inflation forecasts (All Commodities) for FY 2023-24 till FY 2025-26 as given in the 87<sup>th</sup> round of survey of professional forecasters on macroeconomic indicators of RBI at the consultation stage.

8.2.2 The Authority had assumed that the inflation rate would be stable and remain constant in FY 2026-27 and FY 2027-28. Accordingly, the following table details the inflation rates proposed by the Authority for the Second Control Period:

**Table 71: Inflation rates proposed by the Authority for the Second Control Period at Consultation Stage**

Particular	FY24	FY25	FY26	FY27	FY28
Inflation	(0.70%)	3.10%	3.70%	3.70%	3.70%

### 8.3 Stakeholders' comments regarding Inflation for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Inflation for the Second Control Period. The comments of stakeholder are presented below.

8.3.1 FIA's comment on Inflation rate is as follows:

*"FIA submits that as per a report published by the Ministry of Finance dated 8<sup>th</sup> December 2023, the WPI inflation rate is 5%. 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."*

### 8.4 AAI's response to Stakeholders' comments regarding Inflation for the Second Control Period

8.4.1 AAI's response to FIA's comment on inflation is as follows:

*"We request AERA to verify the contents addressed by FIA and requested to reply accordingly."*

### 8.5 Authority's analysis on Stakeholders' comments regarding Inflation for the Second Control Period

8.5.1 The Authority has reviewed the comments of FIA on Inflation and AAI's response to the same. The Authority is of view that the practice of considering mean of WPI inflation forecasts (All commodities) as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators" is appropriate and same is uniformly followed by AERA across all airports. Accordingly, the Authority has considered the rates published by Reserve Bank of India (RBI) in "the Results of the Survey of Professional Forecasters on Macroeconomic



Indicators – Round 89” released on 8th August 2024 in this Tariff Order. The Authority considers that the inflation rate would remain constant and in line with FY 2025-26 throughout the remaining tariff years of the control period.

- 8.5.2 Based on above, the Authority decides to consider Inflation rates for the Second Control Period as shown in the table below:

**Table 72: Inflation rates decided by the Authority for the Second Control Period**

Particulars	FY24	FY25	FY26	FY27	FY28
WPI Inflation	(0.70%)	3.00%	3.20%	3.20%	3.20%

### 8.6 Authority's decisions regarding Inflation for the Second Control Period

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

- 8.6.1 To consider Inflation for the Second Control Period for Coimbatore International Airport as detailed in Table 72.



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## 9 OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

### 9.1 AAI's submission regarding Operation and Maintenance (O&M) Expenses for the Second Control Period

9.1.1 Operation and Maintenance (O&M) expenses submitted by AAI is segregated into the following:

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

9.1.2 AAI has segregated the expenses into Aeronautical expenses, non-aeronautical expenses, and Common Expenses. The Common Expenses have been further segregated into Aeronautical and Non-aeronautical based on the relevant ratios.

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

9.1.4 The summary of Aeronautical O&M expenses submitted by Coimbatore International Airport for the Second Control Period is presented in the table below:

**Table 73: Operation and Maintenance (O&M) expenditure submitted by AAI for Coimbatore International Airport for the Second Control Period**

(₹ in crores)

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28	Total
1	Payroll Expenses (Other than CHQ/RHQ)	20.41	21.84	23.37	25.01	33.01	123.64
2	Retirement Benefits of employees	0.67	0.72	0.77	0.82	1.09	4.07
<b>A</b>	<b>Total Payroll Expenditure (1+2)</b>	<b>21.08</b>	<b>22.56</b>	<b>24.14</b>	<b>25.83</b>	<b>34.09</b>	<b>127.70</b>
3	Admin & General Expenses (Other than CHQ/RHQ)	9.19	11.44	12.56	13.79	15.22	62.19
4	Admin & General Expenses (CHQ/RHQ)	14.49	15.21	15.97	16.77	17.61	80.05
<b>B</b>	<b>Total Admin &amp; General Expenditure (3+4)</b>	<b>23.67</b>	<b>26.65</b>	<b>28.53</b>	<b>30.56</b>	<b>32.83</b>	<b>142.24</b>
<b>C</b>	<b>Repairs &amp; Maintenance Expenditure</b>	<b>19.97</b>	<b>21.05</b>	<b>22.16</b>	<b>23.38</b>	<b>24.71</b>	<b>111.27</b>
<b>D</b>	<b>Utilities &amp; Outsourcing Expenditure</b>	<b>4.80</b>	<b>5.05</b>	<b>5.27</b>	<b>5.51</b>	<b>5.76</b>	<b>26.38</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.69</b>	<b>0.81</b>	<b>0.94</b>	<b>1.10</b>	<b>1.21</b>	<b>4.75</b>
	<b>Total (A+B+C+D+E)</b>	<b>70.21</b>	<b>76.12</b>	<b>81.04</b>	<b>86.37</b>	<b>98.60</b>	<b>412.35</b>

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

**Table 74: Growth rates in O&M expenditure submitted by Coimbatore International Airport for Second Control Period**

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28
1	Payroll Expenses (Other than CHQ/RHQ)	7.00%	7.00%	7.00%	7.00%	32.00%
2	Retirement Benefits of employees	7.00%	7.00%	7.00%	7.00%	32.00%
3	Admin & General Expenses (Other than CHQ/RHQ)	10.00%	10.00%	10.00%	10.00%	10.00%



**OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD**

Sl. No.	Particulars	FY24	FY25	FY26	FY27	FY28
4	Admin & General Expenses (CHQ/RHQ)	5.00%	5.00%	5.00%	5.00%	5.00%
5	Repairs & Maintenance Expenditure	10.00%	10.00%	10.00%	10.00%	10.00%
6	Utilities & Outsourcing Expenditure - Power charges	3.00%	3.00%	3.00%	3.00%	3.00%
7	Utilities & Outsourcing Expenditure - Other than Power charges	10.00%	20.00%	10.00%	10.00%	10.00%
8	Other Outflows	19.50%	18.50%	16.20%	16.20%	10.40%

**9.2 Authority's examination regarding O&M expenses for the Second Control Period at Consultation Stage**

9.2.1 The Authority observed that the O&M expenses approved in the Tariff Order No. 44/2018-19 dated 6<sup>th</sup> March 2019 for the First Control Period for Coimbatore International Airport was ₹ 251.69 crores (refer Table 21), against which actual expenses of ₹ 263.90 crores (refer Table 20) were submitted by AAI for true-up of the First Control Period. After rationalization of some components of O&M expenses, the Authority had proposed ₹ 251.40 crores (refer Table 33) to be trued up for the First Control Period.

9.2.2 AAI had submitted as part of its MYTP, O&M expenses for the Second Control Period amounting to ₹ 362.52 crores (excluding Runway Recarpeting expenses of ₹ 49.83 crores), which is 31% higher than the O&M expenses proposed by the Authority for true-up of the First Control Period.

9.2.3 The Authority had analyzed the proposed O&M expenses in the following order:

- a) Allocation Ratios
- b) Assessment, Rationalization & Reallocation of O&M expenses

**a) Allocation of O&M expenses into Aeronautical and Non-Aeronautical activities for FY 2022-23**

9.2.4 The Authority examined the allocation of O&M expenses between Aeronautical and Non-aeronautical submitted by AAI. The same is explained in the following paragraphs.

- AAI had segregated the payroll expenses (excluding CHQ/RHQ payroll cost) between Aeronautical and Non-Aeronautical in the employee ratio of FY 2022-23.
- Repair and Maintenance expenses include various heads of expenses such as Civil, Electrical, Electronics, etc., AAI had considered EHCR, TBLR and SQTR as appropriate for allocation of expenses.
- AAI, in its MYTP submission, had proposed TBLR of 90:10 for the Second Control Period and the Authority proposed to consider the same.
- Consumption of Stores & Spares includes expenses incurred towards fuel expenses of vehicles, which had been apportioned based on the Vehicle Ratio (based on 3:1 for Aero:ANS).

9.2.5 The Authority proposed to consider the allocation ratios pertaining to FY 2022-23 as the basis for allocation of expenses projected for the Second Control Period which is presented in the table below:



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**Table 75: Allocation ratios of O&M expenses proposed to be considered by the Authority for Coimbatore International Airport for FY23 at Consultation Stage**

Particulars	Submitted by AAI and as proposed by the Authority for FY 23	Basis of rationalization
Employee Ratio (Aero: Non-Aero)	94.55%: 5.45%	Para 4.6.3
Employee Ratio (Aero: Non-Aero: ANS)	64.60%: 3.73%: 31.28%	
Electricity Ratio (Aero: ANS)	82.08%: 17.92%	Para 4.6.6
Staff Quarters Ratio (Aero: Non-Aero: ANS)	72.50%: 1.67%: 25.83%	Para 4.6.7
Vehicle Ratio (Aero: ANS)	75%: 25%	Para 4.6.8

**b) Assessment, Rationalization & Reallocation of O&M expenses**

The submission made by AAI regarding the various O&M expenses and their growth over the Second Control Period had been analyzed by the Authority and its proposals for such expenses are as elaborated below:

**A. Payroll Expenses - ₹ 127.70 crores**

- 9.2.6 AAI had considered a growth rate of 7% in payroll expenses for the period FY 24 to FY 27 and 32% (i.e. 25% additionally on account of the 8<sup>th</sup> pay commission) in FY 28.
- 9.2.7 However, the Authority proposed to consider a growth rate of 6% Y-o-Y in payroll expenses throughout the Second Control Period. AAI had projected an additional 25% increase in the last tariff year i.e. FY 2027-28 on account of 8<sup>th</sup> pay commission. The Authority proposed that such an increase shall be considered on incurrence basis. The above restriction in the growth rate in payroll expenses, was proposed with the view of rationalizing the costs of the Airport. Further, this growth rate of 6% Y-o-Y is being uniformly followed in all AAI airports.

On the basis of above considerations, the Authority proposed to consider only 6% growth Y-o-Y for all the 5 years on account of Payroll Expenses for the Second Control Period. The Authority had considered the payroll cost for FY 2023 as a base, for computing the payroll cost for the Second Control Period, after factoring-in the Y-o-Y growth rate indicated above. Accordingly, the payroll expenses estimated by the Authority for the Second Control Period are as under:

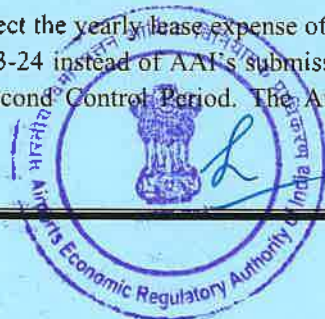
**Table 76: Payroll Expenses as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage**

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	21.08	22.56	24.14	25.83	34.09	127.70
As proposed by the Authority (B)	21.02	22.28	23.61	25.03	26.53	118.48
Variance (B-A)	(0.07)	(0.28)	(0.52)	(0.80)	(7.56)	(9.23)

**B. Administration & General Expenses**

**Administration and General Expenses (Other than CHQ/RHQ) - ₹ 62.19 crores**

- 9.2.8 The Authority noted that AAI had projected a 10% increase Y-o-Y in Administration and General expenses (other than CHQ/ RHQ). However, the Authority proposed to consider the inflationary growth rate for Administration & General Expenses in the Second Control Period.
- 9.2.9 The Authority also proposed to project the yearly lease expense of ₹ 0.39 crores on lease pertaining to X-BIS as per the contract only for FY 2023-24 instead of AAI's submission which considered the lease to be fully operational until the end of the Second Control Period. The Authority's proposal was confirmed by the



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accounting schedule as per AAI's Independent Consultant's "Report on Agreed Upon Procedure related to Accounting Treatment of Assets under the contracts of the supply, installation, testing, commissioning and comprehensive maintenance of X-Ray baggage inspection system (XBIS) as finance lease as per Accounting Standard 19 – Lease and Opinion of Expert Committee Advisory of ICAI" in which the lease term of the current X-BIS was indicated to be terminated in FY 2023-24.

- 9.2.10 AAI had submitted Municipal taxes that were to be incurred during each year of the Second Control Period and Airport License Fee amounting to ₹ 0.08 crores only during FY 2027-28 on which no inflationary increase had been applied. The Authority noted the same to be reasonable and proposed to consider the same.

### CSR Expenses

- 9.2.11 The Authority noted that AAI had claimed ₹ 1.89 crores towards CSR expenses for the Second Control Period.
- 9.2.12 The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same had been provided below:
- 9.2.13 Section 135 (1) of Companies Act, 2013 states that 'Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.' Further section 135(5) states that 'The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility'.
- 9.2.14 In this regard, the Authority is of the view that as the CSR is a mandatory Social Responsibility of the Companies (covered under Section 135(1) of Companies Act). As the CSR expenditure is to be incurred by Companies out of their net profits, it is to be regarded as an essential element of the appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as a pass-through expenditure of the companies. Otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

Section 37(1) of Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity.

- 9.2.15 In view of the above, henceforth, the Authority proposed to not consider CSR expenses as a pass-through expense while computing O&M Expense.

### Upkeep expenses

- 9.2.16 The Authority observed that for upkeep expenses, AAI had proposed 10% increase year-on-year for the Second Control Period, except for FY 25, where a 57% increase had been proposed. AAI had submitted in MYTP proposal that the escalation of 57% was on account of the fact that "ESS Contract is proposed to merge with MESS expense considering the wage increase and increase in area as well as manpower for Cleaning. Resulting increase in cost".
- 9.2.17 On inquiry with AAI, the Authority noted the following:
- At present, there are two separate contracts at Coimbatore Airport i.e. the ESS contract for the upkeep of Ancillary buildings and the MESS contract for the upkeep of the terminal building. For



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administrative convenience and to ensure quality work, AAI had submitted that these two works will be combined under a single contract in the new MESS tender.

- AAI had also claimed that the public toilets and airside toilets are also brought under the scope of the new MESS contract. In addition, the operations area & road are also included in the scope, which are neither part of the current ESS nor the MESS contract.
- AAI had further stated that in the current contract, only 12 dedicated staff (janitors) are available per shift for passenger toilets, which was inadequate. Hence, the number of staff to be deployed in the new contract had been increased to 18 staff (janitors) per shift. The increased labour requirement in combination with the increase in labour wages had contributed to the increase in the cost of the tender.
- The Authority had also analyzed the new MESS contract award letter amounting to ₹ 12.55 crores (for a period of 3 years i.e. commencing from Feb' 2024). The Authority proposed to consider the cost of MESS contract of ₹ 12.55 crores equally over the period of 3 years from FY 2024-25 to FY 2026-27 (which amounts to ₹ 4.18 crores per year). For FY 2027-28, the Authority proposed to apply an inflationary increase on the cost considered for FY 2026-27.

**Table 77: Administration & general expenses (other than CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage**

*(₹ in crores)*

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI @ 10% increase YoY (A)	9.19	11.44	12.56	13.79	15.22	62.19
As proposed by the Authority @ the rate of Inflation (B)	8.14	9.24	9.42	9.60	10.03	46.43
<b>Variance (B-A) *</b>	<b>(1.05)</b>	<b>(2.20)</b>	<b>(3.14)</b>	<b>(4.19)</b>	<b>(5.19)</b>	<b>(15.77)</b>

*Note - \*The major reasons for the difference in A&G expenses (Other than CHQ/RHQ) are on account of consideration of inflationary growth rate in place of 10% Y-o-Y growth submitted by AAI, and disallowance of CSR expenses as explained in para 9.2.11*

**Administration and General Expenses (CHQ/RHQ) - ₹ 80.05 crores**

- 9.2.18 AAI had proposed a growth rate of 5% Y-o-Y for Apportionment of Administration expenses of CHQ/RHQ for the Second Control Period. The Authority noted that such an increase is consistent with growth rates allowed at similar airports and hence proposed to consider the same. Accordingly, the Authority proposed to consider Y-o-Y increase of 5%, considering FY 2022-23 as base (₹ 11.87 crores).

**Table 78: Administration & general expenses (CHQ/RHQ) as submitted by AAI and as proposed by the Authority for the Second Control Period at Consultation Stage**

*(₹ in crores)*

Particulars	FY 24	FY 25	FY 26	FY 27	FY 28	Total
As submitted by AAI (A)	14.49	15.21	15.97	16.77	17.61	80.05
As proposed by the Authority (B)	12.46	13.08	13.74	14.43	15.15	68.86
<b>Variance (B-A)</b>	<b>(2.02)</b>	<b>(2.13)</b>	<b>(2.23)</b>	<b>(2.34)</b>	<b>(2.46)</b>	<b>(11.19)</b>

**C. Repairs & Maintenance (R&M) Expenses - ₹ 111.27 crores**

- 9.2.19 In the MYTP submission of AAI, Repairs and Maintenance expenses included Runway re-carpeting expenses amounting to ₹ 49.83 crores, which AAI had proposed to amortize over a period of 5 years as per para 3.2.8 in AERA Order No. 35/2017-18 on "In matter of determination of useful life of airport assets", commencing from FY 2023-24.
- 9.2.20 AAI in its response to queries (dated 13<sup>th</sup> May 2024), pertaining to Runway Re-carpeting, vide email dated 15<sup>th</sup> May 2024 had submitted the need for Runway Re-carpeting as "The surface of the runway had deteriorated



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at many places with potholes, rutting, gravelling etc. Hence, to improve the surface of the runway Resurfacing of runway was carried out. Usually, resurfacing/re-carpeting is required in 6 to 8 years. The last runway resurfacing was done in 2003-2004. The same was also pointed out in DGCA inspection."

- 9.2.21 AAI vide email dated 27<sup>th</sup> May 2024 submitted revised cost of runway recarpeting amounting to ₹ 41.04 crores (excl. GST) and requested the Authority to consider the runway recarpeting cost of ₹ 41.04 Crores as capital expenditure on the basis that PCN value had increased post runway re-carpeting. The Authority also noted that the documents substantiating the same were also submitted by AAI together with the request for capitalization.
- 9.2.22 On analysis of the documents submitted by AAI for PCN value increase, the Authority had considered runway re-carpeting costs as Capital in nature and treated the same as additions to RAB (incl. GST) as discussed in para 6.2.23.
- 9.2.23 AAI had submitted a capital expenditure of ₹ 4.13 crores towards implementation of Digi Yatra in FY 2024-25 vide mail dated 25<sup>th</sup> May 2024. This was not part of the MYTP submitted by AAI for the Second Control Period. The Authority proposed to accept the capitalization of Digi Yatra related assets in FY 2024-25 as per para 6.2.22. As part of the cost estimate for Coimbatore International Airport shared by AAI for implementation of Digi Yatra, the Authority noted that certain AMC expenses were also proposed. This Comprehensive AMC (CAMC) covers a period of 6 years commencing after completion of 1 year warranty period (warranty period coverage until FY 2025-26). The CAMC expenses for FY 2026-27 & FY 2027-28 in the Second Control Period amounts to ₹ 0.44 crores per year (₹ 2.65 Crores for 6 years as indicated by AAI in their submission pro-rated for yearly cost).
- 9.2.24 AAI had submitted a Y-o-Y increase of 10% for remaining R&M expenses (other than runway recarpeting and AMC cost for Digi Yatra) for the Second Control Period. The Authority observed that R&M expenses including AMC cost for Digi Yatra are exceeding the limit of 6% of opening RAB (Net Block) of the Second Control Period. Based on the above factors, the Authority proposed to consider the R&M by limiting to 6% of opening RAB as enumerated in the table below:

**Table 79: Repairs & Maintenance Expenses proposed by the Authority for the Second Control Period at Consultation Stage**

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
R&M Expenses submitted by AAI (Other than AMC cost of Digi yatra Assets)	A	9.87	10.86	12.02	13.22	14.54	60.52
AMC Cost of Digi Yatra Assets	B				0.44	0.44	0.88
<b>Total R&amp;M Expenses</b>	<b>C=A+B</b>	<b>9.87</b>	<b>10.86</b>	<b>12.02</b>	<b>13.67</b>	<b>14.99</b>	<b>61.40</b>
Opening RAB (Refer Table 67)	D	134.01	174.60	175.16	180.65	168.48	
6% of Opening RAB	E=6%*D	8.04	10.48	10.51	10.84	10.11	49.97
Allowable Expenses	F=Lower (C or E)	8.04	10.48	10.51	10.84	10.11	49.97
R&M Expenses proposed by the Authority	G	8.04	10.48	10.51	10.84	10.11	49.97

- 9.2.25 The Authority noted that R&M expenses proposed by AAI for the Second Control Period were higher than the cap of 6% of the Opening RAB (net block of that year) generally considered by the Authority in this regard. Accordingly, the Authority, at consultation stage proposed to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 67.



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9.2.26 However, the Authority, on the aspect of capping of R&M Expenses of the airport at 6% of Opening RAB (Net Block) of the related tariff year, noted the recent submissions of the AAI during the tariff determination process of their airports, wherein AAI submitted that capping of R&M Expenses to 6% of Opening RAB (Net Block) needs review. As per the stakeholder, considering that the RAB (Net Block) of the airports, particularly smaller airports, with no major CAPEX additions, gradually decrease due to depreciation whereas, due to normal wear & tear and aging of Assets, R&M Expenses tend to increase over a period of time. Hence, capping of R&M Expenses at 6% of Opening RAB (Net Block) may be reviewed by the Authority appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the airports (airports with low Regulatory Asset Base).

The Authority, taking note of the above submission, proposed to revisit the issue relating to capping of R&M Expenses at the ceiling of 6% of Opening RAB (Net Block).

The Authority sought the specific views of the stakeholders on the capping of R&M Expenses at 6% of opening RAB (Net Block) and proposed to take a final view in the matter considering the views/ inputs from the stakeholders.

**D. Utilities and Outsourcing Expenses - ₹ 26.38 crores**

**Power Charges**

9.2.27 AAI had projected an increase of 3% Y-o-Y after netting off the recoveries made from the Concessionaires (which is assumed to be 17% of the total power costs, consistent with the recovery % during FY 23). The Authority noted the increase (net of 17% recovery from concessionaires) of 3% Y-o-Y proposed for power expenses during the Second Control Period to be reasonable and proposed to consider the same.

**Utilities & Outsourcing Expenses – Other than Power Charges**

9.2.28 AAI had submitted a projected growth rate of 10% Y-o-Y for the Second Control Period, except for FY 2024-25, wherein a growth rate of 20% had been proposed on consumption of stores and spares. However, upon inquiry for the 20% increase, AAI vide email dated 26<sup>th</sup> Feb,2024 submitted that the same shall be corrected to 10% as it was an inadvertent error.

The Authority took cognizance of utilities expense projections submitted and approved at similar AAI airports and proposed to consider a 5% Y-o-Y increase on the same for the Second Control Period.

**E. Other Outflows – Collection charges on UDF - ₹ 4.75 crores**

9.2.29 For other outflows i.e. Collection charges on UDF, AAI had considered a growth rate which was consistent with the rate considered for growth in passenger traffic. The Authority proposed to consider the same approach as reasonable basis for considering Y-O-Y increase in expense.

9.2.30 Based on the above observations and rationalization of some elements, the Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period was as detailed below:

**Table 80: Operation and Maintenance (O&M) Expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage**

(₹ in crores)

Sl. No.	Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
1	Payroll Expenses (Other than CHQ/RHQ)		20.35	21.57	22.87	24.24	25.69	114.73
2	Retirement Benefits of employees		0.67	0.70	0.75	0.79	0.84	3.75



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Sl. No.	Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
	<b>Total Payroll Expenditure (1+2) – (A)</b>	Table 76	<b>21.02</b>	<b>22.28</b>	<b>23.61</b>	<b>25.03</b>	<b>26.53</b>	<b>118.48</b>
3	Admin & General Expenses (Other than CHQ/RHQ)	Table 77	8.14	9.24	9.42	9.60	10.03	<b>46.43</b>
4	Admin & General Expenses (CHQ/RHQ)	Table 78	12.46	13.08	13.74	14.43	15.15	<b>68.86</b>
	<b>Total Admin &amp; General Expenditure (3+4) – (B)</b>	-	<b>20.60</b>	<b>22.33</b>	<b>23.16</b>	<b>24.03</b>	<b>25.17</b>	<b>115.29</b>
	Repairs & Maintenance Expenditure -C	Table 79	8.04	10.48	10.51	10.84	10.11	<b>49.97</b>
	Utilities & Outsourcing Expenditure -D	-	4.74	4.89	5.06	5.23	5.41	<b>25.32</b>
	Other Outflows -E	-	0.65	0.77	0.90	1.04	1.15	<b>4.51</b>
	<b>Total (A+B+C+D+E)</b>		<b>55.05</b>	<b>60.75</b>	<b>63.24</b>	<b>66.17</b>	<b>68.37</b>	<b>313.57</b>

9.2.31 A summary of the variances in expenses as submitted by AAI and as proposed by the Authority under O&M Expenses is mainly due to followings:

- i. Payroll Costs (Other than CHQ/RHQ) – Rationalisation of Payroll Costs projections by ₹ 9.23 crores on account of consideration of only 6% Y-o-Y increase for all the tariff years of Second Control Period, as against 7% Y-o-Y increase up to FY 2026-27 & increase of 32% (25% towards pay revision & 7% normal increase) in FY 2027-28 proposed by AAI.
- ii. Administration & General Expenses (other than CHQ/RHQ) – Decrease in projections by ₹ 15.77 crores on account consideration of inflationary Y-o-Y growth rates during all the years of Second Control Period, as against 10% Y-o-Y increase submitted by AAI and non-consideration of CSR expenses submitted by AAI.
- iii. Administration & General Expenses (CHQ/RHQ) – Rationalisation of in projections by ₹ 11.19 crores on account of not considering of Legal & Arbitration expenses & Penalties etc. paid to Govt. as explained in para 4.6.12.
- iv. Consideration of expenses incurred on Runway re-carpeting & allied works as part of Capital Expenditure as against in OPEX (as per AAI's initial submission) and rationalisation of Repairs & Maintenance Expenses by capping it to 6% of Opening RAB (Net Block) of respective tariff years (total impact Rs 61.30 Crores).
- v. Utilities & Outsourcing Expenses – Reduction of projections by ₹ 1.06 crores due to consideration of 5% Y-o-Y increase in place of 10% submitted by AAI.
- vi. Other Outflows – Decrease in projections by ₹ 0.23 crores on account of consideration of actual traffic volume for the year FY 2023-24.

**9.3 Stakeholders' comments regarding Operating & Maintenance Expenses (O&M) for the Second Control Period**

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Operating & Maintenance Expenses(O&M) for the Second Control Period. The comments of stakeholders are presented below.

9.3.1 AAI's comment on Payroll expenses is as follows:





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**Payroll expenses**

- “7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, quarterly increase in DA and Employer contribution to PF. In the recent past orders of AAI Major Airports, AERA has considered 7% increase.
- The following illustration clearly shows that there is an average 7.71% increase in the Payroll expenditure. AAI requests AERA to consider the figures for the SCP as submitted by AAI.

Calculation of incremental increase in salary (in % Terms)											
Particulars (Rs.)	Year 1				Year 2				Total		Difference
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	year 1	Year 2	
BASIC	30000	30000	30000	30000	30900	30900	30900	30900	120000	123600	3600
DA	5520	6960	8160	8820	9270	10042.5	10753.2	11494.8	29460	41560	12100
HRA	8100	8100	8100	8100	8343	8343	8343	8343	32400	33372	972
PERKS	10500	10500	10500	10500	10815	10815	10815	10815	42000	43260	1260
EPF	3600	3600	3600	3600	3708	3708	3708	3708	14400	14832	432
<b>Total</b>									<b>238260</b>	<b>256624</b>	<b>18364</b>

Particulars	% Increase								
DA	18.40%	23.20%	27.20%	29.40%	30.00%	32.50%	34.80%	37.20%	
HRA	27%	27%	27%		27%	27%	27%	27%	27%
PERKS	35%	35%	35%	35%	35%	35%	35%	35%	35%
EPF	12%	12%	12%		12%	12%	12%	12%	12%

**Total Increase (in Rs.) 18364**

**% increase 7.71**

**Assumptions:**

- Year 1 Means Previous Year
- Year 2 Means Current Year
- Basic Pay - 3% yearly increase considered.
- Dearness Allowance- Quarterly increase considered.
- HRA, Perks & EPF - Considered Constant
- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 238260/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 256624/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 18364/- per employee which comes out to 7.71% on Year-on-Year basis.
- Also, AERA has proposed to reduce growth rate of Payroll expenses from 7% y-o-y to 6% y-o-y for the FY 2023-24 to FY 2026-27 resulting in reduction of payroll expenditure by Rs. 9.23 Cr.
- Based on the above facts, AERA is requested to consider 7% y-o-y increase in Payroll expense instead of an increase of 6% y-o-y in Second Control Period of Coimbatore. 25% increase proposed by AAI in the last tariff year considering the implementation of 8th Pay commission may also be considered by AERA to avoid carry forward of shortfall for the Third control period.



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- Also, AERA is requested to consider the entire amount of Rs. 127.70 Crore towards payroll expense.”

9.3.2 AAI's comment on Upkeep expenses is as follows:

**Upkeep Expenses**

“AAI submits the following with regard to Upkeep Expense: -

(In Rs. Crore)

Particular	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	
As per AERA (CP)	4.18	4.18	4.18	4.33	16.9
				3.70%	
AAI Methodology	4.18	4.6	5.06	5.56	19.4
		10%	10%	10%	

- A comparison of increase in MESS contract due to minimum wages increase is already been shared to AERA in MYTP.

**MESS contract justification**

	Monthly awarded value	Actual gross payment last month (Aug23)	
	(A)	(B)	Increase (%) C = ((B-A)/A)
MESS	1498491	1907688	27%
ESS	99526.33	118987	20%
<b>total</b>	<b>1598017</b>	<b>2026675</b>	<b>27%</b>

Labour Category	Wages Estimated (Previous Award) MESS	Current Wage Estimation for preparation for AA&ES (FY 23-24) - MESS	Increase (%)	Wage as per current period- April 24
	(A)	(B)	C= ((B-A)/A)	
Highly Skilled	653	866	33%	948
Skilled	593	788	33%	862
Semi-Skilled	506	671	33%	734
Unskilled	448	595	33%	651

- It is to be mentioned that AERA has considered inflation rate only in the last year of the control period (FY2027-28) whereas AAI, Coimbatore airport has to abide by rule of the Central Govt. Labor Law from the start of the contract i.e. Feb 2024.
- The material cost will also increase as the no. of passenger (consumer) increase 14% to 16%(appx) in each year.

AERA has reduced upkeep expenses by Rs. 2.53 Cr. as AERA has considered inflation rate whereas AAI has proposed for 10% increase YOY for the 2nd control period. which is including increase in minimum wages and material cost.

In view of the above AERA is requested to consider 10% increase in upkeep expenses YoY basis as submitted by AAI.”



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9.3.3 AAI's comment on Repair and Maintenance expenses is as follows:

- "There are various heads of R&M expenses which are incurred for operational requirements & regular maintenance, of the airport operator infrastructure and equipment at the airport
- Applying a ratio on the WDV will further reduce the cost whereas in reality is that the maintenance costs will increase to make good the wear and tear over the years
- R&M expenses includes various services like May I Help You, Solid Waste Management, Noise control, Pollution control which are not related to any Assets which needs to be reimbursed in full.
- Maximum AMC contract includes man power which is based on the labor rate which is revised time to time by the Ministry of Labor.
- Even if buildings are new it is not justifiable reason to reduce the recovery of expenses to a percentage of opening RAB
- Restricting R&M expense to 6% of opening RAB discourages Airport Operator to spend on R&M to maintain the quality standard and enhance customer.
- To highlight the effect of restricting R&M to 6% of opening RAB, actual values of two assets (Grass cut cum collecting machine and tractor) along with their AMC costs have been shown below. Total value of assets is Rs. 31.54 Lakhs (Rs.17.00 Lakhs + Rs.14.54 Lakhs).

Year	Capitalisation	1st	2nd	3rd	4th	5th	6th
Opening RAB	31.54	27.6	23.66	19.71	15.77	11.83	7.89
Depreciation	3.94	3.94	3.94	3.94	3.94	3.94	3.94
Net RAB	27.6	23.66	19.71	15.77	11.83	7.89	3.95

Year	Cap.	1st	2nd	3rd	4th	5th	6th
AMC Cost		5.33	5.7	11.88	12.71	13.38	14.3
% of AMC on Net RAB		23%	29%	75%	107%	170%	364%
6% of Net RAB		1.42	1.18	0.95	0.71	0.47	0.24
Net loss to AAI (Diff.)		-3.91	-4.52	-10.9	-12	-12.9	-14.1

AAI would like to highlight that even in the first year the R&M costs of the assets exceeds the cap of 6% of opening RAB.

9.3.4 AAI's additional comments (submitted along with counter comments) on Repairs & Maintenance Expenses is as follows:

"There are various heads of R&M expenses which are incurred for Operational Requirements, Regular maintenance of the airport infrastructure and equipment at the airport. As per CP 03/2024-25 AERA has Proposed an amount of Rs. 251.40 Crs. O&M expenses in the true up (refer Table 33) as against AERA approval of O&M expenses amounting to Rs. Rs.251.69 Crs in the Tariff order of the 1st CP (refer Table 20). Further, AERA has proposed to consider O&M expenses amounting to Rs.313.57 Crs. in the 2nd control period which is just increase of 24.7%.

The costs captured by the airports are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract and approving authorities as per delegation of powers approved by Board. Further, the accounts of airports are subject to C&AG audit on a yearly basis."

**Hence, AERA is requested to remove the cap of R&M expenses at 6 % of Opening RAB and consider the total expense of Rs. 61.40 Crore as projected by AAI."**



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9.3.5 AAI's comment on Utilities and Outsourcing (other than power charges) expenses is as follows:

*"Expenses towards Utilities and Outsourcing expense -Other than Power charges:*

*It is submitted that Utilities and outsourcing expense other than power charges may be approved as submitted by AAI as it includes manpower (Hiring of Vehicles/consultant) as well as material cost (Consumption of stores)."*

9.3.6 FIA's comment on Terminal Building Ratio is as follows:

*"FIA submits that, AERA have considered the Terminal Building Ratio ("TBLR") of 90:10 for the Second Control Period.*

*However, it is important to recognize the significance of Coimbatore as a prominent destination and a vital hub in Tamil Nadu. The city is home to the Isha Foundation, which is renowned for its large-scale spiritual and wellness programs, which attracts a significant number of domestic and international visitors. Additionally, Coimbatore's thriving textile industry, educational institutions and proximity to major tourist attractions such as the Nilgiri hills further enhanced its appeal.*

*With its renowned status and the steady influx of tourists, business travellers, and spiritual seekers, Coimbatore plays a crucial role in tourism. Its strategic location and the growth of Coimbatore Airport further underscore its potential for increased non-aeronautical revenue. The current non-aeronautical ratio proposed by AERA may not fully capture the extensive economic opportunities presented by Coimbatore's diverse industries, educational institutions and the significant impact of institutions like the Isha foundations making it a prominent tourism and business centre.*

*Further, as observed by AERA itself, in comparison to the other airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%, as per the IMG norms, which are applied and adhered by AERA for all other airports.*

*In view of the above, we request AERA to kindly allot the best possible ratio towards NAR while keeping a consistent approach of applying IMG norms. Accordingly, we request AERA to consider the highest possible non-aeronautical allocation in the case of CJB and/or request to conduct an independent study for the same. We further recommend that AAI should utilize such aspects and space towards increasing their non-aeronautical activities."*

9.3.7 FIA's comment on Power expenses is as follows:

*"AAI 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."*

9.3.8 FIA's comment on determination of O&M expenses is as follows:

*"While we appreciate the rationalisation by AERA of each line item on the submitted O&M expenses by AAI, however, at the same time we request AERA not to provide such a huge jump in O&M expenses.*

*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 Second Control Period, doing so would help avoid over recovery of ARR in the control period under the guise of True up.*



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*FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while trueing 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 Second Control Period."*

9.3.9 IATA's comment on allocation of expenses and other assets is as follows:

*"We commend AERA for its review of CHQ and RHQ expenses allocation to Coimbatore Airport, as well as other asset and cost allocations."*

9.3.10 IATA's comment on non-inclusion of CSR expenditure is as follows:

*"Non-inclusion of CSR expenditure in operating expenditure is a welcome step. We completely agree with AERA's view that CSR expenditure is to be incurred out of net profits and should not be a part of Operating Expenditure."*

### **9.4 AAI's response to Stakeholders' comments regarding Operating & Maintenance Expenses (O&M) for the Second Control Period**

9.4.1 AAI's response to FIA's comment on terminal Building Ratio is as follows:

*"Since the existing Terminal Building is old and saturated. AERA has considered Terminal Building ratio in line with 1st CP."*

9.4.2 AAI's response to FIA's comment on Power Charges is as follows:

*"It is submitted that AAI cannot levy electricity charges over and above the units consumed by the concessionaires and the same is approved by the competent Authority."*

### **9.5 Authority's analysis on Stakeholders' comments regarding Operating & Maintenance Expenses (O&M) for the Second Control Period**

9.5.1 The Authority notes AAI's comments on payroll expenses and reviewed the explanation and the illustration given by AAI for annual growth in Payroll Expenditure. It is observed that in its calculation, AAI has considered an increase between 18% to 37% of DA, which is not realistic. Further, the Authority notes that, in the past, AAI had claimed only 5% growth in Payroll expenses for Pune International Airport. Based on the above factors, the Authority decides to consider a growth rate of 6% year on year in payroll expenses for the Second Control period, as considered for other similar AAI Airports and PPP airport.

However, the Authority will true up O&M Expenses, including Payroll expenses pertaining to Second Control Period (refer Para 9.6.2) at the time of tariff determination for the next control period, subject to reasonability and efficiency of expenses.

9.5.2 The Authority has examined AAI's comments on Upkeep Expenses and has the following views:

The Authority notes that the Mechanized Environment Support Services (MESS) contract was entered into for a period of three (3) years starting from February 2024 and the contract value was Rs. 12.55 crores.

The extract of Clause 1 of the contract is reproduced as under:



## OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

*“No escalation is payable during the contract period. However, the agency will be entitled to reimbursement for increases in minimum wages, PF, Bonus, and ESI contributions upon the production of documentary evidence.”*

The Authority notes from Clause 1 to the said contract that the agency is entitled for reimbursement of increases in minimum wages and other payroll components. It is noted that the contract involves significant proportion of cost of manpower to be deployed and hence, the Authority decides to consider increase of 5% Y-o-Y from FY 2024-25 and true-up the expense based on actual costs at the time of tariff determination for the next control period, subject to efficiency and reasonableness.

- 9.5.3 The Authority notes the comments received from AAI on the need for re-evaluation of the capping being applied by AERA on R&M Expenses, as per its current approach.

It has been mentioned that there are many airports where there is no substantial new Capex and value of RAB (including old and new Capex) is not significant, hence, applying the cap of 6% of opening RAB by factoring in depreciation does not give sufficient provision for R&M expenses, since the old assets would require more R&M expenses with passage of time. The Authority, therefore, is of the view to review the existing approach across all airports towards capping of R&M Expenses to 6% of Opening RAB (Net Block) of respective tariff years and would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by the AOs.

The Authority, considering that review of current approach towards capping of R&M Expenses and arriving at final decision in the matter will take some time, in the interim period, decides to continue with the present approach of capping of R&M Expenses to 6% of opening RAB (net block) and consider the R&M expenses accordingly.

However, the Authority would true up the R&M Expenses pertaining to the Second Control Period at the time of determination of tariff for the next Control Period, based on the outcome of the review exercise and the Authority's final view in the matter.

- 9.5.4 The Authority notes AAI's comments on Utilities and Outsourcing expenses other than Power Charges.

In this regard, it is noted that the 5% y-o-y increase has been proposed in line with that decided for other similar airports in order to rationalize the expenses and hence the Authority decides not to change the basis considered at Consultation stage and apply increase of 5% Y-o-Y.

- 9.5.5 The Authority has noted the comments by FIA with respect to Terminal Building allocation ratio and AAI's counter comments on the same.

The Authority notes that the area of terminal building is planned considering the estimated passenger capacity within which areas for Aeronautical and Non-Aeronautical services are identified and demarcated.

The Authority also refers to IMG recommendations as a reference and notes that as per IMG Norms, generally, 8% to 12% of overall terminal building area is earmarked for non-aeronautical services, which will generate additional revenues to the Airport and cross subsidize the Aeronautical charges.

It is also noted that there is limited space available for expansion of non-aeronautical area in the current airport, with Coimbatore International Airport almost reaching its designated passenger handling capacity.

Further, the Authority would like to state that for similar size of airports, the Authority had considered Terminal Building ratio of 90:10, as per the uniform approach being followed by the Authority for the relevant Control Periods of such Airports.



## OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

Considering the above, the Authority decides to retain the Terminal building Ratio as 90:10 (Aeronautical: Non-Aeronautical) for the Second Control Period, as proposed by AAI and same is in line with the IMG recommendations and IATA norms and as followed in other similar airports (Ahmedabad, Lucknow etc.)

- 9.5.6 The Authority has reviewed FIA's comments on Utility expenses and AAI's response to the same. The Authority's view with respect to the utility expenses is as given below.

The Authority, through its independent consultant, has examined, the power expenses of Coimbatore International Airport and benchmarked wherever possible, with similar airports. The Authority also notes that the trial balance of Coimbatore International Airport is part of AAI's books of accounts which are audited by CAG, whose reports noted no qualifications/ exceptions. The independent consultant has sought explanations, invoices etc., wherever needed, and reviewed the same and found no unreasonableness. Hence the Authority does not find the need to separately verify the bills relating to power expenses of Coimbatore International Airport.

- 9.5.7 The Authority has reviewed the comment of FIA on determination of O&M expenses and would like to emphasize that AERA, through its Independent Consultant, 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 needed for meeting operational requirements. Based on the above factors, the Authority has rationalized the various components of O&M expenses submitted by the AAI for the Second Control period.

The Authority also notes the comments of FIA on conducting an independent study on O&M expenses. 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. AERA, may commission an independent study for the future Control Periods of Coimbatore International Airport, if considered necessary.

- 9.5.8 The Authority notes IATA's comments on review of allocation of CHQ/RHQ expenses and AAI's response to the same.

It is to be noted that AERA has recently received a study report from AAI vide its letter dated 21<sup>st</sup> August 2024, on the methodology for allocation of RHQ/ CHQ Expenses to airports. The Authority will examine the study report in detail, and appropriately decide in the matter in due course.

For the purpose of this tariff order, the Authority decides to consider the current basis of allocation considered in the Consultation Paper and upon review if any adjustment needs to be done, it will be tried up during tariff determination of the next control period.

- 9.5.9 The Authority noted the IATA's comments that CSR expenditure is to be incurred by AO out of their net profits and should not be treated as a pass through.
- 9.5.10 As detailed in Para 4.6.42, the Authority decides not to consider the interest on term loan included as part of Admin & General Expenditure (Other than CHQ/RHQ) amounting to ₹ 8.63 crores in the Second Control Period.
- 9.5.11 The Authority decides to adopt inflation rates based on the latest RBI Survey results (Round No. 89) (refer para 8.5.2) and accordingly update the projections of the O&M expenditure for the Second Control period.
- 9.5.12 The revised O&M expenses after considering the changes in Inflation rates, exclusion of interest on term loan and change in growth rate for upkeep expenses is given in the table below:



OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE SECOND CONTROL PERIOD

**Table 81: Operation and Maintenance (O&M) Expenses decided by the Authority for the Second Control Period**

(₹ in crores)

Sl. No.	Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total (A)	At CP Stage (B)	Difference (A-B)
1	Payroll Expenses (Other than CHQ/RHQ)		20.35	21.57	22.87	24.24	25.69	114.73	114.73	-
2	Retirement Benefits of employees		0.67	0.70	0.75	0.79	0.84	3.75	3.75	-
	<b>Total Payroll Expenditure (1+2) – (A)</b>	Table 76	<b>21.02</b>	<b>22.28</b>	<b>23.61</b>	<b>25.03</b>	<b>26.53</b>	<b>118.48</b>	<b>118.48</b>	-
3	Admin & General Expenses (Other than CHQ/RHQ)	Para 9.5.10	6.55	7.60	7.91	8.24	8.65	38.96	46.43	(7.47)
4	Admin & General Expenses (CHQ/RHQ)	Table 78	12.46	13.08	13.74	14.43	15.15	68.86	68.86	-
	<b>Total Admin &amp; General Expenditure (3+4) – (B)</b>	-	<b>19.02</b>	<b>20.69</b>	<b>21.65</b>	<b>22.66</b>	<b>23.80</b>	<b>107.82</b>	<b>115.29</b>	<b>(7.47)</b>
	Repairs & Maintenance Expenditure -C	Table 79	8.04	10.48	10.51	10.84	10.11	49.97	49.97	-
	Utilities & Outsourcing Expenditure -D	-	4.74	4.89	5.06	5.23	5.41	25.32	25.32	-
	Other Outflows -E	-	0.65	0.77	0.90	1.04	1.15	4.51	4.51	-
	<b>Total (F=A+B+C+D+E)</b>		<b>53.46</b>	<b>59.11</b>	<b>61.73</b>	<b>64.81</b>	<b>67.00</b>	<b>306.10</b>	<b>313.57</b>	<b>(7.47)</b>

**9.6 Authority's decisions regarding Operating & Maintenance Expenses (O&M) for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to Operating & Maintenance (O&M) expenses for the Second Control Period.

- 9.6.1 To consider O&M expenses for the Second Control Period for Coimbatore International Airport as per Table 81
- 9.6.2 To consider the true up of O&M expenses incurred by AAI during the Second Control Period subject to evaluation of reasonableness and efficiency, at the time of tariff determination for the next Control Period.



NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

**10 NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD**

**10.1 AAI's submission regarding Non-Aeronautical Revenue (NAR) for the Second Control Period**

10.1.1 AAI had forecasted revenue from non-aeronautical services for Coimbatore International Airport as below:

**Table 82: Non-Aeronautical Revenue projections submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
<b>Trading Concessions: A</b>	<b>16.33</b>	<b>17.97</b>	<b>19.76</b>	<b>21.74</b>	<b>23.91</b>	<b>99.71</b>
Restaurant / Snack Bars	3.07	3.37	3.71	4.08	4.49	18.72
T.R. Stall	4.54	5.00	5.50	6.05	6.65	27.74
Hoarding & Display	8.72	9.59	10.55	11.61	12.77	53.25
<b>Rent &amp; Services: B</b>	<b>2.60</b>	<b>2.76</b>	<b>3.08</b>	<b>3.29</b>	<b>3.51</b>	<b>15.24</b>
Land Leases	0.30	0.30	0.35	0.35	0.35	1.66
Building (Residential)	0.03	0.03	0.03	0.04	0.04	0.18
Building (Non-Residential)	1.64	1.81	1.99	2.19	2.40	10.03
Hangar Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
<b>Miscellaneous: C</b>	<b>6.44</b>	<b>7.01</b>	<b>7.63</b>	<b>8.31</b>	<b>9.05</b>	<b>38.42</b>
Duty Free Shops	2.21	2.43	2.67	2.94	3.23	13.48
Car Rentals	1.32	1.45	1.60	1.76	1.93	8.06
Car Parking	1.29	1.42	1.56	1.72	1.89	7.88
Admission Tickets	0.10	0.12	0.13	0.14	0.15	0.64
Other Income/ Sale of Scrap etc.	1.51	1.59	1.67	1.75	1.84	8.36
<b>Total (A+B+C)</b>	<b>25.37</b>	<b>27.73</b>	<b>30.47</b>	<b>33.33</b>	<b>36.47</b>	<b>153.37</b>

10.1.2 The growth rates assumed by AAI has been presented in the table below:

**Table 83: Growth rates assumed by AAI for Non-aeronautical revenue for Coimbatore International Airport.**

Particulars	FY24	FY25	FY26	FY27	FY28
<b>Trading Concessions: A</b>					
Restaurant / Snack Bars	10%	10%	10%	10%	10%
T.R. Stall	10%	10%	10%	10%	10%
Hoarding & Display	10%	10%	10%	10%	10%
<b>Rent &amp; Services: B</b>					
Land Leases	-	-	15%	-	-
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%
Hangar Land Rent	-	-	15%	-	-
<b>Miscellaneous: C</b>					
Duty Free Shops	10%	10%	10%	10%	10%
Car Rentals	10%	10%	10%	10%	10%
Car Parking	10%	10%	10%	10%	10%
Admission Tickets	10%	10%	10%	10%	10%
Other Income/ Sale of Scrap etc.	-50%	5%	5%	5%	5%

**10.2 Authority's Examination regarding Non-Aeronautical Revenue (NAR) for the Second Control Period at Consultation Stage**

10.2.1 AAI had submitted its Non-Aeronautical Revenues for the Second Control Period for ₹ 153.37 crores, which is 175% of the Non-Aeronautical Revenue proposed by the Authority for true-up of the First Control Period amounting to ₹ 87.23 crores. The Authority for the purpose of its analysis had considered the actual Non-



## NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

Aeronautical Revenue for FY 2022-23 from the audited trial balance as submitted by AAI as a basis for projecting the Non-Aeronautical Revenues for the Second Control Period (Refer Table 35).

### Income Heads related with Passenger Throughput

- 10.2.2 The Authority noted that growth of passenger traffic in Coimbatore International Airport reduced due to the COVID-19 pandemic and traffic for the pre COVID-19 period (FY 2019-20) could not be achieved in FY 2022-23. Considering the positive outlook of the GDP growth predicted by the Government of India, the increase in the consumer spending pattern and the growth of the passenger traffic, the Authority proposed to consider the growth in the Passenger related revenue (Restaurants, TR Stall, Duty-Free Shops & Car Rentals) for the Second Control Period, in accordance with the growth rate in domestic passenger traffic as shown in Table 52.

### Other Revenues

- 10.2.3 **Hoarding & Display (₹ 53.25 crores)**– The Authority noted that AAI had projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The Authority proposed to consider projections by AAI as reasonable based on the analysis of contracts provided by AAI for Hoarding & Display.
- 10.2.4 **Revenue from Building (Residential) & Building (Non-Residential) (₹ 10.21 crores)**- AAI had projected a 5% Y-O-Y increase in revenue from Building (residential) and 10% Y-O-Y increase in revenue from Building (Non-residential) from FY 2023-24. The Authority noted the projections by AAI to be reasonable and in line with other similar airports and proposed to consider the same.
- 10.2.5 **Revenue from Land Lease & Hangar Rent (₹ 3.38 crores)**- The Authority noted that AAI had estimated a one-time increase in revenue from land lease and Hangar rent in FY 2025-26 at 15%. The Authority, after reviewing AAI's Internal Circular no. 22 dated 4<sup>th</sup> June 2022, proposed to consider the one-time increase of 15% as reasonable.
- 10.2.6 **Admission Tickets (₹ 0.44 crores)**- The Authority noted that AAI had projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The revenue from admission tickets includes issuance of temporary passes for entry in airport. Considering the nature of income as non-recurring, the Authority proposed to consider the average revenue from admission tickets for FY 2020-21 to FY 2022-23 (i.e. 3 years post COVID-19) as a base for admission ticket revenue for FY 2023-24 amounting to ₹ 0.07 crores and thereafter proposed a 10% growth rate Y-o-Y as per submission by AAI.
- 10.2.7 **Other Income/Sale of Scrap etc. (₹ 11.65 crores)**- Other income includes forfeiture of security deposit (unclaimed for 3 years), sale of scrap etc. Other Income in FY 2022-23 has a significant variance of 107% as compared to FY 2021-22. The Authority noted this variance to be high as compared to other years in the past mainly due to the non-recurring nature of the income – e.g. forfeiture of security deposit which had taken place in FY 2022-23. In view of this, keeping FY 2022-23 as a base for projection is not reasonable. Hence, the Authority proposed to consider the average revenue from other income/sale of scrap etc. from FY 2020-21 to FY 2022-23 (i.e. 3 years post COVID-19) as a base for FY 2023-24 and thereafter proposed a 5% growth rate Y-o-Y as per submission by AAI.
- 10.2.8 **Car Parking (₹ 7.88 crores)** - The Authority noted that AAI had projected a 10% Y-o-Y growth from FY 2023-24 onwards for the Second Control Period. The Authority proposed to consider projections by AAI as reasonable based on the analysis of contracts provided by AAI for Car Parking.



**NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD**

10.2.9 The Authority, in line with its decision taken in other Airports, proposed to consider the license fee/space rentals from airlines and other aeronautical concessionaires (GHA service providers) as aeronautical revenue after excluding the same from non-aeronautical revenue amounting to ₹ 5.12 crores for the Second Control Period (reclassified out of Building (Non-Residential) and Land leases).

10.2.10 Based on the Authority's examination, NAR for the Coimbatore International Airport for the Second Control Period proposed by the Authority is as presented in the table below:

**Table 84: Non-aeronautical revenue proposed by the Authority for Second Control Period for Coimbatore International Airport at Consultation Stage**

(₹ in crores)

Particulars	FY24	FY25	FY26	FY27	FY28	Total
<b>Trading Concessions: A</b>	<b>16.62</b>	<b>18.91</b>	<b>21.36</b>	<b>24.15</b>	<b>26.56</b>	<b>107.60</b>
Restaurant / Snack Bars	3.18	3.75	4.35	5.05	5.56	21.89
T.R. Stall	4.71	5.56	6.45	7.49	8.23	32.45
Hoarding & Display	8.72	9.59	10.55	11.61	12.77	53.25
<b>Rent &amp; Services: B</b>	<b>2.60</b>	<b>2.76</b>	<b>3.08</b>	<b>3.29</b>	<b>3.51</b>	<b>15.24</b>
Land Leases	0.30	0.30	0.35	0.35	0.35	1.66
Building (Residential)	0.03	0.03	0.03	0.04	0.04	0.18
Building (Non-Residential)	1.64	1.81	1.99	2.19	2.40	10.03
Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
<b>Miscellaneous: C</b>	<b>7.12</b>	<b>8.02</b>	<b>8.97</b>	<b>10.05</b>	<b>10.93</b>	<b>45.08</b>
Duty Free Shops	2.29	2.70	3.14	3.64	4.00	15.77
Car Rentals	1.37	1.62	1.88	2.18	2.39	9.43
Car Parking	1.29	1.42	1.56	1.72	1.89	7.88
Admission Tickets	0.07	0.08	0.09	0.10	0.10	0.44
Other Income/ Sale of Scrap etc.	2.09	2.20	2.31	2.42	2.54	11.56
<b>Total (D=A+B+C)</b>	<b>26.33</b>	<b>29.69</b>	<b>33.41</b>	<b>37.48</b>	<b>41.00</b>	<b>167.91</b>
Less: Lease Rent for Ramp from Airlines / GHA (E)	0.15	0.15	0.18	0.18	0.18	0.85
Less: Space Rentals from Airlines (F)	0.70	0.77	0.85	0.93	1.02	4.27
<b>Total (G=D-E-F)</b>	<b>25.48</b>	<b>28.77</b>	<b>32.38</b>	<b>36.37</b>	<b>39.79</b>	<b>162.79</b>

10.2.11 The revised growth rates proposed by the Authority are presented in the table below:

**Table 85: Growth rates proposed by the Authority for Coimbatore International Airport for Non-aeronautical revenue at Consultation Stage**

Particulars	FY24	FY25	FY26	FY27	FY28
<b>1. Passenger Related Revenue</b>					
Restaurant / Snack Bars	14%	18%	16%	16%	10%
T.R. Stall	14%	18%	16%	16%	10%
Duty Free Shops	14%	18%	16%	16%	10%
Car Rentals	14%	18%	16%	16%	10%
<b>2. Other Revenue</b>					
Land Leases	-	-	15%	-	-
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%
Land Rent	-	-	15%	-	-
Admission Tickets	10%	10%	10%	10%	10%
Other Income/ Sale of Scrap etc.	-	5%	5%	5%	5%
Hoarding & Display	10%	10%	10%	10%	10%
Car Parking	10%	10%	10%	10%	10%



10.2.12 As can be seen above, the Authority proposed to consider the Non-Aeronautical Revenue for the Second Control Period amounting to ₹ 162.79 crores as against ₹ 153.37 crores submitted by AAI. The difference is mainly due to the different growth rates proposed by the Authority as compared to AAI and shifting of revenues on account of Space Rentals/land lease from Aeronautical Concessionaires to Aeronautical Revenues.

### 10.3 Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Non-Aeronautical Revenue (NAR) for the Second Control Period. The comments of stakeholders are presented below.

10.3.1 AAI's comment on Miscellaneous Income is as follows:

*"AERA has considered average revenue from other income /sale of scrap from F.Y 2021-22 TO 2022- 23 as the base for F.Y 2023-24 and thereafter proposes a 5% growth rate YOY basis, which is not a regular income and not in the regular course of business. hence AERA is requested to consider the Rs 8.36 cr. as against Rs.11.56 cr. proposed by AERA.*

*In view of above, AERA is requested to consider the above points for projecting Non-Aero Revenue for 2<sup>nd</sup> control period."*

10.3.2 FIA's comment on allowing higher Non-Aeronautical revenue is as follows:

*"It is observed that the non-aeronautical revenues projected by AAI are significantly low / conservative. It is requested that AAI explores all avenues to maximise revenue from the utilisation of terminal building for non-aeronautical purposes.*

*We request AERA to mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Coimbatore airport.*

*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 ("NAR") before the tariff determination of the Second Control Period.*

*Without prejudice to the above, we submit that the increase in NAR is influenced by factors such as the expansion of terminal building area, growth in passenger traffic, inflationary pressures and real increases in contract rates.*

*Despite these factors contributing to increasing potential revenues, it has been observed that AERA's projections for non-aeronautical revenue in the control period appear to be conservative. Given the substantial opportunities for revenue growth, we request that AERA consider a more optimistic and expansive approach to NAR projections to better align with the actual potential and economic benefits for Coimbatore Airport.*

*It may be noted that, in other Airports, while truing up the NAR in subsequent control periods have always been under-estimation and leads to higher tariff in the control periods.*

*FIA submits that Coimbatore is widely recognized as a major destination for spiritual, educational, and business tourism, attracting visitors from across the globe. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.*



## NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

**Accordingly, we request AERA:**

- a) To mandate AAI to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at CJB
- b) To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Second Control Period.
- c) To further determine and reassess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Coimbatore 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.

In view of the above, we request AERA to allow higher non-aeronautical revenues for CJB.”

### 10.3.3 FIA’s comment on Royalty is as follows:

“Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is a general perception 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 31.8% 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”.

### 10.4 AAI’s response to Stakeholders’ comments regarding Non-Aeronautical Revenue (NAR) for the Second Control Period

#### 10.4.1 AAI’s response to FIA’s comment on allowing higher Non-Aeronautical revenue is as follows:

“Increase in Non-aeronautical revenue is not proportionate with increase in traffic. The percentage of non-aeronautical business is dependent on multiple factors such as demand, customer behaviour, spending patterns and per capita income of the region. Therefore, a standardised approach may not accurately reflect the ground reality of non-aeronautical business and may be detrimental to the Airport Operator.

It is worthwhile mentioning here that major revenue from non-aeronautical activities flow from Duty free shop, Money exchange counter, food & beverage (from International side of airport) which is lower as compared to other major airports.

25% (approx.) of non-aeronautical area is occupied by airlines (airlines offices) and AAI is getting only space rental.



NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD

*In view of above, AERA is requested to consider the growth rate as submitted in the MYTP for SCP."*

**10.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue (NAR) for the Second Control Period**

10.5.1 The Authority notes the comments of FIA on considering higher Non-Aeronautical Revenue (NAR) and counter comments submitted by AAI.

The Authority is of the view that the AO should optimize and make efforts to increase non-aeronautical revenue as being done by other similar airports so as to make it comparable to other similarly placed airports.

However, in the case of Coimbatore airport it is observed that not much space is available in the Terminal Building for commercial activities. The terminal building capacity is nearing saturation, and the airport is facing congestion related issues. In such a scenario, utilization of terminal building space for passenger amenities becomes more important than the commercial aspects.

The Authority, through its Independent Consultant, has reviewed the existing commercial contracts, and necessary clarifications and additional details were called from the AO, where felt necessary, while proposing non-aero revenue.

As regards the comments of FIA on conducting an independent study on the Non-Aeronautical Revenue, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. AERA, may commission an independent study for the future Control Periods of Coimbatore International Airport, if considered necessary.

10.5.2 The Authority notes the comments of FIA on the issue of revenue share/royalty payable to Airport Operators by the Service Providers. In this regard, it is pertinent to note that the Royalty paid by the ISPs on the Cargo Handling Services, Ground Handling Services and Supply of Fuel to aircraft services (CGF services) to the Airport Operators are considered as Aeronautical Revenue in the hands of AAI by the Authority during tariff determination process, thus, helping the Airport Users by way of lowering of Aeronautical charges.

In the case of Non-Aeronautical Revenues, the revenue share (Royalty) (payable by service provider to AO) is a commercial arrangement between the Concessionaires and Airport Operators. The Authority considers 30% of the Non-Aeronautical Revenues after due evaluation, for cross subsidization of Aeronautical charges.

10.5.3 The Authority notes the comments of AAI regarding the treatment given to miscellaneous income. At the consultation stage, the Authority had projected miscellaneous income for the Second Control Period by considering average income earned by AAI between FY 2020-21 to FY 2022-23 and applying a Y-o-Y increase considering the growth rates submitted by AAI. The Authority, taking note of AAI's submission that miscellaneous income from sale of scrap/ other income is a non-recurring income and same cannot be considered as a regular business income, decides to consider Miscellaneous Income for the Second Control Period amounting to Rs. 8.36 crores as a non-regular income, as proposed by AAI. However, the same will be trued up based on actuals at the time of tariff determination for the next control period. The resultant change in the miscellaneous income is as presented in table below:

**Table 86: Change in Miscellaneous Income from CP stage to Order stage for Coimbatore International Airport**

(₹ in crores)						
Particulars	FY24	FY25	FY26	FY27	FY28	Total
Miscellaneous Income						



**NON-AERONAUTICAL REVENUE (NAR) FOR THE SECOND CONTROL PERIOD**

Particulars	FY24	FY25	FY26	FY27	FY28	Total
At CP Stage- Proposed by the Authority						
Other Income/ Sale of Scrap Etc (Refer Table 84)	2.09	2.20	2.31	2.42	2.54	11.56
<b>Total (A)</b>	<b>2.09</b>	<b>2.20</b>	<b>2.31</b>	<b>2.42</b>	<b>2.54</b>	<b>11.56</b>
At Order Stage- Decided by the Authority						
Other Income/ Sale Of Scrap Etc	1.51	1.59	1.67	1.75	1.84	8.36
<b>Total (B)</b>	<b>1.51</b>	<b>1.59</b>	<b>1.67</b>	<b>1.75</b>	<b>1.84</b>	<b>8.36</b>
<b>Difference (B-A)</b>	<b>-0.58</b>	<b>-0.61</b>	<b>-0.64</b>	<b>-0.67</b>	<b>-0.70</b>	<b>-3.20</b>

10.5.4 The Authority had considered Hangar Land Rent as Non-aeronautical revenue in FCP Tariff Order. However, the Authority, during site visit, noted that the Hangar in Coimbatore International Airport is located in the airside and used by airlines for MRO activities. Hence, the Authority decides to consider Hangar Land Rent amounting to ₹ 3.38 Crores as Aeronautical Revenue for the Second Control Period.

10.5.5 The recomputed Non-aeronautical revenue after considering the change in Miscellaneous expenses, reclassification of Hangar Rent from Non-aeronautical to Aeronautical for the Second Control Period is given below:

**Table 87: Non-aeronautical revenue decided by the Authority for Second Control Period for Coimbatore International Airport**

*(₹ in crores)*

Particulars	FY24	FY25	FY26	FY27	FY28	Total
<b>Trading Concessions: A</b>	<b>16.62</b>	<b>18.91</b>	<b>21.36</b>	<b>24.15</b>	<b>26.56</b>	<b>107.60</b>
Restaurant / Snack Bars	3.18	3.75	4.35	5.05	5.56	21.89
T.R. Stall	4.71	5.56	6.45	7.49	8.23	32.45
Hoarding & Display	8.72	9.59	10.55	11.61	12.77	53.25
<b>Rent &amp; Services: B</b>	<b>2.60</b>	<b>2.76</b>	<b>3.08</b>	<b>3.29</b>	<b>3.51</b>	<b>15.24</b>
Land Leases	0.30	0.30	0.35	0.35	0.35	1.66
Building (Residential)	0.03	0.03	0.03	0.04	0.04	0.18
Building (Non-Residential)	1.64	1.81	1.99	2.19	2.40	10.03
Hangar Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
<b>Miscellaneous: C</b>	<b>6.54</b>	<b>7.41</b>	<b>8.33</b>	<b>9.38</b>	<b>10.23</b>	<b>41.88</b>
Duty Free Shops	2.29	2.70	3.14	3.64	4.00	15.77
Car Rentals	1.37	1.62	1.88	2.18	2.39	9.43
Car Parking	1.29	1.42	1.56	1.72	1.89	7.88
Admission Tickets	0.07	0.08	0.09	0.10	0.10	0.44
Other Income/ Sale of Scrap Etc	1.51	1.59	1.67	1.75	1.84	8.36
<b>Total (D=A+B+C)</b>	<b>25.75</b>	<b>29.08</b>	<b>32.77</b>	<b>36.81</b>	<b>40.30</b>	<b>164.71</b>
Less: Lease Rent Airlines/GHA (E)	0.15	0.15	0.18	0.18	0.18	0.85
Less: Space Rentals from Airlines (F)	0.70	0.77	0.85	0.93	1.02	4.27
Less: Hangar Land Rent	0.62	0.62	0.71	0.71	0.71	3.38
<b>Total (G=D-E-F)</b>	<b>24.28</b>	<b>27.54</b>	<b>31.03</b>	<b>34.98</b>	<b>38.38</b>	<b>156.22</b>
<b>NAR at CP stage (Refer Table 84) (H)</b>	<b>25.48</b>	<b>28.77</b>	<b>32.38</b>	<b>36.37</b>	<b>39.79</b>	<b>162.79</b>
<b>Difference (I= G-H)</b>	<b>-1.20</b>	<b>-1.23</b>	<b>-1.35</b>	<b>-1.38</b>	<b>-1.42</b>	<b>-6.58</b>



**10.6 Authority's decisions regarding Non-Aeronautical Revenue (NAR) for the Second Control Period**

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

- 10.6.1 To consider Non-Aeronautical Revenue for the Second Control Period for Coimbatore International Airport as per Table 87.
- 10.6.2 To true up the Non-Aeronautical Revenue for Coimbatore International Airport for the Second Control Period, subject to evaluation of efficiency and reasonableness, while determining tariff for the next Control Period.



भा.वि.आ.वि.प्रा.  
AERA





## 11 TAXATION FOR THE SECOND CONTROL PERIOD

### 11.1 AAI's submission regarding Taxation for the Second Control Period for Coimbatore International Airport

11.1.1 AAI had submitted the computation of income tax based on the PBT which was arrived at after considering aeronautical revenues, O&M expenses and depreciation computed separately for the purpose of tax. The computation of income tax submitted by AAI is as follows:

**Table 88: Aeronautical Taxation for the Second Control Period submitted by AAI for Coimbatore International Airport**

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
<b>Revenue</b>							
Aeronautical Revenue		87.56	180.93	212.47	249.49	278.86	1,009.30
Total Revenue	A	87.56	180.93	212.47	249.49	278.86	1,009.30
<b>Expenses</b>							
Operation & Maintenance Expenses		70.21	76.12	81.04	86.37	98.60	412.35
Depreciation (As per IT Act, 1961)		13.53	15.52	18.15	16.99	15.02	79.22
Total Expenses	B	83.74	91.64	99.19	103.36	113.63	491.56
Profit/(Loss)	C=A-B	3.82	89.28	113.27	146.12	165.23	517.74
Set off of prior period tax losses	D	(3.82)	(57.78)	-	-	-	(61.60)
Profit/(Loss) after setting off of prior period tax losses	E	-	31.51	113.27	146.12	165.23	456.14
Tax Rate		25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	G=E*F	-	7.93	28.51	36.78	41.59	114.81

### 11.2 Authority's examination regarding Taxation for the Second Control Period at Consultation Stage

11.2.1 The Authority noted that Coimbatore International Airport had calculated income tax based on the projected Aeronautical revenues.

11.2.2 The Authority had re-computed the taxes based on the revised regulatory blocks for the Second Control Period proposed in the previous chapters and the Tariff proposed by the Authority for the Second Control Period for Coimbatore International Airport. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

**Table 89: Aeronautical Taxation proposed by the Authority for the Second Control Period for Coimbatore International Airport at Consultation Stage**

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
<b>Revenue</b>							
Aeronautical Revenue	Table 98	84.36	125.39	175.35	203.00	223.69	811.78
Total Revenue	A	84.36	125.39	175.35	203.00	223.69	811.78
<b>Expenses</b>							
O&M Expenses	Table 80	55.05	60.75	63.24	66.17	68.37	313.57
Depreciation (As per IT Act, 1961)		15.14	17.21	16.82	16.09	19.30	84.55
Total Expenses	B	70.18	77.95	80.06	82.26	87.67	398.13
Profit/(Loss)	C=A-B	14.17	47.43	95.29	120.74	136.01	413.65
Prior period losses carried forward	D	(91.61)	(77.43)	(30.00)	-	-	
Set off of prior period tax losses	E	(14.17)	(47.43)	(30.00)	-	-	(91.61)
Profit/(Loss) after set-off of prior period tax losses	F	-	-	65.29	120.74	136.01	322.04
Loss Carried Forward (Closing)	G=D-E-F	(77.43)	(30.00)	-	-	-	



TAXATION FOR THE SECOND CONTROL PERIOD

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Tax Rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	I=F*H	-	-	16.43	30.38	34.22	81.04

<sup>^</sup>Carried Forward Losses amounting to ₹ 91.61 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 44.

**11.3 Stakeholders' comments regarding Taxation for the Second Control Period**

11.3.1 No comments were received from the Stakeholders regarding Taxation for the Second Control Period.

**11.4 Authority's analysis on Stakeholders' comments regarding Taxation for the Second Control Period**

11.4.1 The Authority notes that no comments were received from the Stakeholders regarding Taxation for the Second Control Period.

11.4.2 Based on the changes on O&M Expenditure and the Aeronautical Revenues as detailed in the relevant sections, the Authority has recomputed the Aeronautical Taxation, considering Interest Cost as an allowable deduction for the purpose of computing Income Tax, for the Second Control Period as detailed below:

**Table 90: Aeronautical Taxation decided by the Authority for the Second Control Period for Coimbatore International Airport**

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
<b>Revenue</b>							
Aeronautical Revenue	Table 99	84.98	122.93	167.06	195.73	218.38	789.07
Total Revenue	A	84.98	122.93	167.06	195.73	218.38	789.07
<b>Expenses</b>							
O&M Expenses	Table 81	53.46	59.11	61.73	64.81	67.00	306.10
Depreciation (As per IT Act, 1961)		15.14	17.21	16.82	16.09	19.30	84.55
Interest Expense		1.39	1.11	0.83	0.56	0.28	4.16
Total Expenses	B	69.99	77.43	79.38	81.45	86.58	394.82
Profit/(Loss)	C=A-B	14.99	45.51	87.67	114.28	131.80	394.25
Prior period losses carried forward	D	(86.85) <sup>^</sup>	(71.86)	(26.35)	-	-	
Set off of prior period tax losses	E	(14.99)	(45.51)	(26.35)	-	-	(86.85)
Profit/(Loss) after set-off of prior period tax losses	F	-	-	61.33	114.28	131.80	307.40
Loss Carried Forward (Closing)	G=D-E-F	(71.86)	(26.35)	-	-	-	
Tax Rate	H	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	I=F*H	-	-	15.43	28.75	33.16	77.35

<sup>^</sup>Carried Forward Losses amounting to ₹ 86.85 crores for the First Control Period considered as Opening Balance for FY 2023-24 as per Table 45.

Note: The variance in Tax amount (Rs. 3.69 Crs.), from CP stage i.e. Rs 81.04 Crs. to Rs 77.35 Crs. at Order stage, is due to rationalization of O&M Expenses, shifting of Revenue from Hanger located in air-side from Non-Aeronautical Revenue to Aeronautical revenue.

**11.5 Authority's decisions regarding Taxation for the Second Control Period**

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

11.5.1 To consider the Taxation for the Second Control Period for Coimbatore International Airport as per Table 90

11.5.2 To true up the Aeronautical Tax amount by appropriately taking into consideration all the relevant facts at the time of tariff determination for the Third Control Period.



## 12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

### 12.1 AAI's submissions regarding Quality of Service for the Second Control Period for Coimbatore International Airport

12.1.1 AAI had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available on AAI's website.

### 12.2 Authority's examination regarding Quality of Service for the Second Control Period at Consultation Stage

12.2.1 The Authority noted that:

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

12.2.2 The Authority noted from AAI's website that the ACI ASQ survey results for CJB for the years 2018 to 2023 had been in the range of 4.27 to 4.70 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.80.

**Table 91: ASQ Rating for CJB for the years from 2018 to 2023**

Year	ASQ Rating
2018	4.59
2019	4.39
2020	4.61
2021 (Q1)	4.70
2021*	4.57
2022*	4.80
2023	4.27

\*Average of CSS rounds for the year

12.2.3 The Authority noted that the average rating for the past 4 years is above 4.50. The Authority did not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by CJB. However, AAI is advised to ensure that ASQ survey results remain above the minimum ASQ rating of 4.50 during the Second Control Period.

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

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Quality of Service for the Second Control Period. The comments of stakeholders are presented below.

12.3.1 FIA's comment on ASQ ratings is as follows:

*"As noted by AERA in the CP, the average ASQ rating achieved by CJB for the past four years is 4.50 (except for CY 2022 where it was 4.80) as compared to target 4.68 as per the MoU with MoCA. We request AERA to kindly note the same, and implement corrective measures, if any, as per the MoU for the same."*



12.3.2 IATA's comment on ASQ ratings is as follows:

*"IATA urge AERA to look beyond using the ASQ survey alone as a proxy for assessing the quality of service. While we await AERA establishing its service framework regulation/requirement, we request AERA to ask for service level and performance data from AAI for the regulated airports to aid in its evaluation. (This is also applicable for all airports concessioned under the various OMDAs, as well as airports where the service level metrics have been specified and are to be reported to and monitored by AAI)."*

#### **12.4 AAI's response to Stakeholders' comments regarding Quality of Service for the Second Control Period**

12.4.1 AAI's response to FIA's comment on ASQ Ratings is as follows:

*"The Coimbatore airport has achieved average ASQ rating 4.5 in the past four year. The parameters of the MOU have been decided by MoCA and not falling in the purview of AAI."*

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

12.5.1 The Authority notes FIA's & IATA's comments on ASQ and AAI's response to the same.

In this regard, the Authority notes that Coimbatore International Airport had achieved ASQ rating of 4.83 in the Calendar Year (CY) 2020 and the same had come down to 4.30 in the CY 2022, due to the impact of COVID-19 pandemic.

The Authority also notes that the recent MoU signed between MoCA and AAI does not include ASQ rating parameter. The Authority advises Coimbatore International Airport to ensure achievement of minimum ASQ rating of 4.50, as per the National Civil Aviation Policy, 2016 (NCAP 2016) recommendations for AAI airports having annual passenger throughput more than 1.5 MPPA.

As stated in the Stakeholders' consultation meeting, the Authority is actively working on Performance Standards and once the Standards are finalized and notified by MoCA, AERA will devise an appropriate mechanism to monitor the Performance Standards.

12.5.2 Based on the above, the Authority decides not to consider any adjustment towards tariff determination in the current Control Period on account of quality of service maintained by Coimbatore International Airport. However, in case of non-compliance with performance standards likely to be notified in near future, an appropriate rationalization in aeronautical tariff during the true up of Second Control Period during the tariff determination of the Third Control Period may be considered.

#### **12.6 Authority's decisions regarding Quality of Service for the Second Control Period**

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

12.6.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service at Coimbatore International Airport.

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

**13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD**

**13.1 AAI's submission regarding Aggregate Revenue Requirement (ARR) for the Second Control Period for Coimbatore International Airport**

13.1.1 The AAI had submitted ARR & Yield Per Passenger (YPP) for the Second Control Period as per the regulatory building blocks and the details are as follows:

**Table 92: Aggregate Revenue Requirement submitted by AAI for the Second Control Period**

*(₹ in crores)*

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB	A	134.89	156.57	180.84	171.16	155.38	
FRoR	B	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	C = A*B	18.88	21.92	25.32	23.96	21.75	<b>111.84</b>
Depreciation	D	10.05	12.52	15.85	16.01	15.53	<b>69.97</b>
O & M Expenses	E	70.21	76.12	81.04	86.37	98.60	<b>412.35</b>
Taxation	F	-	7.93	28.51	36.78	41.59	<b>114.81</b>
Less: 30% of Non-Aeronautical Revenue	G	7.61	8.32	9.14	10.00	10.94	<b>46.01</b>
<b>Net ARR</b>	<b>H = C+D+E+ F-G</b>	<b>91.54</b>	<b>110.17</b>	<b>141.58</b>	<b>153.12</b>	<b>166.54</b>	<b>662.95</b>
Additional revenue for initial year loss	I	244.18	-	-	-	-	<b>244.18</b>
<b>Total Forecasted ARR</b>	<b>J=H+I</b>	<b>335.72</b>	<b>110.17</b>	<b>141.58</b>	<b>153.12</b>	<b>166.54</b>	<b>907.13</b>
Discount Factor @ 14%	K	1.00	0.88	0.77	0.67	0.59	
<b>PV of Forecasted ARR</b>	<b>L=J*K</b>	<b>335.72</b>	<b>96.64</b>	<b>108.94</b>	<b>103.35</b>	<b>98.60</b>	<b>743.26</b>
Total Traffic (million passengers)	M	3.06	3.62	4.21	4.88	5.39	21.16
<b>Yield per passenger (YPP)</b>	<b>N=L/M</b>						<b>351.30</b>

**13.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage**

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. The Authority, after detailed analysis including rationalization of various building blocks as discussed in previous chapters, proposed the ARR & YPP as per table below:

**Table 93: Aggregate Revenue Requirement proposed by the Authority for the Second Control Period at Consultation Stage**

*(₹ in crores)*

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB (Refer Table 67)	A	154.31	174.88	177.91	174.56	186.90	
FRoR (Refer Table 70)	B	13.71%	13.71%	13.71%	13.71%	13.71%	
<b>Return on Average RAB</b>	<b>C=A*B</b>	<b>21.16</b>	<b>23.98</b>	<b>24.40</b>	<b>23.94</b>	<b>25.63</b>	<b>119.12</b>
Depreciation (Refer Table 65 Table 65)	D	9.75	10.87	11.64	12.17	14.47	<b>58.91</b>
O&M Expenses (Refer Table 80)	E	55.05	60.75	63.24	66.17	68.37	<b>313.57</b>
Aeronautical Tax (Refer Table 89)	F	-	-	16.43	30.38	34.22	<b>81.04</b>



**AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD**

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
True Up for FCP (Refer Table 46)	G	204.24	-	-	-	-	204.24
<b>ARR</b>	<b>H=Sum (C:G)</b>	<b>290.20</b>	<b>95.60</b>	<b>115.71</b>	<b>132.67</b>	<b>142.70</b>	<b>776.89</b>
Non-Aeronautical Revenue (NAR) (Refer Table 84)	I	25.48	28.77	32.38	36.37	39.79	162.79
30% of NAR	J=I*30%	7.64	8.63	9.72	10.91	11.94	48.84
<b>Net ARR</b>	<b>K=H-J</b>	<b>282.55</b>	<b>86.97</b>	<b>106.00</b>	<b>121.76</b>	<b>130.76</b>	<b>728.05</b>
PV Factor (@ 13.71%)	L	1.00	0.88	0.77	0.68	0.60	
<b>PV of ARR</b>	<b>M=K*L</b>	<b>282.55</b>	<b>76.48</b>	<b>81.98</b>	<b>82.81</b>	<b>78.21</b>	<b>602.05</b>
<b>Sum PV of ARR</b>	N						<b>602.05</b>
<b>Total Traffic (in Million Pax)</b> (Refer Table 52)	O						<b>20.12</b>
<b>Yield per Passenger (YPP)</b>	P=N/O						<b>299.28</b>
<b>Departing Passengers (in Million Pax)</b>	Q						10.06
<b>Yield per Departing Passenger</b>	R=N/Q						<b>598.57</b>

13.2.2 The Authority had determined the PV of ARR amounting to ₹ 602.05 crores (incl. of shortfall for FCP) as against ARR claimed by the AAI amounting to ₹ 743.26 crores. The major reasons of variance between ARR proposed by the Authority and claimed by the AAI are as under:

- i. Determination of FRoR by the Authority as 13.71% as against 14.00% claimed by AAI.
- ii. Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. and shifting of runway re-carpeting expenses to CAPEX amounting to ₹ 98.77 crores.
- iii. Reduction in taxation, due to rationalization of other building blocks such as O&M expenses, depreciation and the Aeronautical revenue etc. amounting to ₹ 33.77 crores (based on the proposed Tariff Card of the Authority)

13.2.3 At the Consultation stage, this consultation paper takes into consideration financial figures pertaining to FY 2023-24 as submitted by AAI in its MYTP was considered together with other submissions from time to time. AAI was directed to submit the actual figures for FY 2023-24, which shall be appropriately considered by the Authority at the Order stage.

### 13.3 Stakeholders' comments regarding ARR for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to ARR for the Second Control Period. The comments of stakeholder is presented below.

13.3.1 FIA's comment on ARR is as follows:

*"As per 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 Airports Users".*

*This policy document explicitly advises "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 caution is especially pertinent during periods of economic difficulty (such as the adverse financial impact on airlines following the post Covid-19).*



## AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

*Any attempt to award the contracts by AAI on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.*

*It is general perception that service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There should be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for the royalty for the airport operator. In Light of the financial challenges faced by the airlines, as outlined in this letter, FIA requests AERA that no higher tariff shall be fixed for this control period."*

### 13.4 AAI's response to Stakeholders' comments regarding ARR for the Second Control Period

13.4.1 AAI's response to FIA's comment on ARR is as follows:

*"Landing, Parking and UDF charges are worked out to recover the ARR as per AERA methodology."*

### 13.5 Authority's analysis on Stakeholders' comments regarding ARR for the Second Control Period

13.5.1 The Authority notes FIA's comment on ARR and the response of AAI therein, and has the following views:

- The Authority notes that AAI has on-going capital expenditure and other planned works, together with the shortfall in ARR recovery pertaining to the First Control Period (carried forward to the Second Control Period) – resulting from lower Aeronautical revenue caused by Covid-19 pandemic has resulted in higher ARR for the Second Control Period.
- Keeping the tariff at the current level for the entire Control Period and postponing the full recovery of shortfall to the subsequent Control Period would create substantial recovery burden (along with carrying cost) which may lead to steep tariff increases in the Third Control Period.
- FIA has drawn 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 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.
- The Authority, in line with ICAO's above mentioned guiding principles, as part of tariff determination exercise for the airport operators, does its own due diligence in respect of all regulatory building blocks to strike an optimal balance between the interest of various stakeholders.
- Further, in the instant case, the period available for recovery of ARR determined for the Second Control Period, through revised tariff is another factor affecting tariff increase.
- As regard to FIA's views on the award of contracts by AAI on highest revenue share basis, the Authority considers that being a Govt. entity (Central PSU) AAI is required to follow approved manuals & tendering procedures for awarding contracts/ concessions.
- Keeping the intent of the ICAO's guiding principles on airport charges, Regulatory Guidelines of the AERA, Stakeholders' comments on record, the Authority has considered a progressive increase in tariff in the Second Control Period, adjusted the Tariff Rate Card and tariff growths over the Second Control Period.

13.5.2 The Authority notes that AAI has not submitted actual figures for FY 2023-24 as directed by AERA during consultation stage in Para 13.2.3. The Authority has considered the information relating to asset capitalisation



**AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD**

etc. to the extent made available by AAI for FY 2023-24. The Authority will true up the expenses/ income for the FY 2023-24 during the tariff determination exercise for the Third Control Period.

13.5.3 Based on the decisions taken by the Authority with respect to the various regulatory building blocks, including re-computation of few building blocks (O&M Expenses, Taxation, NAR etc.) in respect of the Second Control Period, the recomputed ARR for the Second Control Period is given below:

**Table 94: Aggregate Revenue Requirement decided by the Authority for the Second Control Period**

*(₹ in crores)*

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total
Average RAB (Refer Table 67)	A	154.31	174.88	177.91	174.56	186.90	
FRoR (Refer Table 70)	B	13.71%	13.71%	13.71%	13.71%	13.71%	
<b>Return on Average RAB</b>	<b>C=A*B</b>	<b>21.16</b>	<b>23.98</b>	<b>24.40</b>	<b>23.94</b>	<b>25.63</b>	<b>119.12</b>
Depreciation (Refer Table 65)	D	9.75	10.87	11.64	12.17	14.47	<b>58.91</b>
O&M Expenses (Refer Table 81)	E	53.46	59.11	61.73	64.81	67.00	<b>306.10</b>
Aeronautical Tax (Refer Table 90)	F	-	-	15.44	28.75	33.16	<b>77.35</b>
True Up for FCP (Refer Table 47)	G	195.11	-	-	-	-	<b>195.11</b>
<b>ARR</b>	<b>H=Sum (C:G)</b>	<b>279.48</b>	<b>93.96</b>	<b>113.21</b>	<b>129.67</b>	<b>140.27</b>	<b>756.60</b>
Non-Aeronautical Revenue (NAR) (Refer Table 87)	I	24.28	27.54	31.03	34.98	38.38	<b>156.22</b>
30% of NAR	J=I*30%	7.28	8.26	9.31	10.49	11.51	<b>46.86</b>
<b>Net ARR</b>	<b>K=H-J</b>	<b>272.20</b>	<b>85.70</b>	<b>103.90</b>	<b>119.18</b>	<b>128.76</b>	<b>709.73</b>
PV Factor @ 13.71%	L	1.00	0.88	0.77	0.68	0.60	
<b>PV of ARR</b>	<b>M=K*L</b>	<b>272.20</b>	<b>75.37</b>	<b>80.36</b>	<b>81.06</b>	<b>77.01</b>	<b>585.99</b>
<b>Sum PV of ARR</b>	N						<b>585.99</b>
<b>Total Traffic (in Million Pax) (Refer Table 52)</b>	O	<b>2.90</b>	<b>3.44</b>	<b>4.00</b>	<b>4.64</b>	<b>5.13</b>	<b>20.12</b>
<b>Yield per Passenger (YPP)</b>	<b>P=N/O</b>						<b>291.30</b>
<b>Departing Passengers (in Million Pax)</b>	Q	<b>1.45</b>	<b>1.72</b>	<b>2.00</b>	<b>2.32</b>	<b>2.56</b>	<b>10.06</b>
<b>Yield per Departing Passenger</b>	<b>R=N/Q</b>						<b>582.60</b>

13.5.4 Variance of ₹ 16.06 crores between the ARR computed at Order Stage as per the above Table (₹ 585.99 Crores) and that proposed at the Consultation Stage (₹ 602.05 Crores as per Table 93) is on account of the following:

1. Downward Rationalization in Operating & Maintenance Expenses due to not considering the interest on term loan amounting to ₹ 8.63 crores as part of O&M Expense and increase in Upkeep expenses due to change in growth rate from FY 2025-26 amounting to ₹ 1.16 crores (refer Table 81).
2. Re-classification and shifting of Revenue relating to Hanger Rent from Non-Aeronautical Revenue to Aeronautical Revenue amounting to ₹ 3.38 crores and reduction of Miscellaneous Income amounting to ₹ 3.20 crores (30% of Non-Aeronautical Revenue thereon i.e. ₹ 1.97 crores).
3. Decrease in Taxation due to the rationalization of other building blocks, including O&M expenses and Aeronautical Revenue.

**13.6 Authority's decisions regarding ARR for the Second Control Period**

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

13.6.1 To consider ARR for the Second Control Period as per Table 94.

13.6.2 To true up ARR of Second Control Period at the time of tariff determination for the Third Control Period.





**14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD****14.1 AAI's submission regarding Aeronautical Revenue for the Second Control Period for Coimbatore International Airport**

14.1.1 AAI had proposed to increase the Aeronautical tariff with effect from 1<sup>st</sup> April 2024 as per the schedule below:

- **Landing Charges:** For domestic and international ATMs, AAI had proposed a one-time increase of 40% from the existing charges w.e.f. 1<sup>st</sup> April 2024 for FY 2024-25 and thereafter by 6% Y-o-Y.
- **Parking Charges:** For domestic and international ATMs, AAI had proposed a one-time increase of 110% from the existing charges w.e.f. 1<sup>st</sup> April 2024 for FY 2024-25 and thereafter by 6% Y-o-Y.
- **User Development Fees:** AAI had proposed the below growth rates in UDF from the existing rates of ₹ 350 (Domestic) and ₹ 450 (International) for the Second Control Period.

**Table 95: % Increase in UDF proposed by AAI for the Second Control Period**

Particulars	FY24	FY25	FY26	FY27	FY28
Domestic UDF	-	105.71%	-	-	-
International UDF	-	77.78%	-	-	-

**Table 96: Aeronautical Revenue submitted by AAI for the Second Control Period***(₹ in Crores)*

Particulars	FY24	FY25	FY26	FY27	FY28	Total
<b>Landing Charges</b>						
Landing Charges - Domestic	21.29	34.57	42.14	51.37	59.35	208.72
Landing Charges - International	2.66	4.61	5.72	7.10	8.57	28.66
<b>UDF Charges</b>						
UDF - Domestic	49.76	120.43	139.68	161.94	178.13	649.93
UDF - International	5.62	11.01	12.99	15.33	17.63	62.57
<b>Parking &amp; Housing Charges</b>						
Parking & Housing Charges	1.02	2.02	2.47	3.01	3.49	12.00
<b>Other Revenues</b>						
CUTE Charges	3.38	4.01	4.66	5.40	5.94	23.40
Revenue from Ground Handling Agency	2.35	2.73	3.15	3.63	3.97	15.82
Cargo Revenue (Royalty from AAICLAS)	0.98	1.03	1.09	1.14	1.20	5.44
Land Lease - Oil Companies & GHA & MRO	0.51	0.51	0.58	0.58	0.58	2.76
<b>Total Aeronautical Revenue</b>	<b>87.56</b>	<b>180.93</b>	<b>212.47</b>	<b>249.49</b>	<b>278.86</b>	<b>1,009.30</b>

14.1.2 For the revenues based on the agreements i.e. land lease from oil companies, GHA and MRO, AAI had considered the same revenue of FY 2022-23 for FY 2023-24 and thereafter, with a one-time increase of 15% in FY 2025-26.

14.1.3 As per the contract with AAICLAS, Coimbatore International Airport receives a revenue share of 30% from AAICLAS. Accordingly, AAI had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 5% for the purpose of revenue share from AAICLAS on Y-o-Y basis from FY 2023-24 onwards.



**14.2 Authority's examination regarding Aeronautical Revenue for the Second Control Period at Consultation Stage**

- 14.2.1 The Authority noted that according to the projections, both domestic and international traffic projections had surpassed pre COVID-19 levels of FY 2019-20 in FY 2023-24 and exhibit a positive trend in the growth of passenger traffic thereon.
- 14.2.2 **Revenue from MRO (₹ 0.35 crores)** - The Authority noted that AAI had not projected revenue from MRO activities for the Second Control Period. A query was raised over email dt. 12<sup>th</sup> March 2024 to AAI to specify the reasons for not including the same. AAI had replied that it was an inadvertent error. Therefore, the Authority had included revenue projections from MRO activities in Aeronautical Revenue and considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter, proposed to consider the Y-o-Y growth rates in ATM traffic as per Table 52 for the Second Control Period.
- 14.2.3 **Revenue from Lease Rent – Oil Marketing Companies, GHA & MRO (₹ 2.76 crores)** - The Authority noted that AAI had estimated a one-time increase in revenue on land lease from oil companies, GHA & MRO in FY 2025-26 at 15%. The Authority, after reviewing AAI's Internal Circular no. 22 dated 4<sup>th</sup> June 2022, proposed to consider the one time increase of 15% in FY 2025-26 as submitted by AAI.
- 14.2.4 **Revenue from GHA (₹ 15.69 crores)**- The Authority noted that AAI had projected revenue from GHA based on the growth rates in ATM traffic for the Second Control Period. The Authority proposed to consider the Y-o-Y growth rates in ATM traffic as per Table 52 for the Second Control Period.
- 14.2.5 **Revenue from AAICLAS (₹ 5.44 crores)**- The Authority noted that AAI had projected a 5% Y-o-Y increase in revenue from AAICLAS from FY 2023-24. The Authority had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 5% on Y-o-Y from FY 2023-24 as per AAI submission.
- 14.2.6 **Revenue from Space Rentals from Airlines (₹ 3.99 crores)** – The Authority had considered the actual revenue for FY 2022-23 as a base for FY 2023-24 and thereafter an increase of 7.5% on Y-o-Y from FY 2023-24 onwards on the basis of agreements provided by AAI.
- 14.2.7 To maintain a balanced approach, the Authority proposed to increase the proportion of Landing and Parking Charges in the total aero charges from FY 2024-25 (w.e.f. 1<sup>st</sup> October 2024) on the following basis:

Particulars	FY25 - w.e.f. 1 <sup>st</sup> Oct 24	FY26	FY27	FY28
Landing	29.21%	0.00%	0.00%	0.00%
Parking	29.21%	0.00%	0.00%	0.00%
UDF Dom.	70.00%	0.00%	0.00%	0.00%
UDF Intl.	80.00%	0.00%	0.00%	0.00%

- 14.2.8 The Authority proposed to consider the increase in UDF for the Second Control Period for Coimbatore International Airport as per the table given below:

**Table 97: UDF Charges proposed by the Authority for CJB for Second Control Period**

(₹ in crores)

Particulars	FY24 (Existing)	FY25 (w.e.f. 1 <sup>st</sup> Oct 24)	FY26	FY27	FY28
Domestic UDF	350.00	595.00	595.00	595.00	595.00
International UDF	450.00	810.00	810.00	810.00	810.00



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14.2.9 The Authority had computed the Aeronautical revenues for the Second Control Period based on the aeronautical charges detailed above, as follows:

**Table 98: Aeronautical Revenue for the Second Control Period proposed by the Authority at Consultation Stage**

(₹ in crores)

Particulars	Ref.	FY24	FY25	FY26	FY27	FY28	Total	
Total PV of ARR incl. true-up (Refer Table 93)	A	602.05						602.05
<b>Aeronautical Revenue</b>								
Landing Charges - Domestic	B	20.93	27.83	36.08	41.49	45.23	171.56	
Landing Charges - International	C	2.65	3.78	4.98	5.83	6.64	23.88	
UDF – Domestic	D	47.14	75.09	109.69	127.23	139.96	499.10	
UDF - International	E	4.75	8.31	12.61	14.88	17.11	57.66	
Parking Charges	F	0.81	1.09	1.41	1.62	1.77	6.70	
Land Lease Rent - Oil Companies, GHA & MRO	G	0.51	0.51	0.58	0.58	0.58	2.76	
Revenue from GHA	H	2.31	2.68	3.08	3.54	3.86	15.46	
Revenue from MRO	I	0.05	0.06	0.07	0.08	0.09	0.34	
Royalty from CUTE Charges	J	3.38	4.13	4.80	5.57	6.15	24.04	
Royalty from AAICLAS	K	0.98	1.03	1.09	1.14	1.20	5.44	
Add: Revenue from Lease Rent - Ramp Airlines & Ground Handling Agency	L	0.15	0.15	0.18	0.18	0.18	0.83	
Add: Space Rentals from Airlines	M	0.69	0.74	0.79	0.85	0.92	3.99	
<b>Total Revenues</b>	N=Sum (B:M)	<b>84.36</b>	<b>125.39</b>	<b>175.35</b>	<b>203.00</b>	<b>223.69</b>	<b>811.78</b>	
PV Factor @13.71%	O	1.00	0.88	0.77	0.68	0.60		
PV of Aero Revenue	P=O*N	<b>84.36</b>	<b>110.27</b>	<b>135.60</b>	<b>138.05</b>	<b>133.77</b>	<b>602.05</b>	
PV Projected Aero Revenue	Q						<b>602.05</b>	
<b>Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)</b>	<b>R</b>						<b>NIL</b>	

14.2.10 As can be observed from the above table, as per the Authority's proposal, AAI was entitled to recover an ARR of ₹ 602.05 crores (in NPV terms). The present value of the total projected aeronautical revenues for the Second Control Period based on the Authority's proposed Landing, Parking and UDF charges was ₹ 602.05 crores (in NPV terms), which is equivalent to the Target Revenue/ARR determined by the Authority for the Second Control Period.

**14.3 Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period**

During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 03/2024-25 dated 22<sup>nd</sup> July 2024 with respect to Aeronautical Revenue for the Second Control Period. The comments of stakeholders are presented below.

14.3.1 AAI's comment on Landing Charges is as follows:

**"Please insert the clause for applicability of Minimum Landing Charges in the Tariff Card: -**

- a) *Non-Schedule Flights: "A minimum fee of Rs.4000/- per flight or applicable landing charges shall be charged as per landing for all types of aircraft flights, helicopter flights including but not limited to domestic landing, international and general aviation landing for the control period."*



b) *Domestic leg of International routes of foreign carriers shall be treated as International flights."*

14.3.2 FIA's comment on the recovery burden on account of shrinkage in the Control Period is as follows:

*"FIA submits that the Hon'ble TDSAT Order dated 16<sup>th</sup> 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 CJB - Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2023*

*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 multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified."*

14.3.3 FIA's comment on Tariff Rate Card and collection charges is 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 tariffs including UDF, which will be beneficial to passengers and airlines.*

*It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of the aviation sector.*

*It is stated that vision of government to make UDAN ("Ude Desh Ka Aam Naagarik") 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 AAI to clarify the following:*

**1. Ref: Notes to User Development Fee (UDF) Charges:**

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**Collection Charges:** We would like to invite AERA's attention to notes 1 of 17.2.5 UDF charges in the Annexure -2 of CP, wherein the rate of collection of UDF charges is not mentioned by AERA. We request AERA to consider the collection charges at Rs. 5.00 embarking passengers as proposed by AAI in annexure 1. 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.

**a) Ref: Notes to User Development Fee (UDF) Charges:**

We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against AAI having received the 'undisputed' invoiced UDF amount within the applicable due date.

**i. UDF effective from 1st October 2024 to 31st March 2028: -**

**Comment to Note (a) - Collection Charges:** Please note that the same is paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.

- ii.** There is no mention 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, which 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.

Please clarify w.r.t UDF applicability in both below scenarios:

- Passenger embarking from CJB on a domestic flight and then a connecting flight to an international destination.
- Passenger disembarking in CJB from a domestic flight, however he originated his journey from an international destination.

**2. Landing charges:**

**a)** It is proposed to add below notes to Landing Charges which were part of Existing Tariff card as published in AIC09\_2019.

1. No Landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport and b) helicopters of all types c) DGCA approved flying school/flying training institute aircrafts
2. All domestic legs of International routes flown by Indian operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
3. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
4. Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

**b)** AERA has proposed to increase the Landing Charges for all flights to 29.21% approx.: - from the existing charges. We request AERA to kindly consider rationalising the same.

**c)** Para 17.2.4. (Note h) It is requested that AERA should propose the definition of 'Unauthorised Overstay', which will provide clarity to all stakeholders regarding charges to be applied for such overstay by the airport operator.

**d)** Further, FIA recommends to add note no.09 in Para 17.2.4 of the Annexure 2, as follows:



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"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any aviation"

14.3.4 FIA's comment on Tariff Rate Card is as follows:

"FIA submits that, according to the Investment Information and Credit rating Agency of India ('ICRA') the industry is estimated to report a net loss of INR 5,000-6,000 crores in FY24 and FY25. However, it may be noted that, while the aviation industry may have reached stability, it has not yet fully recovered from the strong financial headwinds caused by many factors such as the hostile financial environment of the economy, geo-political instability, fallout from the devastating COVID-19 pandemic, significant global supply chain issues, increased Aviation Turbine Fuel (ATF) prices, limited government financial support, limited capacity of customer to pay, and foreign exchange fluctuations etc.

It may be noted that, despite the gradual improvement in passenger traffic the elevated ATF prices and depreciation of INR will have a major bearing on airlines. As the airline's cost is rendered due to ATF and other operational costs which are majorly denominated in dollar terms.

The CP proposes a significant increase in the aeronautical tariffs of CJB by AERA as mentioned under **Annex A**, AERA is kindly requested to take note of our observations mentioned therein.

We further wish to state that given the terminal capacity challenges which are affecting efficiency of airlines and the overall passenger experience, there has been no mention of any plans to address capacity challenges in the second control period, neither enhancements nor plans for an NITB at CJB.

In this regard, we humbly request that till such a plan has been finalised by Coimbatore International Airport, AERA must not implement any increase in the aeronautical tariff in the Second Control Period and defer any increase in the same to subsequent control period, if any, given the adverse financial impact on airlines as discussed above.

Without prejudice to the above, we request AERA to kindly note their detailed submissions as mentioned under, hereto and not increase any tariffs.

**TABLE A**

**Landing charges: (Refer -Annexure 2 of the CP)**

(In Rs.)

Particulars	Unit	Tariff Proposed by Airport Operator				
		Existing Rates	FY 2024 25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025- 26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026- 27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)	FY 2027- 28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
<b>LANDING CHARGES</b>	<b>Per MT</b>	<b>LANDING CHARGES</b>				
<b>Domestic (Inr/MT)</b>		-	-	-	-	-
<b>Eg: Impact on Q400 Landing charges for 80 &amp; PLUS seater (Rs.)</b>	30 MT	6,815	8,805.66	8,805.66	8,805.66	8,805.66
<b>Variance % from existing</b>	Q-400	0%	29%	29%	29%	29%
<b>Variance % from YoY</b>		0%	29%	0%	0%	0%
<b>Eg: Impact on B737-800 (AUW 79016) (Rs.)</b>	79 MT	25,562	33,028.77	33,028.77	33,028.77	33,028.77



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Variance % from existing	B737-800	0%	29%	29%	29%	29%
Variance % from YoY		0%	29%	0%	0%	0%
International (Inr/MT)						
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	10385	13418.46	13418.46	13418.46	13418.46
Variance % from existing	Q-400		29%	29%	29%	29%
Variance % from YoY			29%	0%	0%	0%
B737-800 (AUW 79016) (Rs.)	79 MT	40720	52614.44	52614.44	52614.44	52614.44
Variance % from existing	B737-800		29%	29%	29%	29%
Variance % from YoY			29%	0%	0%	0%

**TABLE B**

**Parking Charges:** (Refer -Annexure 2 of the CP)

(In Rs.)

Particulars	Unit	Existing Rates	Tariff Proposed by Airport Operator			
			FY 2024 25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025- 26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026- 27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)	FY 2027- 28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
<b>PARKING CHARGE</b>	<b>INR/Hr /MT</b>	<b>PARKING CHARGES - Per Hr. per MT</b>				
<b>DOMESTIC ( INR Per HOUR /MT)( for 1st 2 chargeable hrs)</b>		सत्यमेव जयते				
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30MT	106.86	137.91	137.91	137.91	
Variance % from existing	Q-400		29%	29%	29%	
Eg: Impact on B737-800 (AUW 79016) (Rs.)	79 MT	457.85	591.49	591.49	591.49	
Variance % from existing	B737-800		29%	29%	29%	

**TABLE C**

**UDF CHARGES:** (Refer -Annexure 2 of the CP)

(In Rs.)

Particulars	Unit	Existing Rates	Tariff Proposed by Airport Operator			
			FY 2024 25 (Tariff w.e.f. 01.09.2024 to 31.03.2025)	FY 2025- 26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026- 27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)	FY 2027- 28 (Tariff w.e.f. 01.04.2027 to 31.03.2028)
<b>UDF</b>	<b>Per Embarking</b>	<b>UDF</b>				
<b>DOMESTIC</b>	<b>Inr/Embarking pax</b>	350	595	595	595	



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<b>Variance % from existing</b>		0%	70%	70%	70%	70%
<b>Variance from YOY</b>		0%	70%	0%	0%	0%
<b>INTERNATIONAL</b>	<i>Inr/Embarking pax</i>	<b>450</b>	<b>810</b>	<b>810</b>	<b>810</b>	<b>810</b>
<b>Variance % from existing</b>			0%	4%	4%	133%
<b>DOMESTIC</b>		0%	80%	80%	80%	80%
<b>Variance % from existing</b>		0%	80%	0%	0%	0%

**Refer the above displayed Tables A, B and C kindly note the following from the above tables:**

1. **Tables A:** AERA has proposed an increase in the Landing Charges (Domestic & International) on Q-400 (80 & above seater) & on B-737-800 approximately increase by 29 % from existing charges.
2. **Tables B:** AERA has proposed to increase the Parking Charges (Domestic & International) on Q-400 (80 & above seater) and on B-737-800 approximately to increase by 29% from existing charges.
3. **Table C:** AERA has proposed an increase in the UDF of by 70 % for Domestic Embarking Passenger and 80% for International Embarking Passengers from existing charges.

**It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive. AERA is requested to reconsider the proposed tariff structure in view of the points mentioned above.”**

**14.4 AAI’s response to Stakeholders’ comments regarding Aeronautical Revenue for the Second Control Period**

14.4.1 AAI’s response to FIA’s comment on Tariff Rate Card and collection charges is as follows:

*“Increase in landing, parking and UDF charges has been proposed for CJB on account of*

- a) *true up of First Control Period and the resultant shortfall due to various reasons including the pandemic.*
- b) *Proposed capex, opex and other components of building block in order to work out the target revenue for the SCP.*

*Parking charges are applicable after two hours free parking available to airlines. Parking of Aircraft is neither encouraged by the Airport Operators nor by the Airlines Operators. Parking of aircraft beyond two hours at any airport reflects inefficiency of Airport Operations as well as Airline Operations. Further, it contributes less than 5% of AAI revenue.*

*In respect of chargeability of UDF and landing it is the methodology to recover the cost incurred by Airport operator i.e. CJB from passenger / Airlines who are the ultimate user of the airport.*

*Further, the collection charges will be paid to Airlines as per the credit policy of AAI”*

**14.5 Authority’s analysis on Stakeholders’ comments regarding Aeronautical Revenue for the Second Control Period**

14.5.1 The Authority notes AAI’s comments on Landing Charges and has included the appropriate clauses in the Tariff Rate Card.





14.5.2 The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period and the comments of AAI on the same.

The Authority would like to emphasize that the tariff determination process for Coimbatore International Airport was conducted in strict adherence to the AERA Act, and the AERA Guidelines of 2011.

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 on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority.

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. AERA, may commission an independent study for the future Control Periods of Coimbatore International Airport, if considered necessary.

The Authority, during the tariff determination exercise endeavors to balance the interests of various stakeholders. The Authority also notes that carry forward of shortfall to future control periods, which results in a further carrying cost, may not be in the interest of all stakeholders and hence proposes to consider recovery of full ARR.

14.5.3 The Authority has reviewed FIA's comments on Tariff Rate Card and has compared to other similar airports and is of the following view:

- The Authority has to balance the interest of all stakeholders and also ensure that the tariff rates determined are reasonable. The Authority accordingly decides to balance the interest of the stakeholders and decides the rate card.
- The Authority has, as part of the tariff determination exercise, rationalized each regulatory building block such as CAPEX, O&M expenses, Non-Aeronautical Revenues etc. submitted by the AO for the Second Control Period.
- It is pertinent to note that the new Aeronautical tariff is implemented from 16<sup>th</sup> September 2024, thereby resulting in around three and half years being available for recovery of the ARR.
- The Authority has thus revised the tariff rate card proposed by AAI, by increasing the Aeronautical tariff in a progressive manner after making the necessary revisions in the regulatory building blocks based on detailed analysis as given in the relevant Chapters and Paras of the Tariff Order. The Authority does its own due diligence before finalizing tariff and considers the comments of all the Stakeholders. The Authority has ensured a balanced approach so that no Stakeholder benefits at the expense of others.
- With respect to FIA's comment on payment of collection charges, the Authority is of the opinion that the payment of UDF collection charges is a policy matter between the Airport Operator and the Airlines.
- Other issues raised by FIA like applicability of UDF, Aviation Security Fee, exemption pertaining to RCS flights etc. have been clarified in the Tariff Rate Card.
- It is highlighted that the reason for not going ahead with the plans for NITB in this control period is due to non-availability/ acquisitions of land as this issue is beyond the control of the airport operator. However, AERA expects AAI to undertake necessary measures to decongest the terminal building & decrease the dwell



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time for passenger related processes at the airport through implementation of options such as Self Baggage Drop etc. for increasing passenger handling and Air-side capacity of the airport to maintain sufficient ASQ rating and also to avoid any inconvenience to passengers and other stakeholders.

14.5.4 As stated in para 4.7.11, the Authority decides to consider Hangar Land Rent as part of the Aeronautical Revenue from its classification as Non-Aeronautical at Consultation stage.

14.5.5 Considering the above, the Authority has recomputed the Aeronautical Revenue to be collected in the form of Landing, Parking, UDF etc. based on the tariff rate card placed at Annexure-1. The Aeronautical Revenue and ARR for the Second Control Period is as detailed below:

**Table 99: Aeronautical Revenue decided by the Authority for the Second Control Period**

*(₹ in crores)*

Particulars	Ref	FY24	FY25	FY26	FY27	FY28	Total
Total PV of ARR including True-up (refer Table 94)	A						585.99
<b>Aeronautical Revenue</b>							
Landing & Parking Charges	SUM (B:D)	24.40	32.45	43.32	52.42	60.33	212.91
Landing Charges - Domestic	B	20.93	27.63	36.80	44.44	50.86	180.66
Landing Charges - International	C	2.65	3.75	5.08	6.24	7.47	25.19
Parking Charges	D	0.81	1.08	1.44	1.74	2.00	7.06
UDF	SUM (E:F)	51.89	80.56	112.44	130.65	144.37	519.92
UDF - Domestic	E	47.14	72.78	101.39	117.61	129.37	468.29
UDF - International	F	4.75	7.79	11.05	13.04	15.00	51.63
Other Aeronautical Revenue	SUM (G:N)	8.69	9.92	11.29	12.66	13.68	56.24
Land Lease Rent - Oil Companies, GHA & MRO	G	0.51	0.51	0.58	0.58	0.58	2.76
Revenue from GHA	H	2.31	2.68	3.08	3.54	3.86	15.46
Revenue from MRO	I	0.05	0.06	0.07	0.08	0.09	0.34
Royalty from Cute Charges	J	3.38	4.13	4.80	5.57	6.15	24.04
Royalty from AAICLASS	K	0.98	1.03	1.09	1.14	1.20	5.44
Add: Revenue from Lease Rent - Ramp Airlines & Ground Handling Agency	L	0.15	0.15	0.18	0.18	0.18	0.83
Add: Space Rentals from Airlines	M	0.69	0.74	0.79	0.85	0.92	3.99
Add: Hangar Land Rent	N	0.62	0.62	0.71	0.71	0.71	3.38
<b>Total Revenues</b>	<b>O=SUM(B:N)</b>	<b>84.98</b>	<b>122.93</b>	<b>167.06</b>	<b>195.73</b>	<b>218.38</b>	<b>789.07</b>
PV Factor @13.71%	P	1.00	0.88	0.77	0.68	0.60	



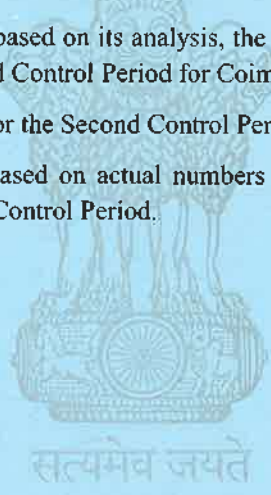
**AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

Particulars	Ref	FY24	FY25	FY26	FY27	FY28	Total
PV of Aero Revenue	Q=O*P	84.98	108.11	129.19	133.11	130.60	585.98
PV Projected Aero Revenue	R					585.98	585.98
<b>Surplus/(Shortfall) proposed to be carried forward to next control period (as on 31-Mar-2024)</b>	S						0.00

**14.6 Authority's decisions regarding Aeronautical Revenue for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to Aeronautical Revenue for the Second Control Period for Coimbatore International Airport.

- 14.6.1 To consider Aeronautical Revenue for the Second Control Period as per Table 99.
- 14.6.2 To true up Aeronautical Revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.



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## 15 SUMMARY OF AUTHORITY'S DECISIONS

### Chapter 4: True-up of the First Control Period

- 4.11.1 To consider Capital Additions as per details in Table 15 for true-up of the First Control Period
- 4.11.2 To consider Aeronautical Depreciation as per details in Table 17 for true-up of the First Control Period.
- 4.11.3 To consider RAB as per Table 18 for true-up of the First Control Period.
- 4.11.4 To consider FRoR as per Table 19 for true-up of the First Control Period.
- 4.11.5 To consider the O&M Expenses as detailed in Table 34 for the purpose of true-up of the First Control Period.
- 4.11.6 To consider the Non-Aeronautical Revenues as presented in Table 38 for the purpose of true-up of the First Control Period.
- 4.11.7 To consider Taxation as per Table 45 for true-up of First Control Period.
- 4.11.8 To consider the Aeronautical Revenue as per Table 42 for true-up of the First Control Period.
- 4.11.9 To consider ARR and Under-recovery as detailed in Table 47 for true up of the First Control Period and adjust the shortfall of First Control Period in the Second Control Period.

### Chapter 5: Traffic for the Second Control Period

- 5.6.1 To consider the ATM and passenger Traffic for the Second Control Period for Coimbatore International Airport as per Table 52.
- 5.6.2 To true up the traffic volume (ATM and passenger traffic) on the basis of actual traffic in the Second Control period while determining the tariff for the Third Control Period.

### Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.8.1 To consider allocation of Gross Block of Assets as on 1st April 2023 between Aeronautical and Non-aeronautical assets as detailed in Table 54.
- 6.8.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 62.
- 6.8.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule, as mentioned in para 6.2.25. The same will be examined during the true up of the Second Control Period, at the time of determination of tariff for the Third Control Period.
- 6.8.5 To consider depreciation as per Table 65 for the Second Control Period.
- 6.8.6 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination for the Third Control Period.
- 6.8.7 To consider average RAB for the Second Control Period for Coimbatore International Airport as per Table 67.
- 6.8.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period

### Chapter 7: Fair Rate of Return for the Second Control Period

- 7.6.1 To consider the Cost of Equity as 14.00%.
- 7.6.2 To consider Cost of Debt of 7.25% for the Second Control Period.



7.6.3 To consider FRoR of 13.71% for the Second Control Period based on above mentioned Cost of Equity, Cost of Debt and Gearing Ratio as per Table 70.

7.6.4 To True up the FRoR for the Second Control Period while determining tariff for the next Control Period considering relevant factors.

**Chapter 8: Inflation for the Second Control Period**

8.6.1 To consider Inflation for the Second Control Period for Coimbatore International Airport as detailed in Table 72.

**Chapter 9: Operation and Maintenance (O&M) Expenses for the Second Control Period**

9.6.1 To consider O&M expenses for the Second Control Period for Coimbatore International Airport as per Table 81

9.6.2 To consider the true up of O&M expenses incurred by AAI during the Second Control Period subject to evaluation of reasonableness and efficiency, at the time of tariff determination for the next Control Period.

**Chapter 10: Non-Aeronautical Revenue (NAR) for the Second Control Period**

10.6.1 To consider Non-Aeronautical Revenue for the Second Control Period for Coimbatore International Airport as per Table 87.

10.6.2 To true up the Non-Aeronautical Revenue for Coimbatore International Airport for the Second Control Period, subject to evaluation of efficiency and reasonableness, while determining tariff for the next Control Period.

**Chapter 11: Taxation for the Second Control Period**

11.5.1 To consider the Taxation for the Second Control Period for Coimbatore International Airport as per Table 90

11.5.2 To true up the Aeronautical Tax amount by appropriately taking into consideration all the relevant facts at the time of tariff determination for the Third Control Period.

**Chapter 12: Quality of Service for the Second Control Period**

12.6.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service at Coimbatore International Airport

**Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.6.1 To consider ARR for the Second Control Period as per Table 94.

13.6.2 To true up ARR of Second Control Period at the time of tariff determination for the Third Control Period.

**Chapter 14: Aeronautical Revenue for the Second Control Period**

14.6.1 To consider Aeronautical Revenue for the Second Control Period as per Table 99.

14.6.2 To true up Aeronautical Revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.

**16 ORDER**

- 16.1.1 In exercise of power conferred by section 13 (1) (a) of the AERA Act 2008 and based on the above decisions, the Authority hereby determines the Aeronautical Tariff to be levied at Coimbatore International Airport for the Second Control Period as placed in Annexure - 1.
- 16.1.2 In exercise of power conferred by section 13 (1) (b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure - 1 to the Order for Second Control Period.
- 16.1.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 16.1.4 The Order shall be made effective from 16<sup>th</sup> September 2024.
- 16.1.5 Airport Operator shall submit its MYTP to the Authority for the Third Control Period in a timely manner as per the Authority's Guideline, 2011.



By the Order and in the name of the Authority

  
(Suyash Narain)  
Secretary

To,

The Chairman  
Airports Authority of India  
Rajiv Gandhi Bhawan, Safdarjung Airport  
New Delhi - 110003

भा.वि.आ.वि.प्रा.

Copy to:

AERA

1. **Secretary**, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003.
2. **Directorate General of Civil Aviation**: For Issuance of AIC



## 17 ANNEXURES

**17.1 Annexure 1: Tariff Rate Card approved by the Authority for Coimbatore International Airport for the Second Control Period (1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2028) - effective from 16<sup>th</sup> September 2024**

17.1.1 Landing charges:

Table 100: Landing Charges\* (Domestic) decided by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto 15.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	202.00 per MT	253.54 per MT	266.21 per MT	279.52 per MT	293.50 per MT
Above 25 MT to 50 MT	5,050.00 + 353.00 per MT in excess of 25 MT	6,338.38 + 443.06 per MT in excess of 25 MT	6,655.30 + 465.21 per MT in excess of 25 MT	6,988.07 + 488.47 per MT in excess of 25 MT	7,337.47 + 512.90 per MT in excess of 25 MT
Above 50 MT to 100 MT	13,875.00 + 403.00 per MT in excess of 50 MT	17,414.86 + 505.82 per MT in excess of 50 MT	18,285.60 + 531.11 per MT in excess of 50 MT	19,199.89 + 557.66 per MT in excess of 50 MT	20,159.88 + 585.54 per MT in excess of 50 MT
Above 100 MT to 200 MT	34,025.00 + 491.00 per MT in excess of 100 MT	42,705.63 + 616.27 per MT in excess of 100 MT	44,840.92 + 647.08 per MT in excess of 100 MT	47,082.96 + 679.43 per MT in excess of 100 MT	49,437.11 + 713.41 per MT in excess of 100 MT
Above 200 MT	83,125 + 554.00 per MT in excess of 200 MT	1,04,332.28 + 695.34 per MT in excess of 200 MT	1,09,548.89 + 730.11 per MT in excess of 200 MT	1,15,026.34 + 766.61 per MT in excess of 200 MT	1,20,777.66 + 804.94 per MT in excess of 200 MT

\* One-time increase of 25.51% in Domestic Landing charges for tariff w.e.f. 16.09.2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

Table 101: Landing Charges\* (International) decided by the Authority for the Second Control Period

Weight of the Aircraft	FY 2024-25 (upto 15.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	302.00 per MT	379.05 per MT	398.00 per MT	417.90 per MT	438.80 per MT
Above 25 MT to 50 MT	7,550.00 + 567.00 per MT in excess of 25 MT	9,476.20 + 711.66 per MT in excess of 25 MT	9,950.00 + 747.24 per MT in excess of 25 MT	10,447.51 + 784.60 per MT in excess of 25 MT	10,969.88 + 823.83 per MT in excess of 25 MT
Above 50 MT to 100 MT	21,725.00 + 655.00 per MT in excess of 50 MT	27,267.59 + 822.11 per MT in excess of 50 MT	28,630.97 + 863.21 per MT in excess of 50 MT	30,062.52 + 906.37 per MT in excess of 50 MT	31,565.65 + 951.69 per MT in excess of 50 MT
Above 100 MT to 200 MT	54,475.00 + 756.00 per MT in excess of 100 MT	68,372.94 + 948.87 per MT in excess of 100 MT	71,791.59 + 996.32 per MT in excess of 100 MT	75,381.17 + 1,046.13 per MT in excess of 100 MT	79,150.23 + 1,098.44 per MT in excess of 100 MT
Above 200 MT	1,30,075.00 + 907.00 per MT in	1,63,260.41 + 1,138.40 per MT	1,71,423.43 + 1,195.32 per MT	1,79,994.60 + 1,255.08 per MT	1,88,994.33 + 1,317.84 per MT



Weight of the Aircraft	FY 2024-25 (upto 15.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Landing Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
	excess of 200 MT	in excess of 200 MT	in excess of 200 MT	in excess of 200 MT	in excess of 200 MT

\* One-time increase of 25.51% in International Landing charges for tariff w.e.f. 16.09.2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

**Notes:**

- No Landing Charges shall be payable in respect of i) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, ii) helicopters of all types, and iii) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1,000 kg).
- Non-Schedule Flights: "A minimum fee of Rs.4000/- per flight or applicable landing charges shall be charged as per landing for all types of aircraft flights, helicopter flights including but not limited to domestic landing, international and general aviation landing for the control period."
- Flights operating under the regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

**17.1.2 Parking charges:**

**Table 102: Parking Charges\* (per hour) decided by the Authority for the Second Control Period (upto four hours after first two free hours)**

Weight of the Aircraft	FY 2024-25 (upto 15.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	3.37 per MT per hour	4.23 per MT per hour	4.44 per MT per hour	4.66 per MT per hour	4.89 per MT per hour
Above 25 MT to 50 MT	84.36 + 4.50 per MT per hour in excess of 25 MT	105.74 + 5.65 per MT per hour in excess of 25 MT	111.00 + 5.93 per MT per hour in excess of 25 MT	116.50 + 6.23 per MT per hour in excess of 25 MT	122.25 + 6.54 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	196.85 + 9.00 per MT per hour in excess of 50 MT	246.95 + 11.30 per MT per hour in excess of 50 MT	259.25 + 11.86 per MT per hour in excess of 50 MT	272.25 + 12.45 per MT per hour in excess of 50 MT	285.75 + 13.07 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	646.80 + 11.25 per MT per hour in excess of 100 MT	811.75 + 14.12 per MT per hour in excess of 100 MT	852.25 + 14.83 per MT per hour in excess of 100 MT	894.75 + 15.57 per MT per hour in excess of 100 MT	939.25 + 16.35 per MT per hour in excess of 100 MT
Above 200 MT	1,771.66 + 12.37 per MT per hour	2,223.77 + 15.53 per MT per hour	2,335.25 + 16.30 per MT per hour	2,451.75 + 17.12 per MT per hour	2,574.25 + 17.98 per MT per hour





Weight of the Aircraft	FY 2024-25 (upto 15.09.2024)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
	in excess of 200 MT	in excess of 200 MT	in excess of 200 MT	in excess of 200 MT	in excess of 200 MT

\* One-time increase of 25.51% in Parking charges for tariff w.e.f. 16.09.2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

**Table 103: Parking Charges\* (per hour) decided by the Authority for the Second Control Period (beyond first four hours)**

Weight of the Aircraft	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Existing Parking Charges (₹)	Tariff w.e.f. 16.09.2024 (₹)	Tariff w.e.f. 01.04.2025 (₹)	Tariff w.e.f. 01.04.2026 (₹)	Tariff w.e.f. 01.04.2027 (₹)
Upto 25 MT	6.75 per MT per hour	8.47 per MT per hour	8.90 per MT per hour	9.35 per MT per hour	9.82 per MT per hour
Above 25 MT to 50 MT	168.73 + 9.00 per MT per hour in excess of 25 MT	211.80 + 11.30 per MT per hour in excess of 25 MT	222.50 + 11.86 per MT per hour in excess of 25 MT	233.75 + 12.45 per MT per hour in excess of 25 MT	245.50 + 13.07 per MT per hour in excess of 25 MT
Above 50 MT to 100 MT	393.70 + 18.00 per MT per hour in excess of 50 MT	494.21 + 22.59 per MT per hour in excess of 50 MT	519.00 + 23.72 per MT per hour in excess of 50 MT	545.00 + 24.91 per MT per hour in excess of 50 MT	572.25 + 26.16 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,293.59 + 22.50 per MT per hour in excess of 100 MT	1,623.82 + 28.24 per MT per hour in excess of 100 MT	1,705.00 + 29.65 per MT per hour in excess of 100 MT	1,790.50 + 31.13 per MT per hour in excess of 100 MT	1,880.25 + 32.69 per MT per hour in excess of 100 MT
Above 200 MT	3,543.32 + 24.75 per MT per hour in excess of 200 MT	4,447.85 + 31.06 per MT per hour in excess of 200 MT	4,670.00 + 32.62 per MT per hour in excess of 200 MT	4,903.50 + 34.25 per MT per hour in excess of 200 MT	5,149.25 + 35.96 per MT per hour in excess of 200 MT

\* One-time increase of 25.51% in Domestic Landing charges for tariff w.e.f. 16.09.2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

**Notes:**

- No parking charges shall be levied for the first two hours. While calculating the free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of the actual time taken in the movement of the aircraft after landing and before take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each parking period shall be rounded off to nearest rupee.
- At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- The night parking charges are waived for all domestic scheduled operators at Coimbatore Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.



- g) Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- h) For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.

#### 17.1.3 User Development Fee:

##### Applicable Rates for travel dates from 16<sup>th</sup> September 2024 to 31<sup>st</sup> March 2025

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 550.00	₹ 710.00

##### Applicable Rates for travel dates from 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2026

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 550.00	₹ 710.00

##### Applicable Rates for travel dates from 1<sup>st</sup> April 2026 to 31<sup>st</sup> March 2027

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 550.00	₹ 710.00

##### Applicable Rates for travel dates from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2028

Type of Passenger	Domestic (₹)	International (₹)
Embarking Passenger	₹ 550.00	₹ 710.00

#### Notes:

- Collection charges: If payment is made within 15 days of receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
- No collection charges are payable to casual operators/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
- The existing UDF will be applicable on the tickets issued till 15<sup>th</sup> September 2024.
- Revised UDF will be applicable on the tickets issued on or after 16<sup>th</sup> September 2024.

#### 17.1.4 Exemption from levy and collection from UDF at the Airports

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

- Children (underage of 2 years)
- Holders of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew or ground personnel)

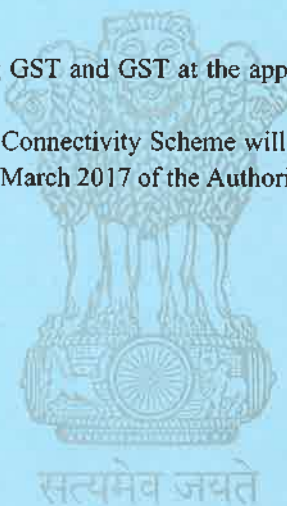


- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger")
- (g) Passenger departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

17.1.5 **Aviation Security Fee:** Rates and Exemption as prescribed by MoCA from time to time.

17.1.6 **General Condition:**

- a) All the above charges excluding GST and GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31<sup>st</sup> March 2017 of the Authority from the date the scheme is operationalized by GoI.



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