

फा. सं. ऐरा/20010/एमवाईटीपी/एएआई-अमृतसर/सीपी-II/2023-24

F. No. AERA/20010/MYTP/AAI-Amritsar/CP-II/2023-24

आदेश संख्या 17/2024-25

Order No. 17/2024-25



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

श्री गुरु राम दास जी अंतरराष्ट्रीय हवाई अड्डा, अमृतसर (एटीक्यू) के लिए  
द्वितीय नियंत्रण अवधि (01 अप्रैल, 2024 से 31 मार्च, 2029) के लिए वैमानिक  
टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
SRI GURU RAM DASS JEE INTERNATIONAL AIRPORT, AMRITSAR  
(ATQ)  
FOR THE SECOND CONTROL PERIOD  
(01.04.2024 - 31.03.2029)

जारी करने की तारीख/Date of Issue: 21.03.2025

तृतीय तल /3<sup>rd</sup> Floor  
उड़ान भवन / Udaan Bhawan  
सफदरजंग हवाई अड्डा /Safdarjung Airport  
नई दिल्ली /New Delhi – 110003

आदेश संख्या/ Order No. 17/2024-25



पृष्ठ 151 का 1/ Page 1 of 151

## TABLE OF CONTENTS

<b>1 INTRODUCTION.....</b>	<b>12</b>
1.1 Background.....	12
1.2 Profile of Amritsar International Airport.....	12
1.3 Cargo Facility, Ground Handling and supply of Fuel to Aircraft .....	13
<b>2 TARIFF DETERMINATION OF AMRITSAR INTERNATIONAL AIRPORT .....</b>	<b>14</b>
2.1. Tariff Setting Principles.....	14
2.2. Authority's Orders applied in the determination of tariff of Amritsar International Airport in this Tariff Order.....	15
2.3. Issuance of Consultation Paper and receipt of Stakeholders' comments .....	15
2.4 Construct of this Tariff Order .....	17
2.5 Stakeholders' comments regarding Tariff Determination for Amritsar international Airport for the Second Control Period .....	18
2.6 AAI's responses to FIA' comments regarding Tariff Determination for Amritsar International Airport for the Second Control Period .....	18
2.7 Authority's analysis on Stakeholders' comments regarding the Tariff Determination for Amritsar International Airport for the Second Control Period.....	19
<b>3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR AIA .....</b>	<b>20</b>
3.1 Methodology.....	20
3.2 Control Period.....	20
3.3 Revenues from Air Navigation Services (ANS) and Cargo .....	21
3.4. Stakeholders' comments regarding the Framework for determination of tariff for Amritsar international Airport for the Second Control Period.....	21
3.5. AAI's responses to Stakeholders' comments regarding the Framework for determination of tariff for Amritsar International Airport for the Second Control Period .....	22
3.6. Authority's analysis on Stakeholders' comments regarding the Framework for determination of tariff for Amritsar International Airport for the Second Control Period.....	23
<b>4 TRUE UP OF THE FIRST CONTROL PERIOD .....</b>	<b>25</b>
4.1 AAI's submission regarding True up of the First Control Period for AIA .....	25
4.2 Authority's examination of True up of the First Control Period at Consultation Stage .....	25
4.3 True up of Traffic .....	27
4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB .....	28
4.5 True up of Fair Rate of Return .....	39
4.6 True up of Non-aeronautical revenues .....	40
4.7 True up of Operation and Maintenance (O&M) expenses .....	42
4.8 True up of Taxation .....	52





4.9	True up of Aeronautical Revenue.....	54
4.10	True up of Aggregate Revenue Requirement (ARR) for the First Control Period .....	55
4.11	Authority's decisions regarding true up of the First Control Period .....	57
<b>5</b>	<b>TRAFFIC FOR THE SECOND CONTROL PERIOD.....</b>	<b>60</b>
5.1	AAI's submission regarding Traffic for the Second Control Period for AIA .....	60
5.2	Authority's examination of Traffic for the Second Control Period of AIA at Consultation Stage .....	60
5.3	Stakeholders' comments regarding Traffic for the Second Control Period .....	63
5.4	AAI's responses to Stakeholders' comments regarding Traffic for the Second Control Period .....	64
5.5	Authority's analysis on Stakeholders' comments regarding Traffic for the Second Control Period.....	64
5.6	Authority's decisions regarding Traffic for the Second Control Period .....	64
<b>6</b>	<b>CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD.....</b>	<b>65</b>
6.1	Background.....	65
6.2	Capital expenditure for the Second Control Period .....	65
6.3	Depreciation for the Second Control Period .....	85
6.4	Regulatory Asset Base (RAB) for the Second Control Period .....	87
6.5	Stakeholders' comments on the Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period.....	88
6.6	AAI's responses to Stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period .....	91
6.7	Authority's analysis on Stakeholders' comments regarding the Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period .....	92
6.8	Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period.....	95
<b>7</b>	<b>FAIR RATE OF RETURN (FROR) FOR THE SECOND CONTROL PERIOD .....</b>	<b>96</b>
7.1	AAI's submission regarding Fair Return of Return for the Second Control Period for AIA ....	96
7.2	Authority's examination of FRoR for the Second Control Period at Consultation Stage .....	96
7.3	Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period .....	97
7.4	AAI's responses to Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period.....	101
7.5	Authority's analysis on Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period.....	102
7.6	Authority's decisions regarding Fair Rate of Return (FRoR) for the Second Control Period .	103
<b>8</b>	<b>INFLATION FOR THE SECOND CONTROL PERIOD.....</b>	<b>104</b>
8.1	AAI's submission regarding Inflation for the Second Control Period for AIA .....	104



8.2	Authority's examination of inflation for the Second Control Period at Consultation Stage ....	104
8.3	Stakeholders' comments regarding Inflation for the Second Control Period .....	104
8.4	Authority's analysis on Stakeholders' comments regarding the Inflation for the Second Control Period .....	104
8.5	Authority's decisions regarding inflation for the Second Control Period .....	104
<b>9</b>	<b>OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD.....</b>	<b>106</b>
9.1	AAI's submission regarding Operation and Maintenance expenses for the Second Control Period for AIA.....	106
9.2	Authority's examination of Operation and Maintenance expenses for the Second Control Period at Consultation Stage .....	107
9.3	Stakeholders' comments regarding Operation and Maintenance expenses for the Second Control Period .....	112
9.4	AAI's responses to Stakeholders' comments on Operation and Maintenance expenses for the Second Control Period.....	116
9.5	Authority's analysis on Stakeholders' comments regarding the Operation and Maintenance expenses for the Second Control Period.....	117
9.6	Authority's decisions regarding Operation and Maintenance expenses for the Second Control Period .....	120
<b>10</b>	<b>NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD.....</b>	<b>121</b>
10.1	AAI's submission regarding Non-Aeronautical Revenue for the Second Control Period for AIA.....	121
10.2	Authority's examination of Non-aeronautical revenue for the Second Control Period at Consultation Stage .....	121
10.3	Stakeholders' comments regarding Non-aeronautical revenues for the Second Control Period.....	123
10.4	AAI's responses to stakeholders' comments on Non-Aeronautical Revenue for the Second Control Period.....	124
10.5	Authority's analysis on Stakeholders' comments regarding the Non-Aeronautical Revenue for the Second Control Period .....	125
10.6	Authority's decisions regarding Non-aeronautical revenues for the Second Control Period ..	125
<b>11</b>	<b>TAXATION FOR THE SECOND CONTROL PERIOD .....</b>	<b>126</b>
11.1	AAI's submission regarding Taxation for the Second Control Period for AIA .....	126
11.2	Authority's examination of Taxation for the Second Control Period at Consultation Stage ...	126
11.3	Stakeholders' comments regarding Taxation for the Second Control Period .....	127
11.4	Authority's analysis on Stakeholders' comments regarding Taxation for the Second Control Period .....	127
11.5	Authority's decisions regarding Taxation for the Second Control Period .....	127
<b>12</b>	<b>QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD .....</b>	<b>128</b>





12.1	AAI's submission regarding Quality of Service for the Second Control Period for AIA .....	128
12.2	Authority's examination of Quality of Service for the Second Control Period at Consultation Stage .....	128
12.3	Stakeholders' comments on the Quality of Service for the Second Control Period .....	128
12.4	AAI's responses to Stakeholders' comments on Quality of Service for the Second Control Period.....	129
12.5	Authority's analysis on Stakeholders' comments regarding the Quality of Service for the Second Control Period.....	129
12.6	Authority's Decision regarding Quality of Service for the Second Control Period.....	129
<b>13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD.....</b>		<b>130</b>
13.1	AAI's submission regarding Aggregate Revenue Requirement for the Second Control Period for AIA .....	130
13.2	Authority's examination of Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage.....	130
13.3	Stakeholders' comments on the Aggregate Revenue Requirement (ARR) for the Second Control Period of Amritsar International Airport.....	131
13.4	AAI's responses to stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Second Control Period.....	132
13.5	Authority's analysis on Stakeholders' comments regarding the Aggregate Revenue Requirement (ARR) for the Second Control Period .....	132
13.6	Authority's Decisions regarding Aggregate Revenue Requirement (ARR) for the Second Control Period.....	133
<b>14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD .....</b>		<b>134</b>
14.1	AAI's submission regarding Aeronautical Revenue for the Second Control Period for AIA .	134
14.2	Authority's examination of Aeronautical Revenue for the Second Control Period at Consultation Stage .....	135
14.3	Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period ....	136
14.4	AAI's response to Stakeholders' comments on Aeronautical Revenue for the Second Control Period.....	141
14.5	Authority's analysis regarding Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period.....	142
14.6	Authority's decisions regarding Aeronautical Revenue for the Second Control Period.....	144
<b>15 SUMMARY OF AUTHORITY'S DECISIONS.....</b>		<b>145</b>
Chapter 4: True Up of the First Control Period.....		145
Chapter 5: Traffic for the Second Control Period .....		145
Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period.....		145
Chapter 7: Fair Rate of Return for the Second Control Period .....		146
Chapter 8: Inflation for the Second Control Period.....		146



Chapter 9: Operation and Maintenance expenses for the Second Control Period ..... 146

Chapter 10: Non-aeronautical revenue for the Second Control Period ..... 146

Chapter 11: Taxation for the Second Control Period ..... 146

Chapter 12: Quality of Service for the Second Control Period ..... 146

Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period ..... 146

Chapter 14: Aeronautical Revenue for the Second Control Period ..... 146

**16 ORDER..... 147**

**17 ANNEXURE TO TARIFF ORDER ..... 148**

17.1 Annexure I: Annual Tariff approved by the Authority for Amritsar International Airport for the Second Control Period (April 01, 2024 to March 31, 2029)- effective from April 01, 2025 .. 148





**LIST OF TABLES**

Table 1: Technical and Terminal Building details of AIA .....	12
Table 2 : Timelines for submission of MYTP and other information by AAI .....	16
Table 3: Names of Stakeholders who submitted comments/views on Regulatory building blocks: ...	17
Table 4: True up for First Control Period submitted by AAI .....	25
Table 5: AAI's submission for True up of traffic for the First Control Period for AIA.....	27
Table 6: Passenger traffic and ATM approved by the Authority in the Tariff Order for the First Control Period .....	27
Table 7: Capital additions during the First Control Period submitted by AAI for AIA .....	28
Table 8: Capital expenditure approved in the Tariff Order for the First Control Period.....	29
Table 9: Depreciation for the First Control Period submitted by AAI for AIA .....	30
Table 10: Capital additions proposed by the Authority for True up of the First Control Period at Consultation Stage .....	34
Table 11 : Depreciation proposed by the Authority for True up of the First Control Period at Consultation Stage .....	35
Table 12: RAB proposed by the Authority for True up of the First Control Period at Consultation Stage .....	36
Table 13: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for AIA	40
Table 14: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period .....	41
Table 15: Actual O&M expenses submitted by AAI for AIA for the First Control Period .....	42
Table 16: O&M expenses as per the Tariff Order for the First Control Period.....	42
Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed by the Authority for the First Control Period at Consultation Stage .....	45
Table 18: Details of power costs incurred and recoveries made from Concessionaires.....	46
Table 19: O&M expenses as proposed by the Authority for True up of the First Control Period at Consultation Stage .....	47
Table 20: Revised allocation of CHQ/ RHQ expenses decided by the Authority .....	51
Table 21: O&M expenses decided by the Authority for the true up of the First Control Period .....	51
Table 22: Taxation submitted by AAI for AIA .....	52
Table 23 : Taxation proposed to be considered by the Authority at Consultation Stage.....	53
Table 24: Taxation decided by the Authority for true up of the First Control Period .....	54
Table 25: Aeronautical revenue submitted by AAI for AIA .....	54
Table 26: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period.....	55
Table 27: ARR proposed by the Authority for True up of the First Control Period at Consultation Stage.....	55
Table 28: ARR decided by the Authority for true up of the First Control Period .....	57
Table 29: Historical passenger and ATM traffic at AIA (in numbers).....	60
Table 30: Traffic growth rates and traffic proposed by AAI .....	60
Table 31: CAGR for passenger traffic and ATM .....	61
Table 32: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	62
Table 33: Summary of Capital Expenditure projects submitted by AAI for AIA for Second Control Period .....	65
Table 34: Project wise Capital Expenditure submitted by AAI for AIA for Second Control Period..	67
Table 35: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building at Consultation Stage .....	72
Table 36: Comparison of Normative cost of Terminal Building derived by the Authority with AAI's	





submission at Consultation Stage .....	73
Table 37: Cost of PTT submitted by AAI for the Second Control Period and that approved in the Tariff Order for the First Control Period.....	75
Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) considered by the Authority for PTT at Consultation Stage .....	77
Table 39: Normative cost of PTT considered by the Authority for Amritsar International Airport at Consultation Stage .....	77
Table 40: Details of cost of Equipment related to Terminal Building.....	80
Table 41: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period at Consultation Stage .....	82
Table 42: Depreciation proposed by AAI for AIA for the Second Control Period .....	85
Table 43: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage .....	86
Table 44: RAB submitted by AAI for AIA for the Second Control Period .....	87
Table 45: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	87
Table 46: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	97
Table 47: Inflation rates proposed by the Authority for the Second Control Period for AIA at Consultation Stage .....	104
Table 48: Inflation rates decided by the Authority for the Second Control Period for AIA .....	104
Table 49: Operation and Maintenance (O&M) expenditure submitted by AAI for AIA .....	106
Table 50: Growth rates in O&M expenditure submitted by AIA .....	106
Table 51: Allocation of O&M expenses proposed to be considered by Authority for AIA at Consultation Stage .....	108
Table 52: Runway re-carpeting expenses proposed by the Authority for the Second Control Period at Consultation Stage .....	109
Table 53: Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period at Consultation Stage.....	110
Table 54: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	111
Table 55: Growth rates in O&M expenses considered by the Authority for the Second Control Period at Consultation Stage .....	112
Table 56: Operation and Maintenance (O&M) expenses decided by the Authority for the Second Control Period.....	120
Table 57: Non-aeronautical revenue projections submitted by AAI for AIA.....	121
Table 58: Growth rates assumed by AAI for AIA for Non-aeronautical revenue.....	121
Table 59: Non-aeronautical revenues proposed by the Authority for AIA for the Second Control Period at Consultation Stage .....	122
Table 60: Growth rates in Non-aeronautical revenue proposed by Authority at Consultation Stage.	123
Table 61: Tax Expense submitted by AAI for AIA for the Second Control Period.....	126
Table 62: Taxation proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	126
Table 63: Taxation decided by the Authority for the Second Control Period .....	127
Table 64: ASQ rating for AIA for the years 2019-2024 .....	128
Table 65: ARR submitted by AAI for AIA for the Second Control Period .....	130
Table 66: ARR proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	131
Table 67: ARR decided by the Authority for the Second Control Period .....	133
Table 68: Increase in UDF rates proposed by AAI.....	134





Table 69: Aeronautical revenue submitted by AAI for AIA for the Second Control Period .....	134
Table 70: UDF charges proposed by the Authority for AIA for the Second Control Period at Consultation Stage .....	135
Table 71: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period at Consultation Stage .....	135
Table 72: Aeronautical revenue decided by the Authority for the Second Control Period .....	143
Table 73: Landing charges(domestic) decided by the Authority for AIA for the Second Control Period .....	148
Table 74: Landing charges(international) decided by the Authority for AIA for the Second Control Period .....	148
Table 75: Parking Charges (Domestic ATM) up to four hours after first two free hours for the Second Control Period decided by the Authority .....	149
Table 76: Parking charges (Domestic ATM) beyond first four hours for the Second Control Period decided by the Authority .....	149
Table 77: Parking charges (per hour) (International ATM) up to four hours after first two free hours for the Second Control Period decided by the Authority .....	149
Table 78: Parking charges (per hour) (International ATM) beyond first four hours for the Second Control Period decided by the Authority .....	150



भा.वि.आ.वि.प्रा.

AERA



**GLOSSARY**

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACI	Airports Council International
AERA/ The Authority	Airports Economic Regulatory Authority of India
AGL	Airfield Ground Lighting
AIA/ ATQ	Amritsar International Airport
ALCMS	Airfield Lighting Control and Monitoring System
ANS	Air Navigation Services
AOCC	Airport Operations Control Centre
AIASL	AI Airport Services Limited
AMHS	Aeronautical Message Handling System
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
ATRS	Automatic Tray Retrieval System
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BPCL	Bharat Petroleum Corporation Limited
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCEA	Cabinet Committee on Economic Affairs
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CMC	Comprehensive Maintenance Contract
CRPF	Central Reserve Police Force
CSR	Corporate Social Responsibility
CUTS	Consumer Unity and Trust Society
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
ETD	Explosive Trace Detector
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GCCM	Grass Cut and Collect Machine.
GLF	Ground Lights Facility
GoI	Government of India
GSE	Ground Support Equipment
GST	Goods and Services Tax





Abbreviation	Full Form
HPCL	Hindustan Petroleum Corporation Limited
IAF	Indian Air Force
IATA	International Air Transport Association
IDC	Interest During Construction
ILCMS	Individual Lamp Control and Monitoring System
IMG	Inter-Ministerial Group
IOCL	Indian Oil Corporation Limited
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NDT	New Domestic Terminal
PBB	Passenger Boarding Bridge
PDC	Probable Date of Completion
PC	Personal Computer
PERT	Program Evaluation and Review Technique
PIB	Public Investment Board
PLF	Passenger Load Factor
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
PTT	Parallel taxi Track
RAB	Regulatory Asset Base
RCC	Reinforced Cement Concrete
RESA	Runway End Safety Area
RHQ	Regional Headquarters
RPK	Revenue Passenger Kilometer
RWS	Runway Strip
SCCTV	Secure Closed Circuit Television
SHA	Security Hold Area
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
UDF	User Development Fees
UPS	Uninterruptible Power Supply
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection System
YTD	Year to Date
YPP	Yield per Passenger



## 1 INTRODUCTION

### 1.1 Background

- 1.1.1 Sri Guru Ram Dass Jee International, Amritsar Airport ('Amritsar International Airport' or AIA), owned and operated by Airports Authority of India, is currently, the 23<sup>rd</sup> busiest Airport<sup>1</sup> in India by passengers handled. It is located at Raja Sansi, 11 km northwest, from the city centre.
- 1.1.2 The total land area of AIA is 977.58 Acres. The existing Terminal Building has an area of 40,175 square meters, which currently handles both domestic and international operations.
- 1.1.3 AERA Act, 2008 was amended in 2019 and definition of "Major Airport" has been changed. As per section 2(i) of the AERA Act, 2008 read with AERA (Amendment) Act 2019, Major Airport means any airport which has or is designated to have, passenger throughput in excess of 3.5 MPPA or any other airport or any other group of airports as the Central Government may by notification, specify as such.
- 1.1.4 Amritsar Airport was shortlisted for leasing to private airport operator on PPP mode by AAI. Considering that, Ministry of Civil Aviation (MoCA) vide notification no AV-24011/141/2015-AD (Vol. V) dated October 10, 2019 has notified it as "Major Airport".
- 1.1.5 As per the actual traffic of FY 2023-24, Amritsar Airport has achieved the passenger throughput of 3.09 MPPA. The proportion of domestic and international passenger traffic of Amritsar Airport in FY 2023-24, had been in the ratio of 68%:32%.

The Authority determined tariff for the First Control Period (starting from FY 2019-20 to FY 2023-24) vide Order Number 56/2020-21 dated December 24, 2020.

### 1.2 Profile of Amritsar International Airport

- 1.2.1 Technical and Terminal Building details of AIA submitted by the Airport Operator are provided in the table below:

*Table 1: Technical and Terminal Building details of AIA*

Technical details	
Particulars	Details
Total airport land area	977.58 Acres
Runway orientation and length	16/ 34 and 3,658 m
No. of Parking Bays	25 nos.
No. of Taxi Tracks	09 nos.
Operational hours	24 hours
Terminal Building details	
Terminal Building Area	40,175 Sqm
Designed Passenger handling Capacity	4.1 MPPA
Peak Hour Passengers Handling capacity	1,600 (800 Departure + 800 Arrival)
Conveyor Belts in Arrival Area	04 nos.
No. of check-in counters	33 nos.
Aircraft Code	Code E

<sup>1</sup> As per data on top 50 busiest airports for FY 2023-24, published by AAI





### 1.3 Cargo Facility, Ground Handling and supply of Fuel to Aircraft

#### Cargo Handling

- 1.3.1 M/s AAI Cargo Logistics and Allied Services (AAICLAS) is a 100% subsidiary company of Airports Authority of India (AAI) providing Cargo Handling Services at AIA. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's agreement with AAICLAS.
- 1.3.2 AERA vide Order No. 36/ 2020-21 dated September 1, 2020 determined the tariffs for AAI Cargo Logistics & Allied Service Company Limited for the First Control Period (FY 2019-20 to FY 2023-24).
- 1.3.3 Further, the Authority vide Order No. 41/ 2023-24 dated March 15, 2024 had extended the levy of existing tariff up to September 30, 2024 and vide Order No. 10/2024-25 dated September 26, 2024 had extended the levy of existing tariff up to March 31, 2025.

#### Ground Handling

- 1.3.4 Currently, there are two Service Providers at the Airport viz., AI Airport Services Limited (AIASL) and Indo Thai Airport Management Services Pvt Ltd, providing Ground Handling services at AIA
- In respect of AIASL, the Authority, from time to time through various Orders had extended the applicability of prevailing tariff (as on March 31, 2022) up to March 31, 2025.
  - AERA vide Order No. 25/2023-24 dated November 16, 2023 determined tariff for Ground Handling Services for Indo Thai Airport Management Services Pvt Ltd from FY 2022-23 to FY 2026-27.

#### Supply of Fuel to Aircraft

- 1.3.5 Oil Marketing Companies (OMCs) such as M/s Reliance BP Mobility Limited (Jio-BP), M/s IOCL M/s BPCL, and M/s HPCL are providing Aviation Fuel Facility at Amritsar International Airport. M/s HPCL has set up its fuel storage facility, with two fuel storage tanks totaling to 60 KL storage capacity (i.e., 2 tanks of 30KL each). M/s BPCL has fuel storage capacity totaling to 149 KL storage capacity (i.e., 60KL static and 89 KL mobile). M/s IOCL has a fuel storage capacity of 610 KL (A 500 KL fuel storage tank is under installation, it will be commissioned by March, 2025 leading to storage capacity of 1,110 KL). M/s Reliance BP Mobility Limited has fuel storage capacity totaling to 500 KL. The current total fuel capacity at the Amritsar Airport is 1,319 KL

भा.वि.आ.वि.प्रा.

AERA



## 2 TARIFF DETERMINATION OF AMRITSAR 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') which are as below:

- a) To determine the tariff for Aeronautical services taking into consideration –
  - i. the capital expenditure incurred and timely investment in the improvement of airport facilities.
  - ii. the service provided, its quality and other relevant factors
  - iii. the cost for improving efficiency.
  - iv. economic and viable operation of Major Airports
  - v. revenue received from services other than the Aeronautical services
  - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
  - vii. any other factor which may be relevant for the purpose of this Act:

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

- b) To determine the amount of the development fees in respect of Major Airports.
- c) To determine the amount of the passengers service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.
- e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

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 the following are the Aeronautical services:

- 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 any airport;
- iii. for ground safety services at an airport;
- iv. for ground handling services relating to aircraft, passengers and cargo at an airport;
- v. for the cargo facility at an airport;





- vi. for supplying fuel to the aircraft at an airport; and
- vii. for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.

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

## **2.2. Authority's Orders applied in the determination of tariff of Amritsar International Airport in this Tariff Order**

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

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 07/2018-19 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2018-19 dated 23.01.2017 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.
- iv. Order No. 35/2019-20 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2019-20 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2020-21 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

## **2.3. Issuance of Consultation Paper and receipt of Stakeholders' comments**

2.3.1 AAI submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from April 1, 2019, till March 31, 2024 and AERA vide its Order No. 56/2020-21 dated December 24, 2020, had determined tariffs for Aeronautical services for AIA for the First Control Period (FY 2019-20 to FY 2023-24).

Further, AERA vide Order No. 40/ 2023-24 dated March 15, 2024 extended the levy of existing tariff for a further period of 6 months (i.e. up to September 30, 2024). Thereafter, the Authority vide Order No. 09/ 2024-25 dated September 24, 2024 has further extended the validity of tariff prevailing as on September 30, 2024 up to March 31, 2025 or till the date of determination of tariff whichever is earlier.

2.3.2 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, six months in advance, from the start of the Control Period. Accordingly, the Authority vide its letter dated July 20, 2023 asked AAI, to submit MYTP by October 31, 2023. However, the AAI had submitted the initial MYTP for the Second Control Period commencing from FY 2024-25 to FY 2028-29 for AIA on July 12, 2024, after a gap of eight months from the aforementioned due date communicated by the Authority and the revised MYTP (by making revisions to certain regulatory building blocks) on October 24, 2024. The MYTP document is available on the AERA's website. Further, the date wise chronology of events is given in Table 2 below.

2.3.3 The Authority had appointed an Independent Consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Second Control Period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission by AAI by comparing



each regulatory building block with the Tariff Order for the First Control period. The Independent Consultant has examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

2.3.4 The Authority obtained clarifications for the information shared by the AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure, for finalizing this Tariff Order. AAI had initially submitted the audited Trial Balance of FY 2019-20 to FY 2022-23 and projections for FY 2023-24, FY 2024-25 to FY 2028-29 on July 12, 2024. Based on the queries raised by the Independent Consultant, from time to time on the proposed capital expenditure, operation and maintenance expenditure etc. AAI had submitted a revised MYTP for the Second Control Period for Amritsar Airport vide email dated October 24, 2024. The Authority has considered the same as part of its examination of the MYTP for true up of the First Control Period and of the Second Control Period of AIA. The sequential timeline of the above events has been presented in the table below:

*Table 2 : Timelines for submission of MYTP and other information by AAI*

Dates	Event
July 12, 2024	MYTP Submission by AAI
August 5, 2024	Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of AIA
August 6, 2024	Request for unaudited/Audited financials for FY 2023-24.
September 2, 2024	Follow-up for Data requirement regarding CAPEX, OPEX and request for unaudited figures.
September 6, 2024	Revised Rate Card submitted by AAI
September 23, 2024	Clarifications sought on CAPEX of AIA based on the Independent Consultants' visit to the Airport
October 14, 2024	Clarifications sought on the discrepancies noted in the MYTP submitted by AAI for Amritsar International Airport
October 24, 2024	Revised MYTP submitted by AAI
November 3, 2024	Clarifications sought on capital additions claimed by AAI, in the revised MYTP, for true up of First Control Period
November 9, 2024	Clarifications sought on major capital expenditure submitted by AAI, in the revised MYTP, for the Second Control Period
November 14, 2024	Clarifications provided by AAI regarding CAPEX for the Second Control Period.
November 18, 2024	Information received from AAI regarding revised CAPEX for the Second Control Period.

2.3.5 AAI has 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 corporate headquarters. However, since the accounts of AAI as a whole are centralized at corporate headquarters (CHQ), the CAG accordingly issues the final audit certificate. The Authority has examined the audited trial balance (FY 2019-20 to FY 2023-24) submitted by AAI for determination of tariff.

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

2.3.7 After examining the MYTP and other details submitted by AAI, the Authority had issued Consultation Paper No. 06/2024-25 on 19th December, 2024. Stakeholder comments and AO counter comments were





scheduled for submission by January 18, 2025 and January 28, 2025 respectively. Following the release of Consultation Paper, the Authority convened a meeting with stakeholders on January 03, 2025. The minutes of the meeting are available on AERA's website.

2.3.8 The following stakeholders provided comments on Consultation Paper No. 06/2024-25 dated December 19, 2024 and their responses are available on the AERA's website:

1. Airports Authority of India (AAI)
2. Federation of Indian Airlines (FIA)
3. Consumer Unity and Trust Society (CUTS)
4. International Airport Transport Association (IATA)

*Table 3: 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	Tariff Determination Process
FIA and CUTS	Framework for Determination of Tariff
AAI, IATA and FIA	True up of the First Control Period
FIA	Traffic for the Second Control Period
AAI, FIA and IATA	Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Second Control Period
AAI, IATA and FIA	Fair Rate of Return for the Second Control Period
AAI, FIA and IATA	Operation and Maintenance Expenses for the Second Control Period
FIA and IATA	Non-Aeronautical Revenue for the Second Control Period
IATA	Quality of Service for the Second Control Period
FIA	ARR for the Second Control Period
AAI and FIA	Aeronautical Revenue/ Tariff rate Card

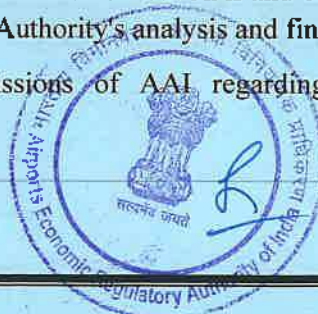
2.3.9 The counter comments from AAI on the comments from the stakeholders were received on 28th January, 2025. Thus, Stakeholders' consultation process concluded on the receipt of counter comments by AAI.

2.3.10 No input were received from the Ministry of Civil Aviation (MoCA) as part of the Consultation process.

## 2.4 Construct of this Tariff Order

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

- i. The background of the Authority's Tariff Determination process is explained in this Chapter (Chapter 2) and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 lists out the submissions of AAI for true up of the First Control Period which is from FY 2019-20 to FY 2023-24. This is followed by the Authority's examination of the same as set out in Consultation Paper No. 06/2024-25 dated 19<sup>th</sup> December, 2024. Thereafter, comments of AAI and other stakeholders' comments, counter comments of AAI, Authority's analysis and final decision is 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. 06/2024-25 dated 19<sup>th</sup> December, 2024. Thereafter, comments from 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, rationalisation and proposals on the Aeronautical Capital Expenditure, Depreciation and RAB for the Second Control Period as set out in Consultation Paper No. 06/2024-25 dated 19<sup>th</sup> December 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 7-12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals regarding the same as set out in Consultation Paper No. 06/2024-25 dated 19<sup>th</sup> December 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 as determined by the Authority, based on the various proposals and adjustments considered by the Authority for the Second Control Period at the Consultation Stage. Thereafter, the comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority analysis and final decisions are set out.
- vii. Chapter 14 presents the Aeronautical Revenue decided by the Authority for Amritsar International Airport for the Second Control Period.
- viii. Chapter 15 summarizes the Authority's decisions on all matters related to Tariff computation and Chapter 16 is the Tariff Order issued by the Authority for Amritsar International Airport for the Second Control Period.
- ix. Chapter 17 contains Annexures:
  - Annexure I: Tariff Rate Card approved by the Authority for Amritsar International Airport for the Second Control Period.

## 2.5 Stakeholders' comments regarding Tariff Determination for Amritsar 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. 06/2024-25 dated 19<sup>th</sup> December 2024. The comment of the stakeholder is presented below:

2.5.1 FIA's comment on delay in submitting the Multi Year Tariff Plan 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."*

## 2.6 AAI's responses to FIA' comments regarding Tariff Determination for Amritsar International Airport for the Second Control Period

2.6.1 AAI's response to FIA's comment on delay in submitting the Multi Year Tariff Plan is as follows:

- i. *The FRR for an airport depends upon the cost of equity and cost of debt.*
- ii. *In the First Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein the cost of equity was 15.64%, however, AERA*



*has been considering cost of equity at 15.18%.*

- iii. *Further, In the order of First control period AERA has decided to provide FRoR of 14% on the RAB to AAI.*
- iv. *The capital expenditure approved in the First Control Period, could not be utilized because of the Covid-19, pandemic - shortage of labour and restriction imposed by the GOI. Further, the work of Parallel taxi track which was one of the major CAPEX could not be done due to delay on account of land issue with IAF.*
- v. *AAI has already clarified in its comments that with respect to interest and penalties expenses at RHQ/CHQ level for FY 2021-22, ICAI in its report mentioned that interest and penalties are treated as non-cost items and are not treated as a part of costs and projection for future years.*

## **2.7 Authority's analysis on Stakeholders' comments regarding the Tariff Determination for Amritsar International Airport for the Second Control Period**

2.7.1 The Authority notes the comments of FIA regarding delay in submitting the Multi Year Tariff Plan. The counter comments of AAI are observed to be not relevant to the comments of FIA.

In this regard, it is highlighted that AERA is committed 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 is very exhaustive, involving detailed analysis of each regulatory building block, before the Consultation Paper is issued by the Authority, which is followed by user consultation. Based on the stakeholders' views/comments, relevant building blocks are further reviewed, considering all the relevant factors before issuance of the Tariff Order.

Hence, the timely completion of tariff determination depends upon various factors. The sequence of events relating to the tariff determination process in respect of Amritsar Airport has been elaborated in Para 2.3.4 of this Tariff Order. AERA keeps advising all Airport Operators to submit MYTPs well in advance i.e. 6 months before the commencement of the new Control Period.

Further, it is clarified that 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 the tariff determination process leading to an increase in adjusted deemed initial RAB does not arise in this case.

भा.वि.अ.वि.प्रा.

AERA



### 3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR AIA

#### 3.1 Methodology

- 3.1.1 The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA, from time to time.
- 3.1.2 The Authority had adopted the Hybrid-Till mechanism for tariff determination for the First Control Period, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidising 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 ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

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

Where,

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

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

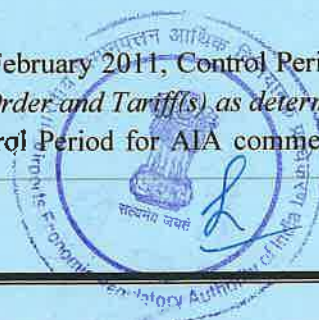
$$Yield\ per\ passenger(Y) = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VE_t}$$

- 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 As per the provisions of Section 13(2) of the AERA Act, 2008, the tariff determination 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 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 AIA commenced from April 1, 2019 and the





Second Control Period has commenced from April 1, 2024.

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

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to Aeronautical services at AIA. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues relating to 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. The tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across all the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.
- 3.3.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 3.3.3 This Tariff Order discusses the determination of tariff for Aeronautical services at AIA excluding Cargo Operations. The tariff related to Cargo Operations of AIA will be determined separately since its operations are carried out by AAICLAS.

### 3.4. Stakeholders' comments regarding the Framework for determination of tariff for Amritsar international Airport 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. 06/2024-25 dated 19th December 2024. The comments of the stakeholders are presented below:

#### 3.4.1 FIA comment on 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 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."*

#### 3.4.3 CUTS's comment on Hybrid Till method is as follows:

*"To make sure passengers have a good experience while the airport stays financially healthy, the Airports Economic Regulatory Authority (AERA) should take a closer look at the non- aeronautical income at Amritsar International Airport (AIA), especially the rental costs for food and drink outlets. According to AERA's Consultation Paper No. 06/2024-25, the airport's non-aeronautical income is expected to be much higher in the Second Control Period compared to the First Control Period (Chapter 10). This suggests that higher rental fees for food outlets may be driving this increase. Since these high rental costs*

are often passed on to passengers in the form of higher prices for food and drinks. AERA could consider setting limits on rental rates or offering incentives to food vendors to keep prices reasonable.

The AERA's Hybrid-Till mechanism, which uses only 30% of non aeronautical revenue to cross subsidize aeronautical charges, suggests a focus on Increasing non-aeronautical revenues, but a more balanced approach could help ensure that passengers are not unduly burdened by high food and beverage prices. This strategy would allow the airport to remain profitable while safeguarding consumer interests and enhancing the overall passenger experience."

#### 3.4.4 CUTS's comment on stakeholders' meeting is as follows:

"We respectfully urge AERA to issue an advisory to all airports, recommending the adoption of a hybrid format for stakeholders meetings, which would include the option for virtual participation. This approach would ensure that experts from diverse fields, who may not be able to attend in person due to geographical or other constraints, can still actively engage and contribute to the discussions. By offering a virtual participation option, we can foster a more inclusive and collaborative environment, allowing for a broader range of perspectives and expertise to be brought to the table, ultimately enhancing the quality and effectiveness of the consultation process."

#### 3.4.5 CUTS's comment on passenger services is as follows:

"In an article published in The Tribune on August 14, 2024, consumers at Sri Guru Ram Das Jee International Airport in Amritsar expressed dissatisfaction with the airport's facilities despite a rise in international flights. Key concerns revolved around poor sanitation, including unhygienic and poorly maintained washrooms, broken toilets, waterlogging, and leaking roofs, particularly in guest areas.

Thus, continuous real-time feedback systems can serve as a valuable tool for improving airport services, ensuring that concerns are addressed before they escalate and fostering a more positive travel experience for consumers."

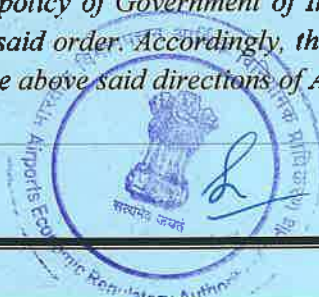
#### 3.4.6 CUTS's comment on passenger facilitation is as follows:

"Additionally, the recent inauguration of the Udan Yatri Cafe at Kolkata Airport, which offers affordable food options starting from just Rs 10, marks a significant step towards making air travel more inclusive and accessible. A similar approach could be explored at Amritsar International Airport, where implementing a similar café concept could not only cater to the needs of all travelers, regardless of their budget, but also enhance the overall passenger experience. By offering reasonably priced food options, Amritsar International Airport could set a positive example of balancing financial sustainability with customer satisfaction, ensuring that air travel remains accessible to everyone."

### 3.5. AAI's responses to Stakeholders' comments regarding the Framework for determination of tariff for Amritsar International Airport for the Second Control Period

#### 3.5.1 AAI's response to FIA's comment on 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-subsidize 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 Air Navigation services (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."*

3.5.3 AAI's response to CUTS's comment on Hybrid- Till method is as follows:

*"Contract for Non aeronautical income i.e. restaurant, master concessionaires etc, are awarded through the process of Tendering through competitive bidding only and invited tender through CPP portal /Gem portal etc. as per the applicable policy Regarding Udan Yatri Café, firstly AAI would like to thank you for your acknowledgment/appreciation for Kolkata Airport. Further, your point will be taken care as per policy."*

3.5.4 AAI's response to CUTS's comment on Passenger service is as follows:

*"There is ASQ survey every quarter for Amritsar Airport. According to the press release by ACI, Amritsar, was awarded as the best airports in the Asia Pacific region for year 2020 for 2 to 5 million yearly passengers category. AAI is making all the endeavors to achieve high service level quality for passenger facilitation and other stakeholders."*

### **3.6. Authority's analysis on Stakeholders' comments regarding the Framework for determination of tariff for Amritsar International Airport for the Second Control Period**

3.6.1 The Authority notes the comments of FIA on the Hybrid Till model and AAI's response thereon.

The determination of tariff for major airports under the Hybrid Till Mechanism is in line with the National Civil Aviation Policy 2016 (NCAP 2016) of Government of India and the consequent 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."*

Accordingly, 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.

3.6.2 The Authority notes FIA's comments on Air Navigation Services (ANS) and AAI's response on the same.

In this regard, it is to be noted that the tariff for ANS is presently being determined and approved by the Ministry of Civil Aviation (MOCA) for all the airports in India, to ensure uniform ANS Charges across the Country. Hence, AERA determines tariff for Aeronautical services in respect of Airport Operator, by excluding Assets, Revenues & Expenditure related to ANS.

3.6.3 The Authority has noted the comments of Consumer Unity and Trust Society (CUTS) regarding Hybrid-Till method.

AERA acknowledges that while the projected increase in non-aeronautical revenue for the Second Control Period reflects healthy commercial growth, it is essential to balance revenue optimization with passenger interests. The Authority is of the view that higher rental rates does not have any direct correlation with the increase in food prices. Also, the rental rates are negotiated between the Airport Operator

and the Concessionaire, as such charges are Non-Aeronautical in nature. Further, increase in Non-aeronautical revenue is also driven by increase in passenger traffic.

The Authority would like to mention that under the Hybrid Till mechanism, 30% of the Non-aeronautical revenue is cross subsidized, to incentivize the Airport Operator to develop non-aeronautical revenue streams while ensuring reasonable increase in aeronautical tariffs. However, this should not result in disproportionate costs being passed on to passengers.

The Authority's endeavour to ensure that airport development and passenger affordability, progress hand in hand, thereby creating a sustainable aviation ecosystem that benefits all the Airport Users.

The Authority requests AAI to expand the affordable café concept, as exemplified by the Udan Yatri café at Kolkata Airport, to other airports across the network. This expansion aims to provide passengers with reasonably priced food and beverage options. The implementation of such affordable dining facilities would enhance passenger experience while ensuring accessibility to budget-friendly refreshments.

- 3.6.4 The Authority acknowledges the views of Consumer Unity and Trust Society (CUTS) regarding holding stakeholders consultation meeting in hybrid mode. Recently, the Authority has conducted stakeholders consultation meeting with respect to the Consultation Paper of IGI Airport, Delhi on hybrid mode.
- 3.6.5 The Authority notes the comments of CUTS on improving passenger service and AAI's response thereon. In this regard, the Authority requests AAI to address the concerns of the passengers and ensure maintenance of proper hygiene and cleanliness at the Airport.





#### 4 TRUE UP OF THE FIRST CONTROL PERIOD

##### 4.1 AAI's submission regarding True up of the First Control Period for AIA

4.1.1 AAI had submitted a shortfall of ₹ 154.55 Crores in Aeronautical revenue recovery for Amritsar International Airport for the First Control Period, as part of its MYTP submission for the Second Control Period:

Table 4: True up for First Control Period submitted by AAI

(₹ in Crores)

Particulars	Ref.	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Average RAB	a	143.11	158.68	157.13	176.29	198.53	
FRoR	b	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on Average RAB	c= (a) * (b)	20.04	22.21	22.00	24.68	27.79	116.72
Depreciation	(d)	12.49	12.47	13.94	15.37	15.90	70.17
O&M expenses	(e)	94.52	63.55	84.51	94.83	109.03	446.44
Tax	(f)	-	-	-	-	-	-
Interest on Working Capital	(g)	-	-	0.89	-	-	0.89
Gross ARR	(h) = (c+ d+ e+ f+ g)	127.04	98.24	121.34	134.88	152.72	634.22
NAR		40.44	12.98	14.24	19.10	31.08	117.85
Less 30% NAR	(i)	12.13	3.89	4.27	5.73	9.33	35.35
Net ARR	(j) = (h- i)	114.91	94.34	117.06	129.15	143.40	598.86
Actual Aeronautical Revenue	(k)	107.12	19.02	73.28	137.77	179.65	516.84
Under/ (Over) recovery of First Control Period	l=(j-k)	7.79	75.33	43.78	(8.62)	(36.25)	82.02
Discount Factor (@14.00%)	(m)	1.93	1.69	1.48	1.30	1.14	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(l*m)	15.00	127.22	64.87	(11.21)	(41.33)	154.55
True up of Under Recovery of First Control Period as on March 31, 2024				154.55			

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

4.2.1 The decisions were taken at the time of determination of tariff for Aeronautical services for the First Control Period vide Order No. 56/2020-21 dated December 24, 2020 have been reproduced below:

###### Decision No. 1. Regarding tariff Setting Principles

(i) The Authority decides to adopt the "Hybrid Till" approach for determination of aeronautical tariffs for the First Control Period in respect of the Amritsar Airport.

###### Decision No. 2. Regarding Cargo revenue and revenue from ANS

(i) The Authority decides not to consider the revenues from AAICLAS (except 30% royalty as revenue share from AAICLAS) and ANS while determining Aeronautical tariffs for the Amritsar Airport.

###### Decision No. 3. Regarding traffic forecast



- (i) *The Authority decides to consider the ATM and passenger traffic for 1<sup>st</sup> control period for Amritsar Airport as per Table 11.*
- (ii) *The Authority decides that subject to the terms and conditions of the privatization of Amritsar Airport, it will consider to 'true-up' the traffic volume (ATM and Passengers) on the basis of actual traffic in 1<sup>st</sup> Control Period while determining tariffs for the 2<sup>nd</sup> Control Period.*

**Decision No. 4. Regarding allocation of assets**

- (i) *The Authority decides to consider the allocation of Gross Block of Assets as on April 1, 2017 between aeronautical and non-aeronautical assets as detailed in Table 23.*

**Decision No. 5. Regarding Initial RAB**

- (i) *The Authority decides to consider the Initial Regulatory Asset Base for the 1<sup>st</sup> Control Period for Amritsar Airport as INR 127.97 crores in accordance with Table 27.*

**Decision No. 6. Regarding capital expenditures.**

- (i) *The Authority decides to adopt the Aeronautical Capitalization for the 1<sup>st</sup> Control Period in accordance with Table 39.*
- (ii) *The Authority has decided that subject to the terms and conditions of privatization of Amritsar Airport, it will consider to 'true-up' the Capital expenditure incurred based on actual costs subject to the 'normative' approach at the time of determination of tariffs for the 2nd Control Period.*
- (iii) *To reasonably assess the project completion/commissioning date vis-a-vis the proposed date of capitalization, and, subsequently, may decide to exclude/reduce the capital cost of the project by 1% from RAB at the time of 'true-up' in the 2nd Control Period.*

**Decision No. 7. Regarding depreciation.**

- (i) *The Authority decides to adopt depreciation rates for Amritsar airport as per Table 43 for the 1<sup>st</sup> Control Period.*
- (ii) *The Authority decides to consider the depreciation amounts as per Table 46 for the 1st Control Period.*

**Decision No. 8. Regarding RAB.**

- (i) *The Authority decides to consider the average RAB for the 1<sup>st</sup> Control Period for Amritsar airport as per Table 50.*

**Decision No. 9. Regarding Fair Rate of Return (FROR).**

- (i) *The Authority decides to consider the FRoR for Amritsar Airport for the 1<sup>st</sup> Control Period as per Table 52.*

**Decision No. 10. Regarding non-aeronautical revenues**

- (i) *The Authority decides to consider the Non-Aeronautical Revenues for the 1<sup>st</sup> Control Period for Amritsar Airport in accordance with Table 59.*

**Decision No. 11. Regarding O&M expenses**

- (i) *The Authority decides to consider the O&M expenses for the 1st Control Period for Amritsar Airport as per Table 72.*





**Decision No. 12. Regarding Aeronautical Revenue**

(i) The Authority decides to consider the Aeronautical revenue for the 1<sup>st</sup> Control Period for Amritsar Airport as per Table 76

**Decision No. 13. Regarding tax expense**

(i) The Authority decides to consider the Tax Expense for the 1<sup>st</sup> Control Period for Amritsar Airport as per Table 81

**Decision No. 14. Regarding Aggregate Revenue Requirement.**

(i) The Authority decides to consider the ARR and YPP for the 1<sup>st</sup> Control Period for Amritsar Airport in accordance with Table 85.

**Decision No. 15. Regarding Annual Tariff Proposal.**

(i) The Authority decides to approve the tariffs for the 1<sup>st</sup> Control Period for Amritsar Airport as given in the Tariff Card annexed as Annexure-I.

**4.3 True up of Traffic**

4.3.1 AAI had submitted Passenger Traffic and ATM for AIA for the First Control Period which was as follows:

Table 5: AAI's submission for True up of traffic for the First Control Period for AIA

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>Passenger (In Millions)</b>						
Domestic	1.64	0.66	1.04	1.76	2.10	7.21
International	0.82	0.19	0.34	0.76	0.98	3.09
<b>Total</b>	<b>2.46</b>	<b>0.85</b>	<b>1.38</b>	<b>2.52</b>	<b>3.09</b>	<b>10.30</b>
<b>ATM (In No's)</b>						
Domestic	12,389	6,399	10,781	14,936	16,014	60,519
International	4,692	1,617	2,722	4,585	5,634	19,250
<b>Total</b>	<b>17,081</b>	<b>8,016</b>	<b>13,503</b>	<b>19,521</b>	<b>21,648</b>	<b>79,769</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. 56/ 2020-21 for the First Control Period is shown in Table 6 below:

Table 6: Passenger traffic and ATM approved by the Authority in the Tariff Order for the First Control Period

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>Passenger (In millions)</b>						
Domestic	1.64	1.00	1.20	1.64	1.97	7.45
International	0.82	0.30	0.51	0.82	0.98	3.43
<b>Total</b>	<b>2.46</b>	<b>1.30</b>	<b>1.71</b>	<b>2.46</b>	<b>2.95</b>	<b>10.88</b>
<b>ATM (In No's)</b>						



Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Domestic	12,389	8,333	9,833	12,400	14,880	57,835
International	4,692	2,143	3,536	4,700	5,640	20,711
<b>Total</b>	<b>17,081</b>	<b>10,476</b>	<b>13,369</b>	<b>17,100</b>	<b>20,520</b>	<b>78,546</b>

- 4.3.3 The Authority noted that the major variation between 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) was attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, chartered flights were cancelled, due to which the domestic and international passenger traffic showed a decreasing trend.
- 4.3.4 The Authority verified the actual Passenger traffic and ATM from FY 2019-20 to FY 2023-24 (as per Table 5) for the First Control Period based on the details available on AAI's website and noted no variances.
- 4.3.5 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 5, in line with its Decision No. 3 (ii) of the Tariff Order No. 56/ 2020-21 dated December 24, 2020, which states "The Authority decides that subject to the terms and conditions of the privatization of Amritsar Airport, it will consider to 'true-up' the traffic volume (ATM and Passengers) on the basis of actual traffic in the 1<sup>st</sup> Control Period while determining tariffs for the 2<sup>nd</sup> Control Period."

#### Stakeholders' comments regarding true up of traffic for the First Control Period

- 4.3.6 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 the First Control Period

- 4.3.7 The Authority notes that no comments were received from the Stakeholders on the 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. 06/2024-25 dated December 19, 2024. The traffic considered by the Authority for true up of the First Control Period has been shown in Table 5.

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

- 4.4.1 The actual CAPEX submitted by AAI for true up of the First Control Period for AIA is as follows:

Table 7: Capital additions during the First Control Period submitted by AAI for AIA

(₹ in Crores)

S. No	Asset category	Approved Capex as per Tariff Order (1)	Actual Aero CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)
1	Runway, Taxiway & Aprons	139.45	53.83	(85.62)
2	Road, Bridges & Culverts	1.96	3.00	1.04
3	Terminal building	25.70	25.30	(0.40)
4	Building Temporary	-	0.21	0.21
5	Other Building	0.47	2.54	2.07
6	Boundary wall -operational	-	0.40	0.40
7	Computer end user	-	0.39	0.39



S. No	Asset category	Approved Capex as per Tariff Order (1)	Actual Aero CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)
8	Computer Software	-	0.15	0.15
9	Plant & Machinery	17.79	9.94	(7.85)
10	Tools and equipment	21.42	14.69	(6.73)
11	Electrical Installation	50.88	19.70	(31.18)
12	Furniture & Fixtures- Trolley	0.75	-	(0.75)
13	Office furniture	0.90	0.13	(0.77)
14	furniture other than office	2.52	1.52	(1.00)
15	Other office appl.	-	0.17	0.17
16	CFT/ Fire Fighting Equipment	5.00	0.02	s
17	Vehicles	1.28	1.15	(0.13)
18	XBIS	16.69	8.70	(7.99)
	<b>Total CAPEX incurred (A+B)</b>	<b>284.82</b>	<b>141.83</b>	<b>(142.98)</b>

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 284.82 Crores. Year- wise details of the CAPEX (capitalization of assets) approved by the Authority is provided as follows:

Table 8: Capital expenditure approved in the Tariff Order for the First Control Period

(₹ in Crores)

S. No	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Runway, Apron & Taxiway	-	47.55	-	91.90	-	139.45
2	Road, Bridges & culverts	0.53	1.44	-	-	-	1.97
3	Building- Terminal	18.50	-	7.20	-	-	25.70
4	Other Building –Unclassified	0.47	-	-	-	-	0.47
5	Plant& Machinery	2.34	5.44	12.45	-	-	20.23
6	Tools& Equipment	1.46	0.31	20.50	-	-	22.27
7	Office Furniture	0.25	0.15	0.10	0.15	0.25	0.90
8	Vehicles	0.63	0.15	-	0.40	0.10	1.28
9	Electrical Installations	7.41	8.81	34.13	-	-	50.35
10	Furniture & Fixtures-Other than Trolley	1.62	0.15	0.35	0.20	0.20	2.52
11	furniture & Fixtures- Trolley	0.30	-	0.15	-	0.30	0.75
12	X Ray Baggage System	-	2.55	11.39	-	-	13.94
13	CFT/Fire Fighting Equipment	-	-	5.00	-	-	5.00
	<b>Total</b>	<b>33.51</b>	<b>66.55</b>	<b>91.27</b>	<b>92.65</b>	<b>0.85</b>	<b>284.82</b>

4.4.3 The Authority noted a variance of ₹ 142.98 Crores (50%) between CAPEX approved by the Authority and that incurred by AAI against the approved CAPEX for the First Control Period, as per Table 7.

4.4.4 AAI had submitted the following depreciation for the First Control Period for AIA:

Table 9: Depreciation for the First Control Period submitted by AAI for ALA

(` in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways, Taxiway & Aprons	2.38	1.46	2.36	3.26	3.26	12.71
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	1.15	1.20	1.31	1.38	1.38	6.42
Building- Terminal	1.65	2.02	2.05	2.09	2.10	9.91
Building - Temporary	0.01	0.03	0.05	0.06	0.04	0.19
Building - Residential	0.10	0.10	0.10	0.10	0.10	0.50
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.65	0.05	0.07	0.09	0.06	0.91
Boundary Wall - Residential	-	-	-	-	-	-
Other Buildings-Unclassified	0.23	0.26	0.30	0.30	0.31	1.41
COMPUTER - END USER	0.61	0.46	0.07	0.12	0.12	1.39
COMPUTER SERVER AND NETWORK	-	-	-	-	-	-
Intangible Assets- Software	0.02	0.02	0.04	0.04	0.03	0.15
Plant & Machinery	0.77	1.09	1.09	1.09	1.10	5.13
Tools & Equipment	0.76	1.11	1.39	1.41	1.53	6.20
Office Furniture	0.13	0.14	0.14	0.12	0.02	0.54
Vehicles	0.33	0.36	0.39	0.42	0.43	1.93
Vehicle- Cars & Jeeps	-	-	-	-	0.01	0.01
Electrical Installations	3.10	3.46	3.75	3.94	4.30	18.56
Other Office equipment	0.03	0.02	0.03	0.03	0.03	0.13
Furniture & Fixtures-Other than Trolley	0.14	0.25	0.25	0.25	0.25	1.16
Furniture & Fixtures- Trolley	-	-	-	-	-	-
X Ray Baggage System	0.02	0.04	0.17	0.28	0.44	0.95
CFT/Fire Fighting Equipment	0.39	0.40	0.40	0.40	0.40	1.98
<b>Total</b>	<b>12.49</b>	<b>12.47</b>	<b>13.94</b>	<b>15.37</b>	<b>15.90</b>	<b>70.17</b>

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

4.4.5 The Authority noted that there are variances between the costs approved by the Authority in the First Control Period Tariff Order and the actual cost incurred by the Airport Operator. The CAPEX incurred by AAI had been capitalized in the books of account, based on work orders issued by AAI for each component of CAPEX. The Authority, through its Independent Consultant, had examined and verified the CAPEX incurred by AAI in First Control Period from the Fixed Assets Register.

The major variances between approved CAPEX and actual CAPEX were presented asset-wise in the below paragraphs.

- i. **Runways, Taxiways and Apron:** The Authority had approved ₹ 139.45 Crores towards capitalization of the following projects under Runway, Taxiways and Apron in the First Control Period.
  - Construction of Parallel Taxi Track (PTT) from Runway 16 beginning up to Taxiway E, amounting to ₹ 78.50 Crores.
  - Rehabilitation of IAF structures, amounting to ₹ 13.40 Crores.



- Expansion of Apron for 10 Nos Code 4C amounting to ₹ 47.55 Crores.

However, the works pertaining to construction of Parallel Taxi Track, rehabilitation of IAF structures could not be completed by AAI in the First Control Period and the same had been shifted to the Second Control Period. The Authority through its Independent Consultant noted that the construction of PTT had not been undertaken due to the presence of IAF structures in the planned alignment and strip and the same needs to be removed, prior to the commencement of work.

With respect to the other project on rehabilitation of IAF structures, AAI and IAF had identified potential land parcels. However, initiation of this project, necessitates formal approval from both AAI and IAF, in the form of a Memorandum of Understanding.

AAI had incurred ₹ 53.23 Crores towards expansion of 10 parking bays of Apron and ₹ 0.60 Crores towards layering of paver blocks around Apron. The Authority noted that for commissioning of the new Apron, the airlines and refuelling agencies had raised concerns about unpaved area between the new Apron & GSE area and the other side of new Apron & Service road. Since, the unpaved area could not be used for manoeuvring of buses, oil tankers and other vehicles, near shoulder of the new Apron, the said area was covered with paver blocks. Based on the above factors, the Authority considered the above work as justifiable and cost as reasonable as compared to the CPWD norms/ market rates.

- ii. **Roads, Bridges and Culverts:** The Authority had approved ₹ 1.96 Crores towards Roads, Bridges and Culverts and AAI had incurred ₹ 3.00 Crores towards the same. Out of the total amount approved by the Authority towards Roads, bridges and culverts in the Tariff Order for the First Control Period, ₹ 1.44 Crores was towards Provisioning of road from Cargo Apron to Fire Station- Kohinoor, against which AAI had incurred ₹ 1.99 Crores. The Authority through its Independent Consultant, noted that the layout of road were modified due to the constraints in re-routing of cables, which resulted in the increase in the cost of execution of the project. Considering the essentiality and reasonableness of costs, based on review of CPWD norms/ market rates, the Authority proposed to consider the same for true up of the First Control Period.

Further, the Authority noted that expense amounting to ₹ 0.04 Cr. incurred by AAI towards removal of sludge from underground RCC trench had been capitalised under this head. However, considering the nature of this expense, the Authority shifted this to Repairs and Maintenance, under Operation and Maintenance expenses.

- iii. **Terminal Building:** The Authority had approved ₹ 25.70 Crores towards works related to Terminal Building in the Tariff Order for the First Control Period, against which AAI had incurred ₹ 25.30 Crores. The major works pertaining to the above project were as follows:

- Interior works of First Floor of Terminal Building including Civil works, Signage works amounting to ₹ 15.13 Crores.
- Electrical works on the first floor of the terminal building amounting to ₹ 3.74 Cr.
- Modification to railing at Central cut out and towards Air corridor for ₹ 1.63 Crores.

Considering that the above CAPEX were necessary for operational requirements of the Airport and the reasonableness of costs, based on review of CPWD norms/ market rates, the Authority proposed to consider the same for true up of the First Control Period.

- iv. **Other Building:** The Authority noted that AAI had incurred ₹ 2.54 Crores towards Other Building as against approved CAPEX of ₹ 0.47 Crores for the First Control Period. Out of the

total CAPEX, AAI had incurred ₹ 1.01 Cr towards provisioning of Hard Stand between Perimeter Road and Boundary wall and the same was necessitated due to the following reasons:

- The concertina coil along the boundary wall had been rusted in some places.
- Thick vegetation growth was observed between the perimeter road and the boundary wall, due to highly fertilized soil.

Considering the essentiality of the above CAPEX and reasonability of costs, through review of prevailing CPWD norms/ market rates, the Authority proposed to consider the same for true up of the First Control Period.

Further, the Authority noted that expense amounting to ₹ 0.27 Crores incurred by AAI towards special repair work in CISF Barracks in FY 2021-22 had been capitalised under Other Buildings. However, considering the nature of the expense, the Authority shifted this expense to Repairs and Maintenance under Operational and Maintenance expenses.

**v. Plant and Machinery:** The Authority noted that AAI had incurred ₹ 9.94 Crore towards plant and machinery, as against approved CAPEX of 20.22 Crore for the First Control Period. Details of the actual CAPEX is as follows:

- CAPEX amounting to ₹ 3.22 Crores incurred towards providing AVDGS for 10 numbers of parking bays.
- Rubber Removal machine amounting to ₹5.78 Crores were procured by AAI. The Authority found the same to be reasonable, in line with the cost incurred by other similar airports.
- Provision of mechanized grass cutting machines amounting to ₹ 0.77 Crores.
- Procurement of 10 nos. of hand-held Bush cutters amounting to ₹ 0.04 Crores.

Considering the essentiality of CAPEX and reasonability of costs, based on review of market rates/ cost incurred by other similar airports, the Authority proposed to consider the above CAPEX for true up of the First Control Period.

Further, the Authority noted that the following CAPEX was approved in the Tariff Order for the First Control Period, had not been incurred by AAI for Amritsar Airport, due to reasons mentioned hereunder:

- CAPEX amounting to ₹ 2 crore was approved towards installation of FIDS in the extended area of the terminal building. As the project on extension of the terminal building was not undertaken in the First Control Period, the above capital expenditure were not incurred by AAI in the First Control Period.
- CAPEX amounting to ₹ 10.45 Crore was approved towards installation of “Body Scanner” in the First Control Period. However, the same had not been incurred by AAI, as the technology related to Full Body Scanner was in nascent stage.

**vi. Electrical Installations:** The Authority noted that AAI spent ₹ 19.70 Crores towards “Electrical Installations” as against approved CAPEX of ₹ 50.35 Crores for the First Control Period. Details of the major CAPEX have been provided hereunder:

- ₹ 16.35 Crore was approved towards upgradation of ALCMS and provision of ILCMS in the First Control Period. However, the above CAPEX was not incurred by AAI, as ALCMS and ILCMS, being a foreign country product and was not available in India. In order to promote Make in India policy, AAI had undertaken initiatives for developing the above technology in



India. As the product is under development, so no expenditure had been incurred towards the same.

- ₹ 17.78 Crores had been approved by the Authority towards “GLF work for expansion of Apron and PTT” in the Tariff Order for the First Control Period, against which AAI had incurred ₹ 5.08 Crores. The above cost was considered reasonable, based on review of prevailing CPWD norms/ market rates. The reduction in cost was due to reduced scope of work.
  - ₹ 2.28 Crores was incurred by AAI for improving the air conditioning system. As this CAPEX was necessary for operational requirements and cost was reasonable, as compared to the CPWD norms/ market rates, the Authority proposed to consider the same for true up of the First Control Period.
  - ₹ 1.55 Crores was incurred by AAI for “Augmentation of Power Supply in operational area”. The Authority observed that these projects were essential for power supply and the cost incurred was reasonable, as compared to the prevailing CPWD norms/ market rates. Therefore, the Authority proposed to consider the above CAPEX for true up of the First Control Period.
- vii. **X Ray Baggage System:** AAI had incurred ₹ 8.70 crore on “X Ray Baggage System” against approved CAPEX of ₹ 13.94 Crore for the First Control Period towards modification of Inline X Ray Baggage handling system and SITC of XBIS. As the above CAPEX was essential from Security purposes and within the approved limits as per the Tariff Order of the First Control Period, the Authority proposed to consider the same for true up of First Control Period.
- viii. **Tools & Equipment:** AAI had incurred ₹14.69 Crores on Tools & Equipment, against approved CAPEX of ₹ 22.27 Cr in the Tariff Order for the First Control Period. Details of the major CAPEX incurred towards Tools and Equipment were as follows:
- CAPEX amounting to ₹ 4 Crores was approved towards “ATRS” in the Tariff Order for the First Control Period. However, as the extension of Terminal Building was not undertaken in the First Control Period, the CAPEX on ATRS was also shifted to the next control period.
  - ₹ 7.30 Crores was approved towards “Runway Mechanical Sweeper” in the Tariff Order for the First Control Period. However, the same was not procured by AAI.
  - ₹ 9.20 Crores was approved towards “Threat Containment Vessels (TCV)” in the Tariff Order for the First Control Period. However, due to restrictions during COVID-19 pandemic, the procurement of the above asset was postponed.
  - AAI had procured Photometric Measuring equipment amounting to ₹1.73 crore. The Authority considered the above CAPEX necessary for operation of the Airport and the cost as reasonable, based on review of prevailing market rates.
  - CAPEX amounting to ₹3.22 crores had been incurred towards Advance Visual Docking Guidance System, which the Authority considers as justifiable, as the same is necessary for operations of the Airport.
  - AAI had incurred ₹ 1.98 Crores towards “SITC of Biometric Access Control System- Broadcast Engg.” Based on the essentiality of the asset and reasonableness of costs, as per CPWD norms/ market rates, the Authority had considered the same as justifiable.

- AAI has incurred ₹ 2.70 Crores towards “Procurement Of 83 CCTV Camera at Amritsar Airport.”.

Based on the essentiality of the above assets (as these are needed for security, safety and Airport operations) and reasonableness of costs, as per CPWD norms/ market rates, the Authority proposed to consider the above assets for true up of the First Control Period.

- ix. **Furniture other than Office:** AAI had incurred ₹1.52 Crore towards interior work on the first floor of Terminal Building, as against the approved expenditure of ₹ 2.52 Crore in the Tariff Order of the First Control Period. As this expense was incurred for operational purposes and within the approved limits, the Authority proposed to consider the same for true up of the First Control Period.
- x. **CFT/Fire Fighting Equipment:** The Authority had approved ₹5 Crores towards procurement of 1 no. of CFT in the First Control Period. However, AAI had incurred only ₹0.02 crore towards 5 numbers of Chemical Neutralization Extinguishers, as the proposal for procurement of CFT (1 no.) had been postponed.

Upon analysis of the above capital expenditure, the Authority was of the view that the above CAPEX was incurred by AIA either for Passenger facilitation or Security purposes or to improve operational efficiencies. Therefore, the Authority proposed to consider the same for true up of the capital expenditure of the First Control Period.

- 4.4.6 Based on the above factors, the Authority proposed to consider the actual CAPEX amounting to ₹ 141.52 Crores for the purpose of true up for the First Control Period. The same is detailed as follows:

*Table 10: Capital additions proposed by the Authority for True up of the First Control Period at Consultation Stage*

(₹ in Crores)

S. No	Asset category	FY	FY	FY	FY	FY	Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
1	Runway, Taxiway & Apron	-	-	-	53.83	-	53.83
2	Road, Bridges & Culverts	0.81	-	2.03	0.12	-	2.96
3	Terminal building	22.32	-	1.97	-	1.02	25.30
4	Building Temporary	0.08	-	0.13	-	-	0.21
5	Boundary wall -operational	-	-	0.40	-	-	0.40
6	Other Building	0.03	1.75	-	-	0.49	2.27
7	Computer end user	0.02	0.02	0.17	0.18	-	0.39
8	Computer Software	0.07	-	0.08	-	-	0.15
9	Plant & Machinery	9.65	0.01	0.01	0.00	0.27	9.94
10	Tools and equipment	2.51	7.98	0.25	0.20	3.76	14.69
11	furniture Office	0.13	-	-	-	-	0.13
12	Vehicles	0.40	-	0.25	0.27	0.22	1.15
13	Electrical Installation	5.17	2.98	1.18	2.98	7.39	19.70
14	Other office appl.	0.05	0.00	0.02	0.06	0.04	0.17
15	furniture other than office	1.50	-	0.01	-	0.00	1.52
16	XBIS	-	0.54	3.23	-	4.93	8.70
17	CFT/ Fire Fighting Equipment	0.02	-	-	-	-	0.02
	<b>Total CAPEX</b>	<b>42.77</b>	<b>13.29</b>	<b>9.72</b>	<b>57.63</b>	<b>18.11</b>	<b>141.52</b>



- 4.4.7 The Authority proposed to consider CAPEX of ₹ 141.52 Crores as against CAPEX of ₹ 141.83 Crores claimed by AAI for True up of the First Control Period. The variance was on account of shifting certain CAPEX amounting to ₹ 0.31 Cr from CAPEX to Operational and Maintenance expenses (such as repairs of CISF barracks). Further, the Authority noted that the above CAPEX was incurred by AAI for AIA for passenger facilitation and/or security purposes and/ or operational requirements. The CAPEX of ₹ 141.52 Crores was arrived, after factoring the Terminal Building ratio of 90:10 (in respect of common assets within the Terminal Building) as approved by the Authority, at the time of determination of tariff for the First Control Period. The same was considered by AAI, while submitting the true up of CAPEX for the First Control Period.
- 4.4.8 The Authority noted that AAI had availed debts amounting to ₹ 10.79 Crores during the First Control Period, for Amritsar Airport, as per the Financial Model submitted by AAI. Further, the Authority noted that AAI had claimed IDC amounting to ₹ 0.79 Crores for Amritsar International Airport which was included in the capital additions submitted by AAI for true up of the First Control Period.

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

- 4.4.9 The Authority noted that while submitting the True up for the First Control Period, AAI took cognizance of the rates of depreciation as per Order No. 35/ 2017-18 dated January 12, 2018 read with Amendment No. 01 to Order No. 35/ 2017-18 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by AERA was applied by AAI from FY 2018-19 onwards.
- 4.4.10 The Authority observed that AAI had depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposed to consider the depreciation based on the date of capitalization of the asset and compute the depreciation accordingly, instead of considering 50% of the depreciation in the year of capitalization of the assets. As per the consistent approach of the Authority being followed for all major airports, depreciation in the year of capitalisation (for True up purpose) was calculated considering the actual date of capitalisation of assets as reflected in the Fixed Assets Register maintained by the Airport Operator. Therefore, the Authority proposed to consider depreciation on capital additions for the First Control Period for Amritsar Airport, based on the date of capitalization/ date of asset being "put to use" by the Airport Operator.
- 4.4.11 The Authority noted that FY 2019-20 onwards, AAI had incorrectly computed the depreciation on Net Block of FY 2018-19 instead of the Aeronautical value of the asset. This resulted in a variance in the depreciation computed by the Authority.
- 4.4.12 Based on the above factors, the Authority had re-computed the depreciation as ₹ 85.57 Crores and the same is presented below:

Table 11 : Depreciation proposed by the Authority for True up of the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Land	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways, Taxiway & Aprons	2.40	2.40	2.40	2.59	4.19	13.97
Taxiway	0.00	0.00	0.00	0.00	0.00	0.00
Aprons	0.00	0.00	0.00	0.00	0.00	0.00
Road, Bridges & Culverts	1.29	1.24	1.44	1.43	1.35	6.76

Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Building- Terminal	4.86	5.06	5.07	4.66	3.98	23.62
Building – Temporary	0.01	0.03	0.05	0.06	0.04	0.19
Building - Residential	0.14	0.14	0.14	0.14	0.14	0.72
Security Fencing - Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall -Operational	0.25	0.25	0.23	0.08	0.08	0.89
Boundary Wall - Residential	0.03	0.02	0.01	0.01	0.00	0.06
Other Buildings-Unclassified	0.29	0.31	0.35	0.35	0.36	1.66
Computer – End User	0.41	0.41	0.33	0.08	0.12	1.34
Computer Server and Network	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets- Software	0.01	0.02	0.03	0.03	0.03	0.11
Plant & Machinery	1.05	1.15	1.13	1.12	1.12	5.57
Tools & Equipment	0.85	1.17	1.49	1.50	1.56	6.57
Office Furniture	0.20	0.18	0.13	0.02	0.02	0.55
Environment Management Works	0.00	0.00	0.00	0.00	0.00	0.00
Vehicles	0.29	0.32	0.33	0.35	0.39	1.68
Vehicle- Cars & Jeeps	0.00	0.00	0.00	0.00	0.01	0.01
Electrical Installations	3.20	3.35	3.58	3.68	3.92	17.73
Other Office equipment	0.02	0.02	0.02	0.03	0.03	0.12
Furniture & Fixtures-Other than Trolley	0.12	0.25	0.25	0.25	0.25	1.11
Furniture & Fixtures- Trolley	0.15	0.00	0.00	0.00	0.00	0.15
X Ray Baggage System	0.03	0.03	0.15	0.27	0.27	0.76
CFT/Fire Fighting Equipment	0.40	0.40	0.40	0.40	0.40	2.00
<b>Total</b>	<b>16.01</b>	<b>16.75</b>	<b>17.53</b>	<b>17.03</b>	<b>18.26</b>	<b>85.57</b>

4.4.13 The variance in the depreciation proposed by the Authority (₹ 85.57 Crores) and that claimed by AAI (₹ 70.17 Crores) was on account of following factors:

- Depreciation was incorrectly calculated on the Net Block of FY 2018-19, rather than on the full value of assets retained by the Airport.
- Computation of depreciation was based on the date of capitalization of the asset, instead of 50%, as claimed by AAI as a part of its true up submission for the First Control Period.

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

Table 12: RAB proposed by the Authority for True up of the First Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Opening RAB (A)*	127.97	154.72	151.26	143.45	184.06	
Additions (B) (refer Table 10)	42.77	13.29	9.72	57.63	18.11	141.52
Disposal/Transfers (C)**	-	-	-	-	-	-
Depreciation (D) (Refer Table 11)	16.01	16.75	17.53	17.03	18.26	85.57
Closing RAB (E) = [(A) +(B) – (C) – (D)]	154.72	151.26	143.45	184.06	183.91	
<b>Average RAB = [(A) + (E)]/2</b>	<b>141.35</b>	<b>152.99</b>	<b>147.36</b>	<b>163.76</b>	<b>183.99</b>	





\* Opening RAB has been obtained from Table No. 50 of Tariff Order 56/2020-21 dated December 24, 2020.

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

4.4.14 AAI's comment on Terminal Building ratio is as follows:

*"AAI had apportioned the common assets within the Terminal Building into Aeronautical and Non-aeronautical activities in Terminal Building in the ratio of 90%:10% for the First Control Period when AERA had considered revenue from Space Rent-Airlines as Non-Aeronautical revenue.*

*Recently AERA has changed its decision of revenue of Airlines space from Non-Aero to Aero but the same airlines space is still considered as non-aero while calculating Terminal Building ratio.*

*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 also. As far as IMG norms are concerned whereby 8% to 12% is earmarked as non-aero, The IMG norms was issued in year 2008, the back office space and revenue by Airlines, both were treated as non-aero and Terminal Building Ratio was in the range of 8%-12%. It is not mandatory for the Airlines to take back office in terminal building. It is only for the convenience and at the option of the Airlines only. Therefore, if AERA has reviewed its decision to consider back office space to Airlines as aero, so TB ratio norms may be relooked and revised accordingly.*

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

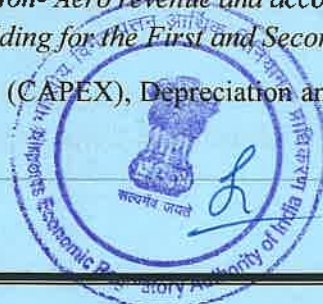
Calculation of the Terminal Building Ratio based on the actual utilization:

<b>Terminal Building Ratio (Space allotted to Airlines considered as Aero instead of Non-Aero as per AERA Decision)</b>						
Particulars	Location	2019-20	2020-21	2021-22	2022-23	2023-24
Space Rented (A)	Non-Aero-area (SQM)	2486.74	2421.21	1981.63	1611.52	2454.09
Space to Airlines (B) (Included in space rent)	Considered as AERO	717.46	655.81	682.42	698.95	706.34
Airlines space (%) on Non Aero		28.85%	27.09%	34.44%	43.37%	28.78%
Airlines space (%) on total Area		1.61%	1.47%	1.53%	1.57%	1.59%
C= (A-B)	Net Non Aero area (SQM)- Excluding airlines space	1769.28	1765.40	1299.21	912.57	1747.75
Capacity (D)	T. B Area (SQM)	40175	40175.00	40175.00	40175.00	40175.00
	Canopy (SQM)	4329	4329.00	4329.00	4329.00	4329.00
	Total Area(SQM)	44504	44504.00	44504.00	44504.00	44504.00
Non-Aero %		3.98%	3.97%	2.92%	2.05%	3.93%
Aero % for Consideration		96.02%	96.03%	97.08%	97.95%	96.07%

*It can be seen from the table that Space utilized by airlines is 27% to 43% of Total Non-Aero (Commercial), hence AERA is requested to consider Space allotted to airlines as Aero for calculating Terminal Building Ratio as submitted by AAI in its MYTP, in view of the change in the AERA's methodology regarding the nature of revenue from space allotted to Airlines.*

*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."*

4.4.15 IATA's comment on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB)





is as follows:

*"We agree with AERA's view of computing the depreciation of assets based on the date of capitalization instead of considering 50% of the depreciation in the year of capitalization, making it consistent with the approach being followed for other major airports."*

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

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

- i. In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regard to calculation of Cost of Equity wherein the cost of equity was 15.64%, however, AERA has been considering cost of equity at 15.18%.*
- ii. Further, in the order of First control period AERA had decided to provide FRoR of 14% on the RAB to AAI.*
- iii. AERA has reduced FRoR to 11.90% against AAI's submission of 14%. Huge capex and operating expenses are Incurred by airport operators to maintain world class airport used mostly by the airlines and the pax.*
- iv. It may further be noted that Airport charges constitute a small percentage to the total ticket price airlines charged from passengers.*
- v. We request AERA to consider cost of equity as per study conducted by KPMG."*

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

**4.4.16 The Authority notes the comments of AAI on Terminal Building ratio.**

At the Consultation stage, the Authority had clarified (refer para 6.2.7 of this tariff order) that the space allotted to airlines by virtue of its nature of usage is part of Aeronautical portion and therefore, the Authority had considered the Terminal Building ratio of 90%:10% (Aeronautical: Non-Aeronautical) as reasonable, in accordance with the decision taken in the Tariff Order for the First Control Period for Amritsar International Airport.

Further, there should be continued efforts by AAI to increase the efficiency in Airport operations, by generating sufficient non-aeronautical revenues for cross subsidization of aeronautical charges.

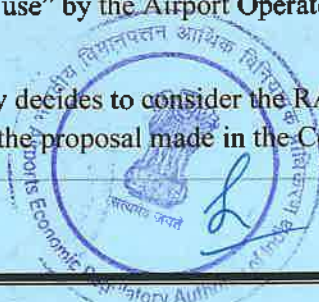
Thus, the Authority taking a balanced view in the matter decides to maintain the same TB Ratio as was considered for the First Control Period.

It may be noted that merely accepting the TB ratio proposed by the Airport Operator would not bring in efficiencies in airport operations. AERA is inclined to consider other relevant factors such as IMG recommendations, IATA norms etc., relating to appropriate Terminal Building ratio, for determining the non-aeronautical area in the Terminal Building.

Based on the above factors, the Authority decides to maintain the same TB Ratio (90:10) as proposed at the Consultation Stage.

**4.4.17 AERA acknowledges the views of IATA regarding computation of depreciation based on the date of capitalisation/ date of asset being "put to use" by the Airport Operator. Counter comments of AAI has no relevance to comments by IATA.**

**4.4.18 Based on the above factors, the Authority decides to consider the RAB based on actuals for true up of the First Control period, consistent with the proposal made in the Consultation Paper No. 06/2024-25**





dated December 19, 2024. The RAB considered by the Authority for true up of the First Control Period has been shown in Table 12.

#### 4.5 True up of Fair Rate of Return

- 4.5.1 The Authority noted that AAI had claimed 14% as Fair Rate of Return as part of its submission for True up of the First control period for Amritsar Airport.
- 4.5.2 At the time of determination of tariff for the First Control Period, the Authority had decided to consider the FRoR for AIA as 14%. Therefore, the Authority proposed to consider the FRoR as 14% for true up of the First Control Period for Amritsar International Airport.

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

- 4.5.3 FIA's comment on FRoR is as follows:

"It is submitted that:

- (a) *We observe that the Fair Rate of Return (FRoR) of 14% provided to the Airport Authority of India ("AAI") for the First Control Period is higher compared to some of the airports, such as Chennai and Pune. Without prejudice to the above, there appears to be no clear rationale for providing a higher return to AAI for Amritsar Airport. Accordingly, we request that AERA consider reducing the FROR for the FCP appropriately.*
- (b) *We also request that AERA conduct an independent study to assess the proposed FroR for the Second Control Period."*

- 4.5.4 IATA's comment on FRoR is as follows:

*"The FRoR for the true-up period, computed at 14% continues to be excessive for airports managed by AAI. The FRoR rate arrived at for the Second Control Period is a useful reference point that may kindly be considered by AERA."*

#### AAI's response to Stakeholders' comments regarding true up of Fair Rate of Return (FRoR) for the First Control Period

- 4.5.5 AAI's response to IATA's comment on FRoR is as follows:

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

- i. *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regard to calculation of Cost of Equity wherein the cost of equity was 15.64%, however, AERA has been considering cost of equity at 15.18%.*
- ii. *Further, in the order of First control period AERA had decided to provide FRoR of 14% on the RAB to AAI.*
- iii. *AERA has reduced FRoR to 11.90% against AAI's submission of 14%. Huge capex and operating expenses are Incurred by airport operators to maintain world class airport used mostly by the airlines and the pax.*
- iv. *It may further be noted that Airport charges constitute a small percentage to the total ticket price airlines charged from passengers.*
- v. *We request AERA to consider cost of equity as per study conducted by KPMG."*

#### 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 the comments of FIA and IATA on FRoR and AAI's response to the same.

Cost of Debt, Cost of Equity and gearing plays an important role in determination of FRoR. FIA has compared the FRoR of Amritsar International Airport with other AAI airports such as Chennai and Pune. The Authority has computed the FRoR at 14% for the First Control Period in respect of the Amritsar airport, as no debt was availed by AAI for Amritsar Airport, during the First Control Period. The Authority is of the opinion that each airport operates with a distinct financial structure.

Hence, for trueing up of the FRoR in respect of the First Control Period, the Authority decides to maintain the same position as proposed in the Consultation Paper.

However, for the Second Control Period, the Authority has applied notional gearing ratio and FRoR worked out is 11.90% p.a.

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 in future for Amritsar International Airport, if considered necessary.

**4.6 True up of Non-aeronautical revenues**

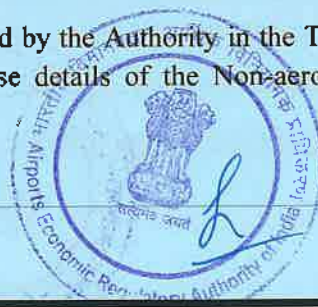
4.6.1 The Authority noted that the actual Non-aeronautical revenue submitted by AAI for AIA for true up of the First Control Period is ₹ 117.85 Crores and the same is presented in the table below:

*Table 13: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for AIA*

(₹ in Crores)

Revenue Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	TOTAL
Restaurant / Snack Bars	9.25	1.82	3.53	3.30	9.28	27.18
T.R. Stall	9.30	4.92	2.94	5.14	6.71	29.01
Hoarding & Display	4.18	1.34	0.66	1.02	2.00	9.20
Revenue - MRO (Maint.)	0.02	0.01	-	-	-	0.03
Land Leases	0.73	0.45	0.14	1.67	(0.86)	2.13
Building (Residential)	0.02	0.03	0.03	0.00	0.02	0.09
Building (Non-Residential)	1.31	1.50	1.40	2.52	1.64	8.37
Duty free shops	7.53	1.19	1.51	0.01	4.53	14.77
Car Rentals	0.99	0.15	0.28	0.65	0.90	2.95
Car Parking	3.35	0.33	2.27	2.57	3.01	11.53
Admission Tickets	1.82	0.05	0.09	0.56	0.43	2.94
Other Income/ Sale of Scrap	1.95	1.19	1.40	1.68	3.42	9.65
<b>TOTAL</b>	<b>40.44</b>	<b>12.98</b>	<b>14.24</b>	<b>19.10</b>	<b>31.08</b>	<b>117.85</b>

4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period was ₹ 211.09 Crores. Component wise details of the Non-aeronautical revenue approved by the





Authority in the Tariff Order for the First Control Period is as follows:

*Table 14: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period*

(₹ in Crores)

Revenue Category	FY	FY	FY	FY	FY	TOTAL
	2019-20	2020-21	2021-22	2022-23	2023-24	
<b>Trading Concession</b>						
Restaurant / snack bars	8.82	4.41	6.18	8.82	9.71	37.94
T.R. stall	9.29	4.65	6.50	9.29	10.22	39.95
Hoarding& display	4.94	2.47	3.46	4.94	5.43	21.24
<b>Rent and services</b>						
Land leases	1.00	0.50	0.70	1.00	1.00	4.20
Building (residential)	0.04	0.04	0.04	0.05	0.05	0.22
Building (non-residential)	4.89	2.45	3.42	4.89	5.38	21.03
<b>Miscellaneous</b>						
Duty Free	9.04	4.52	6.33	9.04	9.94	38.87
Car rentals	0.97	0.48	0.68	0.97	1.06	4.16
Car parking	4.08	2.04	2.86	4.08	4.49	17.55
Admission tickets	2.31	1.16	1.62	2.31	2.54	9.94
Other income/ sale of	2.89	3.04	3.19	3.35	3.52	15.99
<b>Total</b>	<b>48.27</b>	<b>25.76</b>	<b>34.98</b>	<b>48.74</b>	<b>53.34</b>	<b>211.09</b>

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

- 4.6.3 The Authority noted that the actual Non-aeronautical revenue (₹ 117.85 Crores) submitted by AAI for AIA for the First Control Period was lower than that approved by AERA in the tariff order for the First Control Period (₹ 211.09 Crores). The Authority examined variances between projected and actual revenue of Restaurants and Snack bar, T.R stalls, hoardings and displays, Car parking, admission tickets and observes that the same was on account of decline in passenger traffic due to the adverse effects of COVID 19 pandemic. Further, the duty-free shops at Amritsar Airport were closed during COVID 19 pandemic, thereby resulting in lower Non-aeronautical revenue, as the International passengers at the Airport constitute about 32% of the total passenger traffic.
- 4.6.4 The Authority noted that AAI in their MYTP submission had already excluded the Space rental from Airlines amounting to ₹ 7.29 Crores from Non-Aeronautical revenue and included the same as part of the Aeronautical revenue. The Authority, in line with its decision taken while determining the tariff for other Airports considered the same as uniform and consistent.
- 4.6.5 The Authority reviewed the Non-aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2019-20 to FY 2022-23) and Actuals for FY 2023-24 and noted no deviations. Therefore, the Authority proposed to consider the Non-aeronautical revenue as per Table 13 for true up of the First Control Period.

**Stakeholders' comments regarding true up of Non-aeronautical revenue for the First Control Period**



- 4.6.6 No comments have been received from Stakeholders on true up of 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**

- 4.6.7 The Authority notes that no comments were received from the Stakeholders on true up of Non-aeronautical revenue for the First Control Period. Hence, the Authority decides to consider the Non-aeronautical revenue based on actuals for true up of the First Control Period, consistent with the proposal made in the Consultation Paper No. 06/ 2024-25 dated December 19, 2024. The Non-aeronautical revenue considered by the Authority for true up of the First Control Period has been shown in Table 13.

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

- 4.7.1 The Authority noted that the actual O&M expenses submitted by AAI for AIA for true up of the First Control Period is ₹ 446.44 Crores and the same is presented in the table below:

*Table 15: Actual O&M expenses submitted by AAI for AIA for the First Control Period*

(₹ in Crores)

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Payroll expenses	15.00	13.61	14.02	16.17	22.95	81.76
2	Retirement Benefits of employees at Amritsar Airport	3.12	0.66	1.50	0.61	1.67	7.56
<b>A</b>	<b>Total Payroll Expenditure(A)</b>	<b>18.12</b>	<b>14.27</b>	<b>15.52</b>	<b>16.78</b>	<b>24.63</b>	<b>89.31</b>
3	Admin & Gen - Non CHQ /RHQ	7.37	7.74	9.16	11.65	14.13	50.06
4	Admin & Gen CHQ/ RHQ	48.98	23.26	40.45	42.47	44.60	199.76
<b>B</b>	<b>Total Administration &amp; General Expenditure (B)</b>	<b>56.35</b>	<b>30.99</b>	<b>49.61</b>	<b>54.12</b>	<b>58.73</b>	<b>249.81</b>
<b>C</b>	<b>Total R&amp;M Expenses (C)</b>	<b>11.49</b>	<b>10.69</b>	<b>11.33</b>	<b>12.60</b>	<b>14.25</b>	<b>60.36</b>
5	Power	7.02	6.64	6.90	9.71	8.90	39.17
6	Water	-	-	-	-	-	-
7	Consumption of Stores and Spares	0.73	0.17	0.14	0.18	0.93	2.15
8	Other charges	0.52	0.75	0.83	1.15	1.17	4.41
<b>D</b>	<b>Utilities &amp; outsourcing (D)</b>	<b>8.27</b>	<b>7.55</b>	<b>7.87</b>	<b>11.04</b>	<b>11.00</b>	<b>45.74</b>
9	Collection Charges on PSF (F)	0.07	0.03	0.03	0.00	-	0.13
10	Collection Charges on UDF	0.22	0.03	0.14	0.28	0.42	1.09
<b>E</b>	<b>Other Outflow- Collection charges on UDF (E)</b>	<b>0.28</b>	<b>0.06</b>	<b>0.18</b>	<b>0.28</b>	<b>0.42</b>	<b>1.21</b>
	<b>TOTAL (A+B+C+D+E)</b>	<b>94.52</b>	<b>63.55</b>	<b>84.51</b>	<b>94.83</b>	<b>109.03</b>	<b>446.44</b>

- 4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period were 456.40 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the First Control Period are as follows:

*Table 16: O&M expenses as per the Tariff Order for the First Control Period*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Payroll expenses	15.58	16.36	17.18	18.03	18.94	86.09



Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Retirement Benefits of employees at Amritsar Airport	2.04	2.14	2.25	2.36	2.48	11.27
Admin & Gen -Non CHQ /RHQ	8.2	9.01	9.92	10.91	12	50.04
Admin & Gen CHQ/ RHQ	29.16	30.62	32.15	33.76	35.44	161.13
Repair and Maintenance Expenses	12.16	13.95	41.74	18.7	21.5	108.05
Utilities & outsourcing	7.51	6.85	7.66	7.75	7.84	37.61
Other Outflow- Collection charges on UDF	0.50	0.26	0.35	0.50	0.60	2.21
<b>TOTAL</b>	<b>75.15</b>	<b>79.19</b>	<b>111.25</b>	<b>92.01</b>	<b>98.80</b>	<b>456.40</b>

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

4.7.3 There was a variance ₹ 9.96 Crores (2.18%) between the actual O&M expenses incurred by the AIA and that approved by the Authority in the Tariff Order for the First Control Period. The Authority had examined the variances and the same was explained in the below-mentioned paragraphs:

4.7.4 **Payroll expenses:** The Authority noted that the actual payroll expenses for other than CHQ/ RHQ submitted by AAI for AIA amounting to ₹ 81.76 Crores was within the expense approved by the Authority in the Tariff Order of the First Control Period, which is ₹ 86.09 Crores.

Therefore, the Authority proposed to consider the actual payroll expenses other than CHQ/RHQ of FY 2019-20 to FY 2023-24 for true up of the First Control Period.

4.7.5 **Retirement benefits of employees:** The Authority noted that AAI had submitted ₹ 7.56 Crores towards retirement benefits of employees for the First Control Period. AAI had submitted ₹ 3.12 Crores towards retirement benefits for FY 2019-20, which was significantly higher than the amount submitted for the other tariff years in the First Control Period. Upon enquiry, AAI had clarified that arrears for Non-executives were declared in FY 2019-20, due to which the retirement benefits were on the higher side. The Authority took cognizance of the same while truing up the O&M expenses for the First Control Period.

**4.7.6 Apportionment of administration & General expenditure of CHQ/RHQ:**

The Authority noted that AAI had claimed 74% increase in the allocation of CHQ/ RHQ expenses in FY 2021-22, as compared to the previous FY and 5% Y-o-Y increase thereafter for the remaining tariff years in the First Control Period.

In this regard, the Authority had received a report on the study of allocation of expenses incurred at CHQ/RHQ, vide letter dated August 21, 2024 from AAI. Upon examination of the Study report, the Authority had observed the following, which were also communicated to AAI vide letter no. AERA/20010/MYTP/AAI-Indore/CP-II/2023-28/21743 dated October 25, 2024:

- Detailed workings (Calculation worksheets) for allocation of CHQ/ RHQ expenses for FY 2021-22 as per new and old methodology duly mapped/ linked with respective trial balances had not been provided by AAI. Further, computation as per new methodology for FY 2022-23 and FY 2023-24 had also not been provided.
- Certain expenses (other than manpower costs, legal arbitration, CSR, insurance etc) was apportioned based on some pre-determined ratio, which had not been substantiated with detailed justifications/ rationale.



- iii. Justification for excluding some revenue while deriving the net allocable expenditure was not clear.
- iv. Basis of allocation of legal expenses in the ratio of 50:50 was not clear.
- v. Workings provided in the financial sheet and its implication therein on airports after considering the recommendations submitted by ICAI MARF was not clear.
- vi. Justification/ reasons for excluding leasing income in the allocation process were not available.

In response to the above letter of AERA dated October 25, 2024, AAI had submitted only incomplete/ partial information. Therefore, the Authority was unable to draw any conclusion/ outcome regarding the computation of CHQ/ RHQ expenses that had been allocated to the AAI Airports in the Study. Hence, the Authority had relied and adopted the existing methodology of computing CHQ/ RHQ expenses as being uniformly applied across all AAI airports, for determining the Administration and General CHQ/ RHQ expenses, allocable to Amritsar Airport. The same was explained in the subsequent paragraphs.

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

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

The Authority had been reiterating in all its Tariff Orders of AAI Airports that the above process followed by AAI for allocating the expenses is on a higher side and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.

The Authority proposed the following towards allocation of CHQ and RHQ expenses:

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

- AAI had considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses were non-aeronautical in nature.
- AAI had excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion had been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc. pertaining to the aforesaid departments (ANS and Cargo).
- Manpower of CHQ and RHQ also provides services to non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances needed 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 was to be excluded towards the following:

- i. Support services provided by CHQ/ RHQs to ANS, Cargo and Commercial departments at various airports.
- ii. Officials of Directorate of Commercial.

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

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





- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details had not been provided by AAI, the same had not been allocated to the stations.
- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority 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 not to consider interest/penalties appearing in AAI's submission.

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

4.7.8 The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue was on higher side, as it brought large variation in such expenses Year on Year, due to change in revenue and was against the basic principle of cost relatedness in tariff determination. Also, the proportion of Administration and General - CHQ/ RHQ expenses allocated to Amritsar Airport was substantially higher as compared to the other major components of the Operation and Maintenance expenses incurred by Amritsar Airport for the First Control Period. The Users of the Major Airports had 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.

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

The Authority had derived the revised allocation of CHQ and RHQ expenses, based on the methodology, explained in the above-mentioned paragraphs and the same is presented in the table below:

*Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed by the Authority for the First Control Period at Consultation Stage*

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
CHQ/ RHQ – Admin & General expenses (approved in the Tariff Order of the First Control Period)	29.16	30.62	32.15	33.76	35.44	161.13
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	48.98	23.26	40.45	42.47	44.60	199.76
Revised allocation of CHQ/ RHQ expenses proposed by the Authority = B	41.54	20.22	21.23	22.29	23.41	128.69
Variance (A-B)	7.44	3.04	19.22	20.18	21.19	71.07

4.7.9 **Administration expenses (Other than CHQ/ RHQ):** - The Administration Expenses claimed by AAI (₹ 50.06 Crores) is more or less in line with the approved Administration expenditure in the Tariff Order (₹ 50.04 Crores) of the First Control Period. The major components of the actual Administration expenses (other than CHQ/ RHQ), include:

- Upkeep expenses amounting to ₹ 22.56 Crores,
- Outsourced manpower expenses amounting to ₹ 5.54 Crores,
- Watch and Ward expenses amounting to ₹ 5.01 Crores.



- Bird Chasing expenses amounting to ₹ 3.41 Crores and,
- Office expenses amounting to ₹ 3.30 Crores.

The cost incurred by AAI on above heads was reasonable based on review of similar cost incurred at other Airports. Therefore, the Authority proposed to consider Administration expenses (other than CHQ/ RHQ) claimed by AAI for the true up of the First Control Period amounting to ₹ 50.06 Crores.

**4.7.10 Repair and Maintenance (R&M) expenses:** The Authority noted that the Repair and Maintenance cost for the First Control Period submitted by AAI amounting to ₹ 60.35 Crores is within the amount of ₹ 108.05 Crores approved by AERA in the Tariff Order for the First Control Period. The Authority noted that the said Repairs & Maintenance had been incurred by AAI primarily for operational requirements of the Airport.

Further, the Authority through its Independent Consultant noted that the following expenses had been considered under CAPEX by AAI for Amritsar Airport.

- Expense amounting to ₹ 0.27 Crores towards special repair work in CISF Barracks in FY 2021-22 and
- Expense amounting to ₹ 0.04 Crores incurred towards sludge removal from underground RCC Trench in FY 2020-21.

However, by analysing the nature of expenses, the Authority noted that the same pertained to maintenance work and proposed to consider the same as part of Repair & Maintenance Expenses.

Based on the above factors, the Authority proposed to consider the actual R&M expenses as ₹ 60.67 (₹ 60.35 + ₹ 0.04 + ₹ 0.27) Crores for True up of the First Control Period of AIA.

**4.7.11 Utilities & Outsourcing Expenses:** These expenses include Power charges, Fees paid to outsiders, water charges, hire charges of Car/Jeep & Consumption of Stores & Spares. AAI had incurred actual Utilities & Outsourcing Expenses of ₹ 45.74 Crores during First Control Period which was much higher than the expense of ₹ 37.62 Crores approved in the Tariff Order for the First Control Period.

Component wise analysis of the above expense is provided hereunder:

**Power Expenses:** AAI incurred actual power charges of ₹ 42.57 Crores during the First Control Period, out of which ₹ 3.39 Crores had been recovered from the Concessionaires and had claimed the net power charges of ₹ 39.17 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The total power costs incurred, recoveries made from Concessionaires and the net power costs were summarized in the table below:-

*Table 18: Details of power costs incurred and recoveries made from Concessionaires*

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Electricity Consumed (in 000 <sup>3</sup> )	10,127.66	8,974.85	6,427.15	11,478.68	9,519.73	
Rate per Unit	6.93	7.39	10.74	8.46	9.35	
Total power costs (A)	7.57	7.17	7.52	10.43	9.88	42.57
Recoveries from Concessionaires (B)	0.55	0.53	0.61	0.72	0.98	3.39



Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Recoveries (%) = (B/A%)	7.26%	7.39%	8.11%	6.90%	9.91%	
Net power costs (A-B)	7.02	6.64	6.90	9.71	8.90	39.17

However, the actual power charges claimed by AAI (which is ₹ 39.17 Crores) was higher than the total approved utility expense of ₹ 37.62 Crores. The Authority noted that higher power costs were incurred by Amritsar Airport in the First Control Period due to increase in power tariff in FY 2021-22, as shown in the above table (refer Rate per Unit). Additionally, in FY 2022-23, due to restrictions imposed on International operations, State Government had levied Electricity duty charges and Infrastructure development fee, which had resulted in an increase in the overall electricity expenses.

Based on the above factors, the Authority proposed to consider the actual power costs incurred by AAI for Amritsar International Airport for true up of the First Control Period.

**Consumption of Stores and Spares and other charges:** The Authority noted that AAI had claimed the expenses amounting to ₹ 2.15 Crores for the consumption of Stores & Spares expenses which included petrol expenses for Jeep/ Car and other consumables. The expenses towards consumption of stores and spares had not been separately approved in the Tariff Order for the First Control Period. However, 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.

**Other charges:** The other charges include Consultancy/ Advisory fees paid for the Consultancy services availed for Land/ Terminal Management services, conducting ASQ surveys and hire charges-car/jeep incurred by AAI for AIA. The Authority noted that AAI had claimed the expenses amounting to ₹ 4.41 Crores towards above expenses, which were not separately approved in the Tariff Order for the First Control Period. Based on the nature and essentiality of services, the Authority proposed to consider these expenses for true up of the First Control Period.

4.7.12 **Other Outflows:** These expenses include collection charges on PSF and UDF submitted by AAI for true up of Amritsar International Airport amounting to ₹ 1.21 Crores and the same was within the limits approved by the Authority in the Tariff Order for the First Control Period, which was ₹ 2.21 Crores. Therefore, the Authority proposed to consider the above expenses for true up of the First Control Period.

4.7.13 Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the First Control Period were provided in the table below:

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

(₹ in Crores)

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Payroll expenditure of AIA	15.00	13.61	14.02	16.17	22.95	81.76
2	Expenditure for AIA employee's retirement benefits allocated at CHQ	3.12	0.66	1.50	0.61	1.67	7.56
<b>A</b>	<b>Total Payroll expenditure (1+2)</b>	<b>18.12</b>	<b>14.27</b>	<b>15.52</b>	<b>16.78</b>	<b>24.63</b>	<b>89.31</b>
3	Administrative and General Expenditure	7.37	7.74	9.16	11.65	14.13	50.06

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
4	Apportionment of Administration & General expenditure of CHQ/RHQ	41.54	20.22	21.23	22.29	23.41	128.69
<b>B</b>	<b>Total Administration and General expenditure (3+4)</b>	<b>48.91</b>	<b>27.96</b>	<b>30.39</b>	<b>33.94</b>	<b>37.54</b>	<b>178.75</b>
<b>C</b>	<b>Repair &amp; Maintenance Expenditure (Total)</b>	<b>11.49</b>	<b>10.73</b>	<b>11.60</b>	<b>12.60</b>	<b>14.25</b>	<b>60.67</b>
5	Power Charges	7.02	6.64	6.90	9.71	8.90	39.17
6	Water Charges	-	-	-	-	-	-
7	Consumption of Stores and Spares	0.73	0.17	0.14	0.18	0.93	2.15
8	Other charges	0.52	0.75	0.83	1.15	1.17	4.41
<b>D</b>	<b>Utility and Outsourcing Expenditure (5+6+7)</b>	<b>8.27</b>	<b>7.55</b>	<b>7.87</b>	<b>11.04</b>	<b>11.00</b>	<b>45.74</b>
9	Collection Charges on PSF (F)	0.07	0.03	0.03	0.00	-	0.13
10	Collection Charges on UDF	0.22	0.03	0.14	0.28	0.42	1.09
<b>E</b>	<b>Other Outflows (9+10)</b>	<b>0.28</b>	<b>0.06</b>	<b>0.18</b>	<b>0.28</b>	<b>0.42</b>	<b>1.21</b>
	<b>Total (A+B+C+D+E)</b>	<b>87.08</b>	<b>60.56</b>	<b>65.56</b>	<b>74.65</b>	<b>87.84</b>	<b>375.68</b>

4.7.14 Reasons for variance in O&M expenses as submitted by AAI which was ₹ 446.44 Crores and that proposed by the Authority, which is ₹ 375.68 Crores, for true up of the First Control Period is as follows:

- **Administration & General Expenses (CHQ/RHQ)** – Rationalization of expenses by ₹ 71.07 crores based on methodology followed for other similar airports.
- **Repair & Maintenance Expenses** – Shifting of CAPEX amounting to ₹ 0.31 Crores to Repair & Maintenance expenses.

4.7.15 The Authority reviewed the O&M expenses submitted by AAI with the Audited figures for the Financial Years (FY 2019-20 to FY 2022-23) and Actuals (Unaudited) for FY 2023-24 and noted no deviations. Therefore, the Authority proposed to consider the O&M expenses as per Table 19 for True up of the First Control Period.

**Stakeholders' comments regarding true up of Operating and maintenance (O&M) expenses for the First Control Period**

4.7.16 AAI's comment on CHQ/ RHQ expenses is as follows:

*AAI has submitted pointwise reply for vide letter dated 21.11.2024 in response to queries raised by AERA vide letter no. AERA/ 20010/MYTP/AAI-Indore/CP-II/2023-28/21743 dated October 25, 2024.*

*Further it may be noted that in the MYTP, AAI has submitted Rs. 40.45 crores for FY 2021-22 based on the study conducted by ICMAI, an independent renowned institute. whereas AERA has not considered the study carried out by ICMAI for FY 2021-22. AERA has proposed only Rs. 21.23 crores (approximately 52% of the claimed) for FY 2021-22.*

*It worthwhile to mention here that had the basis of allocation of revenue (existing practice of AAI) been considered then the allocation to Amritsar station for FY 2021-22 would be Rs. 63.29 crores, (refer annexure 6 of ICMAI Report for FY 2021-22), whereas based on the report submitted by ICMAI, AAI has considered overhead allocation of Rs. 40.45 crores to Amritsar based on weighted average method (i.e. Revenue 40%, Passengers 20%, ATM 20%, Employment cost 20%) However, AERA has not considered the study carried out by ICMAI for FY 2021-22 and allocated CHQ/RHQ expenses of Rs.*





21.23 crores considering 5% increase over FY 2020-21 (which is pandemic year) for Amritsar Airport. AERA's consideration of pandemic year as the base year is not justified.

In this regard it is worth mentioning that during the FY 2020-21 (pandemic year), the CHQ/RHQ expenses allocation to Amritsar Airport is abnormally low due to following reasons:

A) following restriction on expenses during FY 2020-21

- i. Restriction on official foreign travel
- ii. Restriction on official Inland travel.
- iii. Out of pocket allowance has been reduced
- iv. Overtime has been reduced
- v. Restriction on introduction of any scheme involves outflow of funds.
- vi. Curtailment of expenditure on conferences/ seminar, workshops/exhibitions/fair etc.
- vii. Curtailment of expenditure on advertisements/publicity/publications etc.
- viii. Restriction on leave encashment
- ix. Restriction of Consultancy assignment.
- x. Restriction of printing stationary.
- xi. Restriction of creation of new post.
- xii. Restriction on Trainings.
- xiii. Restriction on recruitments.
- xiv. Restriction on upkeep expenses and other expenses

B) Further, Amritsar revenue in FY 2020-21 was 78% lower (due to Lower ATM Traffic and Passengers, as restriction were imposed by GoI on foreign travel) as compared to FY 2019-20. However, the decrease in total revenue (SAU+RHQ) was 55% (approx.) compared to FY 2019-20 resulting in lower allocation of CHQ/ RHQ expenses for Amritsar station during FY 2020-21.

AERA is requested not to consider the year of Covid-pandemic (FY 2020-21) as the base year:

- i. since AAI had taken cost cutting measures
- ii. lesser revenue due to non-operation of international flights and lower volume of domestic flights at Amritsar.
- iii. Other facts explained in above paragraphs.

This has not only impacted the first control period, it has cascading effect in the second control period as the base considered for second control period is also FY 2020-21 (a pandemic year) and thereafter 5% YoY increase.

With respect to Legal expenses for FY 2021-22, we request AERA to refer details given in Table 7.8 of ICMAI Report (copy enclosed) and AAI's reply dated 21.11.2024, on the allocation of CHQ/RHQs Expenses, AAI analysed & identified some of the legal expenses that related to JVC's and arbitration cases of other airports. Legal expenses for defending the international Arbitration, (we request AERA to refer page no. 106 of ICMAI Report (copy enclosed) wherein it is mentioned that arbitration expenses of Rs. 23.04 crores are allocated based on the revenue of the respective 7 airports as it is related to ground handling services of 7 airports only. After deducting such identified legal expenses, balance common legal expenses, which constituted only 16% of the total, which were allocated in the 50:50 ratio as being already followed by AAI.

With respect to interest and penalties expenses for FY 2021-22, we request AERA to refer page no. 107 of ICMAI Report (copy enclosed) and point no. 6 of AAI's reply dated 21.11.2024, wherein it is mentioned that interest and penalties are treated as non-cost items and are not treated as a part of



costs.

*For FY 2022-23 and FY 2023-24, AERA has allowed 5% YOY increase over the allocation made to a pandemic year (FY 2020-21). Taking a pandemic year as base year is not justified. AERA is requested to consider either FY 2019-20, a normal year or consider the figure submitted by AAI on the basis of Study carried out by ICAI for FY 2021-22, for future years.*

*Further, it is also worth mentioning that AERA has proposed the apportionment of Admin and General expenses of CHQ/RHQ i.e. RS. 128.69 crores, which is even below what was approved by AERA in the order of First control period i.e. Rs. 161.13 crores.*

*AERA is requested to consider the study conducted by ICAI, an independent renowned institute, for Apportionment of Administrative and General Expenditure of CHQ/RHQ for FY 2021-22 and consider 5% YOY increase on it for future years for first control period or consider FY 2019-20 (a normal year) for Apportionment of Administrative and General Expenditure of CHQ/RHQ for FY 2021-22 and consider 5% YOY increase on it for future years.*

4.7.17 FIA's Comment on Interest/penalty paid to government of CHQ/RHQ expenses 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 Operating and Maintenance (O&M) expenses for the First control period**

4.7.18 AAI's response to FIA's comment on Interest/ penalty paid to government of CHQ/ RHQ expenses is as follows:

- i. *The FRoR for an airport depends upon the cost of equity and cost of debt.*
- ii. *In the First Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein the cost of equity was 15.64%, however, AERA has been considering cost of equity at 15.18%.*
- iii. *Further, In the order of First control period AERA has decided to provide FRoR of 14% on the RAB to AAI.*
- iv. *The capital expenditure approved in the First Control Period, could not be utilized because of the Covid-19, pandemic - shortage of labour and restriction imposed by the GOI. Further, the work of Parallel taxi track which was one of the major CAPEX could not be done due to delay on account of land issue with LAF.*
- v. *AAI has already clarified in its comments that with respect to interest and penalties expenses at RHQ/CHQ level for FY 2021-22, ICAI in its report mentioned that interest and penalties are treated as non-cost items and are not treated as a part of costs and projection for future years.*

**Authority's analysis on stakeholders' comments regarding true up of Operating and Maintenance (O&M) expenses for the First control period**

4.7.19 The Authority notes the comments of AAI regarding CHQ/ RHQ allocation.

The Authority acknowledges the unique challenges posed by the COVID-19 pandemic and the



subsequent impact on airport operations and financial allocations. Justification given by AAI for not consideration of allocation for FY 2020-21 as basis for future allocations is reasonable.

The Authority accepts AAI's detailed exposition of the extraordinary cost-cutting measures implemented during FY 2020-21, including restrictions on travel, reduced allowances and overtime, curtailment of various administrative expenses and significant reduction in operational activities.

Considering the extraordinary nature of FY 2020-21 (being a pandemic year), the Authority agrees that the same is not representative of normal operational expenses.

A detailed presentation was given by ICMAI to AERA on methodology adopted for allocation of CHQ/ RHQ expenses. However, the discussions were inconclusive.

Based on the same and the details submitted by AAI as part of the stakeholders' comments, the Authority decides to revise the allocation for CHQ/ RHQ expenses for FY 2021-22 by applying 5% increase on the amount rationalized by the Authority for FY 2019-20 (as a base year). Further, 5% increase is subject to allocable amount by the Authority or the amount submitted by AAI, whichever is lower. Further, CHQ/ RHQ allocations submitted by AAI for FY 2022-23 and FY 2023-24 has been found reasonable.

4.7.20 AERA acknowledges the views of FIA and response thereon by AAI. AERA, in accordance with regulatory guidelines, carries out the required due diligence & prudent checks and considers only the efficient CAPEX, operating expenses etc., while determining the aeronautical tariffs for the airport operators.

4.7.21 Based on the above factors, the Authority has recomputed the CHQ/ RHQ expense allocation, which it decides to consider for true up of the First Control Period, which is as follows:

Table 20: Revised allocation of CHQ/ RHQ expenses decided by the Authority

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
CHQ/ RHQ – Admin & General expenses (allocation done by AAI)	48.98	23.26	40.45	42.47	44.60	199.76
Allocation of CHQ/ RHQ expenses proposed by the Authority at Consultation stage	41.54	20.22	21.23	22.29	23.41	128.69
Revised allocation of CHQ/ RHQ expenses decided by the Authority	41.54	20.22	40.45	42.47	44.60	189.27

4.7.1 Based on the revised allocation of CHQ/ RHQ expenses, the Authority has recomputed the Administration and General expense, which it decides to consider for true up of the First Control Period, which is as follows:

Table 21: O&M expenses decided by the Authority for the true up of the First Control Period

(₹ in Crores)

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Payroll expenditure of AIA	15.00	13.61	14.02	16.17	22.95	81.76
2	Expenditure for AIA employee's retirement benefits allocated at CHQ	3.12	0.66	1.50	0.61	1.67	7.56
A	Total Payroll expenditure (1+2)	18.12	14.27	15.52	16.78	24.63	89.31

## TRUE UP OF THE FIRST CONTROL PERIOD

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
3	Administrative and General Expenditure	7.37	7.74	9.16	11.65	14.13	50.06
4	Apportionment of Administration & General expenditure of CHQ/RHQ	41.54	20.22	40.45	42.47	44.59	189.27
<b>B</b>	<b>Total Administration and General expenditure (3+4)</b>	<b>48.91</b>	<b>27.96</b>	<b>49.61</b>	<b>54.12</b>	<b>58.73</b>	<b>239.33</b>
<b>C</b>	<b>Repair &amp; Maintenance Expenditure (Total)</b>	<b>11.49</b>	<b>10.73</b>	<b>11.60</b>	<b>12.60</b>	<b>14.25</b>	<b>60.67</b>
5	Power Charges	7.02	6.64	6.90	9.71	8.90	39.17
6	Water Charges	-	-	-	-	-	-
7	Consumption of Stores and Spares	0.73	0.17	0.14	0.18	0.93	2.15
8	Other charges	0.52	0.75	0.83	1.15	1.17	4.41
<b>D</b>	<b>Utility and Outsourcing Expenditure (5+6+7)</b>	<b>8.27</b>	<b>7.55</b>	<b>7.87</b>	<b>11.04</b>	<b>11.00</b>	<b>45.74</b>
9	Collection Charges on PSF (F)	0.07	0.03	0.03	0.00	-	0.13
10	Collection Charges on UDF	0.22	0.03	0.14	0.28	0.42	1.09
<b>E</b>	<b>Other Outflows (9+10)</b>	<b>0.28</b>	<b>0.06</b>	<b>0.18</b>	<b>0.28</b>	<b>0.42</b>	<b>1.21</b>
	<b>Total (A+B+C+D+E)</b>	<b>87.08</b>	<b>60.56</b>	<b>84.78</b>	<b>94.83</b>	<b>109.02</b>	<b>436.27</b>

**Note:** The variance between O&M expenses proposed by the Authority at the Consultation stage, (which is ₹ 375.68 Crores) and that decided by the Authority, at the Tariff Order stage (which is ₹ 436.27 Crores) is on account of increase in the allocation of CHQ/ RHQ expenses due to the change in the base year as FY 2019-20 instead of FY 2020-21 for computation of CHQ/ RHQ expenses.

#### 4.8 True up of Taxation

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

Table 22: Taxation submitted by AAI for ALA

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>REVENUE</b>						
Aeronautical Revenue	107.12	19.02	73.28	137.77	179.65	516.84
<b>Total Revenue (A)</b>	<b>107.12</b>	<b>19.02</b>	<b>73.28</b>	<b>137.77</b>	<b>179.65</b>	<b>516.84</b>
<b>EXPENSES</b>						
O&M expenses	94.52	63.55	84.51	94.83	109.03	446.44
Dep. As WDV As Per Income Tax	19.50	20.55	19.68	20.96	22.59	103.29
<b>Total Expenses (B)</b>	<b>114.01</b>	<b>84.11</b>	<b>104.19</b>	<b>115.79</b>	<b>131.62</b>	<b>549.72</b>
<b>Profit /Loss (A-B)</b>	<b>(6.89)</b>	<b>(65.09)</b>	<b>(30.91)</b>	<b>21.98</b>	<b>48.04</b>	<b>(32.88)</b>
<b>Set off of losses</b>				(21.98)	(48.04)	
<b>PBT after set off of losses</b>	-	-	-	-	-	-
<b>Tax Rates (D)</b>	<b>25.17%</b>	<b>25.17%</b>	<b>25.17%</b>	<b>25.17%</b>	<b>25.17%</b>	



Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
TAX (C*D)	-	-	-	-	-	-

4.8.2 The Authority had re-computed Aeronautical Taxation based on Regulatory Building Blocks as discussed in the previous paragraphs and the same were as follows:

Table 23 : Taxation proposed to be considered by the Authority at Consultation Stage

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>Revenue (A)</b>						
Aeronautical Revenue (Refer Table 25)	107.12	19.02	73.28	137.77	179.65	516.84
<b>Total (A)</b>	107.12	19.02	73.28	137.77	179.65	516.84
<b>Expenses (B)</b>						
O&M expenses (Refer Table 19)	87.08	60.56	65.56	74.65	87.83	375.68
Depreciation (as per Income Tax Act, 1961)	19.50	20.55	19.67	20.90	22.50	103.11
Interest on Working capital*	-	-	0.06	-	-	0.06
<b>Total (B)</b>	106.57	81.11	85.29	95.55	110.33	478.85
<b>Profit /Loss (C=A-B)</b>	0.54	(62.09)	(12.01)	42.22	69.32	37.99
Set off of prior period tax losses (D)	-	-	-	42.22	31.88	74.10
Profit/ Loss after set off of prior period tax losses (E)	0.54	(62.09)	(12.01)	-	37.44	(36.11)
Tax Rates (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
<b>Tax (E*F)</b>	0.14	-	-	-	9.42	9.56

\*Interest on Working Capital has been recomputed, after considering the rationalized O&M expenses.

4.8.3 The Authority noted that AAI had incurred losses during the First Control Period i.e., during FY 2020-21 and FY 2021-22 and the same had been set off against the profit earned in FY 2022-23 and FY 2023-24. Therefore, the Authority proposed to consider Aeronautical Tax of ₹ 9.56 Crores for true up of the First Control Period, as shown in Table 23.

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

4.8.4 No comments have been received from Stakeholders on true up of taxation for the First Control Period.

**Authority's analysis on stakeholders' comments regarding true up of Taxation for the First control period**

4.8.5 The Authority notes that no comments were received from the Stakeholders on the true up of taxation for the First Control Period.

4.8.6 Based on the revised O&M expenses (refer Table 21), the Authority has recomputed Aeronautical Taxation, which it decides to consider for true up of Taxation for the First Control Period. The same is as

follows:

Table 24: Taxation decided by the Authority for true up of the First Control Period

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>Revenue (A)</b>						
Aeronautical Revenue (Refer Table 25)	107.12	19.02	73.28	137.77	179.65	516.84
<b>Total (A)</b>	107.12	19.02	73.28	137.77	179.65	516.84
<b>Expenses (B)</b>						
O&M expenses (Refer Table 21)	87.08	60.56	84.78	94.83	109.02	436.27
Depreciation (as per Income Tax Act, 1961)	19.50	20.55	19.67	20.90	22.50	103.11
Interest on Working capital*	-	-	0.87	-	-	0.87
<b>Total (B)</b>	106.57	81.11	105.31	115.73	131.52	540.24
<b>Profit /Loss (C=A-B)</b>	0.54	(62.09) = (i)	(32.04) = = (ii)	22.05 = (iii)	48.14 = (iv)	(23.40)
Set off of prior period tax losses (D)	-	-	-	22.05	48.14	70.18
Profit/ Loss after set off of prior period tax losses (E)	0.54	(62.09)	(32.04)	-	-	(93.58)
Tax Rates (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
<b>Tax (E*F)</b>	0.14	-	-	-	-	0.14
Carry forward of losses [(i) + (ii) – (iii) – (iv)]	-	(62.09)	(94.13)	(72.08)	(23.95)	(23.95)

Note: The variance between taxation proposed by the Authority at the Consultation stage, (which is ₹ 9.56 Crores) and that decided by the Authority, at the Tariff Order stage (which is ₹ 0.14 Crores) is on account of increase in the allocation of CHQ/ RHQ expenses.

## 4.9 True up of Aeronautical Revenue

4.9.1 AAI had submitted the actual Aeronautical revenue for the First Control Period for AIA, which was as follows:

Table 25: Aeronautical revenue submitted by AAI for AIA

(₹ in Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
<b>Parking &amp; Housing Charges Revenue</b>						
Landing (Dom)	10.03	5.29	10.23	16.57	19.88	62.00
Landing (Intl)	13.00	3.78	8.40	17.65	26.43	69.27
Parking & Housing (Dom)	0.02	0.37	0.25	0.21	0.66	1.51
Parking & Housing (Intl)	0.08	0.10	0.39	0.34	0.44	1.34
<b>PSF and UDF Charges</b>						
PSF(Facilitation)-Domestic	10.65	3.27	0.02	0.00	-	13.95
PSF(Facilitation)-International	-	-	-	-	-	-
UDF Domestic	13.73	0.31	24.15	39.01	47.24	124.44
UDF International	44.55	1.46	25.73	53.62	68.98	194.33
<b>Other Revenue</b>						
Throughput Charges	4.11	-	-	-	-	4.11
Land Lease	1.45	1.36	1.18	1.35	1.50	6.84
Ground Handling Charges	4.98	0.91	0.13	4.29	8.12	18.43



Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Royalty from CUTE Charges	2.21	0.87	1.14	2.83	3.83	10.88
Revenue share from AAICLAS (30%)	0.24	0.09	0.41	0.30	0.63	1.66
Con. Fees-BRS-SITA	0.42	0.09	0.16	0.11	-	0.78
Land Rent from Airlines	1.65	1.11	1.08	1.49	1.96	7.29
Extension of Watch Hours	-	-	-	-	0.00	0.00
<b>Total</b>	<b>107.12</b>	<b>19.02</b>	<b>73.28</b>	<b>137.77</b>	<b>179.65</b>	<b>516.84</b>

4.9.2 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 were detailed below:

Table 26: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period

(₹ in Crores)

Particulars	Reference	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
As per Tariff Order	A	102.97	24.19	93.69	137.02	166.83	524.69
As per True up of AAI	B	107.12	19.02	73.28	137.77	179.65	516.84
Difference	C=B-A	4.15	-5.17	-20.41	0.75	12.82	-7.86
Change %	D=C/A	4.03%	-21.37%	-21.78%	0.55%	7.68%	-1.50%

4.9.3 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 and FY 2021-22, which was attributable to lower passenger traffic and ATMs, due to the adverse impact of the COVID-19 pandemic on the aviation sector.

4.9.4 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2019-20 to FY 2022-23) and Actuals (Unaudited) for FY 2023-24 and noted no deviations. Therefore, the Authority proposed to consider the Aeronautical revenue as per Table 25 for True up of the First Control Period.

#### Stakeholders' comments regarding true up of Aeronautical revenue for the First Control Period

4.9.5 No comments have been received from Stakeholders on Aeronautical revenue for the First Control Period.

#### Authority's analysis on stakeholders' comments regarding true up of Aeronautical revenue for the First control period

4.9.6 The Authority notes that no comments were received from the Stakeholders on the true up of Aeronautical revenue for the First Control Period. Hence, the Authority decides to consider the Aeronautical revenue based on actuals for true up of the First Control period, consistent with the proposal made in the Consultation Paper No. 06/2024-25 dated December 19, 2024. The Aeronautical revenue considered by the Authority for true up of the First Control Period has been shown in Table 25.

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

4.10.1 Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority derived the ARR for true up of the First Control Period which is enumerated in the table below:

Table 27: ARR proposed by the Authority for True up of the First Control Period at Consultation Stage  
(₹ in Crores)

Particulars	Ref.	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Average RAB (refer Table 12)	a	141.35	152.99	147.36	163.76	183.99	
FRoR	b	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on Average RAB	c= (a) * (b)	19.79	21.42	20.63	22.93	25.76	<b>110.52</b>
Depreciation (refer Table 11)	(d)	16.01	16.75	17.53	17.03	18.26	<b>85.57</b>
O&M expenses (refer Table 19)	(e)	87.08	60.56	65.56	74.65	87.83	<b>375.68</b>
Tax (refer Table 23)	(f)	0.14	-	-	-	9.42	<b>9.56</b>
Interest on Working Capital	(g)	-	-	0.06	-	-	<b>0.06</b>
Gross ARR	(h) = (c+ d+ e+ f+ g)	<b>123.02</b>	<b>98.73</b>	<b>103.78</b>	<b>114.60</b>	<b>141.27</b>	<b>581.40</b>
NAR (refer Table 13)		40.44	12.98	14.24	19.10	31.08	<b>117.85</b>
Less 30% NAR	(i)	12.13	3.89	4.27	5.73	9.33	<b>35.35</b>
Net ARR	(j) = (h- i)	110.88	94.83	99.51	108.87	131.95	<b>546.05</b>
Actual Aeronautical Revenue (refer Table 25)	(k)	107.12	19.02	73.28	137.77	179.65	<b>516.84</b>
Under/ (Over) recovery of First Control Period	l=(j-k)	3.76	75.81	26.23	(28.90)	(47.70)	<b>29.21</b>
Discount Factor (@14.00%)	(m)	1.93	1.69	1.48	1.30	1.14	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(l*m)	7.25	128.05	38.86	(37.55)	(54.38)	<b>82.22</b>
True up of Under Recovery of First Control Period as on March 31, 2024				<b>82.22</b>			

4.10.2 The Authority had re-computed the under-recovery of ₹ 82.22 Crores in the First Control Period as against ₹ 154.55 crores claimed by AAI and proposed to readjust the same in the ARR computation of the Second Control Period.

4.10.3 The variation between the ARR proposed by the Authority and that claimed by AAI were attributable to the following factors:

- i. Rationalization of O&M expenses such as CHQ/ RHQ expenses, Administration expenses, etc. amounting to ₹ 70.75 Crores.
- ii. Rationalization of Interest on Working Capital amounting to ₹ 0.83 Crores.

**Stakeholders' comments regarding true up of Aggregate revenue requirement (ARR) for the First Control Period**

4.10.4 No comments have been received from Stakeholders on Aggregate revenue requirement (ARR) for the First Control Period.

**Authority's analysis on Stakeholders' comments regarding true up of Aggregate revenue requirement (ARR) for the First Control Period**





4.10.5 The Authority notes that no comments were received from the Stakeholders on the true up of ARR for the First Control Period.

4.10.6 Based on the changes to the Regulatory building blocks, as discussed in the above sections, the Authority has recomputed ARR, which it decides to consider for true up of the First Control Period. The same is as follows:

*Table 28: ARR decided by the Authority for true up of the First Control Period*

Particulars	Ref.	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Average RAB (refer Table 12)	a	141.35	152.99	147.36	163.76	183.99	
FRoR	b	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on Average RAB	c= (a) * (b)	19.79	21.42	20.63	22.93	25.76	<b>110.52</b>
Depreciation (refer Table 11)	(d)	16.01	16.75	17.53	17.03	18.26	<b>85.57</b>
O&M expenses (refer Table 21)	(e)	87.08	60.56	84.78	94.83	109.02	<b>436.27</b>
Tax (refer Table 24)	(f)	0.14	-	-	-	-	<b>0.14</b>
Interest on Working Capital	(g)	-	-	0.87	-	-	<b>0.87</b>
Gross ARR	(h) = (c+ d+ e+ f+ g)	<b>123.02</b>	<b>98.73</b>	<b>123.81</b>	<b>134.78</b>	<b>153.04</b>	<b>633.37</b>
NAR (refer Table 13)		40.44	12.98	14.24	19.10	31.08	<b>117.85</b>
Less 30% NAR	(i)	12.13	3.89	4.27	5.73	9.33	<b>35.35</b>
Net ARR	(j) = (h- i)	110.88	94.83	119.54	129.05	143.71	<b>598.01</b>
Actual Aeronautical Revenue (refer Table 25)	(k)	107.12	19.02	73.28	137.77	179.65	<b>516.84</b>
Under/ (Over) recovery of First Control Period	l=(j-k)	3.76	75.81	46.26	(8.72)	(35.94)	<b>81.17</b>
Discount Factor (@14.00%)	(m)	1.93	1.69	1.48	1.30	1.14	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(l*m)	7.25	128.05	68.53	(11.33)	(40.97)	<b>151.52</b>
True up of Under Recovery of First Control Period as on March 31, 2024				<b>151.52</b>			

**Note:** The variance between ARR proposed by the Authority at the Consultation stage, (which is ₹ 82.22 Crores) and that decided by the Authority, at the Tariff Order stage (which is ₹ 151.52 Crores) is on account of increase in the allocation of CHQ/ RHQ expenses, as discussed in para 4.7.19 of this Tariff Order.

#### 4.11 Authority's decisions regarding 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 for AIA:

TRUE UP OF THE FIRST CONTROL PERIOD

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as 14% for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 25 for true up of the First Control Period for AIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 28 for true up of the First Control Period for AIA and readjust the shortfall for the Second Control Period.







**EVALUATION OF MYTP FOR THE SECOND  
CONTROL PERIOD**

सत्यमेव जयते

भा.वि.आ.वि.प्रा.

AERA



## 5 TRAFFIC FOR THE SECOND CONTROL PERIOD

### 5.1 AAI's submission regarding Traffic for the Second Control Period for AIA

5.1.1 The historical passenger traffic and ATM at the airport had been shown in the table below:

Table 29: Historical passenger and ATM traffic at AIA (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	10,28,317	5,38,090	15,66,407	7,600	4,006	11,606
2017-18	16,85,883	6,34,072	23,19,955	13,314	4,453	17,767
2018-19	17,25,293	7,98,501	25,23,794	12,479	5,426	17,905
2019-20	16,38,372	8,19,243	24,57,615	12,389	4,692	17,081
2020-21	6,61,330	1,93,022	8,54,352	6,399	1,617	8,016
2021-22	10,40,883	3,41,121	13,82,004	10,781	2,722	13,503
2022-23	17,61,384	7,55,134	25,16,518	14,936	4,585	19,521
2023-24	21,04,193	9,81,405	30,85,598	16,014	5,634	21,648

5.1.2 The traffic growth rates (Y-o-Y) and traffic as submitted by AAI for the Second Control Period were as follows:

Table 30: Traffic growth rates and traffic proposed by AAI

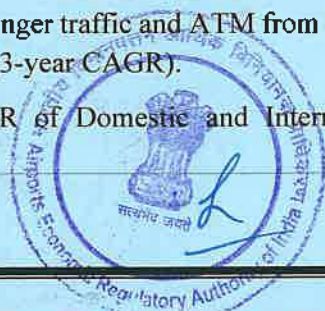
Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates (based on FY 23-24)</b>						
2024-25	12.00%	12.00%	12.00%	10.00%	11.00%	10.24%
2025-26	11.00%	10.00%	10.70%	8.00%	9.50%	8.36%
2026-27	11.00%	10.00%	10.70%	8.00%	9.50%	8.37%
2027-28	10.00%	9.00%	9.70%	8.00%	8.49%	8.12%
2028-29	10.00%	9.00%	9.71%	8.00%	8.50%	8.12%
<b>Traffic</b>						
2024-25	23,56,696	10,99,174	34,55,870	17,615	6,254	23,869
2025-26	26,15,933	12,09,091	38,25,024	19,025	6,848	25,872
2026-27	29,03,685	13,30,000	42,33,685	20,547	7,498	28,045
2027-28	31,94,054	14,49,700	46,43,754	22,190	8,136	30,326
2028-29	35,13,459	15,80,173	50,93,632	23,966	8,827	32,793

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

### 5.2 Authority's examination of Traffic for the Second Control Period of AIA at Consultation Stage

5.2.1 As part of its examination of AAI's forecast of traffic at AIA, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2019-20 to FY 2023-24 (5-year CAGR) and FY 2021-22 to FY 2023-24 (3-year CAGR).

5.2.2 The Authority noted that 5-year CAGR of Domestic and International passenger and ATM are





significantly low due to the COVID 19 pandemic. The CAGR details so computed was provided in the table below:

Table 31: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
<b>Passengers:</b>		
Domestic	6%	42%
International	5%	69%
<b>ATM:</b>		
Domestic	7%	58%
International	5%	87%

- 5.2.3 The Authority noted that the wide variation in traffic in the recent past had caused the 3-year CAGR to be the higher for International Passenger Traffic and ATM.
- 5.2.4 The Authority noted that AIA had growth of 20% and 7% in domestic passenger traffic and domestic ATM traffic respectively for FY 2023-24 (over previous financial year). Similarly, there was a growth of 30% and 23% in international passenger traffic and international ATM traffic respectively for FY 2023-24 (over previous financial year).

#### Traffic forecasts by the Authority

The traffic forecasts had been computed by the Authority, after considering the study and analysis by the following agencies regarding future air traffic demand and same is as follows:

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

IATA in its report on July 03, 2024 had enumerated that:

- *Industry total Revenue Passenger-Kilometres (RPK) maintained a positive trajectory in May growing 10.7% annually, slightly outpacing the 8.5% Y-o-Y growth in Available Seat-Kilometre (ASK). Passenger load factors (PLF) were higher than in comparison to previous years indicating stronger demand for air travel as industry wide traffic continues to rise.*
- *Domestic traffic rose 4.7% over the year. PR China remained the fastest growing market among those monitored with 7.6% Y-o-Y growth. Japan RPK contracted for two (2) consecutive months; wherein May figures be 1.8% lower than the previous year.*
- *International traffic continued to show resilient momentum in May with 14.6% Y-o-Y growth in RPK across the region. Traffic from Asia Pacific still surges at a rapid pace with 27.0% Y-o-Y, while the remaining regions saw consistent results in regard of the previous month.*
- *India domestic passenger traffic continue to climb at a stable rate, increasing 4.6% Y-o-Y.*
- *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 continue 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% Y-o-Y growth.*
- *International traffic continued to show resilient momentum in March with 18.9% Y-o-Y 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% Y-o-Y.

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

5.2.6 The Authority had taken into consideration the forecast/data published by IATA cited in para 5.2.5 above, which indicated stable domestic passenger growth for India, that was 4.6% Y-o-Y, as stated in IATA’s recent report. The positive outlook had been taken into consideration for determining traffic projections for Amritsar Airport, which is currently expanding its Airport infrastructure and is poised to handle growing passenger traffic.

5.2.7 The Authority noted that AAI had projected the following growth rates in traffic

- 10%-12% growth for domestic passenger traffic
- 9%-12% growth for international passenger traffic
- 8%-10% growth for domestic ATM
- 8%-11% growth for international ATM

The Authority took cognizance of the rebounding of domestic passenger traffic in FY 2022-23, where it had reached the pre COVID level of FY 2019-20.

5.2.8 The Authority had proposed to accept traffic projections of AAI. The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Second Control Period had been given in the table below:

*Table 32: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

Domestic Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for AIA	2.36	2.62	2.90	3.19	3.51	14.58
As proposed by the Authority	2.36	2.62	2.90	3.19	3.51	14.58
Y-o-Y growth of Domestic PAX submitted by AAI for AIA	12%	11%	11%	10%	10%	
Y-o-Y growth of Domestic PAX proposed by the Authority	12%	11%	11%	10%	10%	
International Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for AIA	1.10	1.21	1.33	1.45	1.58	6.67
As proposed by the Authority	1.10	1.21	1.33	1.45	1.58	6.67
Y-o-Y growth of International PAX submitted by AAI for AIA	12%	10%	10%	9%	9%	
Y-o-Y growth of International PAX proposed by the Authority	12%	10%	10%	9%	9%	
Total Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for AIA	3.46	3.83	4.23	4.64	5.09	21.25





TRAFFIC FOR THE SECOND CONTROL PERIOD

As proposed by the Authority	3.46	3.83	4.23	4.64	5.09	21.25
Y-o-Y growth of Total PAX submitted by AAI for AIA	12%	11%	11%	10%	10%	
Y-o-Y growth of Total PAX proposed by the Authority	12%	11%	11%	10%	10%	
<b>Domestic ATM (in '000)</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
Domestic ATM submitted by AAI for AIA	17.61	19.02	20.55	22.19	23.97	103.34
Domestic ATM proposed by the Authority	17.61	19.02	20.55	22.19	23.97	103.34
Y-o-Y growth of Domestic ATM submitted by AAI for AIA	10%	8%	8%	8%	8%	
Y-o-Y growth of Domestic ATM proposed by the Authority	10%	8%	8%	8%	8%	
<b>International ATM (in '000)</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
International ATM submitted by AAI for AIA	6.25	6.85	7.50	8.14	8.83	37.56
International ATM proposed by the Authority	6.25	6.85	7.50	8.14	8.83	37.56
Y-o-Y growth of International ATM submitted by AAI for AIA	11%	10%	10%	9%	9%	
Y-o-Y growth of International ATM proposed by the Authority	11%	10%	10%	9%	9%	
<b>Total ATM (in '000)</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
Total ATM submitted by AAI for AIA	23.87	25.87	28.05	30.33	32.79	140.90
Total ATM proposed by the Authority	23.87	25.87	28.05	30.33	32.79	140.90
Y-o-Y growth of Total ATM submitted by AAI for AIA	10%	8%	8%	8%	8%	
Y-o-Y growth of Total ATM proposed by the Authority	10%	8%	8%	8%	8%	

5.2.9 The Authority proposed to true up the traffic as per actuals during the Second Control Period at the time of determination of tariff for the Second Control Period.

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

During the stakeholders' consultation process, the Authority had received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper no. 06/2024-25 dated December 19, 2024. The comment of FIA 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 IATA (refer para 5.2.5), we kindly request AERA to conduct an independent study. This study should include additional demand drivers that may not have been covered in the report issued by IATA.*

*We would also like to draw the Authority's attention to the fact that the trends observed in the recent*



*post-pandemic period may not serve as a reasonable benchmark for future projections, whether in terms of passengers or traffic. Economic factors such as inflation, market demand and prices may not continue at the same rate or trend, as the current post-pandemic trends are influenced by exceptional factors such as COVID-19, revenge tourism, Geo-political issues, and recent financial disruptions in the USA. While there has been an increase in the load factors post COVID-19 recovery, these factors may not necessarily hold in the long term.*

*Therefore, we request the Authority to rationalize the traffic projections by AAI, specifically for ATQ, with a more focused study-especially on the international front-considering the plans of airlines to expand international operations from ATQ.*

*Hence, we respectfully request that the Authority conduct an independent study by the help of consultants to evaluate the findings while finalizing the projected ATM and passenger's figures."*

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

5.3.2 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**

5.3.3 The Authority has noted the comments of FIA on traffic forecast 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 of airport operations and complexity involved. Further, it is noted that Traffic projection for the Second Control Period in respect of Amritsar International Airport is based on Traffic forecast done by the specialized cell of AAI i.e. CP&MS.

In addition, M/s R. Subramanian and Company, 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 available up to FY 2023-24 and finalized the traffic estimates for the period starting from FY 2024-25.

Further, the traffic estimates would be true up on an actual basis, at the time of determination of tariff 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 with regard to traffic forecast for the Second Control Period:

5.6.1 To consider the passenger and ATM traffic for the Second Control Period for AIA as per Table 32.

5.6.2 To true up the traffic volume (passenger and ATM) on the basis of actual traffic in the Second Control Period while determining 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 RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage investment in the airport development and operations, the Airport Operator must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport.

6.1.2 The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Second Control Period, had appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which is absolutely required to cater current and future traffic demand for the smooth operations of the Airport, as explained in the following paragraphs.

The Independent Consultant appointed by the Authority had performed an analysis of the submissions made by AAI for Amritsar Airport towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant had performed the following functions:

- Reviewed construction plan submitted by AAI for Amritsar Airport in view of various technical details, Airport Master Plans, BOQs, Letter of Award (LOA), Work Orders etc. of new projects. The Independent Consultant also considered the responses of AAI to the clarification sought in relation with CAPEX plan from time to time.
- Sought documentary evidence and the process of approval of capital addition projects including process for award of various work orders to the contractors, wherever applicable.
- The consultants also made a site visit to AIA on September 12, 2024 focusing specifically on review of current airport operations and proposed airport development plans.

The Authority carefully reviewed and rationalized capital expenditure projects, ensuring only essential and efficient investments were included in the RAB for the Second Control Period. By examining project details, optimizing capacity, and adjusting capitalization timelines, the Authority aimed to balance sustainable airport operations with the fair aeronautical charges for the Airport users.

### AAI's Submission regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period for Amritsar International Airport

### 6.2 Capital expenditure for the Second Control Period

6.2.1 AAI had proposed capital expenditure of ₹ 309.21 Crores for the Second Control Period for AIA, which is summarized in the table below:

Table 33: Summary of Capital Expenditure projects submitted by AAI for AIA for Second Control Period

(₹ in Crores)

Project/ Group	No.	Particulars	Amount
	1	Runways, Taxiway & Aprons	94.60

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

<b>Project/ Group</b>	<b>No.</b>	<b>Particulars</b>	<b>Amount</b>
Capital expenditure proposed for the Second Control Period	2	Road, Bridges & Culverts	3.04
	3	Building- Terminal	92.21
	4	Boundary Wall -Operational	0.72
	5	Computer - End User	1.25
	6	Plant & Machinery	5.31
	7	Tools & Equipment	5.14
	8	Vehicles	1.05
	9	Electrical Installations	96.60
	10	X Ray Baggage System	9.29
			<b>Capital Expenditure Proposed for the Second Control Period</b>
<b>IDC</b>			-
<b>Financing allowance (FA)</b>			-
<b>Total (including FA)</b>			<b>309.21</b>

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

6.2.2 The Authority noted that AAI had conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders on December 13, 2019, in respect of the capital expenditure for expansion of the existing Terminal Building to meet the requirements of traffic growth and passenger facilitation at Amritsar International Airport. However, the project on expansion of Terminal Building had been shifted to the Second Control Period. The Authority noted that AAI had conducted the AUCC meeting on November 29, 2024, in respect of major CAPEX projects such as expansion of Terminal Building, Parallel Taxi track etc. projected for the Second Control Period. The meeting was attended by various airport stakeholders such as International Air Traffic Association (IATA), Federation of Indian Airlines (FIA), Business Aircraft Operators Association (BAOA), BCAS, CISF, IAF, FICCI, Spice jet Airlines, Indigo Airlines, HPCL, Reliance etc. As per the minutes of the meeting dated December 5, 2024, the Authority observed that the Airport Operator had broadly discussed the following points with the stakeholders:

- i. Recarpeting of Runway and Maintenance of existing paved RESA (estimated cost of project ₹ 51.81 Cr).
- ii. Reconfiguration and Extension of existing Terminal Building (estimated cost of project ₹ 111.76 Cr).
- iii. Extension of Parallel Taxi Track (PTT) from Runway-16 beginning up to Taxiway-E (estimated cost of project ₹ 142.76 Cr).
- iv. Provision of Individual Lamp Control and Monitoring System (ILCMS) (estimated cost of project ₹ 25 Cr).

The Authority also noted that various observations were made by some of the stakeholders relating to





the following aspects:

- i. IATA had enquired the reason for undertaking runway recarpeting after 7 years, when generally it is taken up only after 10 years, to which AAI responded stating that over a span of 7 years, the runway had catered approx. 70,000 landings and besides that the runway of Amritsar Airport experiences extreme weather conditions, therefore the recarpeting had been planned in this Control Period.
- ii. BAOA suggested about considering passenger facilities in the upcoming Terminal Building expansion project and to include facilities like a library inside the Terminal Building, as being undertaken at Varanasi Airport.
- iii. FIA enquired if any additional land is required for upcoming terminal expansion project and what would be the level of service planned after conclusion of the project. AAI responded stating that no additional land was required and that the project was designed for level-B service as per norms.
- iv. Deputy Commissioner, Amritsar, advised that the three stakeholders, for the project on Parallel Taxi Track namely, AAI, IAF, State Administration can schedule a meeting to discuss the temporary accommodation of the airmen nearby the Airport. Also, various stakeholders enquired about who would bear the cost of rehabilitation of IAF structures, whether AAI or IAF, to which it was responded that the cost would be borne by AAI.

6.2.3 The capital additions proposed by AAI for the Second Control Period had been segregated into the following categories:

A. Capital Addition projects shifted from the First Control Period to the Second Control Period.

B. New Capital Addition projects proposed by AAI for Amritsar International Airport for the Second Control Period.

6.2.4 The Authority noted that AAI had subsequently revised the projections for the following capital addition projects vide its email dated November 18, 2024 and the same had been considered by the Authority as part of its examination of the CAPEX projections for the Second Control period:

- i. Extension of Terminal Building
- ii. Construction of Parallel Taxi Track.

6.2.5 Based on the information provided by AAI, project wise capital expenditure submitted by AAI is presented in the table below:

Table 34: Project wise Capital Expenditure submitted by AAI for AIA for Second Control Period

(₹ in Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost
			(includes design, PMC, Pre-operative expenses etc)
<b>A. Capital additions projects shifted from the First Control Period to the Second Control Period</b>			
<b>A1</b>	<b>Terminal Building</b>		
i)	Extension of Terminal Building (Civil)	2027-28	83.31
ii)	Extension of Terminal Building (Reconfiguration)	2027-28	5.54
<b>A2</b>	<b>Runway, Taxiway and Apron</b>		
i)	Parallel Taxi Track (PTT) from Runway -16 beginning up to Taxiway-E (including Rehabilitation	2027-28	114.90



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

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost
			(includes design, PMC, Pre-operative expenses etc)
	of IAF Structure-Airmen Billets) at SGRDJI Airport Amritsar (Civil)		
<b>A3.</b>	<b>Electrical Installation</b>		
i)	Extension of Terminal Building (Electrical)	2027-28	19.30
ii)	Parallel Taxi Track (PTT) from Runway -16 beginning up to Taxiway-E (including Rehabilitation of IAF Structure-Airmen Billets) at SGRDJI Airport Amritsar (Electrical)	2027-28	29.81
		<b>TOTAL (A)</b>	<b>252.86</b>
<b>B. New Capital Addition projects proposed by AAI for the Second Control Period</b>			
<b>B1</b>	<b>Roads, Bridges and Culverts</b>		
i)	Widening, Strengthening and Construction of Existing Emergency access road from Runway-16 beginning and re-carpeting of Fire Approach Road at SGRDJI Airport	2024-25	1.54
ii)	Re-carpeting of Perimeter RoadRunway-16side at SGRDJI Airport.	2026-27	1.50
<b>B2</b>	<b>Runway, Taxiway and Apron</b>		
i)	Construction and Merging of Existing RESA after Demolishing of 30M Overrun of R/way portion at SGRDJI Airport Amritsar	2024-25	0.54
<b>B3</b>	<b>Terminal Building</b>		
i)	Replacement of existing tile flooring with Granite stone flooring (PHASE-II) in Terminal Building	2024-25	0.98
ii)	Provision of Tensile Fabric Canopy in Pickup and Drop Lane city side at Amritsar Airport	2024-25	2.38
<b>B4</b>	<b>Boundary Wall- Operational</b>		
i)	Raising Height of Operational Boundary Wall at various locations and other miscellaneous works at SGRDJI Airport	2024-25	0.72
<b>B5</b>	<b>Computer-End User</b>		
i)	Procurement of 50 Nos. All-in-One PCs	2024-25	0.77
ii)	Procurement of 1KVA UPS	2024-25	0.48
<b>B6</b>	<b>Plant &amp; Machinery</b>		
i)	Purchase of 33 FIDS	2024-25	0.31
ii)	FIDS	2027-28	1.50
iii)	SCCTV	2027-28	3.50
<b>B7</b>	<b>Tools &amp; Equipment</b>		
i)	Procurement of 1 Airport Surface Friction Tester	2024-25	1.25
ii)	Procurement of Tractor Driven Grass cutting Machine (10 Nos)	2027-28	0.30
iii)	SITC of ETD	2027-28	1.00





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

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost
			(includes design, PMC, Pre-operative expenses etc)
iv)	PA System	2027-28	1.50
v)	SITC of AMHS and Dynamic Database- Grintex India Ltd	2024-25	0.05
vi)	DFMD	2024-25	0.25
vii)	Procurement of Hand-held grass cutting machine (10 Nos)	2025-26	0.05
viii)	BDDS Equipment	2025-26	0.14
		2027-28	0.60
<b>B8</b>	<b>Vehicles</b>		
i)	Procurement of Jeep (2 Nos)	2024-25	0.20
ii)	Procurement of Tractors (2 Nos)	2025-26	0.15
iii)	Procurement Of Ambulances (4 Nos)	2026-27	0.50
iv)	Procurement of Truck and Jeep (2 Nos)	2028-29	0.20
<b>B9</b>	<b>Electrical Installation</b>		
i)	Provision of Perimeter Lighting and associated works	2024-25	0.48
ii)	Modification of Chilled water pipeline including replacement of Pump for 300 TR Chiller Plant	2024-25	0.42
iii)	Replacement of Old Split Acs and provision of New Split Type Acs at SGRDJI Airport	2024-25	0.33
iv)	Supply & Replacement of Cooling Tower for 300TR Chiller Plant at Amritsar Airport	2024-25	0.43
v)	Provision of ILCMS	2026-27	25.00
<b>B10</b>	<b>X-BIS</b>		
i)	SITC of Inline XBIS -2nd Phase- Smith Detection	2024-25	7.18
ii)	SITC of Inline XBIS -2nd Phase- Custom Duty	2024-25	0.61
iii)	SITC of Inline XBIS -2nd Phase- Akar Advertising	2024-25	0.01
iv)	SITC of Dual View X-BIS	2025-26	1.50
		<b>TOTAL (B)</b>	<b>56.35</b>
	<b>Capital expenditure proposed for the Second Control Period</b>	<b>TOTAL (A+B)</b>	<b>309.21</b>

6.2.6 The Authority had examined the CAPEX projects submitted by AAI, which is as follows:

**A. Capital additions projects shifted from the First Control Period to the Second Control Period**

**A1 and A3 (i) – Expansion of Terminal Building**

AAI had proposed for expansion of existing Terminal Building, which would result in increasing the existing terminal building area by 10,000 sqm. With this addition, the designed capacity of the existing terminal building which is currently 4.1 MPPA, would increase to 5 MPPA.

The traffic forecasts showed that the total passenger traffic would reach 4.2 MPPA by FY 2026-27 and 5 MPPA by FY 2028-29.

AAI had submitted the estimated costs of the project on expansion of the Terminal Building, in its revised MYTP dated October 24, 2024 as ₹ 233.18 Crores (with civil works amounting to ₹ 151.57 Crores and electrical works amounting to ₹ 81.61 Crores). However, vide its email dated November 18, 2024, AAI had revised the total project cost of the expansion of Terminal Building as ₹ 111.76

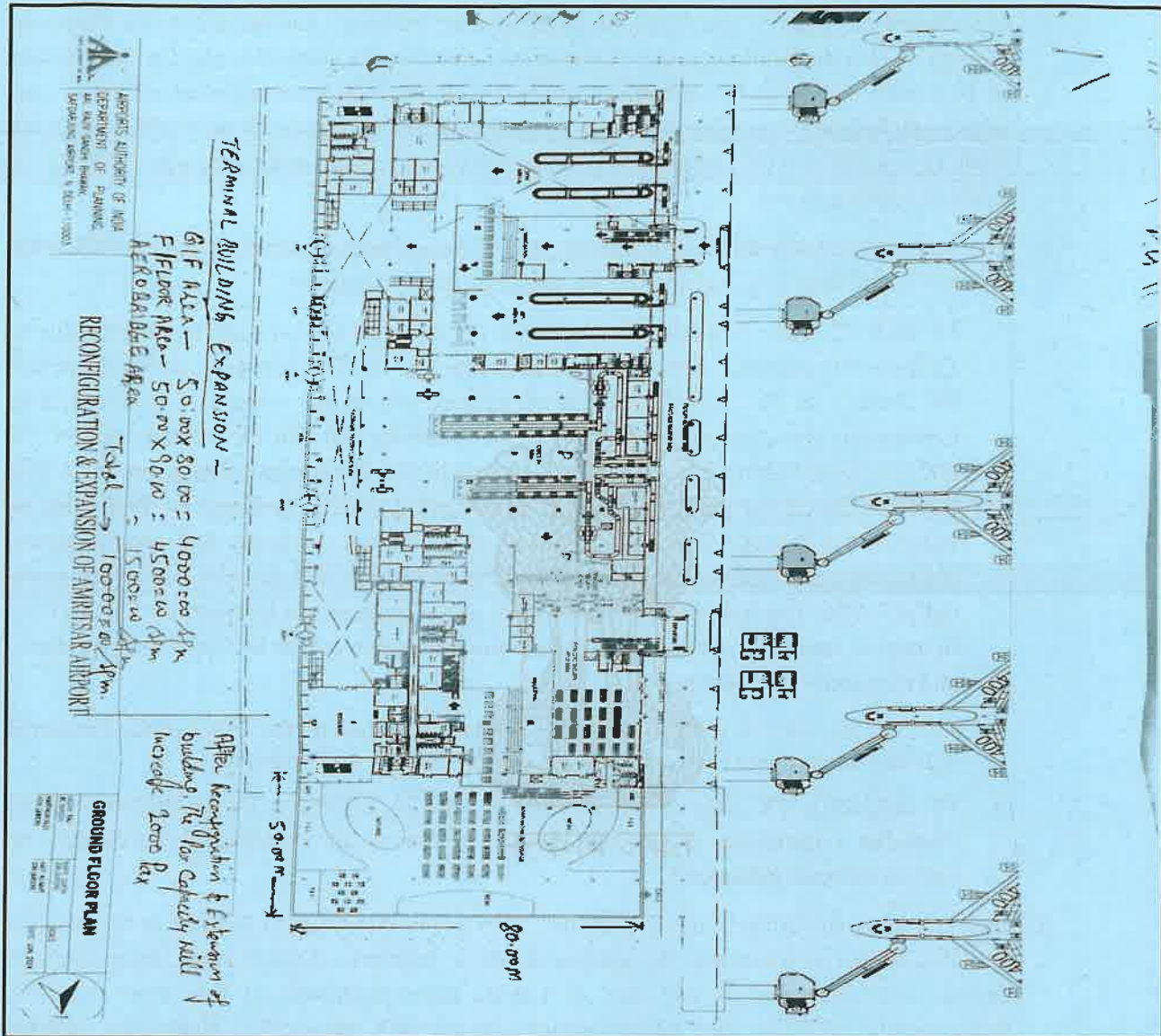
crores (Aeronautical CAPEX amounting to ₹ 108.15 Crores), which the Authority had taken into consideration for deriving the estimated project cost of the Terminal Building. This project involves not only increasing the area of the terminal building, but also reconfiguration of the existing area to improve and modify the passenger facilities. According to the scope of work, following major components were considered in the project:

- i Expansion of the ground floor and first floor of the Terminal Building, with all the facilities.
- ii Relocation of International Arrival, Immigration, Customs and Security Check (International).
- iii Additional Immigration and Check -in counters.
- iv Additional HB XBIS.
- v Provision of 1 additional PBB.
- vi Diversion of services, dismantling wall partition and other unforeseen works.

AAI had proposed to commission the expanded and reconfigured terminal building in FY 2027-28. Currently, only the plan and preliminary estimate were available. The capital expenditure had to be sanctioned and detailed design needed to be completed, to facilitate execution of the project. It is estimated that 30 to 36 months would be required for the execution of this project. Based on the above factors, Authority proposed to consider capitalization of this project in FY 2027-28 as proposed by AAI. The proposed expansion and reconfiguration plan is provided below:



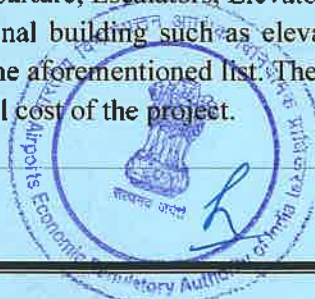




The Authority through its Independent Consultant/ Aviation expert had examined the proposal of AAI regarding the expansion of Terminal Building, submitted in the MYTP for the Second Control Period, based on the inflation adjusted Normative rates, as explained in the below mentioned paragraphs.

**Inflation adjusted normative cost determination**

- a. The Authority, vide its Order No. 07/2016-17 dated June 6, 2016 (Normative Order), had considered normative cost of ₹65,000/- per Sqm. for Terminal Building. The normative cost specification provided as Annexure-I of Normative Order. This mainly includes cost toward structural works of the terminal building, air conditioning, fire-fighting system, water supply, sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening, BHS for arrival and departure, Escalators, Elevators, Travellators and PBB. The cost of other items required for terminal building such as elevated road connecting the terminal building etc. was not covered in the aforementioned list. The cost of such items will be derived separately and added to the overall cost of the project.



- b. Considering the superior specifications, fit & finishes; processes, and the architectural features of modern Terminal Buildings, the Authority had considered a normative cost for construction of Terminal Building @ ₹ 1,00,000 per sqm for FY 2020-21. Inflation adjusted normative cost of terminal building was being uniformly considered for other airports. In view of the same, the Authority in case of AIA, proposed to consider ₹ 100,000 per sqm in the base year FY 2021 for terminal building works.
- c. The Authority had derived the inflation adjusted normative rates for the proposed CAPEX in the current Control Period by considering the rate of inflation as follows:
- FY 2021-22 –The Authority observed that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority felt that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18'2022, by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions.
  - FY 2022-23 – 9.42% (considered as per the data published by the Office of the Economic Advisor, Department for Promotion of Industry and Internal Trade) and
  - FY 2023-24 to FY 2026-27 – 0.30% in FY 2023-24, 2.40% for FY 2024-25 and 3.00% thereafter (considered as per 91<sup>st</sup> Round of Survey of Professional Forecasters on macroeconomic indicators).
- d. In the Order No.07/2016-17 dated 13th June 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports - Capital costs Regarding" the ceiling cost mentioned is inclusive of service taxes applicable at that time i.e. 12%. Subsequently, GST had been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost was worked out below by adding another 6% to ensure the total GST rate of 18% was considered in the cost. The Authority, in this regard noted that the proposed normative cost of ₹ 1,00,000 per sqm (for FY 2020-21) is inclusive of GST. Accordingly, the Authority first derived normative costs exclusive of GST and then applied 18% GST, which came to ₹ 1,05,357 per sqm. The amount so derived, is indexed with inflation to arrive the normative rates for the following years.

*Table 35: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building at Consultation Stage*

Financial Year	Inflation Rate	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative cost (including GST) (in ₹ per sqm.)
FY 2020-21	-	1,00,000	1,05,357
FY 2021-22	7.14%	1,07,140	1,12,880
FY 2022-23	9.42%	1,17,233	1,23,513



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

Financial Year	Inflation Rate	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative cost (including GST) (in ₹ per sqm.)
FY 2023-24	0.30%	1,17,584	1,23,883
FY 2024-25	2.40%	1,20,406	1,26,857
FY 2025-26	3.00%	1,24,018	1,30,662
FY 2026-27	3.00%	1,27,739	1,34,582
FY 2027-28	3.00%	1,31,571	1,38,620

**Note:**

Inflation adjusted base amount (inclusive of 12% GST) (A)	= Rs. 1,00,000 per sqm
Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)	= Rs. 89,286 per sqm
Add GST @ 18% (C=B*18%)	= Rs. 16,071 per sqm
Normative cost including GST (D = B+C)	= Rs. 1.05,357 per sqm

As shown in the above table the normative rate (inclusive of GST) for FY 2027-28 is ₹ 1,38,620 per Sqm.

The Authority had derived the Normative cost for the project on expansion of the Terminal Building as ₹138.62 Crores, by applying the normative rate of ₹ 1,38,620 per Sqm (as per above table) on the expanded area, which is 10,000 Sqm.

*Table 36: Comparison of Normative cost of Terminal Building derived by the Authority with AAI's submission at Consultation Stage*

(₹ in Crores)

S. No	Particulars	AAI's Submission		Cost derived by Authority	
		Total Cost	Aero Cost (TB ratio 96.77: 3.23)	Total Cost	Aero Cost (TB ratio 90:10)
1	Normative Cost			138.62	124.76
2.	Cost submitted by AAI				
(a)	Civil*	86.09	83.31		
(b)	Electrical*	19.94	19.30		
(c)	Reconfiguration of Terminal Building*	5.73	5.54		
	<b>Total</b>	<b>111.76</b>	<b>108.15</b>	<b>138.62</b>	<b>124.76</b>
	<b>Aeronautical cost of Terminal Building derived by the Authority, by considering TB ratio of 90:10</b>		<b>100.58</b>		<b>124.76</b>

\*AAI had submitted total cost of the project on expansion of terminal building as ₹ 111.76 Crores. The Authority had derived the Aeronautical CAPEX by applying terminal building ratio submitted by AAI which is 96.77:3.23.

The Authority noted that the total cost submitted by AAI, which is ₹111.76 Cr is lesser than the Normative costs derived by the Authority as per AERA Guidelines, which is ₹ 138.62 Cr. Therefore, the Authority proposed to consider the project cost submitted by AAI and had further determined the aeronautical cost of the project on expansion of Terminal Building as ₹ 100.58 Crores, by applying Terminal Building ratio of 90:10, for capitalization in FY 2027-28. Further,



the above costs had been apportioned to Civil works and Electrical installations in the ratio of 65%:35%.

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

**A2(i) and A3 (ii) – Runway, Taxiway and Apron**

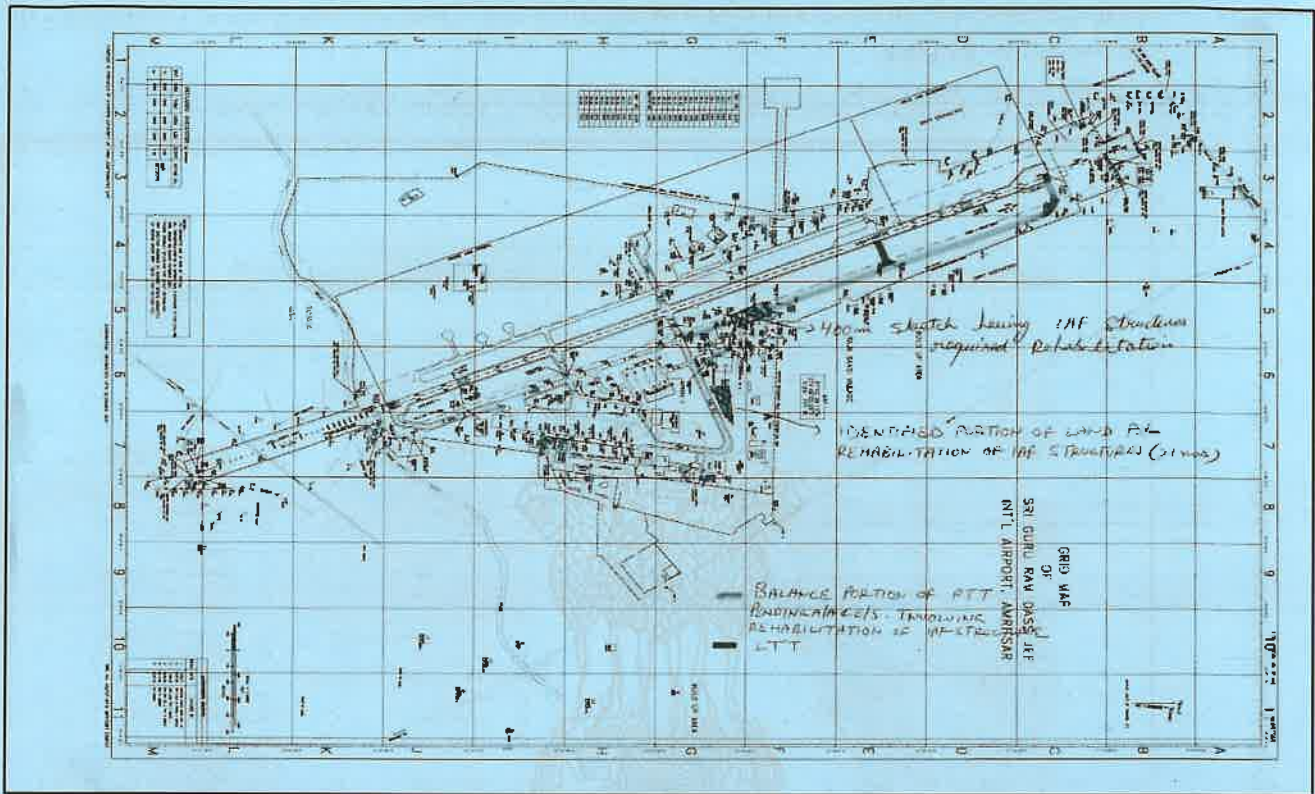
**Parallel Taxi Track (PTT) from Runway -16 beginning up to Taxiway-E (including Rehabilitation of IAF Structure) at Amritsar Airport:** Capital Expenditure amounting to ₹ 91.90 crore, was approved by the Authority in the Tariff Order for the First Control Period, for the following projects:

- Construction of Parallel Taxi Track (PTT) amounting to ₹ 78.50 Crores
- Rehabilitation of IAF Structure, amounting to ₹ 13.40 Crores for addressing obstructions to the construction of the Parallel Taxi Track (PTT).

The Authority during the site visit through its Independent Consultant, noted that the above works had not been initiated by AAI, as 21 IAF structures lie within the PTT's alignment and its strip. The completion of the Parallel Taxi Track project is dependent upon the relocation of these structures. Further, AAI and IAF were not able to finalize a rehabilitation plan, resulting in the delay in the commencement of this project.



Figure 1: Airport Layout Map



The Authority noted that in the email dated November 18, 2024, AAI had proposed the cost of the above project as ₹ 144.71 Crores (which is nearly 57% higher than that approved in the tariff order for the First Control Period) for capitalisation in FY 2027-28. The details of the same were presented below:

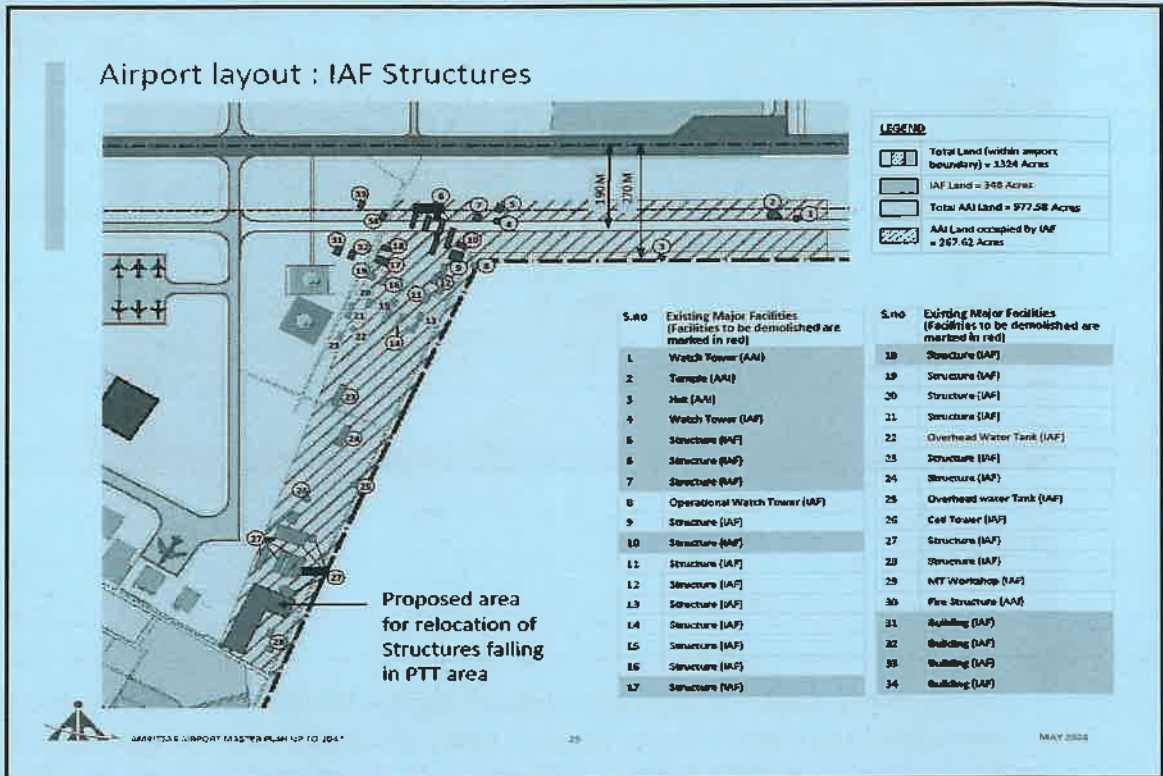
Table 37: Cost of PTT submitted by AAI for the Second Control Period and that approved in the Tariff Order for the First Control Period

Description of Work	Approved in First Control Period (₹ in Crores)	Submitted by AAI for Second Control Period (₹ in Crores)	Remarks
Cost of construction of PTT	91.90	144.71	The variance between the approved cost and that submitted by AAI for the Second Control Period is attributable to the inclusion of the cost of Box Culvert and drains required for the PTT and due to cost escalations.
<b>Break up of cost of Construction of PTT in the Second Control Period</b>			
Cost of Civil Works		114.90	
Cost of Electrical works		29.81	

The AAI had identified land parcels to accommodate IAF structures. The plan involves moving operational structures like bunkers to the IAF area, while non-operational functions will be

transferred to a new two-storey building in the AAI area. The managements of both AAI and IAF need to finalize the proposal and sign a Memorandum of Understanding, prior to construction of the two-storey building.

Figure 2: Airport Layout of Amritsar International Airport: IAF Structures



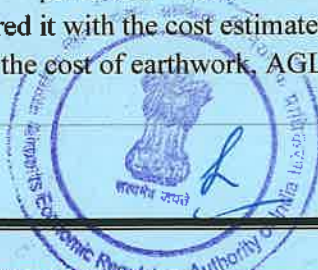
Based on queries raised by Authority's Independent Consultant from time to time, AAI had provided additional details pertaining to the above project. However, AAI had not provided the required project planning documents, such as a bar chart or PERT chart, to assess the timeline for the rehabilitation of IAF structures and the construction of the PTT.

As per the details shared by AAI, the construction of the infrastructure required for rehabilitation of the IAF structure, would take about 12 months, while the construction of PTT construction is expected to take about 18 months. Further, the construction of a two-storey building would take around 2 years, including the pre-award activities.

Additionally, after the completion of the IAF structure rehabilitation, the IAF operations needed to be shifted to the new facility and the old structures had to be auctioned and removed. This process was estimated to take about 6 months.

Even if the PTT project work is carried out parallelly, considering the time required for inviting tenders, awarding the works, removal of IAF structures and obtaining requisite statutory approvals, it might not be feasible to complete and commission the PTT project work in FY 2027-28, as proposed by AAI. Therefore, the Authority was of the view that it would be prudent to shift the capitalisation of the PTT project work to FY 2028-29, as the AAI had not provided a detailed project schedule to demonstrate the feasibility of completing it as per the planned timelines.

The Authority had derived the cost of pavement works in the operational area based on the Normative Guidelines and had compared it with the cost estimates submitted by AAI for Amritsar Airport. The Normative cost excludes the cost of earthwork, AGL, and other works specific to the





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

particular location, which were normally not required for pavement works. The Normative rate applicable for Pavement work (Runway, Apron, Taxiway, etc.) for FY 2028-29 is ₹7,549 per Sqm, including GST, as provided in the table below.

Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) considered by the Authority for PTT at Consultation Stage

Financial Year	Inflation Rate <sup>#</sup>	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative rate (in ₹ per sqm.) incl. GST
FY 2015-16		4,700	4,952
FY 2016-17	1.73%	4,781	5,038
FY 2017-18	2.96%	4,923	5,187
FY 2018-19	4.26%	5,133	5,408
FY 2019-20	1.67%	5,219	5,498
FY 2020-21	1.31%	5,286	5,570
FY 2021-22	7.14%	5,664	5,968
FY 2022-23	9.42%	6,198	6,530
FY 2023-24	0.30%	6,217	6,550
FY 2024-25	2.40%	6,366	6,707
FY 2025-26	3.00%	6,557	6,908
FY 2026-27	3.00%	6,753	7,115
FY 2027-28	3.00%	6,956	7,329
FY 2028-29	3.00%	7,165	7,549

\* Considered inflation rates as per Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 91, published by RBI.

**Note:**

Inflation adjusted base amount (inclusive of 12% GST) (A) = Rs. 4,700 per sqm  
 Inflation adjusted base amount (exclusive of 12% GST) (B=A\*100/112) = Rs. 4,196 per sqm  
 Add GST @ 18% (C=B\*18%) = Rs. 756 per sqm  
 Normative cost for FY 2016 including GST (D = B+C) = Rs. 4,952 per sqm

The total pavement area for PTT and Link Taxiways is 1,17,500 sqm. The cost of the PTT project, derived based on Normative Guidelines, as compared with AAI submission was given in the table below:

Table 39: Normative cost of PTT considered by the Authority for Amritsar International Airport at Consultation Stage

Details of Work	Estimated Cost of AAI (₹ in Crores)	Normative Cost proposed by the Authority (₹ in Crores)
Cost of Pavement		88.70
Civil	114.90	
Electrical (Refer Note below)	27.86	
Work below subgrade		1.06
Grade correction on existing Taxiway for connection		0.61
Dismantling work		1.39



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

Details of Work	Estimated Cost of AAI (₹ in Crores)	Normative Cost proposed by the Authority (₹ in Crores)
Rehabilitation of IAF structure*		
Civil		13.10
Electrical		2.65
Box Culvert and Drains*		29.31
Re-routing of cables*		1.50
AGL works*		23.71
<b>Total</b>	<b>142.76</b>	<b>162.03</b>

*\*Derived based on inputs shared by AAI from time to time over email*

**Note:** Electrical works had been estimated by AAI as ₹ 29.81 Crores (refer Table 37), which includes AGL for PTT, electrical works for IAF structure rehabilitation, and cable rerouting. Upon examination, the Authority identified and excluded the CMC cost of ₹ 1.95 Crores, as the same pertains to maintenance work. Consequently, the revised cost of electrical works amounts to ₹ 27.86 Crores, with AGL accounting for ₹ 23.71 Crores

The Authority observed that AAI had consolidated various works related to the PTT project, in its total cost estimate, including critical components like Rehabilitation of IAF structures and construction of Box Culverts and Drains. The rehabilitation of IAF structure, falling within the PTT alignment and basic strip, were essential prerequisites for the PTT project, making them integral to the overall project. The estimated costs of Civil and Electrical works, related to rehabilitation, amounting to ₹15.75 Crores (₹ 13.10 Crores for Civil and ₹ 2.65 Crores for Electrical), were considered to be reasonable, based on the review of CPWD rates.

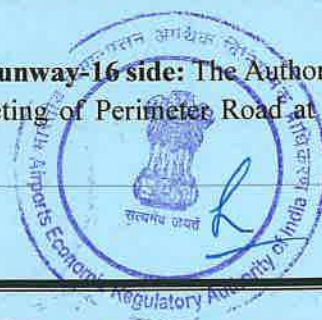
The two nallahs intersect the PTT area, necessitating the construction of box culverts and drains to ensure proper drainage of the operational area. AAI's detailed cost submission for these box culverts and drains amounts to ₹ 29.31 Crores, which the Authority found to be reasonable based on its review of CPWD rates and current market rates.

Based on the above analysis, the Authority noted that the estimated cost of AAI, amounting to ₹ 142.76 Crores was lesser than the normative costs, derived as per AERA Guidelines. Therefore, the Authority proposed to consider ₹ 142.76 Crores for this project for capitalization in FY 2028-29.

**B. New Capital Addition projects proposed by AAI for the Second Control Period**

**B1 – Roads, Bridges and Culverts**

- i **Widening, Strengthening and construction of existing Emergency Access Road from Runway-16 beginning and recarpeting of Fire Approach Road:** AAI had proposed the above CAPEX for widening, strengthening and construction of existing emergency access road for ₹ 1.54 Crores, so as to comply with DGCA's observations. Considering the current status of the project work, which was in progress, its essentiality and reasonableness of costs, based on review of CPWD norms/ market rates, the Authority proposed to consider the above project for capitalisation in FY 2024-25.
- ii **Recarpeting of Perimeter Road at Runway-16 side:** The Authority noted that AAI had proposed CAPEX of ₹ 1.50 Crores for recarpeting of Perimeter Road at Runway 16 side. Based on the





assessment of its Independent Consultant, as per the Authority, the recarpeting of perimeter road is a part of maintenance work and hence, proposed to shift the above-mentioned CAPEX as part of Repair & maintenance expenses under Operation and Maintenance expenses for the Second Control Period.

#### **B2- Runway, Taxiway and Apron**

- i. **Construction and Merger of Existing RESA:** AAI had proposed the construction and merging of existing RESA amounting to ₹ 0.54 Crores for capitalization in FY 2024-25. Later, AAI vide email dated September 5, 2024 informed that the above-mentioned project was dropped and the same would be taken up along with the recarpeting of runway (which had been included under Repairs and Maintenance).

#### **B3- Terminal Building**

- i. **Replacement of existing tile flooring with Granite stone flooring (PHASE-II) in Terminal Building:** AAI had proposed the replacement of existing tile flooring with Granite flooring amounting to ₹ 0.98 Crores for capitalization in FY 2024-25. The above-mentioned replacement of tiles had been proposed by AAI for smooth movement of trolleys inside the Airport and the project work had been awarded to the contractor for execution. Considering the current progress of the project, its essentiality and reasonableness of costs, based on review of CPWD norms/ market rates, the Authority proposed to consider the same for the capitalization in FY 2024-25.
- ii. **Provision of Tensile Fabric Canopy in Pickup and Drop lane at city side:** The Authority noted that AAI had proposed the tensile fabric canopy in pickup and drop lane amounting to ₹ 2.38 Crores for capitalization in FY 2024-25. The above-mentioned project is essential for operational needs and for the users of Terminal Building and the work had been awarded to the contractor for execution. Considering the current progress of the project and reasonability of cost estimates, based on review of CPWD norms/ market rates, the Authority proposed to consider the same for capitalization in FY 2024-25.

#### **B4 – Boundary Wall**

- i. **Raising the height of the Operational Boundary Wall at various locations and other miscellaneous works:** AAI had proposed ₹ 0.72 Crores towards the construction of Boundary Wall, to comply with BCAS requirements. The Authority, through its Independent Consultant, noted that the work had been awarded and the project is in progress. As this CAPEX is essential for Security purposes and the cost was reasonable, and comparable with other similar airports including CPWD norms, the Authority proposed to consider capitalization of this project amounting to ₹ 0.72 Crores in FY 2024-25.

#### **B5 – Computer-End User**

- i. **Procurement of 50 nos. All-in One PC and Procurement of 1 KVA UPS:** The Authority noted that AAI had proposed ₹ 0.77 Crores for procurement of 50, All in One Personal Computers (PC) and ₹ 0.48 Crores for procurement of 1 KVA UPS. Considering the operational requirements of these assets and its reasonableness based on review of market rates/ that approved for other similar airports, the Authority proposed to consider the above assets for capitalisation in the Second Control Period.

#### **B6 – Plant & Machinery**

- i. **Purchase of 33 FIDS:** The Authority noted that AAI had proposed procurement of 33 nos. of FIDS

- for ₹ 0.31 Crores for capitalisation in FY 2024-25. Further, the Authority noted that AAI had initiated the procurement of these assets. Considering the operational requirement of the assets, which are used for facilitating passengers and the reasonableness of costs based on review of market rates/ approved for other similar airports, the Authority proposed to consider the same for capitalisation in FY 2024-25.
- ii **FIDS and SCCTV:** The Authority noted that AAI had proposed ₹ 5 Crores towards the FIDS and SCCTV for reconfiguration of the existing Terminal Building. The details of the same is as follows:

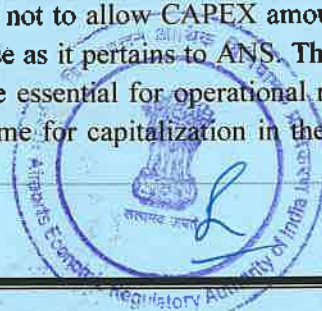
*Table 40: Details of cost of Equipment related to Terminal Building*

Details of Equipment	Amount (₹ in Crores)
FIDS	1.50
SCCTV	3.50
<b>Total</b>	<b>5.00</b>

Considering the essentiality of the Equipment and reasonability of costs, based on review of CPWD norms/ prevailing market rates, the Authority proposed to consider capitalization of these assets in line with the capitalization of Terminal Building, which is in FY 2027-28. Further, as SCCTV is related to the Terminal Building, the same would be apportioned to Aeronautical activities in the ratio of Terminal Building, which is 90:10. However, FIDS are related to passenger facilitation, hence, is the same were considered as 100% Aeronautical.

#### **B7 – Tools and Equipment**

- i **Procurement of Airport surface friction tester (1 no):** The Authority noted that AAI had proposed ₹ 1.25 Crores for procurement of one Airport surface friction tester. Considering the operational requirement of the asset and the reasonableness of costs, based on review of CPWD norms/ prevailing market rates, the Authority proposed to consider capitalisation of this asset in FY 2025-26.
- ii **Procurement of tractor driven grass cutting machine (3 nos):** AAI had proposed ₹ 0.30 Crores towards procurement of three tractor driven grass cutting machines for capitalisation in FY 2027-28. Considering the operational requirement and the reasonableness of costs based on prevailing market rates, the Authority proposed to consider the above assets for capitalisation in FY 2027-28.
- iii **SITC of ETD:** AAI had proposed ₹ 1 Crore towards SITC of ETD for reconfiguration of Terminal Building for capitalisation in FY 2027-28. Considering the operational requirement and the reasonableness of costs based on prevailing market rates, the Authority proposed to consider capitalization in FY 2027-28.
- iv **PA System:** AAI had proposed ₹ 1.50 Crores towards PA system for capitalisation in FY 2027-28. Considering the operational requirement and the reasonableness of costs based on prevailing market rates, the Authority proposed to consider the above assets for capitalisation in FY 2027-28.
- v **Other associated works (B7(v) to B7(viii)):** The Authority observed that there are other minor projects proposed by AAI as part of 'Tools & Equipment' such as SITC of AMHS and Dynamic database, DFMD, procurement of handheld grass cutting machine and BDDS equipment totalling to ₹ 1.09 Cr. The Authority proposed not to allow CAPEX amounting to ₹ 0.05 Crores towards SITC of AMHS and Dynamic database as it pertains to ANS. The Authority noted that the other assets amounting to ₹ 1.04 Crores are essential for operational requirements of the Airport and therefore proposed to consider the same for capitalization in the Second Control Period, as per





timelines proposed by AAI.

#### B8 - Vehicles

i. The Authority noted that AAI had proposed the following CAPEX towards Vehicles for the Second Control Period:

- Procurement of 2 tractors for ₹ 0.15 Crores, for capitalization in FY 2025-26
- Procurement of 4 ambulances for ₹ 0.50 Crores, for capitalization in FY 2026-27
- Procurement of 2 truck and jeep for ₹ 0.20 Crores, for capitalization in FY 2028-29
- Procurement of 2 jeeps for ₹ 0.20 Crores, for capitalization in FY 2024-25

Considering the operational requirement of the above assets and the reasonableness of costs, based on review of prevailing market rates/ approved in other similar airports, the Authority proposed to consider capitalisation of the above assets in the Second Control Period, as per year of capitalisation, as mentioned above.

#### B9 – Electrical Installations

i **Perimeter Lighting and Associated works:** The Authority noted that AAI had proposed ₹ 0.48 Crores for Perimeter Lighting and associated works. Considering the essentiality of this project, based on security requirements and reasonableness of costs, by reviewing prevailing CPWD norms/ market rates, the Authority proposed to consider the capitalisation of this asset in FY 2025-26.

ii **Other Associated Works (B9(ii) to B9(iv)):** The Authority observed that there were other minor projects proposed by AAI as part of 'Electrical Installations' such as Modification of chilled water pipeline, replacement of old split ACs and Supply & Replacement of Cooling Tower for 300 TR chiller plant totalling to ₹ 1.18 Cr. The Authority noted that these are essential operational requirements of the Airport and proposed to consider the same for capitalization in FY 2024-25.

iii **Provision of ILCMS:** AAI vide its email dated November 18, 2024 had proposed ₹ 25 Crores towards ILCMS to be capitalized in FY 2026-27. AAI had submitted the observations of DGCA on non-availability of ILCMS system to monitor individual light at Amritsar International Airport and that it would be impossible for Airport Operator to carry out CAT-II/ III operations without ILCMS system. Hence, considering the safety requirements, the Authority proposed to consider the above CAPEX for capitalisation in FY 2026-27.

#### B10 – XBIS

i **SITC of Inline XBIS- 2<sup>nd</sup> Phase:** AAI had proposed ₹ 7.80 Crores towards SITC of Inline XBIS to be capitalized in FY 2024-25. The Authority noted that AAI had initiated procurement of this asset. Considering the essentiality of the asset, as it was required to fulfil BCAS norms and reasonableness of costs, by reviewing prevailing market rates, the Authority proposed to consider the capitalisation of this asset in FY 2024-25.

ii **SITC of Dual View XBIS:** The Authority noted that AAI had proposed ₹ 1.50 Crores for SITC of Dual view XBIS. Considering the essentiality of the asset, as it is required to fulfil BCAS norms and reasonableness of costs, by reviewing prevailing market rates, the Authority proposed to consider the capitalisation of this asset in FY 2025-26.

6.2.7 The Authority noted that AAI had submitted the Terminal Building ratio of 96.77%: 3.23%

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

(Aeronautical: Non-Aeronautical) for apportionment of common assets within the Terminal Building at AIA for the Second Control Period. The Authority noted that AAI had revised the Terminal Building ratio from 90%:10% (as submitted initially in the MYTP by AAI) to 96.77%:3.23% due to shifting of Space allocated to Airlines from Non-Aeronautical to Aeronautical. As per the Authority, the space allotted to airlines by virtue of its nature of usage is part of Aeronautical portion. Therefore, the Authority proposed to consider this Terminal Building ratio of 90%:10% (Aeronautical: Non-Aeronautical) as reasonable, in accordance with the decision considered in the Tariff Order for the First Control Period for Amritsar International Airport. Further, the above ratio of 90%:10% was also 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).

6.2.8 The Authority proposed to readjust (reduce) 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 Capitalisation schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of Airport Operator or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The readjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by AIA and is also encouragement for AIA to commission/ capitalize the proposed assets as per the approved CAPEX plan/schedule

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

*Table 41: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period at Consultation Stage*

*(₹ in Crores)*

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)=(2)-(1)
<b>A1</b>	<b>Terminal Building</b>					
i)	Extension of Terminal Building (Civil)	2027-28	2027-28	83.31	77.48	(5.83)
ii)	Extension of Terminal Building (Reconfiguration)	2027-28	2027-28	5.54	5.16	(0.38)
<b>A2</b>	<b>Runway, Taxiway and Apron</b>					
i)	Parallel Taxi Track (PTT) from Runway -16 beginning up to Taxiway-E (including Rehabilitation of IAF Structure-Airmen Billets) at SGRDJI Airport Amritsar (Civil + Electrical)	2027-28	2028-29	144.71	142.76	(1.95)
<b>A3.</b>	<b>Electrical Installation</b>					
i)	Extension of Terminal Building (Electrical)	2027-28	2027-28	19.30	17.95	(1.35)
	<b>TOTAL (A)</b>			<b>252.86</b>	<b>243.35</b>	<b>(9.51)</b>
<b>B. New Capital Addition projects proposed by AAI for the Second Control Period</b>						





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

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)=(2)-(1)
<b>B1</b>	<b>Roads, Bridges and Culverts</b>					
i)	Widening, Strengthening and Construction of Existing Emergency access road from Runway-16 beginning and re-carpeting of Fire Approach Road at SGRDJI Airport	2024-25	2024-25	1.54	1.54	-
ii)	Re-carpeting of Perimeter Road Runway-16side at SGRDJI Airport.	2026-27	-	1.50	-	(1.50)
<b>B2</b>	<b>Runway, Taxiway and Apron</b>					
i)	Construction and Merging of Existing RESA after Demolishing of 30M Overrun of R/way portion at SGRDJI Airport Amritsar*	2024-25	-	0.54	-	(0.54)
<b>B3</b>	<b>Terminal Building</b>					
i)	Replacement of existing tile flooring with Granite stone flooring (PHASE-II) in Terminal Building	2024-25	2024-25	0.98	0.98	-
ii)	Provision of Tensile Fabric Canopy in Pickup and Drop Lane city side at Amritsar Airport	2024-25	2024-25	2.38	2.38	-
<b>B4</b>	<b>Boundary Wall- Operational</b>					
i)	Raising Height of Operational Boundary Wall at various locations and other miscellaneous works at SGRDJI Airport	2024-25	2024-25	0.72	0.72	-
<b>B5</b>	<b>Computer-End User</b>					
i)	Procurement of 50 Nos. All-in-One PCs	2024-25	2024-25	0.77	0.77	-
ii)	Procurement of 1KVA UPS	2024-25	2024-25	0.48	0.48	-
<b>B6</b>	<b>Plant &amp; Machinery</b>					
i)	Purchase of 33 FIDS	2024-25	2024-25	0.31	0.31	-
ii)	FIDS	2027-28	2027-28	1.50	1.50	-
iii)	SCCTV	2027-28	2027-28	3.50	3.15	(0.35)
<b>B7</b>	<b>Tools &amp; Equipment</b>					
i)	Procurement of 1 Airport Surface Friction Tester	2024-25	2025-26	1.25	1.25	-
ii)	Procurement of Tractor Driven Grass cutting Machine (10 Nos)	2027-28	2027-28	0.30	0.30	-
iii)	SITC of ETD	2027-28	2027-28	1.00	1.00	-
iv)	PA System	2027-28	2027-28	1.50	1.50	-
v)	SITC of AMHS and Dynamic Database- Grintex India Ltd	2024-25	-	0.05	-	(0.05)
vi)	DFMD	2024-25	2024-25	0.25	0.25	-
vii)	Procurement of Hand-held grass cutting machine (10 Nos)	2025-26	2025-26	0.05	0.05	-
viii)	BDDS Equipment	2025-26	2025-26	0.14	0.14	-
		2027-28	2027-28	0.60	0.60	-



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

S. No	Description of the Project	Year of Capitalisation		Capitalisation		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)=(2)-(1)
<b>B8</b>	<b>Vehicles</b>					
i)	Procurement of Jeep (2 Nos)	2024-25	2024-25	0.20	0.20	-
ii)	Procurement of Tractors (2 Nos)	2025-26	2025-26	0.15	0.15	-
iii)	Procurement Of Ambulances (4 Nos)	2026-27	2026-27	0.50	0.50	-
iv)	Procurement of Truck and Jeep (2 Nos)	2028-29	2028-29	0.20	0.20	-
<b>B9</b>	<b>Electrical Installation</b>					
i)	Provision of Perimeter Lighting and associated works	2024-25	2025-26	0.48	0.48	-
ii)	Modification of Chilled water pipeline including replacement of Pump for 300 TR Chiller Plant	2024-25	2024-25	0.42	0.42	-
iii)	Replacement of Old Split Acs and provision of New Split Type Acs at SGRDJI Airport	2024-25	2024-25	0.33	0.33	-
iv)	Supply & Replacement of Cooling Tower for 300TR Chiller Plant at Amritsar Airport	2024-25	2024-25	0.43	0.43	-
v)	Provision of ILCMS	2026-27	2026-27	25.00	25.00	-
<b>B10</b>	<b>X-BIS</b>					
i)	SITC of Inline XBIS -2nd Phase-Smith Detection	2024-25	2024-25	7.18	7.18	-
ii)	SITC of Inline XBIS -2nd Phase-Custom Duty	2024-25	2024-25	0.61	0.61	-
iii)	SITC of Inline XBIS -2nd Phase-Akar Advertising	2024-25	2024-25	0.01	0.01	-
iv)	SITC of Dual View X-BIS	2025-26	2025-26	1.50	1.50	-
	<b>TOTAL( B)</b>			<b>56.35</b>	<b>53.91</b>	<b>(2.44)</b>
	<b>GRAND TOTAL (A+B)</b>			<b>309.21</b>	<b>297.26</b>	<b>(11.95)</b>
<b>Year-wise Capitalisation of Assets is as follows (₹ in Crores)</b>						
	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>Total</b>
	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	
	16.59	3.57	25.50	108.63	142.96	297.26

\*Plan subsequently dropped by AAI.

**Note:** The Authority proposed to consider capitalization schedule of Aeronautical expenditure for AIA for the Second Control Period as ₹ 297.26 Crores, against proposed ₹ 309.21 Crores of AAI due to:

- Application of Terminal Building ratio of 90:10 for deriving the Aeronautical cost of the project on expansion of Terminal Building and SCCTV resulted in reduction of CAPEX by ₹7.56 Crores.
- Rationalization of Parallel Taxi Track based on Normative costs resulted in reduction of CAPEX by ₹ 1.95 Crores and
- Shifting of the project on recarpeting of Perimeter Road amounting to ₹ 1.50 Cr to operational and maintenance expenses.





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

The Authority proposed to consider capitalization of Aeronautical expenditure for AIA for the Second Control Period as ₹ 297.26 Crores.

### 6.3 Depreciation for the Second Control Period

#### AAI's Submission on Depreciation for the Second Control Period for AIA

- 6.3.1 AIA followed its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for AIA, AAI had taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35/ 2017-18 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority had been applied by AIA from FY 2017-18 onwards.
- 6.3.2 Depreciation was computed separately on opening block of assets and on the proposed additions.
- 6.3.3 The depreciation amount proposed by AIA for the Second Control Period are presented in the table below:

*Table 42: Depreciation proposed by AAI for AIA for the Second Control Period*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways, Taxiway & Aprons	3.27	3.28	3.28	4.84	6.41	21.07
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	1.43	1.24	1.15	1.22	0.60	5.64
Building- Terminal	2.18	2.23	2.23	3.71	5.19	15.54
Building - Temporary	0.02	-	-	-	-	0.02
Building - Residential	0.10	0.10	0.10	0.10	0.10	0.50
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.08	0.11	0.11	0.11	0.11	0.52
Boundary Wall - Residential	-	-	-	-	-	-
Other Buildings-Unclassified	0.32	0.32	0.32	0.32	0.32	1.59
Computer- End User	0.27	0.42	0.42	0.20	-	1.30
Computer Server and Network	-	-	-	-	-	-
Intangible Assets- Software	0.01	-	-	-	-	0.01
Plant & Machinery	1.12	1.13	1.12	1.28	1.43	6.07
Tools & Equipment	1.71	1.77	1.77	1.89	2.00	9.13
Office Furniture	0.02	0.02	0.01	-	-	0.05
Vehicles	0.45	0.32	0.21	0.21	0.20	1.39
Vehicle- Cars & Jeeps	0.01	0.01	0.01	0.01	0.01	0.05
Electrical Installations	4.74	4.07	3.90	7.01	11.63	31.36
Other Office equipment	0.03	0.02	0.02	0.01	0.01	0.09
Furniture & Fixtures-Other than Trolley	0.23	0.22	0.11	0.00	0.00	0.56
Furniture & Fixtures- Trolley	-	-	-	-	-	-
X Ray Baggage System	0.86	1.17	1.32	1.22	1.22	5.70
CFT/Fire Fighting Equipment	0.40	0.40	0.40	0.40	0.40	1.98



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

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
<b>Total</b>	<b>17.24</b>	<b>16.81</b>	<b>16.37</b>	<b>22.54</b>	<b>29.63</b>	<b>102.58</b>

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

- 6.3.4 The Authority noted that the AIA had calculated the depreciation for the Second Control Period based on the useful life of the asset with Order No. 35/ 2017-18 dated January 12, 2018. The Authority had reviewed the depreciation submitted by AAI for the Second Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.3.5 Based on changes in the proposed capital expenditure, the Authority proposed the following depreciation for the Second Control Period:

*Table 43: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage*

*(₹ in Crores)*

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Land	-	-	-	-	-	0.00
Leasehold Land	-	-	-	-	-	0.00
Runways, Taxiway & Aprons	4.19	4.00	3.71	3.71	6.09	21.70
Taxiway	-	-	-	-	-	0.00
Aprons	-	-	-	-	-	0.00
Road, Bridges & Culverts	1.16	1.06	1.05	1.05	0.66	4.97
Building- Terminal	4.08	1.49	1.47	2.65	3.89	13.59
Building - Temporary	0.02	-	-	-	-	0.02
Building - Residential	0.14	0.14	0.12	0.11	0.11	0.62
Security Fencing - Temporary	-	-	-	-	-	0.00
Boundary Wall -Operational	0.10	0.11	0.11	0.11	0.11	0.54
Boundary Wall - Residential	-	-	-	-	-	0.00
Other Buildings-Unclassified	0.38	0.37	0.37	0.37	0.37	1.86
Computer- End User	0.27	0.47	0.42	0.20	-	1.36
Computer Server and Network	-	-	-	-	-	0.00
Intangible Assets- Software	0.03	0.02	0.01	-	-	0.05
Plant & Machinery	1.13	1.14	1.14	1.29	1.44	6.13
Tools & Equipment	2.02	1.92	1.97	2.08	2.19	10.17
Office Furniture	0.02	0.02	0.00	-	-	0.04
Environment Management Works	-	-	-	-	-	0.00
Vehicles	0.43	0.44	0.34	0.24	0.22	1.67
Vehicle- Cars & Jeeps	0.02	0.02	0.02	0.02	0.02	0.11
Electrical Installations	4.41	3.95	5.10	6.23	6.51	26.21
Other Office equipment	0.03	0.02	0.02	0.01	0.01	0.09
Furniture & Fixtures-Other than Trolley	0.25	0.23	0.13	0.00	0.00	0.61
Furniture & Fixtures- Trolley	-	-	-	-	-	0.00
X Ray Baggage System	0.88	1.19	1.24	1.24	1.24	5.78
CFT/Fire Fighting Equipment	0.40	0.40	0.40	0.40	0.39	1.99
<b>Total</b>	<b>19.94</b>	<b>16.99</b>	<b>17.62</b>	<b>19.72</b>	<b>23.25</b>	<b>97.52</b>





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

**Note:** The Authority proposed to consider depreciation for AIA for the Second Control Period as ₹ 97.52 Crores. The above depreciation was lesser than that proposed by AAI, which is ₹ 102.58 Crores, due to the following reasons:

- Rationalization of CAPEX by ₹ 11.95 Crores (pertaining Terminal Building) and shifting the capitalization of certain projects to the subsequent tariff years within the Second Control Period.
- Errors in computation of depreciation by AAI as detailed in para 4.4.13 (i).

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

**AAI's Submission on RAB for AIA for the Second Control Period**

6.4.1 AAI's Submission on RAB for the Second Control Period for AIA is as follows:

*Table 44: RAB submitted by AAI for AIA for the Second Control Period*

*(₹ in Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB	199.63	201.30	186.33	171.97	435.69	1,194.92
Additions	18.91	1.84	2.00	286.26	0.20	309.21
Disposal/Transfers	-	-	-	-	-	-
Depreciation	17.24	16.81	16.37	22.54	29.63	102.58
Closing RAB	201.30	186.33	171.97	435.69	406.26	1,401.55
Average RAB	200.47	193.82	179.15	303.83	420.97	1,298.24

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

6.4.2 The Authority proposed to adopt the capitalization of Aeronautical Expenditure in accordance with Table 41 and the depreciation amounts in accordance with Table 43.

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

*Table 45: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

*(₹ in Crores)*

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB (A) (refer Table 12)	183.91	180.56	167.14	175.03	263.94	
Additions (B) (refer Table 41)	16.59	3.57	25.50	108.63	142.96	297.26
Disposal/Transfers (C)	-	-	-	-	-	-
Depreciation (D) (refer Table 43)	19.94	16.99	17.62	19.72	23.25	97.52
Closing RAB (E) = [(A) +(B) – (C) – (D)]	180.56	167.14	175.03	263.94	383.65	
Average RAB = [(A) + (E)]/2	182.24	173.85	171.08	219.48	323.79	

The Authority proposed to consider Average RAB for the AIA for the Second Control Period as



detailed in Table 45.

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

During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 06/2024-25 dated 19 December, 2024. The comments of stakeholders are presented below:

### 6.5.1 AAI's comment regarding expansion of Terminal Building is as follows:

*"AERA has applied terminal building ratio of 90:10, as against AAI submission of actual terminal building ratio 96.77%: 3.23%, for expansion of terminal building. Further, expansion of terminal building includes aerobridge of Rs 3 crore which is purely 100% aero. This detail has already been shared vide email and again, enclosed with comments for ready reference. Hence, AERA is requested to consider terminal building ratio on actual basis as submitted by AAI."*

### 6.5.2 AAI's comment regarding Terminal Building ratio for SCCTV is as follows:

*"AERA has applied terminal building ratio of 90:10 for SCCTV, since the SCCTV is purely for the purpose of security and comes under passenger facilitation and AAI requests AERA to consider these as 100% aeronautical."*

### 6.5.3 AAI's comment regarding CMC cost for PTT is as follows:

*"AERA has excluded Rs. 1.95 crores from PTT, claiming it as CMC cost, however same has not been added to repair and maintenance expenses. AERA is requested to consider it either in PTT cost or in repair and maintenance as separate line item."*

### 6.5.4 AAI's comment regarding Terminal Building ratio is as follows:

*"In the recent Aeronautical tariff orders, AERA has changed its stand about the space allotted to airlines by virtue of its nature of usage is part of Aeronautical portion which is 30% of the total space utilized for commercial activities, but on the other hand AERA has still considered the same space as Non-Aero for calculating Terminal Building Ratio Therefore, AERA's proposal to consider this Terminal Building ratio of 90%:10% (Aeronautical: Non-Aeronautical), as against the 96.77%:3.23% as proposed by AAI, is not justified.*

*AERA is requested to consider space to airlines as well as revenue from the same space either aeronautical or Non-Aeronautical.*

*Recently AERA has changed its decision of revenue of Airlines space from Non-Aero to Aero but the same airlines space is still considered as non-aero while calculating Terminal Building ratio.*

*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 also.*

*As far as IMG norms are concerned whereby 8% to 12% is earmarked as non-aero, The IMG norms was issued in year 2008, the back office taken by Airlines was treated as non-aero and Terminal Building ratio was in the range of 8%-12%. It is not mandatory for the Airlines to take back office in terminal building. It is only for the convenience and at the option of the Airlines only. Therefore, if AERA has reviewed its decision to consider revenue from back office space to Airlines as aero, so TB ratio norms may be relooked and revised accordingly.*

*AERA is therefore 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.”*

6.5.5 FIA’s comment on efficient CAPEX 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 June, 2016 in order to maintain the overall cost control and efficiencies in capex projects.*

*We submit that there should not be any incremental normative rate for capex projects. In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective.*

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

*In view of the above, we request AERA to conduct an independent study for 'efficiency of capex for SCP' before issuing the final order, which may help in understanding the exact needs of the airport and lower risk of unplanned and/or underutilized capex in this control.”*

6.5.6 FIA’s comment regarding 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 case the 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.”*

6.5.7 FIA’s comment regarding Adjustment of Capital Expenditure 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.”*

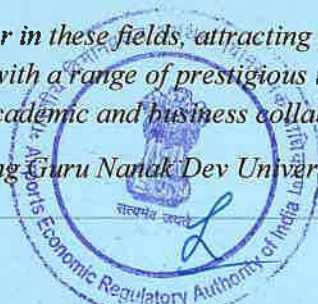
6.5.8 FIA’s comment regarding Terminal Building ratio is as follows:

*“FIA submits that, AERA has considered the Terminal Building Ratio (TBLR) of 90:10 for the Second Control Period. FIA submits that AERA has considered the Terminal Building Lease Ratio (TBLR) of 90:10 for the Second Control Period.*

*However, it is important to recognize the significance of Amritsar as a prominent destination and a vital hub in Punjab, not only within India but also in a broader regional context. The city is renowned for its rich cultural heritage, vibrant food scene, and for being a prominent pilgrimage and for its growing presence in sectors such as education, export, and tourism.*

*Amritsar is rapidly emerging as a key player in these fields, attracting both domestic and international visitors. Its role as a center for education, with a range of prestigious institutions, further enhances its appeal, making it a strategic location for academic and business collaborations.*

*Amritsar’s educational institutions, including Guru Nanak Dev University and other leading academic*



*centers, have become major drawcards for students, scholars, and researchers from across the globe. These institutions contribute not only to the Intellectual vibrancy of the city but also support its growing role in the export sector, with research and technological innovation helping to drive local and national economies.*

*Amritsar's export potential is also significant, particularly in the textile and handcraft industries. The city is renowned for its woollen, textiles, carpets, and phulkari embroidery, with local artisans producing world-renowned products that are increasingly reaching global markets. The city's rich tradition of arts and crafts, particularly in brassware and embroidered fabrics, further strengthens its economic fabric and provides new avenues for growth.*

*With its growing reputation and steady influx of tourists, business travellers, and culinary enthusiasts, Amritsar plays a crucial role in tourism. The city is home to the iconic Golden Temple, and its strategic location further enhances its appeal, serving as a major gateway for both domestic and international tourism.*

*The development of ATQ and ongoing improvements Infrastructure further underscore Its potential for increased non- aeronautical revenue, Including services related to tourism business, and export logistics.*

*The current non-aeronautical revenue ratio proposed by AERA may not fully capture the extensive economic opportunities presented by Amritsar's diverse industries, educational institutions, and cultural significance. Compared to major airports like DLAL, MIAL, and BLAL, ATQ's TBLR (Terminal Building Lease Revenue) appears undervalued, despite the city's increasing contributions to tourism, exports, and education.*

*As noted by AERA, airports with TBLR above 10% are often cited as benchmarks for success, and Amritsar's unique combination of cultural, pilgrimage, educational, and business assets suggests. that its economic impact will continue to rise, reinforcing its status as a major center for both tourism and business.*

*In view of the above, we request AERA to kindly allot the best possible ratio towards Non-Aeronautical Revenue (NAR), while maintaining a consistent approach in applying IMG norms. We further urge AERA to consider conducting an independent study in assessing the potential for non-aeronautical allocation revenue for ATQ."*

**6.5.9 FIA's comment regarding Depreciation rate/ Useful Life of Terminal Building is as follows:**

*"While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety-nine (99) years.*

*FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including "Terminal Building as' is practiced by some of the developed aviation ecosystem.*

*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."*

**6.5.10 IATA's comment regarding AUCC meeting is as follows:**

*"While we recognize the need for the next phase of expansion of the Terminal Building at Amritsar*



*details of the overall design and planning parameters should be shared and discussed in detail - such as the overall level of service and concept of operations with the addition of the new facility- which was not done during the AUCC meeting conducted in December 2024 by Amritsar airport.*

*As highlighted by IATA, the AUCC should be an ongoing engagement with stakeholders rather than a one-off exercise conducted right before the submission of the MYTP.*

*We commend AERA for issuing its circular dated 1st January 2025 which serves as a much-needed reminder for airport operators on the consultation protocol prescribed under the AERA Guidelines of 2011. IATA is committed to support the AUCC process and requests that AERA monitor and enforce the requirements more closely."*

## **6.6 AAI's responses 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 efficient CAPEX is as follows:**

*"AAI is incurring capital expenditure after detailed analysis and based on the need of the capex at the respective airport. The unplanned expenditure has been incurred after considering operational requirement at the airport. 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. AERA is considering return on RAB after the assets get capitalize and put to use.*

*During 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 as there was shortage of labour and restriction imposed by the GOI. Further, the work of Parallel taxi track which was one of the major capex could not be carried out due to land issue with IAF, which is beyond the control of AAI.*

*Further, Wherever the normative cost is applicable on the capital work, AAI calculates and submit the normative cost and accordingly AERA allows/approves the same Normative cost is required for construction of New Terminal Building/Apron/Taxi Way/Parallel Taxi Track etc. Tender process is carried out by AAI through competitive bidding only and invited tender through CPP portal/Gem portal etc."*

### **6.6.2 AAI's response to FIA's comment on Capital Expenditure is as follows:**

*"AAI is incurring capital expenditure after detailed analysis and based on the need of the CAPEX at the respective airport. The unplanned expenditure has been incurred after considering operational requirement at the airport. 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. AERA is considering return on RAB after the assets get capitalize and put to use."*

### **6.6.3 AAI's response to FIA's comment on adjustment of capital expenditure is as follows:**

*"AAI is incurring capital expenditure after detailed analysis and based on the need of the capex at the respective airport. The unplanned expenditure has been incurred after considering operational requirement at the airport. 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. AERA is considering*

*return on RAB after the assets get capitalize and put to use.*

*FY 2020-21 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 as there was shortage of labour and restriction imposed by the GOI, which is beyond the control of AAI. Further, the work of Parallel taxi track which was one of the major capex could not be carried out due to land issue, with LAF, which is again beyond the control of AAI."*

6.6.4 AAI's response to FIA's comment on Terminal Building ratio is as follows:

*"AAI is making all efforts to increase Non-Aeronautical revenue. The Terminal Building are designed to comply IMG Norms/ICAO guidelines/BCAS Norms and other regulatory Authorities. Further, non-aeronautical business is dependent on multiple factors such a demand, customer behavior, spending patterns of passengers and per capita income of the region. Therefore, a standardized approach may not accurately reflect the ground reality of non-aeronautical business and may be detrimental to the Airport Operator."*

6.6.5 AAI's response to FIA's comment on depreciation rates/ useful life of Terminal Building is as follows:

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

6.6.6 AAI's response to IATA's comment on conducting AUCC meeting is as follows:

*"Timely conduct of AUCC in respect of proposed Capital project will be taken care of in the future."*

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

6.7.1 The Authority notes the comments of AAI on expansion of Terminal Building is as follows:

The Terminal Building Ratio (TBR) represents the percentage of the terminal area dedicated to aeronautical activities compared to the total area. Aeronautical areas typically include spaces such as Check in, Security Check, Boarding gates, Baggage Claim etc., while Non-aeronautical areas comprise retail shops, restaurants, Lounges, Advertising spaces etc. There are some common areas also in the terminal building like the front side canopy/ kerb area, passages common to commercial and non-commercial movement etc.

Therefore, regarding AAI's contention about Aerobridges, which is purely Aeronautical, the Authority hereby clarifies that the same has been considered as part of Aeronautical activities within the Airport.

The Authority, at the Consultation stage, had considered the Terminal Building ratio of 90%:10% (Aeronautical: Non-Aeronautical) as reasonable, in accordance with the recommendations of IMG (which specifies 8% to 12% of overall terminal building area to be earmarked for non-aeronautical services, for airports having passenger traffic less than 10 MPPA) and the approach followed uniformly by the Authority for similar sized airports.

Further, the Authority notes that the expansion and modification of Terminal Building would result in corresponding increase in Non-aeronautical area and the same has not been considered by AAI for determining the Terminal Building ratio.

Regarding AAI's contention about space allotted to Airlines and its impact on Terminal Building ratio, the Authority has given its detailed views in para 6.2.7 and para 4.4.16 of this Tariff Order and the same may be referred to.

Based on the above considerations, the Authority decides to maintain the Terminal Building ratio as



90:10, in line with its proposal made during the Consultation stage.

6.7.2 The Authority has noted the comments of AAI regarding application of TB ratio on SCCTV and has the following views:

For assets within the Terminal Building, the Terminal Building ratio is applied on the total project cost of the Terminal Building (determined based on Normative Guidelines of AERA). Therefore, it is not prudent to bifurcate/ segregate any items.

SCCTV are also being installed at Airport to cover the Non-Aeronautical area also. Hence, it cannot be considered as 100% Aeronautical.

6.7.3 The Authority had excluded the CMC cost of ₹1.95 Crores since Parallel Taxi Track has been projected for capitalization in the last tariff year of the current Control Period and the asset would be covered under Defect Liability Period of about one year. Therefore, the incurrence of the CMC costs may arise only in the next Control Period.

Based on the above factors, the Authority finds no reason to deviate from the proposal made by it during the Consultation stage.

6.7.4 The Authority has noted the comments of FIA on determining efficient CAPEX and AAI's response thereon.

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

Accordingly, for Amritsar airport, the inflation indexed normative cost benchmarks (w.r.t. Terminal Building, Apron, Taxiways etc.) have duly been considered, while evaluating CAPEX proposals of AAI. Normative cost benchmarks are uniformly applied to all major airports, including AAI airports.

Further, the Authority, through the Aviation Expert of its Independent Consultant, has also carried out required due diligence in respect of CAPEX proposals of AAI with respect to its essentiality, cost reasonability etc. in the backdrop of AERA's Guidelines/CPWD norms and likely date of commissioning of Assets.

6.7.5 The Authority notes FIA's comments regarding undertaking only the essential CAPEX by the AO and AAI's response to the same.

The Authority, through aviation expert of its Independent Consultant, has examined in depth, the Capital expenditure incurred by AAI pertaining to the First Control Period and the CAPEX proposals for the Second Control Period submitted by the airport operator. The Consultant had sought required clarifications on the essentiality and the reasonableness of the proposed CAPEX.

Accordingly, the Authority has considered only such capital expenditure, which is essential for safety/security/ operational requirements.

It is informed that CAPEX related to airport infrastructure/facilities is only made part of Regulatory Assets Base (RAB), when such infrastructure / facilities are commissioned/put to use and FRoR & Depreciation on such assets is considered accordingly.

6.7.6 AERA has noted the comments of FIA on CAPEX and AAI's response to the same.

It is pertinent to note that all CAPEX projects were on standstill during COVID 19 pandemic. As reasons given by AAI for shifting of CAPEX are justified, the Authority decides not to make

adjustment of 1% in the ARR in the Second Control Period.

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.

- 6.7.7 The Authority has noted the comments of FIA on the Terminal Building ratio allocation and AAI's response to the same.

The area of terminal building is planned considering the projected traffic, area required for the passenger related activities, other Aeronautical & Non-Aeronautical services etc. Accordingly, Terminal Building area for aero & non-aero activities is identified and demarcated.

The Terminal Building Ratio (TB Ratio) is decided on airport-to-airport basis, considering the specifics of each airport.

The Authority also refers to IMG recommendations as a reference and notes that as per IMG Norms (for airports having passenger traffic less than 10 MPPA), generally, 8% to 12% of overall terminal building area is earmarked for non-aeronautical services. The provision of adequate TB space for non-aeronautical activities is very important as it helps in generating additional revenues for the Airport and also makes available a portion of non-aero revenue for cross subsidization of the Aeronautical charges.

Considering the above, the Authority decides to retain the Terminal building Ratio as 90:10 (Aeronautical: Non-Aeronautical) for the Second Control Period and the same is in line with the IMG recommendations and IATA norms and as followed in other similar airports.

However, the Authority may consider review of TB Ratio at the time of tariff determination for the Third Control Period, taking into account commissioning of extended area of Terminal Building and other relevant factors.

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

As per Order No. 35/2017-18 dated 12th January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. The AO, based on its assessment, has submitted the useful life for terminal building as 30 years and same has been considered by the Authority, which is in line with the aforementioned Order No. 35/2017-18 dated 12.01.2018. Some of the AOs had proposed higher useful life, which was duly considered by AERA.

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.

- 6.7.9 The Authority has noted the comments of LATA on conducting AUCC meeting.

As regards conducting AUCC meeting in a timely manner, the Authority in its various Tariff Orders has emphasized the importance of conducting AUCC meetings by the Airport Operators, in accordance with the AERA Guidelines, 2011. Airport Operators are required to follow the laid down user consultation protocol and obtain the inputs from the concerned stakeholders with respect to major CAPEX/ Major Revisions in the CAPEX proposals of the Airport, for the applicable Control Period and its impact on tariff. Amritsar International Airport has conducted the AUCC meeting on December 13, 2024 (refer para 6.2.2).

- 6.7.10 The Authority's independent consultant had requested AAI wide email dated February 07, 2025 and February 10, 2025 to provide details of estimated GST Input Tax Credit in respect of the CAPEX





proposed for the Second Control Period for Amritsar Airport. However, during the stakeholder Consultation process, the requisite details/information have not been received from AO.

The Authority is aware that AAI would be eligible to claim GST Input Tax Credit on procurement of certain movable property. Therefore, the Authority expects AO to properly account for such credit, in accordance with Chapter V of Central Goods and Services Tax Act, 2017 and capitalise assets net of GST Input Tax Credit, wherever applicable.

The Authority may examine the accounting of Input Tax Credit and make necessary adjustments in this regard at the time determination of tariffs for the Third Control Period. Based on the above, the Authority has considered as the Regulatory Asset Base (RAB) as considered at Consultation Stage as given in Table 45.

### **6.8 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base 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 adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period in accordance with Table 41.
- 6.8.2 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.3 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. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.8.4 To consider depreciation as per Table 43 for the Second Control Period.
- 6.8.5 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.8.6 To consider average RAB for the Second Control Period for AIA as per Table 45.
- 6.8.7 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.
- 6.8.8 To examine the accounting of input tax credits in accordance with Chapter V of the Central Goods and Services tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Third Control Period.



## 7 FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

### 7.1 AAI's submission regarding Fair Return of Return for the Second Control Period for AIA

7.1.1 AAI had submitted that Amritsar International Airport should primarily utilize internally accrued funds to fund the capital expenditure that had been projected for the Second Control Period.

7.1.2 AAI had considered Fair rate of Return (FRoR) as 14% based on the Authority's decision for the First Control Period.

### 7.2 Authority's examination of FRoR for the Second Control Period at Consultation Stage

7.2.1 The Authority noted that AAI had submitted that the capital expenditure proposed for the Second Control Period would be funded through internal accruals and hence no debts had been proposed by AAI in its MYTP submitted for the Second Control Period.

7.2.2 However, the Authority noted that AAI had availed debts amounting to ₹ 10.79 Crores, during the First Control period.

7.2.3 The Authority in its past Tariff Orders of other similar Airports of AAI, had noted that the capital structure of AAI was not efficient and had asked AAI to make it efficient by raising debt funds. Further, the Authority had also proposed to use the notional Debt-Equity ratio for AAI Airports in future, in line with PPP Airports. Also, it had been observed that generally, in the AAI airports, the equity portion was significant (above 90%) and the debt portion was quite nominal (below 10%). Therefore, applying a return on equity @ 14% on this high equity portion, does not bring in efficiency, as compared to the option of funding the project through a suitable mix of debt: equity, as per the gearing ratio for the airport projects.

7.2.4 Based on the above factors, the Authority had proposed FRoR, by adopting a notional gearing ratio of 48:52 (Debt : Equity), by taking inference from independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL) through a premier institute, namely IIM Bangalore and the same was being followed by AERA for all airports uniformly. The Cost of Debt, Cost of Equity considered by the Authority for determination of FRoR is explained as follows:

#### Cost of Debt

7.2.5 The Authority noted that AAI had availed debts of ₹ 10.79 Crores, during FY 2019-20 to FY 2022-23 in the First Control period for Amritsar Airport, as stated in the Financial Model (part of the MYTP submitted for determination of tariff for the Second Control Period). Further, the Authority noted that out of the above total debts of ₹ 10.79 Crores, substantial debts amounting to ₹ 10.30 Crores had been availed in FY 2022-23.

7.2.6 Based on the rate of interest details shared by AAI vide email dated November 14, 2024, the Authority noted that the average rate of interest on debt, during the FY 2022-23 worked out to 8.35%. Therefore, the Authority proposed to consider the Cost of Debt as 8.35% for determining FRoR for the Second Control Period.

#### Cost of Equity

7.2.7 The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and proposed to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of Amritsar Airport for the Second Control Period.

7.2.8 The above-referred independent study reports had drawn reference from the experience of international





airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. Based on the above analysis, the average Cost of Equity for these airports was determined to be 15.18%. The benchmark provided a useful reference point for evaluating airport financing strategies and equity costs in the Indian context.

- 7.2.9 The above independent study reports had used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of Equity.
- 7.2.10 The above study report applied a methodology that factors in sovereign and business risks through components like the risk-free rate and business volatility, establishing a fair cost of equity within the FRoR calculation. This provided a relevant benchmark for estimating Amritsar Airport's cost of equity in the Second Control Period, given the similar business environment, risk profile and policy framework.
- 7.2.11 Based on the above reports, the Authority proposed to consider the Cost of Equity as 15.18% for Amritsar International Airport for the Second Control Period.

**Fair Rate of Return (FRoR)**

- 7.2.12 Based on the above, the Authority proposed to consider FRoR as per table below for Amritsar International Airport for the Second Control Period:

*Table 46: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

Parameter	%
Weighted Average gearing of Equity (A)	52.00%
Weighted Average gearing of Debt (B)	48.00%
Cost of Equity (C)	15.18%
Cost of Debt (D)	8.35%
Fair Rate of Return for the Second Control Period (E= A*C+(1-A)*D)	11.90%

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

During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 06/2024-25 dated 19 December 2024. The comments of stakeholders are presented below:

- 7.3.1 AAI's comment on Fair Rate of Return (FRoR) is as follows:

*"Since AERA has notionally considered 48:52 as debt equity mix, and considered 8.35% as notional Interest on Debt, it is requested to AERA to notional allow Interest during construction (IDC-notional) for the 2nd Control Period against the proposed capital investment in 2nd Control Period.*

*Further, in this regard, we would like to draw the attention of AERA towards the AERA order no. 56/2020-21 dated 24.12.2020, for determination of aeronautical tariff for Amritsar Airport for the first control period to consider 14% FRoR for the first control period. Since, the assets in the opening RAB for the second control period are getting the FRoR of 14% in the first control period, so AERA is requested to provide 14% return on to those assets and apply 11.90% (as determined in the CP for the Second control period) on the capitalization during the second control period.*

*Kindly refer table no. 58 (consultation paper) of AER proposed to be considered by the Authority for the*



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

Second Control Period, wherein year wise Fair rate of return has been applied by AERA. (Table reproduced below as an extract from consultation paper for ready reference)

Table 58: ARR proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	Table Ref.	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB = A	40	182.24	173.85	171.08	219.48	323.79	
Fair Rate of Return = B	41	11.90%	11.90%	11.90%	11.90%	11.90%	
Return on average RAB C= A*B		21.69	20.69	20.36	26.12	38.54	127.40
Depreciation – D	38	19.94	16.99	17.62	19.72	23.25	97.52
O&M expenses – E	48	88.37	101.47	111.17	114.18	123.95	539.15
IDC – F		0.79	0.74	0.64	0.54	0.43	3.15
Tax expense – G	55	20.76	2.98	4.09	5.30	4.01	37.14
ARR per year = SUM (C:G)		151.55	142.87	153.88	165.86	190.19	804.36
Shortfall carried forward from							

Since, it can be seen from the above table that FRoR has been applied by AERA year wise, we request to apply FRoR of 11.90% only for the additions of the Second control period, not on the assets, which are continuing from the first control period. Application of FRoR on opening RAB also result in loss to AAI and same has been illustrated as under:

Illustration: 1

AAI has Rs. 500 crores of opening RAB on the start of control period.

Dep considered 10% for whole year and half in the year of capitalization

And additions of Rs. 200 crores during the control period under:

Year	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Capital addition	20	5	20	80	75

Methodology proposed by AERA: Return on RAB calculation on applying 11.9% (presently proposed by AERA in Consultation Paper)

Return on RAB @ FROR @11.9%						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB	500	469	427	403	439	
Addition	20	5	20	80	75	200
Depreciation	51	47	44	44	48	234
Closing RAB	469	427	403	439	466	
Average RAB	485	448	415	421	453	
FROR Rate	11.9%	11.9%	11.9%	11.9%	11.9%	
Return on RAB	58	53	49	50	54	264

Method Requested: Return on opening RAB and additions of first three years of control period @14% and Additions in last two years @11.9%.

Return on RAB @ FROR @14%						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB 1	500	450	405	365	328	
Addition	0	0	0	0	0	





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

<b>Return on RAB @ FROR @14%</b>						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Depreciation*	50	45	41	36	33	205
Closing RAB 1	450	405	365	328	295	
Average RAB 1	475	428	385	346	312	
FROR Rate	14%	14%	14%	14%	14%	
Return on RAB (A)	67	60	54	48	44	272
<b>FROR considering debt equity mix of 48:52, FROR Say 11.90%</b>						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB 2	0	19	22	39	111	
Addition	20	5	20	80	75	200
Depreciation*	1	2	3	8	15	29
Closing RAB 2	19	22	39	111	171	
Average RAB 2	10	20	30	75	141	
FROR Rate	11.9%	11.9%	11.9%	11.9%	11.9%	
Return on RAB (B)	1	2	4	9	17	33
<b>Final Return on RAB</b>						
Total opening RAB (1+2)	500	469	427	403	439	
Total closing RAB (1+2)	469	427	403	439	466	
Total Average RAB (1+2)	485	448	415	421	453	
Total Return on RAB (A)+(B)	68	62	57	57	60	305

In Method proposed by AERA in consultation paper, the assets under Opening RAB which are getting return of 14% in the first control period are getting only 11.9% return in Second Control Period which results in reduced ARR to the tune of Rs. 41 Crores. (based on hypothetical examples/figures)

Similarly, in Consultation paper no. 06/2024-25, return on RAB provided is Rs. 127.40 crores, extract of consultation paper is as under:

Table 58: ARR proposed to be considered by the Authority for the Second Control Period

(₹ Crores)							
Particulars	Table Ref.	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB = A	40	182.24	173.85	171.08	219.48	323.79	
Fair Rate of Return = B	41	11.90%	11.90%	11.90%	11.90%	11.90%	
Return on average RAB C = A*B		21.69	20.69	20.36	26.12	38.54	127.40
Depreciation = D	38	19.94	16.99	17.63	19.72	23.25	97.52



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

However, if following Method is adopted, the return on RAB will be Rs. 147 crores approximately.

**Method Requested:**

<b>Return on RAB @ FROR @14%</b>						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB 1	183.91	165.62	148.99	133.94	123.05	
Addition 1						0.00
Depreciation 1*	18.29	16.63	15.04	10.89	10.76	71.61
Closing RAB 1	165.62	148.99	133.94	123.05	112.30	
Average RAB 1	174.76	157.30	141.47	128.50	117.68	
FROR Rate	0.14	0.14	0.14	0.14	0.14	
Return on RAB (A)	24.47	22.02	19.81	17.99	16.47	100.76
<b>FROR considering debt equity mix of 48:52, FROR Say 11.90%</b>						
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB 2	0.00	14.94	18.15	41.08	140.88	
Addition 2	16.59	3.57	25.50	108.63	142.96	297.25
Depreciation 2*	1.65	0.36	2.58	8.83	12.49	25.91
Closing RAB 2	14.94	18.15	41.08	140.88	271.34	
Average RAB 2	7.47	16.55	29.61	90.98	206.11	
FROR Rate	0.12	0.12	0.12	0.12	0.12	
Return on RAB (B)	0.89	1.97	3.52	10.83	24.53	41.73
Total Opening RAB (1+2)	183.91	180.56	167.14	175.02	263.93	
Total Closing RAB (1+2)	180.56	167.14	175.02	263.93	383.64	
Total Average RAB (1+2)	182.24	173.85	171.08	219.48	323.79	
Total Return on RAB (A)+(B)	25.36	23.99	23.33	28.82	41.00	142.49

\* Depreciation has been taken proportionately for opening RAB and Additions, however while making final calculation, depreciation as calculated on addition and opening RAB should be considered, as should be available in the AERA's model.

It may be noted that Opening RAB, Closing RAB and average RAB by following method requested by AAI remain intact as proposed by AERA in the table no. 40 of the Consultation paper. Table 40 of the consultation paper is as under:

Table 40: RAB proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB (A) (refer Table 11)	183.91	180.56	167.14	175.03	263.94	
Additions (B) (refer Table 36)	16.59	3.57	25.50	108.63	142.96	297.26
Disposal/Transfers (C)	-	-	-	-	-	-
Depreciation (D) (refer Table 38)	19.94	16.99	17.62	19.72	23.25	97.52
Closing RAB (E) = [(A) + (B) - (C) - (D)]	180.56	167.14	175.03	263.94	383.65	
Average RAB = [(A) + (E)]/2	182.24	173.85	171.08	219.48	323.79	

The Authority proposes to consider Average RAB for the AIA for the Second Control Period as detailed in Table 40.





Hence, AERA is requested to consider 14% return on opening RAB for whole second control period and apply the FRoR proposed by AERA only for the additions during the second control period, as applying the 11.9% return on the assets which are continuing from the first control period resulting in the lower ARR of Rs. 15.09 crs. (Rs. 142.49 crs. – Rs. 127.40 crs.).

Further, since AERA has notionally considered 48:52 as debt equity mix, AERA is requested to consider 8.35% as notional Interest on Debt and allow Interest during construction (IDC-notional) for the 2nd Control Period against the proposed capital investment in 2nd Control Period.”

7.3.2 FIA’s comment on Fair Rate of return is as follows:

“FIA submits that only reasonable Fair Rate of Return (FRoR) to airport operators should be provided. It is observed that AERA have considered FRoR of 11.90%, for the Second Control Period. It may be noted, that AERA in the recent times have approved lower FRoR for other airports such as Shirdi & Pune.

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:

- i. 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.
- ii. 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
- iii. To review the financial closure details, debt to equity ratio based on actual weighted average rather than a notional percentage.
- iv. 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 case of certain major airport operators. This is particularly highlighted since other AAI airports like Chennai, Kolkata and Pune have a much lower FRoR.”

7.3.3 IATA’s comment on Fair rate of Return (FRoR) is as follows:

“We appreciate AERA for highlighting the need for an efficient capital structure of the airport operator via a balanced Debt-Equity ratio. Balancing this ratio for Amritsar has resulted in the rationalization of the computed FRoR.”

**7.4 AAI’s responses 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:



- i. *Recent Annual reports of one of the airlines having dominant position in India's domestic traffic shows the profitability of Rs.7000 crores- Rs.8000 crores, so the contention of FLA that all the airlines are suffering from huge loss does not seem correct.*
- ii. *The FRoR for an airport depends upon the cost of equity and cost of debt.*
- iii. *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by Mis KPMG in regards to calculation of Cost of Equity wherein the cost of equity was 15.64%, however, AERA has been considering cost of equity at 15.18%.*
- iv. *Further, In the order of First control period AERA has decided to provided then FROR of 14% on the RAB to AAI.*
- v. *AERA has reduced FROR to 11.90% against AAI's submission of 14%. AAI does not accept with the view of FLA that Airport industry is established with lower risk. However, huge capex and operating expenses are incurred by airport operators to maintain world class airport used mostly by the airlines and the pax. Further, there is no dynamic system available to the Airport Operator to charge from the airlines, while airlines have that dynamic system to charge high price from passengers.*
- vi. *It may further be noted that Airport charges constitute a small percentage to the total ticket price airlines charged from passengers.*
- vii. *We request AERA to consider cost of equity as per study conducted by KPMG.*

7.4.2 AAI's response to IATA's comment on FRoR is as follows:

- i. *The FRoR for an airport depends upon the cost of equity and cost of debt.*
- ii. *In 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 the cost of equity was 15.64%, however, AERA has been considering cost of equity at 15.18%.*
- iii. *Further, In the order of First control period AERA has decided to provided then FRoR of 14% on the RAB to AAI.*
- iv. *AERA has reduced FRoR to 11.90% against AAI's submission of 14%. Huge capex and operating expenses are incurred by airport operators to maintain world class airport used mostly by the airlines and the pax.*
- v. *It may further be noted that Airport charges constitute a small percentage to the total ticket price airlines charged from passengers.*

*We request AERA to consider cost of equity as per study conducted by KPMG.*

## **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 AAI's comments on FRoR for the Second Control Period.

In this regard, the Authority has determined FRoR based on the recommendations of Niti Aayog during the PIB meeting, held recently for few AAI airport projects. The issue of inefficient project financing of AAI airports due to predominance of equity and nil or negligible debt in the capital structure of AAI is not a new one, in fact, AERA has all along being advising AAI to migrate towards efficient capital structure and improve its gearing ratio.



Since, not much progress was noticed in this regard, the Authority considering the interests of all the stakeholders and taking note of the observations of Niti Aayog, decided to apply notional debt-equity ratio 48:52 (debt: equity) for the computation of FRoR pertaining to the Second Control Period of Amritsar airport.

Further, FRoR as per AERA Guidelines is computed as a weighted average cost of capital for the Control Period and same is uniformly applied on average RAB for all the tariff years of the Control Period and not just in the year of capitalisation. There is no provision in the Tariff Guidelines for applying different FRoR for different assets based on the date of capitalization etc, as these are long term projects, for which the notional gearing ratio has been considered by the Authority.

As regard to considering notional IDC @ 8.35% cost of debt requested by AAI, it is informed that IDC to airport operators is allowed only where they have actually availed debt for project financing. In the case of Amritsar airport, as per AAI's submission, the Authority notes that AAI hasn't availed any debt for the Second Control Period and therefore IDC has not been allowed.

Considering the above, the Authority finds no reason to revisit its proposal made at the consultation stage regarding notional gearing and FRoR for Amritsar Airport in respect of the Second Control Period.

7.5.2 The Authority notes FIA's comments on FRoR of Amritsar Airport for the Second Control Period and AAI's response to the same. In this regard, the Authority has rationalized the FRoR (refer Table 46) for the Second Control Period of Amritsar International Airport, including application of notional debt equity ratio of 48:52 (as discussed in the para 7.2.4 of this tariff order). Further, cost of equity for Second Control Period has been considered based on the study conducted for cost of equity for 5 PPP airports (DIAL, MIAL, HIAL, BIAL & CIAL).

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% as suggested by the FIA. Further, Airport investments 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.

As per the Authority, the requirement for an independent study will depend upon the size of the airport and the scale of their operations & complexities involved. AERA, may commission an independent study in future for any Airport, if deemed necessary.

7.5.3 The Authority acknowledges the comments of IATA and AAI's response thereon. In this regard, FRoR as per AERA Guidelines is computed as a weighted average cost of capital for the Control Period and same is uniformly applied on average RAB for the entire Control Period.

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

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

7.6.1 To consider FRoR of 11.90 % for AIA for the Second Control Period as per Table 46.



## 8 INFLATION FOR THE SECOND CONTROL PERIOD

### 8.1 AAI's submission regarding Inflation for the Second Control Period for AIA

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

### 8.2 Authority's examination of 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 91" released on December 6, 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 2025 till FY 2029 as given in the 91<sup>st</sup> round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority had assumed that the inflation rate would be stable and remain constant from FY 2026 till FY 2029. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Second Control Period.

*Table 47: Inflation rates proposed by the Authority for the Second Control Period for AIA at Consultation Stage*

Particulars	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
WPI inflation	2.40%	3.00%	3.00%	3.00%	3.00%

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

8.3.1 No comments were received regarding Inflation for the Second Control Period.

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

8.4.1 The Authority notes that no comments were received from the Stakeholders regarding Inflation for the Second Control Period. Therefore, the Authority decides to consider the mean of WPI inflation forecasts (All Commodities) for FY 2025 till FY 2029 as given in the 92<sup>nd</sup> round of survey of professional forecasters on macroeconomic indicators of RBI as presented in table below:

*Table 48: Inflation rates decided by the Authority for the Second Control Period for AIA*

Particulars	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
WPI inflation	2.30%	3.10%	3.10%	3.10%	3.10%

### 8.5 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 regard to





Inflation for the Second Control Period:

8.5.1 To consider Inflation for the Second Control Period for AIA as detailed in Table 48.



सत्यमेव जयते

भा.वि.आ.वि.प्रा.

AERA



## 9 OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

### 9.1 AAI's submission regarding Operation and Maintenance expenses for the Second Control Period for AIA

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

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

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

9.1.5 The summary of Aeronautical O&M expenses proposed by AIA for the Second Control Period has been presented in the table below:

*Table 49: Operation and Maintenance (O&M) expenditure submitted by AAI for AIA*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Payroll Costs	24.56	26.28	28.12	35.71	38.21	152.88
Retirement benefits of employees of AIA	1.79	1.91	2.05	2.60	2.78	11.14
Repair & Maintenance	16.56	27.66	33.24	33.71	34.35	145.52
Utilities & Outsourcing Expenses	11.48	11.99	12.52	13.10	13.70	62.79
Admin. & Other Expenses - Excluding CHQ/RHQ	15.51	17.03	18.74	20.54	22.60	94.42
Admin. & Other Expenses - CHQ/RHQ	46.83	49.17	51.63	54.21	56.92	258.75
Other Outflows	0.46	0.51	0.57	0.62	0.69	2.86
<b>Total O&amp;M Expenditure</b>	<b>117.19</b>	<b>134.56</b>	<b>146.86</b>	<b>160.49</b>	<b>169.24</b>	<b>728.35</b>

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

*Table 50: Growth rates in O&M expenditure submitted by AIA*

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
Payroll Costs	7%	7%	7%	27%	7%
Retirement benefits of employees of AIA	7%	7%	7%	27%	7%
Utilities & Outsourcing Expenses	4%	4%	4%	5%	5%



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
Admin. & Other Expenses - Excluding CHQ/RHQ	10%	10%	10%	10%	10%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%

**9.2 Authority’s examination of Operation and Maintenance expenses for the Second Control Period at Consultation Stage**

9.2.1 AAI had proposed ₹ 728.35 Crores towards Operation and Maintenance expenses for the Second Control Period.

9.2.2 The Authority observed that the actual O&M expenses submitted by AAI for Amritsar Airport for true up of the First Control Period was for ₹ 446.44 Crores (refer Table 15). The Authority examined the above actual O&M expenses and had proposed ₹ 375.68 Crores (refer Table 19) to be trued up for the First Control Period. However, AAI had submitted its O&M expenses for AIA for the Second Control Period for ₹ 728.35 Crores, which is 94% higher than the O&M expenses approved by the Authority for true up of the First Control Period (which is for ₹ 375.68 Crores).

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

9.2.3 The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for AIA. The same is explained in the following paragraphs.

9.2.4 AAI had segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 96.02%: 3.98% for FY 2023-24, which was derived based on the headcount of Aeronautical and Non-Aeronautical employees within the airport. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.

9.2.5 AAI had segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from Concessionaires. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.

9.2.6 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Electrical) had been apportioned in the ratio of Terminal Building by AAI which is 96.07% : 3.93%. However, the Authority proposed to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as detailed in para 6.2.7.

9.2.7 Repair and Maintenance (Civil) expenses pertaining to Terminal Building had been apportioned by AAI, by applying in the Terminal Building ratio of 96.07%: 3.93%. However, the Authority proposed to reallocate the above expenses in the Terminal Building Ratio of 90%:10%, as followed in other similar airports.

9.2.8 Repair and Maintenance expenses – Electronics includes Surveillance equipment, security equipment had been apportioned in the Employee ratio of 97.59%: 2.41% as per AAI. The Authority’s analysis shows that these expenses pertain to passenger facilitation. Further, the Authority noted that it also includes hardware maintenance expenses of computers and other electronic items, which had been apportioned based on the headcount of IT Department engaged for Aeronautical purposes. As most of these equipment are located in the Terminal Building, the



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Authority proposed to re-allocate the above expenses in the Terminal Building ratio of 90%:10%.

9.2.9 Administration expenses of CHQ/ RHQ had been allocated based on methodology defined in para 4.7.3 (a) and (b).

9.2.10 Based on the above factors, the Authority had determined the following basis for allocation of expenses, which is as follows:

*Table 51: Allocation of O&M expenses proposed to be considered by Authority for AIA at Consultation Stage*

Particulars	Allocation proposed by AAI	Allocation considered by the Authority
Payroll Costs	96.02% : 3.98%	96.02% : 3.98%
Retirement Benefits of Employees at AIA	96.02% : 3.98%	96.02% : 3.98%
Repair & Maintenance – Civil	96.07% : 3.93%	90.00% : 10.00%
Repair & Maintenance – Electrical Works	96.07% : 3.93%	90.00% : 10.00%
Repair & Maintenance – Electronics	97.59% : 2.41%	90.00% : 10.00%
Utilities	96.07% : 3.93%	100.00%
Upkeep Expenses	96.07% : 3.93%	90.00% : 10.00%
Admin. & Other Expenses – CHQ/RHQ	95.00% : 5.00%	95.00% : 5.00%
Other Outflows	100.00%	100.00%

**Payroll expenses and Retirement Benefits of employees of AIA:**

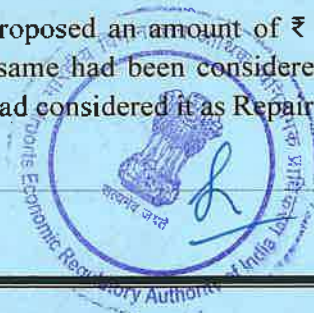
9.2.11 AAI considered a growth rate of 7% in payroll expenses for the period 2024-25 to 2028-29. Further, AAI had proposed an additional growth rate 20% in FY 2027-28 taking into consideration, the implementation of increase in payroll on account of recommendations of the 8<sup>th</sup> Pay Commission. However, the Authority proposed to consider a growth rate of 6% year on year from FY 2024-25 to FY 2028-29 in the payroll expenses and retirement benefits of employees of AIA. Growth rate of 6% Y-o-Y in payroll expenses is uniformly followed by the Authority in all AAI airports. Further, the Authority proposed not to consider the additional increase 20% in payroll expenses submitted by AAI for FY 2027-28 on account of 8<sup>th</sup> pay commission for determining tariff for the Second Control Period for AIA and proposed to consider the same on actual incurrence basis.

**Administration and General expenses- CHQ/ RHO allocation:**

9.2.12 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Amritsar Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.6 (a) and (b) of this Consultation Paper, the Authority has rationalized the Administration and General Expenses- CHQ/ RHQ allocation, projected by AAI for AIA for the Second Control Period, considering 5% Y-o-Y increase (as sought by AAI), based on the amount considered for true up of FY 2023-24. The same is presented in Table 54.

**Repairs and Maintenance expenses:**

9.2.13 The Authority noted that AIA had proposed an amount of ₹ 1.50 Crores towards recarpeting of Perimeter Road in FY 2026-27 and same had been considered as CAPEX by AAI in its MYTP submission. However, the Authority had considered it as Repair & Maintenance Expenses, as it does





OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

not lead to increase in the useful life of the Perimeter Road.

- 9.2.14 The Authority noted that AAI had proposed an increase of 16% for FY 2024-25, 67% for FY 2025-26, 20% for FY 2026-27, 1% for FY 2027-28 and 2% for FY 2028-29 on repair and maintenance expenditure for the Second Control Period. The Authority noted that AIA had projected the cost of Runway Recarpeting for the Second Control Period starting from FY 2025-26, amounting to ₹ 46.19 Crores, which also includes the return on re-carpeting of Runway.
- 9.2.15 The Authority noted that AAI had claimed the total Repairs & Maintenance expenses of ₹ 145.52 Crores (including amortization of runway recarpeting expenses of ₹ 46.19 Crores) for the Second Control Period. However, even after excluding such expense on re-carpeting of Runway, the Repairs & Maintenance expenses projected for the Second Control Period by AAI are substantial.
- 9.2.16 The Authority noted that R&M expenses proposed by AAI for the Second Control Period (after excluding the runway recarpeting expenses), are higher than the cap of 6% of the Opening RAB (net block of that year) generally considered by the Authority, for capping of R&M Expenses to the ceiling limit. Accordingly, the Authority, at this stage proposed to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 53.
- 9.2.17 As per the submission of AAI in other Airports, capping of R&M expenses to 6% of Opening RAB reduces the allowable R&M expenses substantially whereas assets require more R&M expenses in later part of their useful life.

The Authority, taking cognizance of the above submission, was of the view that existing approach across all the airports towards capping of R&M expenses to 6% of opening RAB (Net Block) of respective tariff years needs to be revisited and the Authority would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by Airport Operators.

- 9.2.18 The Authority considered the FRoR as 11.90% had recomputed the return on re-carpeting of Runway expenditure as given in the table below:

*Table 52: Runway re-carpeting expenses proposed by the Authority for the Second Control Period at Consultation Stage*

(₹ in Crores)

Particulars	Ref.	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	TOTAL
Opening Balance (Runway Re-carpeting)	A	-	-	35.13	26.35	17.56	79.04
Expense on Re-Carpeting of Runway	B	-	43.91	-	-	-	43.91
Amortization during the Year	C	-	8.78	8.78	8.78	8.78	35.13
Closing Balance	D = A+B-C	-	35.13	26.35	17.56	8.78	87.82
FRoR (refer Table 46)	E	-	11.90%	11.90%	11.90%	11.90%	
Return on the unamortized portion of the Runway	F= A*E	-	-	4.18	3.14	2.09	9.41
<b>Total Runway Re-carpeting Expenses</b>	<b>G=C+F</b>	-	<b>8.78</b>	<b>12.96</b>	<b>11.92</b>	<b>10.87</b>	<b>44.53</b>



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Table 53: Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	TOTAL
Expenses Claimed by AAI (Other than Runway Recarpeting) (A)	16.56	18.88	19.54	21.24	23.10	99.32
Runway Recarpeting (B)	-	8.78	13.70	12.47	11.24	46.19
Total (C= A+B)	16.56	27.66	33.24	33.71	34.35	145.52
Opening RAB (D)	183.91	180.56	167.14	175.03	263.94	
6% of Opening RAB (E= D*6%)	11.03	10.83	10.03	10.50	15.84	58.23
Revised Runway Recarpeting expenses (F)	-	8.78	12.96	11.92	10.87	44.53
Recarpeting of Perimeter Road (G)	-	-	1.50	-	-	1.50
Allowable expenses (H= 6% of Opening RAB or A, whichever is lesser)	11.03	10.83	10.03	10.50	15.84	58.23
Total R&M Expenses allowed by the Authority (I= F + G+H)	11.03	19.62	24.49	22.42	26.71	104.27
Difference (J= C-I)	5.52	8.05	8.75	11.29	7.64	41.25

**Administration and General expenses (other than CHO/ RHQ and upkeep expenses):**

9.2.19 The Authority noted that AAI had projected 10% Y-o-Y increase in Administration and General expense (other than CHO/RHQ and Upkeep expenses) for the Second Control Period. The Authority proposed to consider the same for the Second Control Period, in line with the practice followed in other similar airports.

**Expenses towards Utilities and Outsourcing Expenses:**

9.2.20 The Authority examined the expenses towards utilities and noted the following:

**Power expenses:** AAI had projected an increase of 3% per year after, netting off the recoveries made from the Concessionaires.

The Authority noted that AAI had increased the net power costs of FY 2023-24 by 3% year-on-year for the Second Control Period, which the Authority proposed to consider for determining O&M expenses for the Second Control Period.

**Outsourcing expenses:** The Authority observed the outsourcing expenses had been projected by AAI towards consultancy charges, which includes consultation and professional service charges for Airport Council for ACI- Asia, ASQ Rating Survey Fees and other associated services. The Authority noted that the above projections are based on actual expenses incurred by AAI in FY 2023-24. The Authority was of the view all outsourcing expenses may not increase by 10%, as proposed by AAI Y-o-Y. Therefore, the Authority proposed to consider a 5% increase Y-o-Y as done in other similar airports.

**Upkeep expenses:**

9.2.21 The Authority observed that for upkeep expenses, AAI had proposed 10% increase year-on-year for the Second Control Period. The Authority noted that these are contractual expenses, wherein the rates had been finalized for the entire contract period (which is 3 years), and it includes the cost of materials, equipment and labour (including statutory benefits such as PF, ESI, Bonus etc) and





OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

increase in minimum wages was being reimbursed to the contractors on actual basis. AAI had not provided any working/ basis for 10% increase Y-o-Y. As manpower expense is a significant component and the revision of Minimum wages was based on statutory requirements, the Authority proposed to consider a 5% year-on-year increase towards Upkeep expenses across the Second Control Period, for Amritsar International Airport.

**Other Outflows- Collection charges on UDF:**

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

9.2.23 Based on the above observations, the Authority had determined the O&M expenses, which it proposed to consider in the Second Control Period. The same was presented as follows:

*Table 54: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

*(₹ in Crores)*

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Payroll Costs	24.33	25.79	27.34	28.98	30.72	137.15
Retirement benefits of Employees at Amritsar Airport	1.77	1.88	1.99	2.11	2.24	9.99
Repair & Maintenance (Refer Table 53)	11.03	19.62	24.49	22.42	26.71	104.27
Power Expenses	9.17	9.45	9.73	10.02	10.32	48.69
Utilities & Outsourcing Expenses	2.26	2.48	2.72	2.98	3.26	13.69
Upkeep Expenses	5.44	5.72	6.00	6.30	6.62	30.08
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	9.32	10.22	11.24	12.30	13.53	56.61
Admin. & Other Expenses - CHQ/RHQ	24.58	25.81	27.10	28.45	29.87	135.81
Other Outflows	0.46	0.51	0.57	0.62	0.69	2.86
<b>Total O&amp;M Expenditure</b>	<b>88.37</b>	<b>101.47</b>	<b>111.17</b>	<b>114.18</b>	<b>123.95</b>	<b>539.15</b>

**Note:** The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 539.15 Cr. ) and that claimed by AAI (₹ 728.35 Cr.) was on account of the following:

- i. Rationalization of payroll expenses amounting to ₹ 15.73 Cr.
- ii. Rationalisation of allocation of CHQ/ RHQ expenses amounting to ₹ 122.94 Cr.
- iii. Rationalisation of Repair and Maintenance expenses amounting to ₹ 41.25 Cr

The Authority expects AAI to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles.

9.2.24 Based on above considerations, the Authority proposed the following Y-o-Y growth rates in



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Operation and Maintenance expenses.

Table 55: Growth rates in O&M expenses considered by the Authority for the Second Control Period at Consultation Stage

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Payroll Costs	6%	6%	6%	6%	6%
Retirement Benefits of Employees at AIA	6%	6%	6%	6%	6%
Power Expenses	3%	3%	3%	3%	3%
Utilities & Outsourcing Expenses	8%	10%	10%	10%	10%
Upkeep Expenses	5%	5%	5%	5%	5%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%

### 9.3 Stakeholders' comments regarding Operation and Maintenance expenses 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. 06/2024-25 dated 19 December 2024. The comments of stakeholders are presented below:

#### 9.3.1 AAI's comment on apportionment of Upkeep expenses is as follows:

*"AAI has proposed Upkeep expenses to be bifurcated in aero and non-aero in the ratio 96.07%(Aero): 3.93% (Non-Aero) based on the actual utilization of the terminal building for commercial activity.*

*We request AERA to apply Terminal Building ratio only for proposed capex, OPEX should be bifurcated based on the actual utilization basis i.e. 96.07%(Aero): 3.93% (Non-Aero)."*

#### 9.3.2 AAI's comment on Repair & Maintenance expenses (Civil) is as follows:

*"AAI has proposed repair and maintenance (civil) expenses and electrical expenses pertaining to terminal building to be bifurcated in aero and non-aero in the ratio 96.07%(Aero): 3.93% (Non-Aero) based on the actual utilization of the terminal building for commercial activity.*

*It is also worth mentioning that it also included the maintenance of Runway/ apron and other operational area including runway painting, joint filling, runway lighting etc. which is 100% Aero, where application of terminal building ratio is not appropriate.*

*We request AERA to apply Terminal Building ratio only for proposed capex, Operating expenditure should be bifurcated based on the actual utilization basis i.e. 96.07%(Aero): 3.93% (Non-Aero).*

*Hence AERA is requested to consider the same as proposed by AAI."*

#### 9.3.3 AAI's comment on Repair & Maintenance expenses is as follows:

*"Repair and maintenance related to computers, employee ratio needs to be considered as AAI has provided computers to its employee not to the NON- AERO counters hence, the application of terminal building ratio is not justified. Again, there are some assets like CCTV for surveillance/security purpose and are purely aeronautical in nature, application of terminal building ratio is also not appropriate here.*

*AERA is also requested to apply TB Ratio only on proposed capex not on the R&M as it is already bifurcated based on the actual utilization of the Terminal Building for commercial purpose.*





OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Hence AERA is requested to consider the same as proposed by AAI.”

9.3.4 AAI’s comment on Payroll expenses is as follows:

“AERA has proposed to reduce growth rate of Payroll expenses from 7% y-o-y to 6% y-o-y for the second control period resulting lower tariff rate, lower recovery of pay roll, increase in shortfall to be carry forward for the next control period and impact steep hike in tariff for the next control period. 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 7.2% increase in the Payroll expenditure of one employee, considering DA rate as issued by Ministry of Finance.

FY 2022-23													Total
Basic	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000
DA Rate	30.0%	30.0%	30.0%	32.5%	32.5%	32.5%	34.8%	34.8%	34.8%	37.2%	37.2%	37.2%	
DA													201750
HRA @27 % of Basic													162000
Perk @35%of Basic													210000
Employer contribution @ 12% of Basic+DA													96210
Total (A)													1269960
FY 2023-24													Total
Basic	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	618000
DA Rate	37.7%	37.7%	37.7%	39.2%	39.2%	39.2%	43.8%	43.8%	43.8%	43.7%	43.7%	43.7%	
DA	19416	19416	19416	20188	20188	20188	22557	22557	22557	22506	22506	22506	253998
HRA @27 % of Basic													166860
Perk @35%of Basic													216300
Employer contribution @ 12% of Basic+DA													104640
Total (B)													1359798
Increase													89838
%Increase													7.1%

Basic Pay – Rs. 50000 in FY 2022-23

3% yearly increase considered in Basic pay for FY 2023-24

Dearness Allowance- Quarterly DA rates as issued by Ministry of Finance vide following order nos.

W-02/0039/2017-DPE (WC)-GL-VI/2022 dated 8.4.2022

W-02/0039/2017-DPE (WC)-GL-XII/2022 dated 6.7.2022

W-02/0039/2017-DPE (WC)-GL-XVII/2022 dated 6.10.2022

W-02/0039/2017-DPE (WC)-GL-I/2023 dated 4.1.2023

W-02/0039/2017-DPE (WC)-GL-VI/2023 dated 13.04.2023

W-02/0039/2017-DPE (WC)-GL-XIII/2023 dated 7.07.2023

W-02/0039/2017-DPE (WC)-GL-XVIII/2023 dated 6.10.2023

W-02/0039/2017-DPE (WC)-GL-II/2024 dated 11.01.2024.

It is worth noting that, despite a decrease in DA during the last quarter of FY 2023-24, still annual increase comes out to be 7.1%.

Further, if Earned leaves are also considered, the YOY increase stands at 7.2% as under:

FY 2022-23													Total
Basic	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000
DA Rate	30.0%	30.0%	30.0%	32.5%	32.5%	32.5%	34.8%	34.8%	34.8%	37.2%	37.2%	37.2%	





**OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD**

FY 2022-23													Total
DA													201750
HRA @27 % of Basic													162000
Perk @35%of Basic													210000
Employer contribution (@ 12% of Basic+DA)													96210
Earned leaves, 30days ( Basic and DA)													66813
<b>Total (A)</b>													<b>1336773</b>
FY 2023-24													Total
Basic	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	51500	618000
DA													
Rate	37.7%	37.7%	37.7%	39.2%	39.2%	39.2%	43.8%	43.8%	43.8%	43.7%	43.7%	43.7%	
DA	19416	19416	19416	20188	20188	20188	22557	22557	22557	22506	22506	22506	253998
HRA @27 % of Basic													166860
Perk @35%of Basic													216300
Employer contribution (@ 12% of Basic+DA)													104640
Earned leaves, 30days (Basic and DA)													72667
<b>Total (B)</b>													<b>1432464</b>
													Increase
													%Increase
													95692
													7.2%

Hence, AAI requests AERA to consider the 7% YoY increase for the SCP as proposed by AAI to avoid low recovery of payroll.

Further, it is requested that Additional 20% increase proposed by AAI in in FY 27-28 considering the implementation of 8th Pay commission may also considered by AERA to avoid carry forward of shortfall to the Third control period which will impact steep hike in tariff for the next control period.

It is also worth mentioning that in the FY 2025-26 (most likely in Quarter 1), DA will like to cross 50%, this will result in increase in HRA by 3% as per the recommendation of 3rd Pay revision committee. AERA is requested to consider the impact of this increase for FY 25-26 and onwards.”

**9.3.5 AAI’s comment on CHQ/ RHQ expenses is as follows:**

“Matter has been explained in Point 2(a) of this letter/document in detail. AERA has not considered the study carried out by ICAI for FY 2021-22 and considered 5% increase over FY 2020-21 (a pandemic year). This has not only impacted the first control period, it has cascading effect in the second control period as the base considered for second control period is also FY 2020-21 (a pandemic year) and thereafter 5% YoY increase. Considering a pandemic year as base is not justified.

AERA is requested not to consider the year of Covid-pandemic ( FY 2020-21) as the base year :

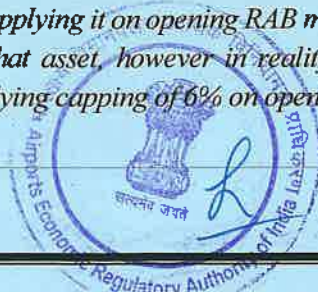
- i. since AAI had taken cost cutting measures
- ii. lesser revenue due to non operation of international flights and lower volume of domestic flights at Amritsar.

AERA is requested to consider either FY 2019-20, a normal year or consider the figure submitted by AAI on basis of Study carried out by ICAI for FY 2021-22, as base for 5% YoY increase for allocation to FY 2022-23 to FY 2028-29.”

**9.3.6 AAI’s comment on Repair & 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 opening RAB (i.e. 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. AERA has applied the capping @6% of opening RAB. Applying it on opening RAB means as the time passes, allowable Repair and maintenance will decrease for that asset, however in reality as the asset become old, more repair and maintenance is required. So, applying capping of 6% on opening RAB is not justified.





**OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD**

*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 Labour. Since most of AMC includes Manpower, it is not justified to restrict R&M by 6% of Opening RAB as the assets will be depreciated however the manpower cost will be increased every year.*

*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 Ambulifts along with CMC costs has been shown below as Illustration. Total value of asset is Rs. 62,97,841 taken from live assets.*

Year	Capitalisation	1st	2nd	3rd	4th	5th	6th	7th
Opening RAB	6297841	5510611	4723381	3936151	3148921	2361691	1574461	787231
Depreciation @ 12.5%	787230	787230	787230	787230	787230	787230	787230	787230
Net RAB	5510611	4723381	3936151	3148921	2361691	1574461	787231	1

Year	1st	2nd	3rd	4th	5th	6th	7th
AMC Cost	634192	728660	1080709	1216113	1361593	1473695	1583277
% of AMC on Net RAB	13%	19%	34%	51%	86%	187%	158327700%
6% of Net RAB	283403	236169	188935	141701	94468	47234	0
Net loss to AAI (Diff.)	-350789	-492491	-891774	-1074412	-1267125	-1426461	-1583277

*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.*

*Hence, AERA is requested to remove the cap of R&M expenses at 6 % of Opening RAB and consider the total expense as projected by AAI.*

*Also, as mentioned in point 3 (c) of this document, AERA has excluded Rs. 1.95 crores from PTT, considering it as CMC cost, however same has not been added to repair and maintenance expenses. AERA is requested to consider it either in PTT cost or in repair and maintenance."*

**9.3.7 AAI's comment on Utilities and Outsourcing expenses is as follows:**

*"It is submitted that Utilities and outsourcing expense other than power charges may be approved as submitted by AAI as it includes man power (Hiring of Vehicles/consultant) as well as material cost (Consumption of stores). AAI requests AERA to consider the 10% YoY increase."*

**9.3.8 AAI's comment on Upkeep expenses is as follows:**

*"It is submitted that AAI has proposed the 10% YoY increase to cover the material and labour cost (in order have compliance of labour laws). Accordingly, AERA is requested to approve 10% YoY increase for upkeep expenses for second control period."*



## 9.3.9 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."*

## 9.3.10 FIA's comment on rationalization of O&amp;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 to not provide such huge increase in utilities and outsourcing 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.*

*FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DLAL, MLAL, BLAL that while truing up the O&M in subsequent control periods, it always leads to over- estimation which has been observed leading to higher tariff in past control periods.*

*We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.*

*In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the Second Control Period."*

## 9.3.11 IATA's comment on rationalization of CHQ/ RHQ expenses is as follows:

*"We appreciate the principles based on which AERA has rationalized the allocation of HQ expenses.*

*We agree with AERA's proposal of not including expenses such as legal costs, interest/ penalties allocated in the common pool of CHQ/RHQ expenses.*

*Legal and Arbitration expenses incurred by CHQ and RHQ level should be funded from the returns earned by AAI, and not via the user charges of a particular airport.*

*We request that the methodology for assessment of CHQ/RHQ expense allocation which is being worked on should be brought up for consultation with stakeholders before being formalized."*

## **9.4 AAI's responses to Stakeholders' comments on Operation and Maintenance expenses for the Second Control Period**

## 9.4.1 AAI's response to FIA's comment on Power expenses is as follows:

*"It is submitted that AAI has not levied over and above the charges while billing electricity charges to concessionaires for the units consumed by the concessionaires. The accounts of AAI are subject to CAG Audit which also covers the above aspect."*

## 9.4.2 AAI's response to FIA's comment on rationalization of O&amp;M expenses is as follows:

*"The costs captured by the airports are based on the actual spend and same are used for true up. To determine the costs, there are detailed tendering mechanisms for every contract and approving authorities as per delegation of powers approved by Board. 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. Further, the accounts of airports are subject to C&AG audit on a yearly basis. Further, AAI has submitted the O&M expenses for true up of first control period lower by 2.2% (i.e. RS. 446 crores against Rs. 456 crores) against the O&M expenses approve by the AERA during the order of first control period. This shows that projection of expenses is reasonable hence the question of over estimation does not arise. Hence, we request AERA to consider the O&M expenses of Rs. 446.44 crores as submitted by AAI.*

*Further Recent Annual reports of one of the airlines having dominant position in India's domestic traffic shows good profit, so the contention of FIA that all the airlines are suffering from huge loss does not seem correct."*

**9.4.3 AAI's response to IATA's comment on rationalization of CHQ/ RHQ expenses is as follows:**

*"AAI has submitted detailed comments regarding CHQ/ RHQ through letter dated 16.1.2025 to AERA wherein following is also submitted:*

*With respect to Legal expenses for FY 2021-22, we request AERA to refer details given in Table 7.8 of ICMAI Report submitted to AERA and AAI's reply dated 21.11.2024, on the allocation of CHO/RHQ Expenses. AAI analysed & identified some of the legal expenses related to JVC's and arbitration cases of other airports. Legal expenses for defending the International Arbitration wherein it is mentioned that arbitration expenses of Rs. 23.04 crores are allocated based on the revenue of the respective 7 airports as it is related to ground handling services of 7 airports only. After deducting such identified legal expenses, balance common legal expenses, which constituted only 16% of the total, which were allocated in the 50:50 ratio as being already followed by AAI.*

*With respect to interest and penalties expenses for FY 2021-22, we request AERA to refer page no. 107 of ICMAI Report and point no. 6 of AAI's reply dated 21.11.2024, wherein it is mentioned that interest and penalties are treated as non-cost items and are not treated as a part of costs.*

*AERA is requested to consider the study conducted by ICMAI, an Independent renowned institute, for Apportionment of Administrative and General Expenditure of CHQ/RHQ for FY 2021-22 and consider 5% YOY increase on it for future years for first control period or consider FY 2019-20 (a normal year) for Apportionment of Administrative and General Expenditure of CHQ/RHQ for FY 2021-22 and consider 5% YOY increase on it for future years."*

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

**9.5.1** Regarding AAI's comments on the apportionment of the Upkeep expenses into Aero and Non-aero expenses, the Authority decides to consider the Terminal Building ratio as 90:10 (refer para 9.2.7 in this Tariff Order), in accordance with the decision taken in the Tariff Order for the First Control Period for Amritsar International Airport, IMG recommendations and the approach followed for other similar airports (as also stated in Chapter 6, para no. 6.2.7 of this Tariff Order).

Further, it is not justifiable to apply different Terminal Building ratios for apportionment of assets and O&M expenses into Aeronautical and Non-aeronautical activities.

Therefore, the Authority decides to maintain its proposal regarding allocation of upkeep expenses, made during the consultation stage.

**9.5.2** The Authority notes the AAI's comments on Repair & maintenance expenses.

The Authority has applied the Terminal Building (TB) ratio of 90:10 to the Repair & Maintenance expenses, as it is mainly related to assets (such as CCTV, electronics equipment) that are installed within the Terminal Building. Even AAI has proposed to apply their Terminal Building ratio on these expenses. Further, assets such as CCTV are installed in both Aeronautical and Non-aeronautical areas.



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Based on the approach uniformly followed in other similar airports, the Authority decides to maintain the same view regarding allocation of Repair & Maintenance expenses, as proposed at the Consultation Stage.

9.5.3 The Authority has noted AAI's comments on Payroll expenses.

AERA has been uniformly giving 6% year-on-year increase in payroll expenses to bring efficiency. In fact, in case of Pune Airport, AAI itself had claimed 5% year-on-year increase in payroll expenses.

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 airports.

However, the Authority will true up O&M Expenses, including Payroll expenses pertaining to Second Control Period at the time of tariff determination for the next control period, subject to reasonability and efficiency of expenses.

Regarding AAI's comments on one-time increase of 20% in the payroll expenses in FY 2027-28, due to implementation of 8th Pay Commission, the Authority decides to consider impact of such increase in the payroll expenses due to any change in legal/ statutory requirement (such as 8th Pay Commission) for Amritsar Airport, on actual incurrence basis, at the time of true up of the Second Control Period, while determining tariff for the next Control Period, subject to reasonableness and efficiency.

9.5.4 The Authority has noted AAI's comments on allocation of CHQ/ RHQ - Administrative and General expenses. As explained in para 4.7.19 of this Tariff Order, the Authority has determined the allocable amount towards CHQ/ RHQ expenses from FY 2021-22 to FY 2023-24. Based on the same, the projections for CHQ/ RHQ allocation for the current Control Period have been revised by increasing it 5% year-on-year based on the CHQ/ RHQ amount determined for the FY 2023-24 restricted to amount submitted by AAI and the same have been presented in Table 56.

9.5.5 The Authority notes the comments of AAI on the need for review of the capping being applied by AERA on R&M expenses, as per its current approach. AAI in its comments has highlighted that various kind of R&M Expenses are incurred at the airport for operational reasons and for regular maintenance of airport infrastructure & equipment. It is further informed that most of the AMC (Annual Maintenance Contracts) includes a component of manpower and related labour rates are revised by Ministry of Labour, from time to time.

AAI submitted that applying cap, on R&M Expenses as a % of Net Block of assets, reduces allowable expenses, whereas in reality maintenance costs tends to increase as the asset ages.

Further, the Authority is cognizant of the fact 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, feels the need for 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.

As the process for review of capping of R&M Expenses is being considered and it will take some time to arrive at final decision in the matter, in the interim period, the Authority 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.

As explained in para 6.7.3 of this Tariff Order, the Authority has excluded the CMC cost of ₹1.95 Crores since Parallel Taxi Track has been projected for capitalization in the last tariff year of the current Control Period and the asset would be covered under Defect Liability Period of about one year. Therefore, the incurrence of the CMC costs may arise only in the next Control Period.

The Authority would review the CMC costs, if any, incurred by AAI, at the time of true up of the Second Control Period, while determining tariff for the next Control Period, subject to reasonableness and efficiency.

- 9.5.6 The Authority has considered 5% Y-o-Y increase in Utilities and Outsourcing expenses (other than power charges) in line with increase considered in other similar airports.

It may be noted that the 5% increase considered by the Authority is more than the inflationary increase considered for the Second Control Period. Further, O&M expenses for the Second Control Period will be trued up, subject to reasonability and efficiency of the cost, at the time of tariff determination for the Third Control Period.

Hence, the Authority decides to maintain the same basis for the Y-o-Y increase in the Utilities and Outsourcing expenses (other than power charges) as considered at the Consultation Stage.

- 9.5.7 The Authority has considered 5% Y-o-Y increase in Upkeep expenses in line with increase considered in other similar airports.

It may be noted that the 5% increase considered by the Authority is more than the inflationary increase considered for the Second Control Period. Further, O&M expenses for the Second Control Period will be trued up, subject to reasonability and efficiency of the cost, at the time of tariff determination for the Third Control Period.

Hence, the Authority decides to maintain the same basis for the Y-o-Y increase in the Upkeep as considered at the Consultation Stage.

- 9.5.8 The Authority has noted FIA's comments regarding power expenses and AAI's response thereon.

The Authority, through its independent consultant, has examined the power expenses of Amritsar International Airport. The Authority also notes that the trial balance of Amritsar International Airport is part of AAI's books of accounts which are audited by CAG, whose reports noted no qualifications/ exceptions regarding power expenses of Amritsar Airport. 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 Amritsar International Airport.

- 9.5.9 Regarding FIA's comments on rationalisation of O&M expenses, the Authority 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 its 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 AAI for the Second Control period.

As regard to the comments of FIA on conducting an independent study on O&M expenses. 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 in future for any airport, if considered necessary.

- 9.5.10 The Authority notes the comments of IATA regarding rationalization of CHQ/ RHQ expenses and



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

AAI's response thereon.

The Authority 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 its 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.

Issue of CHQ/ RHQ allocation has already been discussed in para no. 9.5.4 of this tariff order.

9.5.11 Considering the above, the Authority decides the O&M Expenses for the Second Control Period in respect of AIA as per the table given below:

*Table 56: Operation and Maintenance (O&M) expenses decided by the Authority for the Second Control Period*

(₹ in Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Payroll Costs	24.33	25.79	27.34	28.98	30.72	137.15
Retirement benefits of Employees at Amritsar Airport	1.77	1.88	1.99	2.11	2.24	9.99
Repair & Maintenance	11.03	19.62	24.49	22.42	26.71	104.27
Power Expenses	9.17	9.45	9.73	10.02	10.32	48.69
Utilities & Outsourcing Expenses	2.26	2.48	2.72	2.98	3.26	13.69
Upkeep Expenses	5.44	5.72	6.00	6.30	6.62	30.08
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	9.32	10.22	11.24	12.30	13.53	56.61
Admin. & Other Expenses - CHQ/RHQ	46.83	49.17	51.63	54.21	56.92	258.75
Other Outflows	0.46	0.51	0.57	0.62	0.69	2.86
<b>Total O&amp;M Expenditure</b>	<b>110.62</b>	<b>124.83</b>	<b>135.70</b>	<b>139.94</b>	<b>151.00</b>	<b>662.09</b>

**Note:** The variance between O&M expenses proposed by the Authority at the Consultation stage, (which is ₹ 539.15 Crores) and that decided by the Authority, at the Tariff Order stage (which is ₹ 662.09 Crores) is on account of increase in the allocation of CHQ/ RHQ expenses, as discussed in para 9.5.4 of this Tariff Order.

**9.6 Authority's decisions regarding Operation and Maintenance expenses for the Second Control Period**

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

9.6.1 To consider O&M expenses for the Second Control Period for AIA as per Table 56.

9.6.2 To consider the O&M expenses incurred by AAI for AIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.





**10 NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD****10.1 AAI's submission regarding Non-Aeronautical Revenue for the Second Control Period for AIA**

10.1.1 AAI had forecasted revenue from services other than Aeronautical services for AIA as below:

*Table 57: Non-aeronautical revenue projections submitted by AAI for AIA*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
<b>1. Passenger Related</b>						
Restaurant / Snack Bars	13.50	14.61	15.35	16.11	16.92	76.49
T.R. Stall	6.99	7.69	8.45	9.30	10.23	42.66
Hoarding & Display	6.23	7.24	8.42	9.70	11.17	42.76
Car Rentals	1.38	1.51	1.66	1.82	2.01	8.39
Car Parking	3.63	3.99	4.39	4.83	5.31	22.16
Admission Tickets	0.99	1.09	1.20	1.32	1.45	6.05
Duty free shops	11.61	12.77	14.05	15.32	16.69	70.45
<b>3. Other Revenue</b>						
Land Leases	0.42	0.48	0.48	0.48	0.56	2.43
Building (Residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (Non-Residential)	1.81	1.99	2.19	2.41	2.65	11.03
<b>Total</b>	<b>46.58</b>	<b>51.41</b>	<b>56.22</b>	<b>61.31</b>	<b>67.02</b>	<b>282.53</b>

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

*Table 58: Growth rates assumed by AAI for AIA for Non-aeronautical revenue*

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
<b>1. Passenger Related</b>					
Restaurant / Snack Bars	45%	8%	5%	5%	5%
T.R. Stall	4%	10%	10%	10%	10%
Hoarding & Display	211%	16%	16%	15%	15%
Car Rentals	54%	10%	10%	9%	11%
Car Parking	20%	10%	10%	10%	10%
Admission Tickets	130%	10%	10%	10%	10%
Duty free shops	157%	10%	10%	9%	9%
<b>3. Other Revenue</b>					
Land Leases	149%	15%	0%	0%	15%
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%

**10.2 Authority's examination of Non-aeronautical revenue for the Second Control Period at Consultation Stage**

10.2.1 The Authority reviewed sample contracts executed with the Concessionaires by AAI during FY 2023-24 and considered the NAR for FY 2023-24 as the basis, to assess the Non-aeronautical revenue projected by AAI for the Second Control Period.

**Revenue from Passenger-related services**

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

10.2.2 The Authority noted that the total NAR projected by AAI for the Second Control Period, which was ₹ 282.53 Crores, was 140% higher than NAR of ₹ 117.85 Crores achieved in the First Control Period by AAI for Amritsar Airport. Further, the revenue from Passenger services (other than Rent and Services) projected for the Second Control Period amounts to ₹ 268.95 Crores, which was 151% higher than ₹ 107.26 Crores achieved by AAI in the First Control Period

10.2.3 The Authority noted that AAI had considered substantial growth rates of 45%, 211%, 130% and 157% in Restaurant/ Snack bars, Hoarding and Displays, Admission Tickets and Duty-Free Shops revenue in FY 2024-25 as compared to the FY 2023-24, due to new contracts being executed with the Concessionaires. In view of the above, the Authority proposed to consider the Non-Aeronautical Revenue related to passengers as submitted by AAI for the Second Control Period.

**Other revenue**

10.2.4 The Authority had examined the Revenue from other services proposed by AAI as follows:

- i Revenue from Building (residential): The Authority noted that AAI had assumed 5% Y-O-Y increase in revenue from Building (residential) and proposed to consider the same.
- ii Land Lease: AAI had proposed NIL growth for FY 2024-25 as the land rental rates are revised after the period of 3 years. The last revision was done in FY 2022-23 as per the land management Circular No. 22 dated June 4, 2022. Further, the Authority proposed to consider the land lease rate growth of 15% in FY 2025-26 and FY 2028-29, as projected by AAI.
- iii Building (Non Residential): AAI had projected 10% Y-O-Y increase for Second Control Period, towards Building (Non-Residential) and the Authority proposed to consider the same.

10.2.5 Based on the Authority's examination, the NAR determined for AIA for the Second Control Period had been presented in the table below:

*Table 59: Non-aeronautical revenues proposed by the Authority for AIA for the Second Control Period at Consultation Stage*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
<b>1. Passenger related revenue</b>						
Restaurant / snack bars	13.50	14.61	15.35	16.11	16.92	76.49
T.R. stall	6.99	7.69	8.45	9.30	10.23	42.66
Hoarding & display	6.23	7.24	8.42	9.70	11.17	42.76
Car Rentals	1.38	1.51	1.66	1.82	2.01	8.39
Car parking	3.63	3.99	4.39	4.83	5.31	22.16
Admission tickets	0.99	1.09	1.20	1.32	1.45	6.05
Duty Free Shops	11.61	12.77	14.05	15.32	16.69	70.45
<b>2. Other Revenue</b>						
Land Leases	0.42	0.48	0.48	0.48	0.56	2.43
Building (residential)	0.02	0.02	0.02	0.03	0.03	0.12
Building (non-residential)	1.81	1.99	2.19	2.41	2.65	11.03
<b>Total (1+2)</b>	<b>46.58</b>	<b>51.41</b>	<b>56.22</b>	<b>61.31</b>	<b>67.02</b>	<b>282.53</b>

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

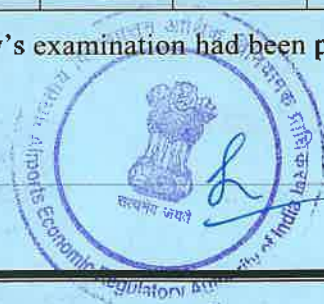




Table 60: Growth rates in Non-aeronautical revenue proposed by Authority at Consultation Stage

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
<b>1. Passenger related revenue</b>					
Restaurant / Snack Bars	45%	8%	5%	5%	5%
T.R. Stall	4%	10%	10%	10%	10%
Hoarding & Display	211%	16%	16%	15%	15%
Car Rentals	54%	10%	10%	9%	11%
Car Parking	20%	10%	10%	10%	10%
Admission Tickets	130%	10%	10%	10%	10%
Duty free shops	157%	10%	10%	9%	9%
<b>3. Other Revenue</b>					
Land Leases	149%	15%	0%	0%	15%
Building (Residential)	5%	5%	5%	5%	5%
Building (Non-Residential)	10%	10%	10%	10%	10%

### 10.3 Stakeholders' comments regarding Non-aeronautical revenues for the Second Control Period

During the stakeholders' consultation process, the Authority has received comments/views from FLA and IATA in response to the proposals of the Authority in the Consultation Paper No. 06/2024-25 dated 19 December 2024. The comments of stakeholders are presented below:

#### 10.3.1 FIA's comment on Non-aeronautical revenue is as follows:

*"It has been observed that the Non-Aeronautical Revenue ('NAR') projected by AAI appears to be conservative given the traffic projections and scope of increasing NAR. As,*

*It is submitted that the INR 117.85 crore NAR achieved during the First Control Period was based on low traffic movement. i.e., only half of the proposed traffic movement for the Second Control Period due to the impact of COVID-19 pandemic and other external factors. Given that the traffic movement is expected to be more than double in the Second Control Period, the proposed NAR of INR 282.53 crore still remains a conservative estimate.*

*In light of these factors, we strongly recommend that AAI should take proactive steps to leverage available space and resources to enhance their non-aeronautical activities and revenue generation, which will positively contribute towards the airport's financial performance in future periods.*

*Without prejudice to the above, it should be noted that factors such as expansion of terminal building area, growth in passenger traffic, inflationary pressures and real increases in contract rates influence the increase in NAR. Despite these factors contributing to increased revenue potential, we request that AERA further rationalise its projections for NAR in the Second Control Period.*

*Given the substantial growth opportunities, we request that AERA adopt a more optimistic and expansive approach to NAR projections, aligning them with the actual potential and economic benefits for ATQ. It is also worth noting that at other airports, the truing up of NAR in subsequent control periods has often resulted in the underestimation of potential revenue, leading to higher tariffs in those control periods.*

*FLA submits that Amritsar is increasingly recognized as a key destination for cultural, educational, and business tourism, attracting visitors globally. With air travel being the preferred option for many, the city's air traffic is expected to see significant growth.*

*Accordingly, we request AERA*



- a) To mandate AAI to enter into more agreements with concessionaires to exploit the growth potential of NAR at Amritsar Airport (ATQ)
- b) To kindly undertake a detailed examination, with the assistance of an independent study, of the NAR before the tariff determination of the Second Control Period.
- c) To further re-assess their estimates in line with other comparable airports including the Impact of the tourism lineage that Amritsar has to increase their NAR in accordance with the submissions above.

AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires.

In view of the above, we request AERA to allow higher NAR for ATQ.”

10.3.2 IATA’s comment on Non-aeronautical revenue is as follows:

“We appreciate AAI for optimizing NAR which will benefit the airport users, and rationalize user charges.”

#### 10.4 AAI’s responses to stakeholders’ comments on Non-Aeronautical Revenue for the Second Control Period

10.4.1 AAI’s response to FIA’s comment on Non-aeronautical revenue is as follows:

“It may please be noted that Increase in Non-aeronautical revenue is not proportionate with increase in traffic.

The percentage of non-aeronautical business is dependent on multiple factors such a demand, customer behavior, spending patterns and per capita income of the region. Therefore, a standardized approach may not accurately reflect the ground reality of non-aeronautical business and may be detrimental to the Airport Operator.

AAI has made all the efforts to increase Non Aeronautical revenue without compromising the passenger facilitation as per BCAS norms and projected more than the double of what actually earned during first control period.

Further, Non-Aeronautical revenue may not be linked with operating expenditure as the passenger may not be insisted on spending money on Non-aero activities however airport operator is bound to maintain the airport.

The operating Expenditure is consistently required to be incurred to maintain Terminal building/Airport to world standard where as non-aero Revenue generation depends upon consumer behavior/License Fees quoted by Concessionaires. So, both may not be correlated.

Further, we don't agree with FIA's view that proposed NAR of INR 282.53 crore is a conservative estimate. In this regard, it is to be submitted that 30% (approx.) of non-aeronautical area is occupied by airlines (airlines offices) and AAI is getting only space rental which is now considered as Aero Revenue by AERA. Even after exclusion revenue from the space in terminal building occupied by airlines, the projection of Non-aero revenue of INR 282.53 crores (more than the double of what actually earned during first control period) can not be termed as conservative estimate.

In view of above, AERA is requested to consider the growth rate as submitted in the MYTP for SCP.”

10.4.2 AAI’s response to IATA’s comment on Non-aeronautical revenue is as follows:

“Thank you for acknowledgement by IATA for sincere efforts of AAI.”







## 11 TAXATION FOR THE SECOND CONTROL PERIOD

### 11.1 AAI's submission regarding Taxation for the Second Control Period for AIA

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

Table 61: Tax Expense submitted by AAI for AIA for the Second Control Period

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Aeronautical Revenue with Revised Rates	200.42	222.96	244.75	265.85	290.02	1,223.99
O&M expenses	117.19	134.56	146.86	160.49	169.24	728.35
Depreciation	22.53	21.40	19.09	35.67	50.52	149.21
<b>Profit Before Tax</b>	<b>60.70</b>	<b>67.00</b>	<b>78.80</b>	<b>69.70</b>	<b>70.25</b>	<b>346.44</b>
Set-off of prior period tax losses	(32.88)	-	-	-	-	(32.88)
PBT after set-off of prior period losses	27.82	67.00	78.80	69.70	70.25	313.56
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	7.00	16.86	19.83	17.54	17.68	78.92

### 11.2 Authority's examination of Taxation for the Second Control Period at Consultation Stage

11.2.1 The Authority noted that AIA had calculated income tax based on the projected Aeronautical revenues. The Authority had re-computed the taxes based on the revised regulatory blocks for the Second Control Period proposed in the previous chapters. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 62: Taxation proposed to be considered by the Authority for the Second Control Period at Consultation Stage

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Aeronautical Revenue (refer Table 71)	193.15	134.49	147.63	160.02	174.68	809.96
O&M expenses (refer Table 54)	88.37	101.47	111.17	114.18	123.95	539.15
Depreciation as per Income Tax Act	22.32	21.19	20.20	24.77	34.79	123.27
<b>Profit Before Tax</b>	<b>82.46</b>	<b>11.83</b>	<b>16.25</b>	<b>21.07</b>	<b>15.94</b>	<b>147.55</b>
Set-off of prior period tax losses	-	-	-	-	-	-
PBT after set-off of prior period tax losses	82.46	11.83	16.25	21.07	15.94	147.55
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	20.76	2.98	4.09	5.30	4.01	37.14

**Note:** The variance between taxation proposed by the Authority for the Second Control Period (₹ 37.14 Cr.) and that claimed by AAI (₹ 78.92 Cr.) was on account of the following:

- Rationalization of aeronautical revenue amounting to ₹ 414.03 Crores.



- ii. Rationalization of allocation of O&M expenses amounting to ₹ 189.20 Crores.
- iii. Variance between the depreciation computed by AAI and that derived by the Authority. Depreciation computed by AAI was based on CAPEX of ₹ 392.82 Crores, submitted in its revised MYTP dated October 24, 2024. However, depreciation computed by the Authority was based on revised project costs subsequently submitted by AAI vide its email dated November 18, 2024.

### 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. However, the Tax for the Second Control Period has increased from ₹ 37.14 Crores at Consultation Stage to ₹ 59.79 Crores at Tariff Order Stage due to increase in allocation of CHQ/ RHQ expenses.
- 11.4.2 Based on the Aeronautical revenue determined by the Authority for the Second Control Period for Amritsar International Airport (as per Chapter 14) and the revised O&M expenses, the Authority has recomputed the Aeronautical Taxation for the Second Control Period. The same has been detailed as follows:

*Table 63: Taxation decided by the Authority for the Second Control Period*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Aeronautical Revenue	199.59	185.34	203.42	220.79	240.86	1,050.00
O&M expenses	110.62	124.83	135.70	139.94	151.00	662.09
Depreciation as per Income Tax Act	22.32	21.19	20.20	24.77	34.79	123.27
Interest on Term Loan	0.79	0.74	0.64	0.54	0.43	3.15
<b>Profit Before Tax</b>	<b>65.86</b>	<b>38.58</b>	<b>46.87</b>	<b>55.54</b>	<b>54.64</b>	<b>261.49</b>
Set-off of prior period tax losses	(23.95)	-	-	-	-	(23.95)
PBT after set-off of prior period tax losses	41.91	38.58	46.87	55.54	54.64	237.55
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
<b>Tax</b>	<b>10.55</b>	<b>9.71</b>	<b>11.80</b>	<b>13.98</b>	<b>13.75</b>	<b>59.79</b>

### 11.5 Authority's decisions regarding Taxation for the Second Control Period

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

- 11.5.1 To consider the Taxation for the Second Control Period for AIA as per Table 63.
- 11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration true up details as per methodology followed in Table 63.



**12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD**

**12.1 AAI’s submission regarding Quality of Service for the Second Control Period for AIA**

12.1.1 AIA had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same was available on AAI’s website (station-wise).

**12.2 Authority’s examination of 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), the Authority was 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 AIA for the years 2019 to 2024 had been in the range of 4.53 to 4.93 (overall score), as against the average score of AAI Airports which ranges from 4.60 to 4.81

*Table 64: ASQ rating for AIA for the years 2019-2024*

Calendar Year (CY)	ASQ rating
2019	4.70
2020	4.93
2021	-
2022	4.80
2023	4.73
2024	4.68

12.2.3 The Authority noted that the ASQ rating awarded to AIA was quite close to the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the year 2019-20 and noted that the ASQ rating target for the year 2019-20 was 4.68. The actual ASQ rating achieved by Amritsar International Airport for CY 2019 was 4.70, which was higher than the target rating. The ASQ rating for CY 2021 was not available as the survey was not conducted due to COVID 19 pandemic. Further, the Authority noted that now MoU between AAI and MoCA does not contain parameter on ASQ ratings.

12.2.5 The Authority does not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by AIA, as the ASQ rating of the Airport, post COVID-19 pandemic, was also closer to that achieved during pre-pandemic years.

**12.3 Stakeholders’ comments on the Quality of Service for the Second Control Period**

During the stakeholders’ consultation process, the Authority has received comments/views from IATA in response to the proposals of the Authority in the Consultation Paper No. 06/2024-25 dated 19





December 2024. The comments of IATA are presented below:

12.3.1 IATA's comment on Quality of Service is as follows:

*"We are looking forward to the service level monitoring framework being developed by AERA and are committed to supporting its efforts in this direction."*

**12.4 AAI's responses to Stakeholders' comments on Quality of Service for the Second Control Period**

12.4.1 AAI's response to IATA's comment on Quality of Service is as follows:

*"AERA may please comment."*

**12.5 Authority's analysis on Stakeholders' comments regarding the Quality of Service for the Second Control Period**

12.5.1 The Authority notes the comments of IATA regarding service level monitoring framework. The Authority is in the process of identifying Performance Standards for the Airports by appointing a consultant, which would include the framework for monitoring the Service Levels at the Airports.

**12.6 Authority's Decision 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.

भा.वि.आ.वि.प्रा.  
AERA



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

#### 13.1 AAI's submission regarding Aggregate Revenue Requirement for the Second Control Period for AIA

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

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

Table 65: ARR submitted by AAI for AIA for the Second Control Period

(₹ in Crores)

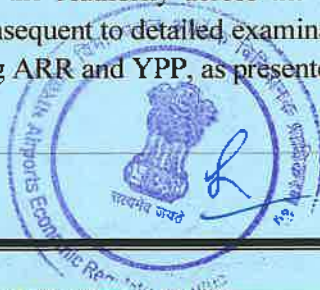
Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB	200.47	193.82	179.15	344.41	499.70	
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on average RAB	28.07	27.13	25.08	48.22	69.96	<b>198.46</b>
Depreciation	17.24	16.81	16.37	24.98	34.52	<b>109.91</b>
O&M expenses	117.19	134.56	146.86	160.49	169.24	<b>728.35</b>
IDC*	0.79	0.74	0.64	0.54	0.43	<b>3.15</b>
Tax expense	7.00	16.86	19.83	17.54	17.68	<b>78.92</b>
<b>ARR per year</b>	<b>170.29</b>	<b>196.11</b>	<b>208.78</b>	<b>251.77</b>	<b>291.83</b>	<b>1,118.78</b>
Shortfall carried forward from First Control Period	154.55	-	-	-	-	<b>154.55</b>
<b>Gross ARR</b>	<b>324.84</b>	<b>196.11</b>	<b>208.78</b>	<b>251.77</b>	<b>291.83</b>	<b>1,273.34</b>
NAR	46.58	51.41	56.22	61.31	67.02	<b>282.53</b>
Less: 30% NAR	13.97	15.42	16.87	18.39	20.11	<b>84.76</b>
<b>Net ARR</b>	<b>310.87</b>	<b>180.68</b>	<b>191.91</b>	<b>233.38</b>	<b>271.73</b>	<b>1,188.58</b>
Discount factor (@ 14.00%)	1	0.88	0.77	0.67	0.59	
<b>PV of ARR (₹ in Crores)</b>	<b>310.87</b>	<b>158.50</b>	<b>147.67</b>	<b>157.53</b>	<b>160.89</b>	<b>935.44</b>
Sum Present value of ARR (₹ in Crores)					<b>935.44</b>	<b>935.44</b>
Total Traffic (million passengers)					<b>21.25</b>	<b>21.25</b>
Yield per passenger on Total Traffic (YPP) (₹)					<b>440.21</b>	<b>440.21</b>

**Note:** AAI had submitted the revised MYTP on October 24, 2024. Subsequently, AAI had submitted the revised estimates of CAPEX pertaining to Terminal Building and PTT over email, from time to time, based on queries raised by the Authority's Independent Consultant. However, AAI had not submitted the revised ARR table. Therefore, the ARR table (Table 65) as per the revised MYTP of AAI had been shown above.

\*AAI had claimed IDC amounting to ₹ 3.15 Crores on the debts availed during the First Control Period as detailed in para 4.4.8.

#### 13.2 Authority's examination of 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. Consequent to detailed examination of each regulatory building block, the Authority proposed the following ARR and YPP, as presented in the table below:





AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

*Table 66: ARR proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

(₹ in Crores)

Particulars	Table Ref.	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB = A	45	182.24	173.85	171.08	219.48	323.79	
Fair Rate of Return = B	46	11.90%	11.90%	11.90%	11.90%	11.90%	
Return on average RAB C= A*B		21.69	20.69	20.36	26.12	38.54	127.40
Depreciation – D	43	19.94	16.99	17.62	19.72	23.25	97.52
O&M expenses – E	54	88.37	101.47	111.17	114.18	123.95	539.15
IDC – F		0.79	0.74	0.64	0.54	0.43	3.15
Tax expense – G	62	20.76	2.98	4.09	5.30	4.01	37.14
<b>ARR per year = SUM (C:G)</b>		<b>151.55</b>	<b>142.87</b>	<b>153.88</b>	<b>165.86</b>	<b>190.19</b>	<b>804.36</b>
Shortfall carried forward from First Control Period	27	82.22					82.22
Gross ARR – H		233.77	142.87	153.88	165.86	190.19	886.58
NAR	59	46.58	51.41	56.22	61.31	67.02	282.53
Less: 30% NAR – I		13.97	15.42	16.87	18.39	20.11	84.76
Net ARR = (H-I)		219.80	127.44	137.02	147.47	170.08	801.82
Discount factor (@ 11.90%)		1	0.89	0.80	0.71	0.64	
PV of ARR (₹ in Crores)		219.80	113.89	109.42	105.25	108.47	656.83
Sum Present value of ARR (₹ in Crores)				656.83			656.83
Total Traffic (MPPA)	32			21.25			21.25
Yield per passenger on Total Traffic (YPP) (₹)				309.07			309.07
Departing passengers (MPPA)				10.63			10.63
Yield per Departing Passenger (₹)				618.13			618.13

13.2.2 AERA had determined PV of ARR of ₹ 656.83 Crores, as against the PV of ARR of ₹ 935.44 proposed by AAI. The variation of ₹ 278.62 Crores between the ARR proposed by the Authority and that claimed by AAI were attributable to following factors:

- i Rationalization of CAPEX (refer Table 41) amounting to ₹ 11.95 Crores, resulting in reduction of depreciation and Return on RAB.
- ii Determination of FRoR by the Authority as 11.90% as against 14% claimed by AAI.
- iii Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ allocation, Admin and General expenses, R&M Expenses etc. amounting to ₹ 189.20 Crores
- iv Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority (based on the proposed Tariff Rate card of the Authority).

**13.3 Stakeholders' comments on the Aggregate Revenue Requirement (ARR) for the Second Control Period of Amritsar International Airport**

During the stakeholders' consultation process, the Authority had received comments/views from FIA in response to the proposals of the Authority in the Consultation Paper no. 06/2024-25 dated 19 December 2024. The comments of stakeholders is presented below:



13.3.1 FIA's comment on Aggregate Revenue Requirement (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 Airport 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 relevant during periods of economic difficulty (such as the adverse financial impact on airlines following the post Covid-19 situation). Any attempt by AAI to award the contracts based on the highest revenue share basis should be discouraged, as it breeds inefficiencies and tends to disproportionately increase the costs.*

*It is commonly perceived that service providers have no incentive to reduce expenses, as any such increase in cost will be passed on to the airlines through the tariff determination mechanism process, thus forcing airlines to absorb these additional charges. There should be a mechanism in place to incentivizing the parties for improving-efficiencies and achieving cost savings, rather than relying on the royalty for the airport operator. In light of the financial challenges faced by the airlines, as outlined in this letter, FIA requests AERA to further rationalise the reduction in tariff for this control period."*

**13.4 AAI's responses to stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.4.1 AAI's response to FIA's comment on Aggregate Revenue Requirement (ARR) is as follows:

*"Landing, Parking and UDF charges are worked out to recover the ARR as per AERA methodology. Further, the collection charges will be paid to Airlines as per the credit policy of AAI."*

**13.5 Authority's analysis on Stakeholders' comments regarding the Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.5.1 The Authority has noted FIA's comments on the need to maintain a balance in the interest of airports and the airport users and the response thereon by AAI. The Authority has following views:

At the consultation stage, the Authority had substantially reduced the Aeronautical tariff (from the existing rates) for Amritsar Airport for the Second Control Period, after rationalising various regulatory building blocks.

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).

The Authority, in line with ICAO's 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.

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 and to ensure the economic & viable operations of Amritsar airport, the Authority has decided to decrease the tariff for the aeronautical services (from the existing rates) for the Second Control Period as per the Annexure I of this Tariff Order.

13.5.2 Based on the decisions taken by the Authority with respect to the various regulatory building blocks, including re-computation of a few building blocks (O&M expenses, Taxation, NAR, etc.) in respect of





**AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD**

the Second Control Period, the recomputed ARR for the Second Control Period is as follows:

*Table 67: ARR decided by the Authority for the Second Control Period*

*(₹ in Crores)*

Particulars	Table Ref.	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB = A	45	182.24	173.85	171.08	219.48	323.79	
Fair Rate of Return = B	46	11.90%	11.90%	11.90%	11.90%	11.90%	
Return on average RAB C= A*B		21.69	20.69	20.36	26.12	38.54	<b>127.40</b>
Depreciation – D	43	19.94	16.99	17.62	19.72	23.25	<b>97.52</b>
O&M expenses – E	56	110.62	124.83	135.70	139.94	151.00	<b>662.09</b>
Interest on Term Loan – F		0.79	0.74	0.64	0.54	0.43	<b>3.15</b>
Tax expense – G	63	10.55	9.71	11.80	13.98	13.75	<b>59.79</b>
<b>ARR per year = SUM (C:G)</b>		<b>163.60</b>	<b>172.96</b>	<b>186.12</b>	<b>200.30</b>	<b>226.98</b>	<b>949.95</b>
Shortfall carried forward from First Control Period	28	151.52					<b>151.52</b>
Gross ARR – H		<b>315.12</b>	<b>172.96</b>	<b>186.12</b>	<b>200.30</b>	<b>226.98</b>	<b>1,101.47</b>
NAR	59	46.58	51.41	56.22	61.31	67.02	<b>282.53</b>
Less: 30% NAR – I		13.97	15.42	16.87	18.39	20.11	<b>84.76</b>
Net ARR = (H-I)		301.14	157.54	169.25	181.91	206.87	<b>1,016.71</b>
Discount factor (@ 11.90%)		1	0.89	0.80	0.71	0.64	
PV of ARR (₹ in Crores)		301.14	140.78	135.17	129.82	131.93	<b>838.84</b>
Sum Present value of ARR (₹ in Crores)				<b>838.84</b>			<b>838.84</b>
Total Traffic (MPPA)	32			21.25			<b>21.25</b>
Yield per passenger on Total Traffic (YPP) (₹)				394.71			<b>394.71</b>
Departing passengers (MPPA)				10.63			<b>10.63</b>
Yield per Departing Passenger (₹)				789.43			<b>789.43</b>

13.5.3 As shown in the above table, there is a variance of ₹ 182.01 Crore between the NPV of ARR computed by the Authority at the Order stage i.e. ₹ 838.84 Crores, as compared to ₹ 656.83 Crores (refer Table 66) proposed at Consultation Stage. The variance is primarily on account of following reasons:

- i. Increase in the O&M expenses, due to increase in the allocation of CHQ/ RHQ expenses, as explained in para 9.5.4 of this Tariff Order.
- ii. Increase in taxation amounting to ₹ 22.65 Crores.

**13.6 Authority's Decisions regarding Aggregate Revenue Requirement (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 Second Control Period.

13.6.1 To consider the ARR and Yield for the Second Control Period for AIA in accordance with Table 67.



**14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD****14.1 AAI's submission regarding Aeronautical Revenue for the Second Control Period for AIA**

14.1.1 AAI had proposed to increase the Aeronautical tariffs with effect from January 1, 2025 as per the schedule below:

- **Landing charges** – For domestic ATM, AAI had proposed one-time increase of 30% from the existing charges w.e.f. January 1, 2025. For international ATM, AAI had proposed only one-time increase of 5% from the existing charges w.e.f. January 1, 2025.
- **Parking charges** - For international ATM, AAI had proposed one-time increase of 3% from the existing charges w.e.f. January 1, 2025 to March 31, 2025. No further increase was proposed by AAI. Also, no rate increase was proposed for Domestic ATM.
- **User Development Fee (UDF)** – AAI had proposed the following UDF rates w.e.f. January 1, 2025.

*Table 68: Increase in UDF rates proposed by AAI*

Particulars	Existing rates	FY	FY	FY	FY	FY
		2024-25 (January 1, 2025 to March 31, 2025)	2025-26	2026-27	2027-28	2028-29
Domestic UDF	500	460	460	460	460	460
Domestic UDF		-8.00%	0.00%	0.00%	0.00%	0.00%
International UDF	1,300	1,300	1,300	1,300	1,300	1,300
International UDF		0.00%	0.00%	0.00%	0.00%	0.00%

*Table 69: Aeronautical revenue submitted by AAI for AIA for the Second Control Period*

(₹ in Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Parking Charges	0.76	0.84	0.91	0.99	1.07	<b>4.56</b>
UDF Charges	129.19	138.75	153.23	167.68	183.51	<b>772.36</b>
Landing Charges	53.21	64.43	70.09	75.88	82.15	<b>345.77</b>
CUTE charges	4.28	4.74	5.25	5.76	6.32	<b>26.35</b>
Ground handling charges	8.95	9.70	10.52	10.52	11.37	<b>51.07</b>
Royalty from AAICLAS	0.37	0.39	0.41	0.43	0.45	<b>2.05</b>
Space Rent from Airlines	2.16	2.37	2.61	2.87	3.16	<b>13.16</b>
Land Lease	1.50	1.73	1.73	1.73	1.99	<b>8.68</b>
<b>Total Revenue</b>	<b>200.42</b>	<b>222.96</b>	<b>244.75</b>	<b>265.85</b>	<b>290.02</b>	<b>1,223.99</b>

**Note:** AAI had submitted the revised MYTP on October 24, 2024. Subsequently, AAI had submitted the revised estimates of CAPEX pertaining to Terminal Building and PTT over email, from time to time, based on queries raised by the Authority's Independent Consultant. However, AAI had not submitted the revised Aeronautical rates. Therefore, the Aeronautical rates and revenue as per the revised MYTP of AAI has been shown above (in Table 69).

14.1.2 For revenues based on agreements i.e., Land lease from oil companies and Ground handling companies, AAI had proposed to consider the same revenue of FY 2025-26 for FY 2026-27 to FY 2027-28.





**14.2 Authority’s examination of Aeronautical Revenue for the Second Control Period at Consultation Stage**

14.2.1 The Authority observed that AAI had proposed only a minimum one time increase in Domestic and International Landing charges and International Parking charges, as mentioned in para 14.1.1 of this Consultation Paper. Further, AAI had proposed de-growth in Domestic UDF by 8%.

14.2.2 However, based on the rationalizations proposed by the Authority on the various regulatory building blocks (as discussed in the previous chapters), the Authority had derived the PV of ARR as ₹ 656.46 Cr (as per Table 66) for the Second Control Period for Amritsar Airport. Based on the above ARR, the Authority proposed a 42% reduction in aeronautical tariff (from the existing rates of both domestic and international flights) towards Landing charges, Parking charges and UDF charges, w.e.f. March 1, 2025 for the Second Control Period for Amritsar International Airport.

14.2.3 Domestic and International UDF charges proposed by AERA for the Second Control Period for AIA is as follows:

*Table 70: UDF charges proposed by the Authority for AIA for the Second Control Period at Consultation Stage*

Passenger	FY 2023-24 (existing rates)	FY 2024-25 (March 1, 2025 to March 31, 2029)
Domestic (in ₹)	500	288
International (in ₹)	1,300	749

14.2.4 The Authority had determined the Aeronautical revenue based on the proposed Aeronautical charges as follows:

*Table 71: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

(₹ in Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
<b>Total PV of ARR including true up (₹ in Crores) (a) (as per Table 66)</b>	<b>656.83</b>					<b>656.83</b>
<b>Aeronautical Revenue</b>						
UDF Charges (₹ in Crores)	125.76	82.97	91.65	100.31	109.80	<b>510.50</b>
Landing Charges (₹ in Crores)	49.40	32.13	34.98	37.88	41.02	<b>195.39</b>
Parking and Housing Charges (₹ in Crores)	0.72	0.45	0.49	0.53	0.57	<b>2.76</b>
CUTE charges (₹ in Crores)	4.28	4.74	5.25	5.76	6.32	<b>26.35</b>
Ground handling charges (₹ in Crores)	8.95	9.70	10.52	10.52	11.37	<b>51.07</b>
Royalty from AAICLAS (₹ in Crores)	0.37	0.39	0.41	0.43	0.45	<b>2.05</b>
Space rent from Airlines	2.16	2.37	2.61	2.87	3.16	<b>13.16</b>
Land Lease – Oil Companies / Ground Handling Companies (₹ in Crores)	1.50	1.73	1.73	1.73	1.99	<b>8.68</b>
<b>Total Revenue (b)</b>	<b>193.15</b>	<b>134.49</b>	<b>147.63</b>	<b>160.02</b>	<b>174.68</b>	<b>809.96</b>
PV factor	1	0.89	0.80	0.71	0.64	
<b>PV of Aero Revenue (c)</b>	<b>193.15</b>	<b>120.18</b>	<b>117.89</b>	<b>114.20</b>	<b>111.40</b>	<b>656.83</b>
<b>Σ PV Projected Aero Revenue (d)</b>	<b>656.83</b>					<b>656.83</b>
<b>Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)</b>	<b>-</b>					<b>-</b>



14.2.5 As can be observed from the above table, as per the Authority's proposals, AAI was entitled to recover an ARR of ₹ 656.83 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges was ₹ 656.83 Crores (in NPV terms), which was 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 the stakeholders in response to the proposals of the Authority in the Consultation Paper No. 06/2024-25 dated 19 December, 2024. The comments of stakeholders are presented below:

14.3.1 AAI's comment on UDF is as follows:

*"It is observed that UDF of Rs. 288/- and Rs. 749/- proposed by AERA for domestic and International passengers respectively results in more than 42% reduction from existing UDF (Domestic and International) Correct UDF rates with 42% reduction as proposed by AERA vide para no. 14.2.2 will be RS. 290 and Rs.754 for domestic and international passengers respectively. AERA is requested to kindly rectify it.*

Particulars	Existing	Proposed by AAI w.e.f. 1.1.2025	Proposed by AERA w.e.f. 1.3.2025	Reduction proposed by AERA VIDE PARA 14.2.2.	Actual Reduction comes out	UDF with 42% reduction as proposed by AERA
UDF Domestic	500	460	288	-42%	(500-288)/500*100= -42.4%	290*
UDF International	1300	1300	749	-42%	(1300-749)/1300*100= -42.4%	754*

*Further, AERA is requested to consider the AAI's proposal/comments and not to make the 42% reduction in landing, parking and UDF as this is quite a heavy reduction. "*

14.3.2 FIA's comment on Shrinkage of Control Period is as follows:

#### A. Shrinkage in Control Period

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

*In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for ATQ- Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2024.*

*We submit that cost of operations for the airlines is increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge*





*benefits for the airport operators as well due to economies of scale.*

*Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period).*

*It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business but also force airlines to pay tax on tax for availing services through 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.*

#### **B: Royalty**

*Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.*

*As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers. The rates of royalty at the airport are as high as up to 21% 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 AFRA to abolish such royalty which may be included in any of the cost items."*

#### **14.3.3 FIA's comment on Tariff Rate card is as follows:**

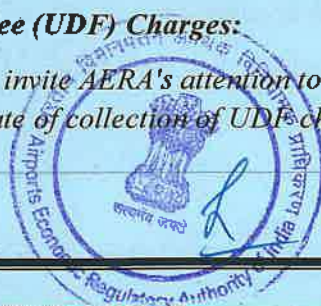
*In accordance with the preamble of the National Civil Aviation Policy, which envisions making air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above, which are likely to reduce in the ARR. This will further ensure the lowering of tariffs including UDF, thereby benefiting both passengers and airlines.*

*It is in the best interest of all stakeholders that the proposed tariff reductions be further rationalised. Additionally, in order to encourage more middle class people to travel by air, this will contribute to a strong post- COVID-19 recovery of the aviation sector. As per the government's stated vision to make UDAN ("Ude Desh ka Aam Naagrik) a reality, this can only be achieved if we maintain the lowest possible cost structure, enabling more and more people to access air travel.*

*In addition, we request AERA and AAI to clarify the following:*

#### **1. Ref: Notes to User Development Fee (UDF) Charges:**

**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 March 2025 to 31st March 2029: Comment to Note a. of Collection Charges: Please note that the same is paid by the airport operator 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 of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to claim collection charges at 2.5% of PSF per passenger, 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 ATQ on a domestic flight and then a connecting flight to an international destination.
- Passenger disembarking in ATQ from a domestic flight, however he originated his journey from an international destination.

## 2) Parking Charges (17.2.4)

Refer Note of Table 75

FIA recommends to add note (i) in Para 17.2.4 of the Annexure 2, as follows:

"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airline". b) "Note 8" 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.

## 3. Landing charges:

a) AERA has proposed a reduction in the Landing Charges for all flights by approximately 42% approx. from the existing charges. We respectfully request AERA to consider further rationalising this reduction.

### b) CUTE, CUPPS, CUSS

AERA is kindly requested to provide transparency by clearly publishing the detailed breakdown of CUTE and BRS charges, in accordance with the AERA Act, for the benefit of all stakeholders."

14.3.4 FIA's comment on proposed Landing charges is as follows:

"Tables A: AERA has proposed reduction in the Landing Charges (Domestic & International) on



AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Q-400/ATR (80 & above seater) & on A320 / B-737-800 approximately by 42% from existing charges.”

Landing Charges: (Refer- (17.2.3 of Annexure 2 of the CP)

(In Rs.)

Particulars	Unit	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
	MT		FY 2024-25 (Tariff w.e.f. 01.3.2025 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 )	FY 2028-29 ( Tariff w.e.f. 01.04.2028 to 31.03.2029)
LANDING CHARGES	INR Per MT		LANDING CHARGES				
DOMESTIC (INR/MT)			DOMESTIC (INR Per MT)				
Eg: Impact on Q400 Landing charges for 80 & Plus seater (Rs.)	30 MT	7823	4545	4545	4545	4545	4545
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800 (Rs.)	79 MT	26206	15208	15208	15208	15208	15208
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
INTERNATIONAL (INR Per MT)			INTERNATIONAL (INR per MT)				
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	13613	7905	7905	7905	7905	7905
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800 (Rs.)	79 MT	50252	29165	29165	29165	29165	29165
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%

14.3.5 FIA’s comment on proposed Parking charges is as follows:

“Tables B: AERA has proposed reduction in the Parking Charges (Domestic & International) on Q-400 (80 & above seater) and on A320 / B-737-800 approximately by 42% from existing charges.”



**AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

Parking Charges: (Refer – 17.2.4 Annexure 2 of the CP)

(In Rs.)

Particulars	Unit	FY 2024-25 ( Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
	MT		FY 2024-25 (Tariff w.e.f. 01.3.2025 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 )	FY 2028-29 ( Tariff w.e.f. 01.04.2028 to 31.03.2029)
PARKING Charge	INR/Hr/ MT		PARKING CHARGES - Per Hr. per MT				
Domestic (INR Per HOUR /MT) for 1st 2 chargeable hrs			Domestic (INR Per HOUR /MT) for first 2 chargeable hrs.				
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	98	57	57	57	57	57
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
A320 / B737-800 (Rs.)	79 MT	355.3	205.7	205.7	205.7	205.7	205.7
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
International (INR Per HOUR /MT)( for 1st 2 chargeable hrs)			International (INR Per HOUR /MT) for first 2 chargeable hrs.				
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	110.5	63.75	63.75	63.75	63.75	63.75
Variance % from existing	Q-400		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%
Impact- A320 / B737-800 (Rs.)	79 MT	396.5	230.25	230.25	230.25	230.25	230.25
Variance % from existing	A320 / B737-800		-42%	-42%	-42%	-42%	-42%
Variance % from YoY			-42%	0%	0%	0%	0%

14.3.6 FIA’s comment on proposed UDF is as follows:

*“Table C: AERA has proposed a reduction in the UDF of by 42 % for Domestic & International Embarking Passenger from existing charges.”*





**AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

UDF Charges: (Refer – 17.2.5 of Annexure 2 of the CP)

(In Rs.)

Particulars	FY 2024-25 ( Tariff w.e.f. 01.04.2024 to 31.12.2024) Existing Rates	Tariff Proposed by AERA				
		FY 2024-25 (Tariff w.e.f. 01.1.2025 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. 01.04.2026to 31.03.2027 )	FY 2027-28 ( Tariff w.e.f. 01.04.2027 to 31.03.2028 )	FY 2028-29 ( Tariff w.e.f. 01.04.2028 to 31.03.2029)
UDF		UDF				
DOMESTIC	500	288	288	288	288	288
Variance % from existing		-42%	-42%	-42%	-42%	-42%
Variance from YOY		-42%	0%	0%	0%	0%
INTERNATIONAL	1300	749	749	749	749	749
Variance % from existing		-42%	-42%	-42%	-42%	-42%
Variance from YOY		-42%	0%	0%	0%	0%

**14.4 AAI’s response to Stakeholders’ comments on Aeronautical Revenue for the Second Control Period**

14.4.1 AAI’s response to FIA’s comment on Shrinkage of Control Period is as follows:

*“AAI is making all the efforts to submit the MYTP within the prescribed time.*

*Further Recent Annual reports of one of the airlines having dominant position in India's domestic traffic shows good profit, so the contention of FIA that all the airlines are suffering from huge loss does not seem correct.*

*For operation of increasing number of aircrafts, Airport operator has to update the airport Infrastructure and required to spend huge capital expenditure for passenger facilitation.*

*Regarding FIA's comment on charging 21% royalty, it is hereby submitted that fixed revenue sharing by ground handler to AAI at Amritsar airport is 3% (Domestic) and 15% (International) and not 21%.”*

14.4.2 AAI’s response to FIA’s comment on Tariff rate Card is as follows:

*a. UDF is collected by Airlines on behalf of Airport operator at the time of issuance of ticket, which is normally well before the actual date of travel. Airlines make payment of UDF only after the actual travel executed by Passengers and using such amount as working capital.*

*Collection charges paid to Airlines by Airport operator to get the payment timely and to maintain cash flow. AAI is making payment of collection charges as per approved credit policy.*

*b. The parking charges proposed by is as approved by AERA.*

*c. Landing Charges are proposed to recover Capital cost & Operating cost incurred and proposed to be incurred by the Airport Operator.*

*d. CUTE/CUSS is managed by Third Party appointed through call of Open Tender as per the award letter the payment receivable by AAI is Rs.24 out of Rs.35 per embarking pax collected*



by the Third party.

14.4.3 AAI's response to FIA's comment on proposed landing, parking and UDF charges is as follows:

*"Tariff has been proposed for Amritsar international Airport on account of*

- a. *true up of First Control Period and the resultant shortfall due to various reasons including the COVID-19 pandemic.*
- b. *Proposed CAPEX, OPEX and other components of building block in order to work out the target revenue for the Second Control Period*

*However, reduction of 42% in all the aeronautical charges is a big loss to AAI, AAI has submitted its comments to AERA. AERA is requested to reconsider the proposed tariff structure based on the written comments submitted by AAI."*

#### **14.5 Authority's analysis regarding Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period**

14.5.1 The Authority notes the comments of AAI with regard to reduction in UDF charges by 42% at Consultation Stage was a rounded figure. Otherwise, PV of ARR was matched with PV of Aeronautical revenue. It is pertinent to mention that this % reduction has changed at tariff order stage due to increased allocation of CHQ/ RHQ expenses (refer para 4.7.19). Accordingly, the Authority decides to reduce the existing UDF charges by 24% for Amritsar Airport (as against 42% proposed at the Consultation stage), with effect from April 1, 2025. The same has been detailed in Annexure I to this Tariff Order.

14.5.2 The Authority notes FIA's comments on the recovery burden on account of shrinkage in the Control Period.

The Authority's analysis of MYTP submission of airport operator 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.

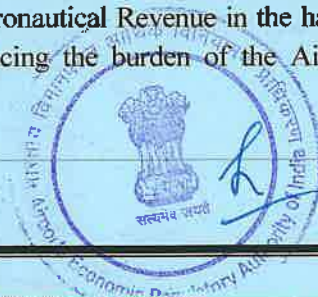
During the process of evaluation, the Authority had sought various clarifications from time to time, from AAI on the various regulatory building blocks, based on which aeronautical tariff were proposed by the Authority at the Consultation stage.

The timely completion of tariff determination process depends upon various factors. The sequence of events relating to the tariff determination process in respect of Amritsar Airport has been elaborated in Para 2.3.4 of this Tariff Order. Further, AERA keeps advising all Airport Operators to submit their MYTPs well in advance i.e. 6 months before the commencement of the new Control Period.

In case of Amritsar Airport, there is not much variation from existing tariff, so shrinkage of control period hasn't affected the tariff much.

As regard to the comments of FIA on conducting an independent study on passengers and air traffic at selected airports, 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 in future for any airport, if considered necessary.

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, reducing the burden of 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.

14.5.3 The Authority has reviewed FIA's comments on Tariff Rate Card and other matters.

The Authority endeavours to balance the interest of all stakeholders and ensure that the tariff rates determined are reasonable, while ensuring the economic and viable operations of the major airports as envisaged under the Section 13(1) (a) of the AERA Act, 2008.

The Authority, in the case of Amritsar airport, as part of the tariff determination exercise, rationalized various regulatory building blocks such as CAPEX, O&M Expenses, Non-Aeronautical Revenues etc. submitted by the AO for the Second Control Period.

It may be noted that the domestic UDF of Amritsar International Airport are comparable with other non-major airports having passenger throughput of more than 1 MPPA. Further, the major portion of ARR for the Second Control Period is recovered by way of UDF, since major portion of CAPEX at the Amritsar Airport relates to Passenger related Infrastructure, which includes the Terminal Building.

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 commercial policy matter between the Airport Operator and the Airlines.

Regarding FIA's comments on Landing charges, the Authority hereby clarifies that as against AAI's proposal of one-time increase of 30% in FY 2024-25 w.e.f. January 1, 2025, the Authority had at the Consultation stage, proposed a one-time decrease of 42% in FY 2024-25 for the Second Control Period (refer para 14.2.2 of the Tariff Order).

Further, AAI had proposed a one-time increase of 3% in parking charges w.e.f. January 1, 2025 for the Second Control Period. As against this, the Authority, at the Consultation stage had considered a one-time decrease of 42% in FY 2024-25 for the Second Control Period.

Therefore, the decrease proposed by the Authority in Landing and Parking charges, at the Consultation stage, was substantially higher, as compared to the tariff increase proposed by AAI.

As regard to CUTE Charges, AAI's response provides the requisite details sought by the stakeholder. BRS charges are not being separately levied at Amritsar Airport. Other issues raised by FIA like applicability of UDF, Parking Charges have been clarified in the Tariff Rate Card.

14.5.4 Considering the above, the Authority has recomputed the Aeronautical revenue to be collected from users in the form of Landing, Parking, UDF, etc. based on the tariff rate card placed at Annexure-I. The Aeronautical Revenue and ARR for the Second Control Period is as follows:

Table 72: Aeronautical revenue decided by the Authority for the Second Control Period

(₹ in Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
<b>Total PV of ARR including true up (₹ in Crores) (a)</b>	<b>838.84</b>					<b>838.84</b>
<b>Aeronautical Revenue</b>						
UDF Charges (₹ in Crores)	130.36	109.85	121.33	132.80	145.36	<b>639.71</b>
Landing Charges (₹ in Crores)	51.20	55.74	60.68	65.71	71.16	<b>304.49</b>
Parking and Housing Charges (₹ in Crores)	0.75	0.82	0.89	0.97	1.05	<b>4.48</b>

**AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

<b>Particulars</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
CUTE charges (₹ in Crores)	4.28	4.74	5.25	5.76	6.32	26.35
Ground handling charges (₹ in Crores)	8.95	9.70	10.52	10.52	11.37	51.07
Royalty from AAICLAS (₹ in Crores)	0.37	0.39	0.41	0.43	0.45	2.05
Space rent from Airlines	2.16	2.37	2.61	2.87	3.16	13.16
Land Lease – Oil Companies / Ground Handling Companies (₹ in Crores)	1.50	1.73	1.73	1.73	1.99	8.68
<b>Total Revenue (b)</b>	<b>199.59</b>	<b>185.34</b>	<b>203.42</b>	<b>220.79</b>	<b>240.86</b>	<b>1,050.00</b>
PV factor	1	0.89	0.80	0.71	0.64	
<b>PV of Aero Revenue (c)</b>	<b>199.59</b>	<b>165.63</b>	<b>162.45</b>	<b>157.57</b>	<b>153.61</b>	<b>838.84</b>
<b>∑ PV Projected Aero Revenue (d)</b>			<b>838.84</b>			<b>838.84</b>
<b>Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)</b>			<b>-</b>			<b>-</b>

Note: The variance between Aeronautical revenue proposed by the Authority at the Consultation stage, (which is ₹ 656.83 Crores) and that decided by the Authority, at the Tariff Order stage (which is ₹ 838.84 Crores) is on account of increase in the allocation of CHQ/ RHQ expenses as explained in para 4.7.19.

**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.

- 14.6.1 To consider Aeronautical revenue for the Second Control Period for AIA as per Table 72.
- 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.





## 15 SUMMARY OF AUTHORITY'S DECISIONS

### Chapter 4: True Up of the First Control Period

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as 14% for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 25 for true up of the First Control Period for AIA
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 28 for true up of the First Control Period for AIA and readjust the shortfall for the Second Control Period.

### Chapter 5: Traffic for the Second Control Period

- 5.6.1 To consider the passenger and ATM traffic for the Second Control Period for AIA as per Table 32.
- 5.6.2 To true up the traffic volume (passenger and ATM) on the basis of actual traffic in the Second Control Period while determining 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 adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period in accordance with Table 41.
- 6.8.2 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.8.3 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. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.8.4 To consider depreciation as per Table 43 for the Second Control Period.
- 6.8.5 To true up depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.8.6 To consider average RAB for the Second Control Period for AIA as per Table 45.
- 6.8.7 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.
- 6.8.8 To examine the accounting of input tax credits in accordance with Chapter V of the Central Goods and Services tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Third Control Period.



**Chapter 7: Fair Rate of Return for the Second Control Period**

7.6.1 To consider FRoR of 11.90 % for AIA for the Second Control Period as per Table 46.

**Chapter 8: Inflation for the Second Control Period**

8.5.1 To consider Inflation for the Second Control Period for AIA as detailed in Table 48.

**Chapter 9: Operation and Maintenance expenses for the Second Control Period**

9.6.1 To consider O&M expenses for the Second Control Period for AIA as per Table 54.

9.6.2 To consider the O&M expenses incurred by AAI for AIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

**Chapter 10: Non-aeronautical revenue for the Second Control Period**

10.6.1 To consider Non-aeronautical revenues for the Second Control Period for AIA in accordance with Table 59.

10.6.2 To consider actual Non-aeronautical revenue achieved by AAI for AIA for the Second Control Period, 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 AIA as per Table 63.

11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration true up details as per methodology followed in Table 63.

**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.

**Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.6.1 To consider the ARR and Yield for the Second Control Period for AIA in accordance with Table 67.

**Chapter 14: Aeronautical Revenue for the Second Control Period**

14.6.1 To consider Aeronautical revenue for the Second Control Period for AIA as per Table 72.

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 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 Amritsar International Airport for the Second Control Period as placed in Annexure-I.
- 16.2 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-I to the Order of the Second Control Period.
- 16.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 16.4 The Order shall be made effective from April 01, 2025.
- 16.5 The Airport Operator shall submit its MYTP to the Authority for the Third Control Period in a timely manner as per the Authority's Guidelines.

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**

Copy to:

1. The Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003
2. Directorate General of Civil Aviation, For issuance of AIC



**17 ANNEXURE TO TARIFF ORDER****17.1 Annexure I: Annual Tariff approved by the Authority for Amritsar International Airport for the Second Control Period (April 01, 2024 to March 31, 2029)- effective from April 01, 2025****17.1.1 Landing Charges: Landing charges decided by the Authority for Amritsar International Airport for the Second Control Period***Table 73: Landing charges(domestic) decided by the Authority for AIA for the Second Control Period  
(Rates in ₹)*

Weight of the Aircraft	(01.04.2024 to 31.03.2029)
Up to 25 MT	243 Per MT
Above 25 MT up to 50 MT	6,063+352 per MT in excess of 25 MT
Above 50 MT up to 100 MT	14,867+391 per MT in excess of 50 MT
Above 100 MT to 200 MT	34,397+431 per MT in excess of 100 MT
Above 200 MT	77539+455 per MT in excess of 100 MT

*Table 74: Landing charges(international) decided by the Authority for AIA for the Second Control Period**(Rates in ₹)*

Weight of the Aircraft	(01.04.2024 to 31.03.2029)
Up to 25 MT	408 Per MT
Above 25 MT up to 50 MT	10,203+682 per MT in excess of 25 MT
Above 50 MT up to 100 MT	27,255+793 per MT in excess of 50 MT
Above 100 MT to 200 MT	66,899+892 per MT in excess of 100 MT
Above 200 MT	1,56,098+991 per MT in excess of 200MT

**Notes:**

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, b) achelicopters of all types, and 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 are concerned irrespective of flight number assigned to such flights.
3. Domestic leg of international routes of foreign carriers shall be treated as international flights.
4. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).





5. A minimum Landing charge of Rs.4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable.
6. Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.
- 17.1.2 Parking charges proposed by the Authority for AIA for the Second Control Period is as follows:

*Table 75: Parking Charges (Domestic ATM) up to four hours after first two free hours for the Second Control Period decided by the Authority*

(Rates in ₹)

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours) (01.04.2024 to 31.03.2029)
Up to 25 MT	3.00 per MT per Hour
Above 25 MT up to 50 MT	75.00+ 4.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	190.00+ 5.70 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	475.75+ 8.80 per MT per Hours in excess of 100 MT
Above 200 MT	1,355.00+ 9.00 per MT per Hours in excess of 200 MT

*Table 76: Parking charges (Domestic ATM) beyond first four hours for the Second Control Period decided by the Authority*

(Rates in ₹)

Weight of Aircraft	Parking Charges Rates per Hour (₹) (beyond first four hours) (01.04.2024 to 31.03.2029)
Up to 25 MT	6.00 per MT per Hour
Above 25 MT up to 50 MT	150.00+9.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	380+11.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	950.00+17.60 per MT per Hours in excess of 100 MT
Above 200 MT	2,710.00+18.00 per MT per Hours in excess of 200 MT

*Table 77: Parking charges (per hour) (International ATM) up to four hours after first two free hours for the Second Control Period decided by the Authority*

(Rates in ₹)

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours) (01.04.2024 to 31.03.2029)
Up to 25 MT	3.30 per MT per Hour
Above 25 MT up to 50 MT	82.50+ 5.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	222.50+ 6.00 per MT per Hour in excess of 50 MT

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours) (01.04.2024 to 31.03.2029)
Above 100 MT to 200 MT	522.50 + 10.20 per MT per Hours in excess of 100 MT
Above 200 MT	1,542.50 + 10.80 per MT per Hours in excess of 200 MT

Table 78: Parking charges (per hour) (International ATM) beyond first four hours for the Second Control Period decided by the Authority

Weight of Aircraft	Parking Charges Rates per Hour (₹) (beyond first four hours) (01.04.2024 to 31.03.2029)
Up to 25 MT	6.60 per MT per Hour
Above 25 MT up to 50 MT	165.00+11.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	445.00+12.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	1,045.00+20.40 per MT per Hours in excess of 100 MT
Above 200 MT	3,085.00 + 21.60 per MT per Hours in excess of 200 MT

**Notes:**

1. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated on the basis of nearest MT.
4. Charges for each period parking shall be rounded off to nearest rupee.
5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Amritsar Airport if the State Government has brought the rate of tax (VAT) on ATF  $\leq 5\%$ . The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of  $\leq 5\%$  tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.





8. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.

- 17.1.3 **User Development Fees (UDF):** UDF charges decided by the Authority for AIA for the Second Control Period is as follows:

**Applicable rates for travel date from April 1, 2025 to March 31, 2029**

(Rate in ₹)

Type of Passenger	Domestic	International
Embarking passenger	381	992

**Notes:**

1. Collection charges: As per the policy pertaining to such charges between the Airport Operator and the airlines.
2. 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.
3. Revised UDF charges will be applicable on tickets issued on or after 01/04/2025.

- 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.

- (a) Children (under age of 2 years),
- (b) Holders of Diplomatic Passport,
- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew or ground personnel),
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

- 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 are excluding GST. GST at the applicable rates is payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2018-19 dated 31/03/2017 of the Authority from the date the scheme is operationalized by Govt.

