



सत्यमेव जयते

Airports Economic Regulatory Authority of India

**In the matter of Determination of Development Fee in respect
of the Metro Connectivity Project for Chhatrapati
Shivaji International Airport, Mumbai**

Date of Order : 28th January, 2016

Date of Issue : 29th January, 2016

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi - 110003**



1. Brief Facts	6
2. Funding of the Metro Connectivity Project by Passengers of CSIA	13
<i>a. MIAL’s submission on Funding of the Metro Connectivity Project by Passengers of CSIA</i>	<i>13</i>
<i>b. Authority’s examination of MIAL’s submission on Funding of the Metro Connectivity Project by Passengers of CSIA</i>	<i>14</i>
<i>c. Stakeholder Comments on issues pertaining to Funding of the Metro Connectivity Project by Passengers of CSIA</i>	<i>14</i>
<i>d. MIAL’s response to Stakeholder Comments on Funding of the Metro Connectivity Project by Passengers of CSIA</i>	<i>18</i>
<i>e. Authority’s Examination of Stakeholder Comments on Funding of the Metro Connectivity Project by Passengers of CSIA</i>	<i>19</i>
3. The process and principles followed by the Authority for the determination of Development Fee	21
<i>a. Stakeholder’s comments about the process and principles followed by the Authority for the determination of Development Fee</i>	<i>21</i>
<i>b. MIAL’s response to Stakeholder Comments about the process and principles followed by the Authority for the determination of Development Fee.....</i>	<i>21</i>
<i>c. Authority’s Examination of Stakeholder Comments on the process and principles followed by the Authority for the determination of Development Fee.....</i>	<i>22</i>
4. Financing the cost of metro connectivity through levy of DF on the airport passengers .	23
<i>a. MIAL’s submission on financing the cost of metro connectivity through levy of DF on airport passengers</i>	<i>23</i>
<i>b. Authority’s examination of MIAL’s submission on financing the cost of metro connectivity through levy of DF on airport passengers.....</i>	<i>24</i>

c.	<i>Stakeholder Comments on Issues pertaining to financing the cost of the metro connectivity project through levy of DF on airport passengers</i>	<i>25</i>
d.	<i>Authority’s Examination of Stakeholder Comments on financing the cost of the metro connectivity project through levy of DF on airport passengers.....</i>	<i>27</i>
5.	Project Cost	28
a.	<i>Authority’s examination about the Project Cost.....</i>	<i>28</i>
b.	<i>Stakeholders’ comments on the issues pertaining to Project Cost</i>	<i>28</i>
c.	<i>MIAL’s response to stakeholders comments on the issues pertaining to Project Cost.....</i>	<i>28</i>
d.	<i>Authority’s Examination of Stakeholder Comments on Project Cost.....</i>	<i>28</i>
6.	Schedule of Payments	30
a.	<i>MIAL’s submission on schedule of payments.....</i>	<i>30</i>
b.	<i>Authority’s examination of the schedule of payments</i>	<i>30</i>
c.	<i>Stakeholders’ comments on the schedule of payments.....</i>	<i>33</i>
d.	<i>MIAL’s response to stakeholders comments on the schedule of payments... </i>	<i>34</i>
e.	<i>MIAL’s own comments on the proposal regarding the schedule of payments by MIAL to MMRC.....</i>	<i>34</i>
f.	<i>Authority’s Examination of Stakeholder Comments on the schedule of payments.....</i>	<i>35</i>
7.	Release of Payments to MIAL by AAI	37
a.	<i>Stakeholders’ comments on the proposal regarding the release of payments to MIAL by AAI.....</i>	<i>37</i>
b.	<i>MIAL’s response to stakeholders comments on the proposal regarding the release of payments to MIAL by AAI</i>	<i>37</i>
c.	<i>MIAL’s own comments on the proposal regarding the release of payments to MIAL by AAI</i>	<i>38</i>

d.	<i>Authority’s Examination of Stakeholder Comments on the schedule of payments to MIAL by AAI.....</i>	<i>38</i>
8.	Traffic projection	40
a.	<i>MIAL’s submission regarding the traffic projection</i>	<i>40</i>
b.	<i>Authority’s examination of MIAL’s submission on the traffic projections</i>	<i>41</i>
c.	<i>Stakeholder Comments on Issues pertaining to the traffic projection</i>	<i>45</i>
d.	<i>MIAL’s response to Stakeholder Comments on the traffic projections.....</i>	<i>47</i>
e.	<i>MIAL’s own comments on Issues pertaining to the traffic projections for airport passengers.....</i>	<i>48</i>
f.	<i>Authority’s Examination of Stakeholder Comments on the traffic projections</i>	<i>51</i>
9.	Computation of DF.....	54
a.	<i>Authority’s approach for computation of DF to be levied at CSIA, Mumbai....</i>	<i>54</i>
b.	<i>Stakeholders comments on the issues pertaining to approach proposed by the Authority for computing the DF</i>	<i>55</i>
c.	<i>MIAL’s response to Stakeholder Comments on approach followed for computation of DF.....</i>	<i>57</i>
d.	<i>MIAL’s own comments on Issues pertaining to approach followed for computing the DF rate</i>	<i>58</i>
e.	<i>Authority’s Examination of Stakeholder Comments on approach followed for computation of DF.....</i>	<i>60</i>
10.	Review of Existing DF	64
a.	<i>Stakeholders comments on the issues pertaining to the review of the existing DF</i>	<i>65</i>
b.	<i>MIAL’s own comments on the review of the existing DF</i>	<i>66</i>
c.	<i>Authority’s Examination of Stakeholder Comments on the review of the existing DF.....</i>	<i>67</i>

11. Truing up of DF collection for passengers who have booked tickets in advance 70

a. MIAL’s own comments on the proposal regarding the truing up of DF collection for passengers who have booked tickets in advance 70

b. Authority’s Examination of MIAL Comments on the proposal regarding the truing up of DF collection for passengers who have booked tickets in advance 70

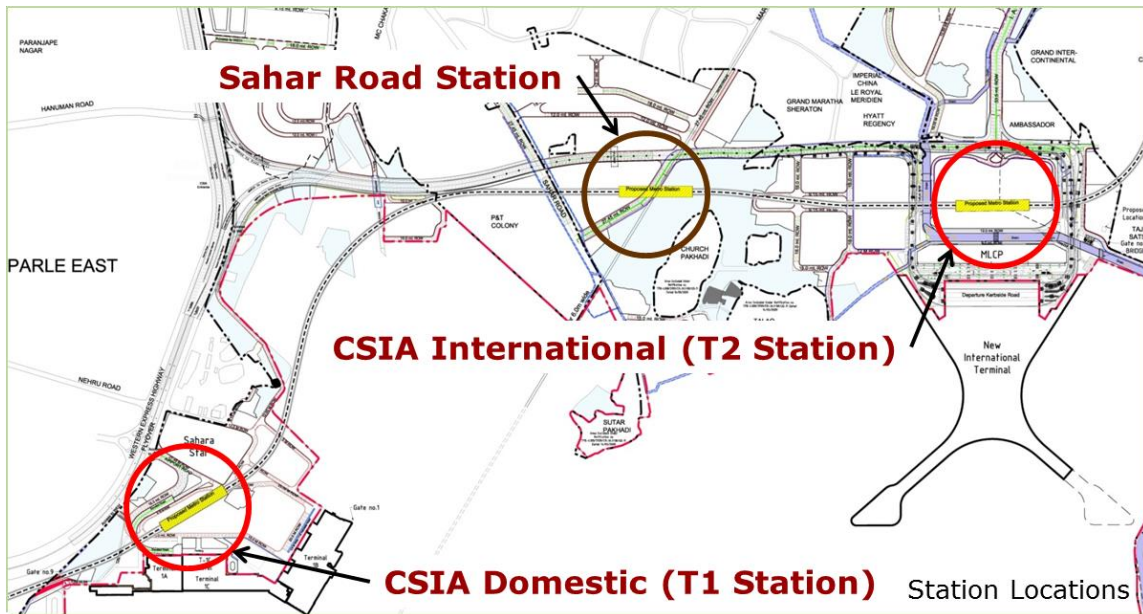
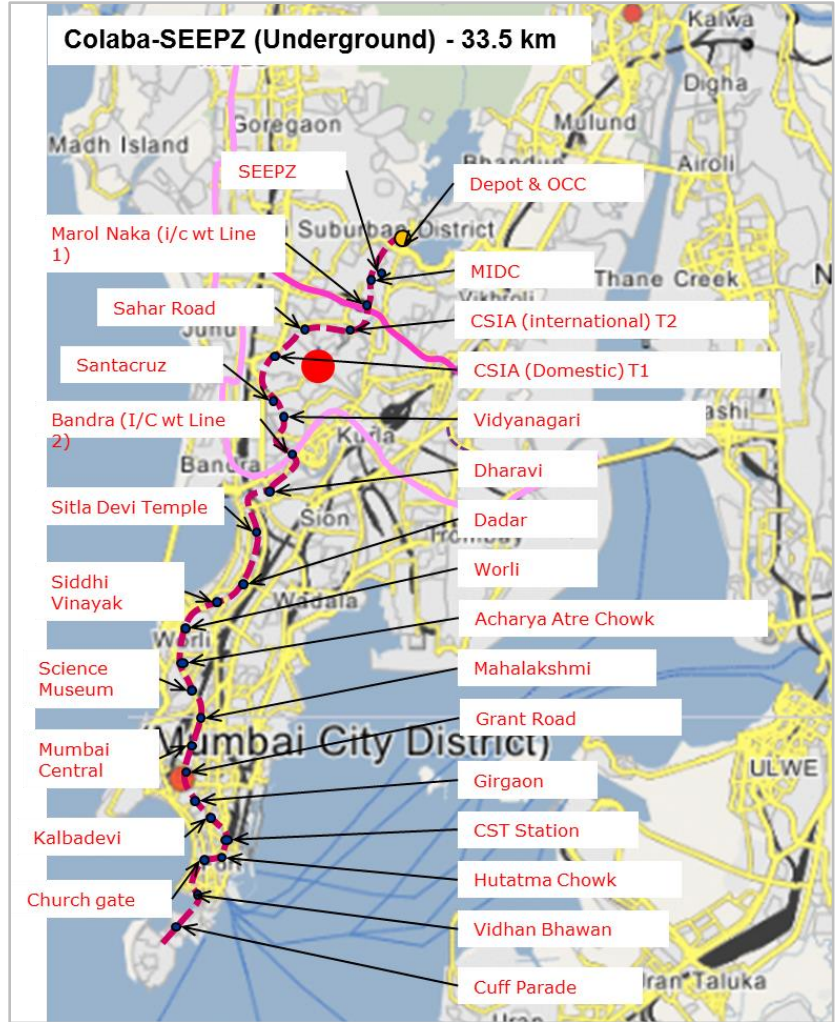
12. Summary of Decisions 72

13. Order 75

14. List of Tables 76

1. Brief Facts

- 1.1.** Mumbai International Airport Private Limited (hereinafter referred to as “MIAL”) is a Joint Venture Company incorporated under the Companies Act, 1956 and is engaged in operating, maintaining, developing, designing, constructing, upgrading, modernizing, financing and managing the Chhatrapati Shivaji International Airport, Mumbai (hereinafter referred to as “CSIA”). MIAL has taken over these functions from AAI w.e.f. 03.05.2006.
- 1.2.** Airports Economic Regulatory Authority (hereinafter referred to as “the Authority” or “AERA”) was established by the Central Government vide notification no. GSR 317 (E) dated 12.05.09 with its head office at Delhi under the Airports Economic Regulatory Authority of India Act, 2008 (hereinafter referred to as “AERA Act”) to regulate tariffs for Aeronautical Services, inter-alia, taking into consideration the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise.
- 1.3.** Mumbai Metro Rail Corporation (MMRC) is a fully owned company of Mumbai Metropolitan Region Development Authority (MMRDA) (registered under provisions of Company Act, 1956) as of 30th April, 2008. MMRC (at present) is responsible for the implementation of all the Metro Rail Corridors under Mumbai Metro Rail Project including the implementation of Mumbai Metro Line 3, which is a 32.5 km long fully underground alignment from Colaba to SEEPZ in Mumbai. Three stations of this line fall within the airport area. Therefore, MMRC has approached MIAL and asked for funding of these 3 metro stations.
- 1.4.** Maps showing the metro line with stations at the Chhatrapati Shivaji International Airport, Mumbai (CSIA), is attached for reference.



1.5. At the time of tariff determination in respect of Chhatrapati Shivaji International Airport, Mumbai (CSIA) for the first Control Period (FY 2009-10 to FY 2013-14, the Airports Economic Regulatory Authority of India had approved levy of Development Fee (DF) to the tune of Rs. 3,400 crores against the funding gap on embarking passengers. Vide its interim DF Order No. 02/2012-13 dated 16.04.2012 the Authority had allowed MIAL to collect Rs. 100/- per embarking domestic passenger and Rs. 600/- per embarking international passenger from 01.05.2012 for a period of around 23 months (i.e., up to 31.03.2014). The Authority subsequently issued its final order (Order no. 29/2012-13 dated 21.12.2012), and allowed MIAL to collect the balance DF from 01.01.2013 to April 2021 while keeping the DF rate constant.

1.6. Based on request from MMRC, MIAL submitted a letter to AAI dated 29.05.2014 regarding the contribution of funds towards the metro connectivity project. As part of the letter, MIAL submitted that the metro project was discussed extensively during various National Facilitation Committee (NFC) meetings, chaired by the Cabinet Secretary, Government of India. MIAL further submitted that in the fourth meeting held on 01.05.2007, the Cabinet Secretary expressed that the metro connectivity project needs to be expedited. An excerpt from the letter is reproduced below,

“For the purpose of providing timely and convenient access to passengers it is essential to provide metro connectivity to Chhatrapati Shivaji international Airport, Mumbai (CSI Airport) as is the case with at major airports throughout the world including Delhi Airport. Metro connectivity to airport was a matter of discussion during various NFC meetings chaired by Cabinet Secretary, Government of India. In 4th meeting of NFC held on 1st May, 2007, Cabinet Secretary expressed that the metro connectivity to the CSI Airport needed to be expedited.”

1.7. MIAL had also provided minutes of the meetings held on the fifth and eighth NFC meetings held on 03.06.2008 and 03.09.2009 respectively. In these meetings, MIAL had contested funding of the metro connectivity project. In these NFC discussions, it was

argued that DIAL had contributed to the funding of the metro connectivity to the IGI Airport in Delhi. MIAL counter argued that in case of DIAL, metro connectivity was provided exclusively for the IGI Airport, which is not the case with metro connectivity being planned to be provided to CSIA, Mumbai. An extract of the minutes of the fifth NFC meeting held on 03.06.2008 is reproduced below,

"MIAL was asked to consider funding the works of 1.5 km to enable connectivity to the airport. It was noted that DIAL had contributed Rs. 350 crores for the metro link to IGI airport. MIAL stated that unlike the Delhi metro link, Mumbai metro project is not a dedicated link and they are not considering funding the said project. However, it was decided that MIAL may have to re-look into the matter."

1.8. MIAL further stated in the meeting that it has also contributed almost 46% (Rs. 186 crores) of the project cost of elevated road connecting Western Express Highway to the New Terminal 2. However, MIAL also added that it is essential to provide metro connectivity to airport especially because road network to reach airport from south Mumbai is already heavily congested and likely to get worse in the future as there is no possibility to widen the network.

1.9. Subsequently, in the eighth meeting of the NFC dated 03.09.2009, MIAL requested to expedite the metro project. After discussions held with MMRDA, it was agreed to bring forward the project by making it part of Metro Line – 3 Colaba – Bandra – SEEPZ. An extract of minutes of the meeting is reproduced from the letter below,

"MIAL requested that the metro connectivity to Santacruz and Sahar Airport, Mumbai airport should be expedited. The MMRDA representative explained that the metro connectivity for the airport is slated to come up in the 6th stage but it can be advanced along with the third and fourth phase, which is to start soon. After deliberation, it was decided that the metro connectivity to the airports should be expedited as proposed by MMRDA "

1.10. MIAL further stated that after having formal discussions with the MMRDA, it was decided that MIAL would contribute funds towards three metro stations. Vide its letter

dated 29.05.2014, MIAL requested Airports Authority of India (AAI) to suitably recommend to the Authority (AERA) to sanction financing of two metro stations that provide metro connectivity to CSIA, by allowing MIAL to raise additional Development Fee from passengers at CSIA; under the Section 22A of the AAI Act 1994 and Section 13 (1) (b) of the AERA Act 2008.

1.11. As per MIAL's letter to Airports Authority of India (AAI) dated 29.05.2014, MIAL submitted:

"...after several rounds of negotiations, it was agreed that MIAL shall contribute Rs.

777 crores consisting of Rs. 600 crores towards 3 stations @ Rs. 200 crores/station planned in CSIA land and Rs. 177 crores towards electro-mechanical works. One of the stations is planned in the area where real estate development will take place, contribution for which will be met out of real estate infrastructure deposit. Contribution for balance 2 stations being Rs. 518 crores, consisting of Rs. 400 crores for 2 stations and Rs. 118 crores for electro-mechanical works is part of the project cost for second control period from FY 2015 to FY 2019. This amount does not include interest during construction (IDC), if any."

1.12. In response to the submissions made by MIAL, the MoCA agreed to allow MIAL to levy and collect DF in respect of the two metro stations via letter No. 240 11/25/2014-AD dated 21.04.2015

1.13. Consequently, MIAL submitted a proposal vide its letters to AERA dated 25.08.2015 and 08.09.2015 pertaining to DF to be levied at CSIA for the metro connectivity project.

1.14. MIAL made various submissions dated 25.08.2015, 08.09.2015, 03.10.2015, 06.10.2015 and 13.10.2015 in response to the clarifications / information desired by the Authority. Subsequent to MIAL's submission, MMRC also submitted the desired payment schedule to the Authority vide its letter dated 29.10.2015, requesting the Authority to consider this schedule for the purpose of determination of DF levy for the metro connectivity

project. The Authority had addressed and examined these submissions under respective sections of this Consultation Paper No 09/2015-16 dated 04.11.2015.

1.15. Following the release of Consultation Paper No 09/2015-16 dated 04.11.2015, the Authority held a stakeholder consultation meeting on 20.11.2015. The minutes of the meeting have been uploaded on AERA's website. The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No 09/2015-16 dated 04.11.2015. The Authority appreciates the responses that it has received from the various stakeholders and has considered their inputs while preparing this Order.

1.16. The following stakeholders commented and gave suggestions on the Authority's Consultation Paper No 09/2015-16 dated 04.11.2015 in the matter of determination of development fees in respect of metro connectivity to Chhatrapati Shivaji International Airport:

1.16.1. Airports Authority of India (AAI)

1.16.2. International Air transport Association (IATA)

1.16.3. Federation of Indian Airlines (FIA)

1.16.4. Dr. Saurabh Dani (Individual)

1.16.5. Delhi International Airport Private Limited (DIAL)

1.16.6. Association of Private Airport Operators (APAO)

1.16.7. Blue Dart Aviation Ltd.

1.16.8. Sanjeev.V. Dyamannavar (Individual)

1.16.9. Mumbai Metro Rail Corporation Limited (MMRC)

1.16.10. Mumbai International Airport Private Limited (MIAL).

1.16.11. GMR Hyderabad International Airport Private Limited (GHIAL)

1.16.12. Ministry of Civil Aviation (MoCA)

1.17. For the sake of brevity of the document, this order provides relevant excerpts of the stakeholder comments, while the detailed comments have been uploaded in the Public Order. No. 46/2015-16

Notice No. 02/2015-16, with web link specified herein for reference.
<http://aera.gov.in/upload/pb/5667f58775dd4publicnotice21516.pdf>.

- 1.18.** The following part of this Order gives the Authority's position on respective building blocks presented in the Consultation Paper No 09/2015-16 dated 04.11.2015 in the matter of determination of development fees in respect of metro connectivity to Chhatrapati Shivaji International Airport. Each chapter is structured in the following manner wherein discussion on each issue has been segregated into six sections:
- 1.18.1.** First section presents a summary of MIAL's submissions on the issue at the Consultation stage.
 - 1.18.2.** Second section presents a summary of the Authority's discussion on the issue, as presented in the Consultation Paper No 09/2015-16 dated 04.11.2015.
 - 1.18.3.** Third section presents the comments made by the Stakeholders to the Authority's proposal on the issue stated in the Consultation Paper No 09/2015-16 dated 04.11.2015.
 - 1.18.4.** Fourth section presents the response made by MIAL to the comments made by the Stakeholders on the issue.
 - 1.18.5.** Fifth section presents the comments made by MIAL itself on the issue in addition to its responses to the Stakeholder comments.
 - 1.18.6.** Sixth and the final section presents the Authority's examination of Stakeholders' comments, MIAL's responses and MIAL's own comments on that issue and decisions thereof.
 - 1.18.7.** Decisions taken by the Authority on various issues in respect of levy of development fee for the CSI Airport, Mumbai are summarized in Chapter 12 below.

2. Funding of the Metro Connectivity Project by Passengers of CSIA

a. MIAL's submission on Funding of the Metro Connectivity Project by Passengers of CSIA

- 2.1.** Based on request from MMRC, MIAL submitted a letter to AAI dated 29.05.2014 regarding the contribution of funds towards the metro connectivity project. As per MIAL, in the fourth meeting of National Facilitation Committee (NFC) held on 01.05.2007, the Cabinet Secretary expressed that the metro connectivity project needs to be expedited.
- 2.2.** MIAL further submitted minutes of the meetings held on the fifth and eighth NFC meetings held on 03.06.2008 and 03.09.2009 respectively. In these meetings, MIAL had contested funding of the metro connectivity project. In these NFC discussions, it was argued that DIAL had contributed to the funding of the metro connectivity to the IGI Airport in Delhi. MIAL counter argued that in case of DIAL, metro connectivity was provided exclusively for the IGI Airport, which is not the case with metro connectivity being planned to be provided to CSIA, Mumbai. MIAL also added that it is essential to provide metro connectivity to airport especially because road network to reach airport from south Mumbai is already heavily congested and likely to get worse in the future as there is no possibility to widen the network. Subsequently, in the eighth meeting of the NFC dated 03.09.2009, after several rounds of negotiations with the MMRDA, it was agreed to bring forward the project by making it part of Metro Line – 3 Colaba – Bandra – SEEPZ and that MIAL would contribute funds towards three metro stations.
- 2.3.** Vide its letter dated 29.05.2014, MIAL requested Airports Authority of India (AAI) to suitably recommend the Authority (AERA) to sanction financing of two metro stations that provide metro connectivity to CSIA, by allowing MIAL to raise additional Development Fee from passengers at CSIA; under the Section 22A of the AAI Act 1994 and Section 13 (1) (b) of the AERA Act 2008.
- 2.4.** In response to the submissions made by MIAL, the MoCA also agreed to allow MIAL to levy and collect DF in respect of the two metro stations via letter No. 240 11/25/2014-AD dated 21.04.2015.

2.5. Consequently, MIAL submitted proposal vide its letters to AERA dated 25.08.2015 pertaining to DF to be levied at CSIA for the metro connectivity project. On the matter of funding of the metro connectivity project, MIAL stated in its letter dated 25.08.2015 that,

“I. Mumbai Metropolitan Region Development Authority (MMRDA) and Mumbai Metro Rail Corporation Limited (MMRC) are pursuing us for entering into Memorandum of Understanding (MOU) with MMRC, which they wish to be signed in presence of the Hon’ble Chief Minister of Maharashtra.”

b. Authority’s examination of MIAL’s submission on Funding of the Metro Connectivity Project by Passengers of CSIA

2.6. The Authority noted MIAL’s submission pertaining to levy of additional DF of Rs. 518 crores in order to fund the metro connectivity project and has examined the same carefully.

2.7. The Authority also noted that as per the MoCA letter No. 24011/25/2014-AD dated 21.04.2015, MoCA has agreed to allow MIAL to levy and collect additional DF to the tune of Rs. 518 crores to fund 2 metro stations in the CSIA area, and the Authority is required to determine the DF per person to be levied on CSIA passengers in this respect.

c. Stakeholder Comments on issues pertaining to Funding of the Metro Connectivity Project by Passengers of CSIA

2.8. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015.

2.9. In its presentation during Stakeholder Consultation Meeting, MIAL highlighted the following reasons supporting the funding of metro project through CSIA passengers.

“Fast travel to the airport, Metro Line-3 as Dedicated Metro to CSIA, Round-the-clock Metro Connectivity to CSIA, Safe, secure, reliable and dependable mode of public transport, and reduced cost of travel to the airport.”

2.10. International Air Transport Association (IATA), on the proposal to fund the metro connectivity for CSIA through a DF levied on air transport passengers, stated as below,
“IATA agrees in principle on the importance of providing good surface connectivity including rail connectivity for airports in India. However, for metro connectivity at CSIA, IATA does not believe that a non-dedicated rail line would significantly benefit air transport passengers using CSIA. It would be unjustified to get air transport passengers to fund the construction of the Metro connectivity for CSIA through a DF when it is going to be utilized mainly by daily-commuting rail passengers.”

2.11. IATA further elaborated the reasons for disagreeing with this proposal. Relevant excerpt from IATA’s comments are presented below,

“1. It is fundamentally wrong to expect air transport passengers to pay for construction of infrastructure associated with another mode of transport, since the reverse is also true that users of other modes of transport do not pay for construction of the airport. In the first place, the airport operator should not have agreed to pay for construction of the metro connectivity as the metro itself is public infrastructure that benefits the entire community and should be funded by the state and the costs recovered from metro rail users. It is not acceptable that having made an incorrect commitment, the airport operator then applies to transfer the cost burden onto users of the airport through an unfair funding method i.e. the DF.”

“2. The proposed metro stations at CSIA would be three out of 33 stations on Mumbai Metro Line 3 and therefore it is not a dedicated line for airport users. The line is invariably going to be very heavily used by daily-commuting rail passengers and as such it would not be in a position to adequately accommodate air transport passengers who usually travel with substantial luggage and would have great difficulty getting on and off the train when it is packed to capacity. As such, the full benefits of metro connectivity for the airport would not be realized.”

“3. Pre-funding is grossly unfair as it makes air transport passengers pay for facilities that have not been built and which they are not using and may never use. The user-pay principle is important and it should be actual users in future (when the facilities are operational) that pay and not present non-users. The approach leading to the determination of the initial DF introduced in May 2012 and the precedent set must not be perpetuated and used as justification to support similar pre-funding proposals such as this one. “

- 2.12.** Federation of Indian Airlines (FIA) also submitted the comments regarding the funding of metro connectivity project by the airport passengers, of which the relevant excerpts are as presented below,

“At the outset, we have to state that the Mumbai Metro Line3 is a Public infrastructure project and the Metro stations at CSIA are always a part of a metro rail project. There can be no Metrorail without a Metro Station. Moreover, this is not a case for airport improvements and is not an airport infrastructure project. Therefore, AERA has no jurisdiction in this case.”

“We may suggest that the best means of funding the Metrorail and metro station in the airport is to have Metrorail consumers (and not airport passengers) pay the Metrorail authority and the airports directly. This achieves this objective, and it is directly tied to infrastructure improvements at the Airport. In fact, the Airlines should not and are in no way connected with the metro station and therefore cannot be asked to collect any fee from the airline passenger.”

“Instead of asking AERA to decide whether to charge the fee at all, after assessing the needs and demands of the local travelling public and the communities, our central argument is that MMRC (and not MIAL) at CSIA provide Metrorail services like other businesses, and the most efficient, market-based means of raising funds is to allow them

to charge Metrorail consumers an amount commensurate with the value needed to complete a project of metro station at CSIA.”

2.13. Dr. Saurabh Dani, an individual, shared his views on the proposal of funding of metro stations by airport passengers as presented below,

“The Funding for the metro line should not be done by increasing the passenger services charges because:

- 1. The metro line is not exclusively for the airport (like Delhi airport metro), it’s a public mass transit for all mumbaikars.*
- 2. The metro route only caters to certain geographic areas of Mumbai and not the whole Mumbai, esp. western and eastern suburbs.*
- 3. Not all fliers are likely to use the metro to reach the airport as it may not be practically feasible to carry luggage on board the metro, esp. International fliers with bigger bags.*
- 4. Metro may not be operational at wee hours when the international flights or red eye flights operate.*
- 5. Just because a metro is passing through a certain public interest area does not mean that the operator of that public premises needs to fund. With that analogy BEST, Indian Railways & Parks should also be funding all the public transit services.*
- 6. No way you can charge in advance, before the operation of the metro services, as India has a reputation of not completing projects on time.*

.....”

2.14. Delhi International Airport Limited (DIAL) and GMR Hyderabad International Airport Limited (GHIAL) agreed with the proposal of Chhatrapati Shivaji International Airport in Mumbai for levy of development fees in lieu of the capital contribution towards development of Metro Rail connectivity and stated that,

“Metro Rail services are essential for better connectivity to the airports. Such infrastructure developments are essential for improving accessibility and lowering cost

of access to airport especially for the middle and lower middle class segment of airport users, thus leading to a more robust aviation sector.

Typically cost of provision of such infrastructure should be borne by the State Government. However, in case the airports are requested to fund part of the cost of development of Metro connectivity, the same should be recovered through development fee levied on the passengers.”

- 2.15.** The Association Private Airport Operators (APAO) too agreed with the proposal and submitted the comments on the same as under,

“1) APAO welcomes the proposal for making available two metro stations which would be Public assets / Public Utilities at the CSIA Airport that would go a long way in enhancing the facilities & convenience for the passengers and other users of the Airport. More importantly for a city like Mumbai where the present road connectivity to CSIA is already choked especially during peak hours, it is critical to develop an alternate mode of transport / access to CSIA. The metro connectivity will become the life line access to CSIA in the years to come.”

- 2.16.** The observations and suggestions shared by Mr. Sanjeev.V. Dyamannavar, an individual, are presented below,

“International Airports like Chhatrapati Shivaji International Airport need mass public transport like METRO, Suburban Rail to move the Air Passengers, ground support staff, airport staff, security, housekeeping staff, cargo handling staff, Maintenance staff, visitors to the airport and more.

Regarding the METRO connectivity to Chhatrapati Shivaji International Airport, METRO is most required and should have been done while Airport expansion few years back itself.....”

d. MIAL’s response to Stakeholder Comments on Funding of the Metro Connectivity Project by Passengers of CSIA

- 2.17.** MIAL’s response to comments made by IATA and FIA regarding the proposal to fund the metro connectivity for CSIA through a DF levied on air transport passengers is as under,

“Incorrect commitment by MIAL and Metro Line 3 is not a dedicated line for airport users

The entire details of decision to contribute towards 2 metro stations have been explained by MIAL during consultation. Metro facility is an essential facility for passengers. It will be predominantly used by passengers for Santa Cruz and Sahar stations. In the long run it will serve as a faster and cheaper form of transport to airport. Road transport in Mumbai is already choked and will further deteriorate in future. Comment of IATA about wrong commitment made by MIAL is misconceived.”

- 2.18.** Regarding IATA’s comments on DF levy being a pre-funding proposal, MIAL has responded as below,

“DF by its very nature is a pre-funding allowed under the statute i.e. section 22-A of the AAI Act for upgradation, expansion or development of airport. Grant of DF has the effect of permanently reducing the Regulatory Asset Base and consequently the target revenue.”

e. Authority’s Examination of Stakeholder Comments on Funding of the Metro Connectivity Project by Passengers of CSIA

- 2.19.** The Authority duly considered the comments made by stakeholders. The Authority notes that the Mumbai Metro Line 3 is likely to provide multimodal connectivity to the CSI Airport, and multimodal connectivity is likely to be a necessity in the future in order to minimize inconvenience for CSIA passengers. The Authority further notes MIAL’s submission pertaining to fifth and eighth NFC meetings held on 03.06.2008 and 03.09.2009 respectively, wherein it was discussed that the road network to reach airport from south Mumbai is already heavily congested and is likely to get worse in the future because there is no possibility to widen the network, and therefore there is a need for multimodal connectivity to CSI Airport to cater to the future traffic.

- 2.20.** The Authority further notes that though this metro line is not a dedicated airport line, MMRC expressed in the Stakeholder Consultation Meeting held on 20.11.2015, that it will extend the metro services beyond mid-night by reducing the time required for line

maintenance to just one hour. The Authority notes MMRC's submission that during this period between midnight and early morning, the Mumbai metro is going to serve air passengers almost exclusively, and accordingly notes that assured and timely metro services stands to induce airport passengers to use the metro services. Furthermore, the Authority has considered that apart from airport passengers, the airport employees and workers also stand to benefit from the metro connectivity.

- 2.21.** With respect to the issue of air transport passengers paying for the construction of infrastructure associated with another mode of transport, the Authority is of the view that the Mumbai Metro Line 3 is an important infrastructure project which provides multimodal connectivity to the CSI Airport. It is a city side asset and it is difficult for the Authority to distinguish between a metro passenger and airport passenger. Also, the airport passengers are only paying for two stations at Terminal 1 and Terminal 2 which will provide connectivity to the CSI Airport and the major portion of the project will be funded by the rail passengers.

3. The process and principles followed by the Authority for the determination of Development Fee

a. Stakeholder's comments about the process and principles followed by the Authority for the determination of Development Fee

3.1. International Air Transport Association (IATA) and Mr. Sanjeev.V. Dyamannavar, an individual, expressed their concern about the process and principles that the Authority has followed for this particular consultation. IATA's comments have been excerpted below,

"1. The AERA consultation seems to be fait accompli; driven by an instruction from MoCA to levy a DF to fund the metro connectivity for CSIA. For all prior consultations, the independence of the Airport Economic Regulator was established with AERA doing its own independent assessment, formulating a consultation process, and MOCA as well as other stakeholders responding to the proposals. The process here has been turned around giving the impression that a decision has already been made even before the consultation process has started..."

b. MIAL's response to Stakeholder Comments about the process and principles followed by the Authority for the determination of Development Fee

3.2. Regarding IATA's comments, MIAL has responded as below,

"Allegation of IATA about effectiveness and ability of the Authority is unfounded. Authority is an independent body which is going through entire process of consultation and determination of DF. MIAL has also gone into Stakeholder consultation in a transparent manner. Letter from MoCA at the best lays emphasis on importance of bringing metro facility and funding of DF as a last resort under the given circumstances."

c. Authority's Examination of Stakeholder Comments on the process and principles followed by the Authority for the determination of Development Fee

3.3. The Authority has noted the comments made by IATA and it is of the opinion that the MoCA is entitled to have a say in the matter regarding the levy of DF. The Authority has followed the due process for determination of levy of DF.

4. Financing the cost of metro connectivity through levy of DF on the airport passengers

a. MIAL's submission on financing the cost of metro connectivity through levy of DF on airport passengers

4.1. As regards financing of the project, MIAL stated in its letter dated 29.05.2014 that,

"MIAL is already implementing airport development project at a cost of Rs. 13050 crores which does not include contribution for metro connectivity. Funding of this project cost has been tied up from various sources consisting of equity, internal resource generation, debt, deposits from Real Estate development and Development Fee.....

Since it is not possible to fund this project from any further debt, equity or any other means, it is a fit case where cost of this project is funded through DF as per provisions of Section 22A of the AAI Act 1994, amount of development fee will be determined by AERA"

4.2. Subsequently, in its letter T/MI3-CBS/MIAL/AAI/ dated 25.06.2014, MMRC requested the Authority to accept MIAL's request for funding the metro connectivity project through DF. MIAL further submitted a letter (dated 24.11.2014) to Ministry of Civil Aviation (MoCA) and stated, that it is extremely difficult for MIAL to meet the funding gap through additional debt.

4.3. In response to the submissions made by MIAL, the MoCA also supported MMRC's request by allowing MIAL to levy and collect DF in respect of the two metro stations via letter No. 240 11/25/2014-AD dated 21.04.2015, excerpt of which is reproduced below,

"The Ministry is of the view that full-fledged development of the airport, and providing convenient and affordable access to passengers, metro connectivity would be essential. The levy of Development Fee (DF) is also a less expensive option for financing of the metro project and will be a very small addition on the passengers. Accordingly, the competent Authority has agreed to allow MIAL to levy and collect DF in respect of the

two metro stations. DF per person may, however, be decided by AERA subject to overall ceiling of Rs. 518 crores requested for the project.”

- 4.4.** Subsequently, on the matter of financing the metro connectivity project, MIAL stated in its letter dated 25.08.2015 that,

“II. In view of urgency to start the construction activities and persuasions by MMRDA/MMRC, MIAL requests the Authority to sanction levy and collection of DF at CSIA for two metro stations, before the tariff determination of second control period which may take some time.”

b. Authority’s examination of MIAL’s submission on financing the cost of metro connectivity through levy of DF on airport passengers

- 4.5.** The Authority had taken cognizance of the amended section 22 A of the Airports Authority of India Act, 1994 as reproduced below:

“Section 22A, for the portion beginning with the words “The Authority may” and ending with the words “for the purposes of –”, substitute the following:-

“The Authority may,-

- (i) After the previous approval of the Central Government in this behalf, levy on, and collect from, the embarking passengers at an airport other than major airports referred to in clause (h) of Section 2 of the Airports Economic Regulatory Authority of India Act, 2008 (AERA Act) the development fees at the rate as may prescribed;*
- (ii) Levy on, and collect from, the embarking passengers at major airports referred to in clause (h) of Section 2 of the Airports Economic Regulatory Authority of India Act, 2008 the development fees at the rate as may be determined under clause (b) of sub-section (1) of section 13 of the Airports Economic Regulatory Authority of India Act, 2008,*

And such fees shall be credited to the Authority and shall be regulated and utilized in the prescribed manner, for the purposes of –“

- 4.6.** Accordingly the Authority followed the mentioned provisions in this amendment and is proceeding with the assessment of additional DF to be levied at CSIA, Mumbai through this consultation paper.

c. Stakeholder Comments on Issues pertaining to financing the cost of the metro connectivity project through levy of DF on airport passengers

- 4.7.** Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015.

- 4.8.** Delhi International Airport Limited (DIAL) and GMR Hyderabad International Airport Limited (GHIAL) submitted their views on financing the cost of the metro connectivity project through levy of DF on airport passengers as presented below,

“The DF is the most efficient way of financing airport infrastructure because of the following:

1. Amount collected towards DF goes directly to permanently reduce RAB. There is no return being allowed on these assets to airport operator nor is depreciation forming part of building block. As such it reduces the charges to passengers in the long run.

2. In case DF levy is not there, the gap would need to be funded from a mix of debt/equity would lead to re- adjusting RAB upwards and the Authority will need to provide a WACC return on the enhanced RAB plus allow for depreciation. This would result in higher tariffs by way of increased aero charges.....”

“3. DF levy for same amount of capital spend may be chargeable for 3-4 years whereas if collected by way of tariff it may be charged for 20-25 years based on life of asset.”

4.9. Association of Private Airport Operators (APAO) submitted their comments on this issue as under,

“

- 2) *It is extremely difficult for MIAL to meet the funding gap through additional debt, as the Second Control period envisages additional Capex expenditure of Rs. 1,303 Crores (which includes the cost of 2 Metro Stations) and funding for this additional Capex is also to be met out of debt & Internal accruals.*
- 3) *MIAL is already highly leveraged and there is no scope of raising further debt to fund Rs. 518 Crores towards cost of Metro Project. The levy of Development Fee is also a less expensive option for financing the project and will be very small additions on the passengers.*
- 4) *...cost of Metro stations may be funded through DF since it will lead to lowering of aeronautical charges in future at the Airport. The cost of metro stations is not added to the RAB and neither depreciation nor return shall accrue on such assets which otherwise will increase the tariff...*
- 5) *...MoCA has also agreed to allow MIAL to levy and collect additional DF...*
- 6) *MIAL is currently levying Development (Rs.100 for Domestic and Rs.600 for international embarking passengers). Development Fee for metro connectivity (**Rs.15 and Rs.75**) will only lead to nominal increase in the DF per passengers and can co terminus with the collection of existing DF period. “*

4.10. Federation of Indian Airlines (FIA) submitted the following comments,

“....

Development Fee (also called Passenger Facility Charge) is an optional fee and it cannot be used or levied against airline passenger as the metro passenger and airline passenger are not always the same..... It is the metro passenger who avails the Metrorail service should directly fund the Metrorail and the Metro Station they are using and not the airline passenger who is using the airport but not the metro station.

....the people who use a public service should generally be the ones to contribute to that service, in the broadest sense, fulfil the benefit principle (people who use airports pay for the airports), and people who use the Metrorail pay for the metro station..... Hence, MIAL should not spend on the Metro Station as it is part of revenue producing infrastructure project of MMRC....”

d. Authority’s Examination of Stakeholder Comments on financing the cost of the metro connectivity project through levy of DF on airport passengers

- 4.11.** The Authority has carefully examined the comments of all the stakeholders in addition to MIAL’s comments and responses to other stakeholder’s comments regarding the proposal of financing the cost of the metro connectivity project through levy of DF on airport passengers. The Authority’s examination and decisions in this regard have been presented below.
- 4.12.** The Authority has noted the views provided by APAO, IATA, FIA, Blue Dart Aviation Limited, GHIAL and DIAL. In addition to these comments, the Authority has also considered MIAL’s letter dated 29.05.2014 mentioned in 4.1 above. The Authority is of the view that the Mumbai Metro Line 3 is an important infrastructure as it stands to promote multimodal connectivity to the CSI Airport. It is a city side asset and it is difficult for the Authority to distinguish between a metro passenger and airport passenger. Also, the airport passengers are only paying for two stations at Terminal 1 and Terminal 2 which will provide connectivity to the CSI Airport and the rest will be funded by the rail passengers. The Authority has taken a view that funding of metro project through DF is an appropriate option.
- 4.13.** In view of the above, the Authority decides to permit the financing of two metro stations via DF levy and to determine the DF per person accordingly.

Decision No. 1 Based on the material before it and its analysis, the Authority decides:

- 1.a. To permit the financing of two metro stations in the CSIA via DF levy and to determine the DF per person accordingly.**

5. Project Cost

a. Authority's examination about the Project Cost

5.1. Based on the MIAL submissions and its analysis, the Authority proposed in the Consultation Paper No 09/2015-16 dated 04.11.2015 not to consider any escalation in the project cost over the duration of project construction beyond Rs. 518 crores.

b. Stakeholders' comments on the issues pertaining to Project Cost

5.2. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders including in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments with respect to possibility of escalation of project cost are presented below.

5.3. International Air Transport Association (IATA) agrees with the Authority's proposal in this respect as under,

"1. In the case of a possible escalation of project cost beyond INR518 crores, there should be no uncertainty that MMRC should bear the additional cost."

c. MIAL's response to stakeholders comments on the issues pertaining to Project Cost

5.4. MIAL's response to IATA's comment on escalation of project cost is as below,

"IATA comment about escalation is already taken care of as MIAL has to contribute Rs.518crs. irrespective of any increase in the project cost."

d. Authority's Examination of Stakeholder Comments on Project Cost

5.5. The Authority has carefully examined the comments from all the stakeholders as well as MIAL's comments and response to other stakeholders' comments on the possibility of escalation of project cost beyond INR 518 crores. Authority's examination and decisions in this regard have been presented below,

5.6. The Authority has noted IATA's support for excluding any possible cost escalations beyond Rs. 518 crores from DF collection for the Mumbai metro project. In the absence of the comments from other stakeholders, the Authority maintains its previous stance in

the Consultation Paper Consultation Paper No 09/2015-16 dated 04.11.2015 and decides to not consider any escalation in the project cost over the duration of project construction beyond Rs. 518 crores.

Decision No. 2 Based on the material before it and its analysis, the Authority decides:

2.a. That no escalation in the project cost beyond Rs. 518 crores shall be considered.

6. Schedule of Payments

a. MIAL's submission on schedule of payments

6.1. Vide its letter to AERA dated 08.09.2015, MIAL responded to the clarification sought by the Authority with reference to the schedule of payments to MMRC. The schedule for payment to MMRDA and the DF to be levied as submitted by MIAL are below,

“Schedule for payment to MMRDA for the entire Rs. 518 crore cost including the Rs. 400 crore of construction cost and Rs. 118 crore of E&M cost:

The payment schedule as per the current discussions with MMRDA/ MMRC for two metro stations is expected to be as per last column of table below:

Year	Embarking Passenger (Mn) (net of exempt pax)			Rate per embarking pax (in Rs.)		Amt of DF collected to be paid to MMRC (In Rs. Crs.)
	Domestic	International	Total	Domestic	International	
FY 16	4.54	2.00	6.53	50.47	100.93	43
FY 17	11.73	4.97	16.70	50.47	100.93	109
FY 18	12.63	5.16	17.80	50.47	100.93	116
FY 19	13.61	5.36	18.97	50.47	100.93	123
FY 20	14.03	5.56	19.59	50.47	100.93	127
						518

“

b. Authority's examination of the schedule of payments

6.2. The Authority has noted that in response to the clarification sought by it from MIAL on the schedule of payments to be made to MMRC vide its e-mail dated 01.09.2015, MIAL has responded with the DF collection schedule as specified in 6.1 above (also referred in para 2.8 of the uploaded Consultation Paper No. 09/2015-16 dated 04.11.2015), as the payment schedule. Subsequently, the Authority asked for the actual schedule as per agreement, if any, between MIAL and MMRC. Correspondingly, MIAL via its email dated 06.10.2015, submitted the payment schedule as part of the Memorandum of Understanding (MOU) signed between MMRC and MIAL on 16.09.2015. An excerpt of the MOU is reproduced below,

“Both the parties agree that this contribution shall be made by MIAL, subject to AERA’s approval to AAI / MIAL for funding of cost of two metro stations through levy and collection of Development Fee. Agreed Schedule of payments is as under:

Period (by 31st March each year)	Cost of T1 & T2 Forecourt Stations (Subject to and as per AERA’s Approval for Development Fees) (in crores)	Sahar Road Station (in crores)
Year 1:2015-16	Rs. 30.00	Rs. 25.00
Year 2:2016-17	Rs. 70.00	Rs. 35.00
Year 3:2017-18	Rs. 75.00	Rs. 35.00
Year 4:2018-19	Rs. 75.00	Rs. 35.00
Year 5:2019-20	Rs. 75.00	Rs. 35.00
Year 6:2020-21	Rs. 75.00	Rs. 35.00
Total Amount	Rs. 400.00	Rs. 200.00
E&M (Electro Mechanical) Systems Cost		
Year: 2021-22		Rs. 59.00
Year: 2022-23		Rs. 59.00
Year: 2023-24		Rs. 59.00
Total Amount		Rs. 177.00

“

- 6.3.** In the meeting held between MIAL and the Authority on 09.10.2015, MIAL’s payment schedule to MMRDA was discussed in conjunction with the MOU submitted by MIAL. Regarding payments for electromechanical works, MIAL clarified that each of the Rs. 59 crores payment required to be made towards these works in FY 2021-22, FY 2022-23 and FY 2023-24 as per the MOU pertains to all three stations together. The Authority noted that contribution for one of the stations is to be funded through real estate infrastructure deposit as per MIAL’s letter to Airports Authority of India (AAI) dated 29.05.2014 (refer 1.11 above) and accordingly, the Authority proposed to consider two-third of each of the Rs. 59 crore payments, i.e. Rs. 39.33 crores for the computation of DF in each of those three years. The Authority also notes that the MOU clearly identifies the payment schedule of Rs. 400 crores for the two metro stations (T1 & T2 Forecourt Stations) which are supposed to be funded through DF.

6.4. Subsequent to the meeting with the Authority, MIAL via its email dated 13.10.2015, submitted the Amendment to Memorandum of Understanding dated 16.09.2015 between MMRC and MIAL. This amendment was executed on 12.10.2015. Via this amendment, MIAL submitted the revised Schedule of Payments agreed between MIAL and MMRC. The excerpt from the Amendment is reproduced below:

“

1. *This Amendment shall come into effect on and from the date of MOU.*

2. *Clause 2.1.1 of the MOU is substituted with the following clause 2.1.1:*

"2.1.1 Both the parties agree that this contribution shall be made by MIAL, subject to AERA's approval to AAI/ MIAL for funding of cost of two metro stations through levy and collection of Development Fee. Agreed Schedule of payments is as under:

Period (by 31st March each year)	Cost of T1 & T2 Forecourt Stations (Subject to and as per AERA's Approval for Development Fees) (Rs.in crores)	Sahar Road Station (Rs.in crores)	Total Amount (Rs.in crores)
Year 1 :2015-16	42	5	47
Year 2 :2016-17	108	20	128
Year 3 :2017-18	114	20	134
Year 4 :2018-19	121	20	141
Year 5 :2019-20	133	20	153
Year 6 :2020-21	--	115	115
Total Amount	518	200	718
E&M (Electro-Mechanical) Systems Cost			
Year : 2021-22	--	--	--
Year: 2022-23	--	--	--
Year: 2023-24	--	59	59
Total Amount	518	259	777

“

Subsequent to MIAL’s submission, MMRC also submitted a similar payment schedule to the Authority vide its letter dated 29.10.2015, requesting the Authority to consider this schedule for the purpose of determination of DF levy for the metro connectivity project.

- 6.5.** The Authority reviewed the MMRC submission and the amendment to the MOU made between MIAL and MMRC. It has noted that there is an inconsistency in the tenure of payments to MMRC regarding the two metro stations to be funded through DF and the third metro station to be funded through proceeds of real estate development. While payments for the two metro stations funded through DF would be completed by FY 2019-20, payments for the third metro station would continue till FY 2023-24. The Authority is of the view that given the nature of the project, the progress on the three metro stations is likely to happen simultaneously. The Authority notes that the metro station works have not been awarded and it is unclear when the physical work is likely to commence. Accordingly, advancing the payments schedule for the 2 metro stations to be funded by DF is against the interest of the airport users. Therefore, the Authority is of the view that that the payment schedule as agreed upon as per the MOU dated 16.09.2015 be used for the computation of DF.
- 6.6.** Accordingly, the Authority considered the payment schedule to MMRC for the purpose of computation of DF as given below,

Table 1: Payment Schedule to MMRC considered by the Authority in the Consultation paper

Particulars (in Rs. Crores)	FY 2015- 16	FY 2016- 17	FY 2017- 18	FY 2018- 19	FY 2019- 20	FY 2020- 21	FY 2021- 22	FY 2022- 23	FY 2023- 24
Payments to MMRC	30	70	75	75	75	75	39.33	39.33	39.33

c. Stakeholders’ comments on the schedule of payments

- 6.7.** Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders including in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro

connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments with respect to possibility of escalation of project cost are presented below.

6.8. As regards the schedule of payments to MMRC, MMRC commented as below,

“Reconsider the rate of DF proposed Schedule of Payment: Funding provisions of MoU signed between MMRC and MIAL and project funding and payments in Consultation Paper (Table 5) are not matching and there is significant shortfall. As the funding requirements in MoU are decided based on construction schedule, any shortfall would adversely affect the completion dates. The proposed rates of DF may be reviewed so that the DF collection and scheduled payments to MMRC are ensured.”

d. MIAL’s response to stakeholders comments on the schedule of payments

6.9. MIAL’s responded to the MMRC comments as below,

“We fully support the comments of MMRC for reconsidering the proposed rate of DF, thereby avoiding shortfalls/ adverse effect on the completion of project and Review by AAI as a prior condition for release of funds to MMRC.”

e. MIAL’s own comments on the proposal regarding the schedule of payments by MIAL to MMRC

6.10. With respect to schedule of payments to MMRC, MIAL responded as under,

“MIAL has requested MMRC for restoring the Schedule of Payment as per MoU dated 16th September, 2015. In case MMRC does not agree to restoring the same, MIAL shall once again approach the Authority to reconsider the Schedule of payment as set out in Amendment to MoU dated 12th October, 2015.”

6.11. With respect to the start of payment to MMRC, MIAL made the following submission through its letter no. MIAL/VPR/15-16/57 dated 19.01.2016, as excerpted below:

“...As the Authority has not yet determined the levy and collection of DF for the two metro stations, MIAL would not be able to release the scheduled payment to MMRC”

f. Authority's Examination of Stakeholder Comments on the schedule of payments

- 6.12.** The Authority has carefully examined the comments from all the stakeholders in addition to MIAL's comments and response to other stakeholders' comments on the proposal regarding the schedule of payments to MIAL. Authority's examination and decisions in this regard have been presented below.
- 6.13.** The Authority has duly considered and analysed the comments made by MIAL and MMRC in the matter. The Authority notes that as per the amended MoU, a payment of Rs. 59 crores for Sahar station is to be paid in 2023-24. This implies that the project is not likely to be completed in its entirety by 2019-20. However, the MMRC is optimistic that the project will be completed by 2019-20 and has requested the Authority to consider FY 2019-20 as the completion date for the project. Based on the above considerations, the Authority has, therefore, decided that the additional DF levy for the metro stations should be made co-terminus with the levy of existing DF being collected for the Airport Project, which is expected to last up to 2020-21. The current DF levied being nominal, it would not be prudent to collect it as a separate levy after 2020-21. Hence, the Authority decides that the cut-off date for Metro DF collection shall be the same as the cut-off date for the existing DF, i.e. 31.03.2021.
- 6.14.** The Authority has decided to consider the payment schedule as agreed upon as per original MOU dated 16.09.2015 as the basis for computation of DF. However, the collection of DF shall be made between 2016-17 and 2020-21.
- 6.15.** Furthermore, the Authority notes from MIAL's letter no. MIAL/VPR/15-16/57 dated 19.01.2016 that the payment is unlikely to commence unless the Authority approves the levy through the release of this order. In this regard, the Authority notes that the metro station works are yet to be awarded, and it is unclear when the physical work is likely to commence. Therefore, the Authority decides to shift the payment of Rs. 30 crore scheduled to be made in 2015-16 to 2016-17, and retain the remaining payment schedule as per the original MoU with MMRC. In case the work is commenced and any payment has to be made, the DF order could be securitized for the concerned payment.

Table 2: Revised Payment Schedule to MMRC considered by the Authority

Particulars (in Rs. Crores)	FY 2016- 17	FY 2017- 18	FY 2018- 19	FY 2019- 20	FY 2020- 21	FY 2021- 22	FY 2022- 23	FY 2023- 24
Payments to MMRC	100	75	75	75	75	39.33	39.33	39.33

Decision No. 3 Based on the material before it and its analysis, the Authority decides:

3.a. To consider the schedule of payment to MMRC as per Table 2 above.

3.b. To collect metro DF levy from the year 2016-17 to the year 2020-21.

7. Release of Payments to MIAL by AAI

7.1. Based on examination of MIAL submissions and its analysis regarding the release of payments to MIAL for the metro connectivity project, the Authority proposed in the Consultation Paper No 09/2015-16 dated 04.11.2015 to request Airports Authority of India to release payments to MIAL upon receipt of demand notice from MMRC and after ascertaining award and progress of the project.

a. Stakeholders' comments on the proposal regarding the release of payments to MIAL by AAI

7.2. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders including in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments with respect to possibility of escalation of project cost are presented below.

7.3. As regards the schedule of payments to MMRC, MMRC commented as below,

“Reconsider the rate of DF proposed Schedule of Payment: Funding provisions of MoU signed between MMRC and MIAL and project funding and payments in Consultation Paper (Table 5) are not matching and there is significant shortfall. As the funding requirements in MoU are decided based on construction schedule, any shortfall would adversely affect the completion dates. The proposed rates of DF may be reviewed so that the DF collection and scheduled payments to MMRC are ensured.”

b. MIAL's response to stakeholders comments on the proposal regarding the release of payments to MIAL by AAI

7.4. MIAL's response to the MMRC comments as below,

“We fully support the comments of MMRC for reconsidering the proposed rate of DF, thereby avoiding shortfalls/ adverse effect on the completion of project and Review by AAI as a prior condition for release of funds to MMRC.”

c. MIAL's own comments on the proposal regarding the release of payments to MIAL by AAI

7.5. With respect to the Authority's proposal regarding the release of payments to MIAL, the comments made by MIAL are as follows,

"....Raising of Demand notice by MMRC being a government body should be sufficient for release of DF payment to MMRC. In case payments are released after ascertaining the award and progress of the project by Airports Authority of India (AAI), it would create delays. Further, MMRC has informed, in the Stakeholders meeting held on 20th November, 2015, about the extension of Metro line 3 beyond SEEPZ Andheri to Khanjurmarg, and start of operations for stretch between BKC and Khanjurmarg (including the CSIA area) to December 2019. Hence, any additional monitoring by AAI would create obstacles in ensuring timely availability of funds to MMRC, which becomes all the more essential in view of preponement of operations mentioned above."

d. Authority's Examination of Stakeholder Comments on the schedule of payments to MIAL by AAI

7.6. The Authority has carefully examined the comments from all the stakeholders in addition to MIAL's comments and response to other stakeholders' comments on the proposal regarding the schedule of payments to MIAL.

7.7. Regarding the release of payments to MIAL, the Authority is of the view that AAI should periodically obtain report on the progress of the metro connectivity project and release the funds accordingly. Moreover, the Authority also notes that it is practically not possible to exactly match the collections with the scheduled payments. Therefore if there is a shortfall in the payment to MMRC, the Authority permits MIAL to securitise the DF levy to the extent of the shortfall.

7.8. In case there is a surplus collection of DF, the Authority expects the Airport Authority of India to prudently invest the surplus amount. This surplus could also be used to repay the loans taken by securitizing the project DF.

Decision No. 4 Based on the material before it and its analysis, the Authority decides:

- 4.a. That the Airports Authority of India should release payments to MIAL only upon receipt of demand notice from MMRC and after ascertaining award as well as progress of the project.**
- 4.b. That the Airports Authority of India should invest the surplus funds in DF account prudently. This surplus could also be used to repay the loans taken by securitizing the project DF.**
- 4.c. To permit MIAL to securitize the DF levy only to the extent of the shortfall in collections for making payments to MMRC.**

8. Traffic projection

a. MIAL's submission regarding the traffic projection

8.1. With regard to traffic projection for airport passengers, MIAL proposed in the letter dated 25.08.2015, a schedule of collection of DF as below,

“Proposed Schedule for amount of DF to be collected for funding of 2 metro stations

<i>Year</i>	<i>Domestic Pax</i>	<i>International Pax</i>	<i>Domestic @ Rs.50 per pax</i>	<i>International @ Rs.100 per</i>	<i>Total</i>
	<i>In Mn (net of exempted)</i>		<i>In Rs. Crores</i>		<i>In Rs.</i>
<i>FY 16</i>	<i>4.53</i>	<i>1.98</i>	<i>23</i>	<i>20</i>	<i>42</i>
<i>FY 17</i>	<i>11.70</i>	<i>4.93</i>	<i>59</i>	<i>49</i>	<i>108</i>
<i>FY 18</i>	<i>12.60</i>	<i>5.11</i>	<i>63</i>	<i>51</i>	<i>114</i>
<i>FY 19</i>	<i>13.58</i>	<i>5.31</i>	<i>68</i>	<i>53</i>	<i>121</i>
<i>FY 20</i>	<i>14.00</i>	<i>6.25</i>	<i>70</i>	<i>63</i>	<i>133</i>
<i>Total</i>			<i>282</i>	<i>236</i>	<i>518</i>

“

8.2. MIAL also submitted assumptions underlying the above schedule of collection of DF. These assumptions are as below,

“Assumptions:

- i. DF collection is assumed to start w.e.f. 1st November, 2015.*
- ii. Amount of DF per embarking passenger is assumed to be Rs. 50 for domestic and Rs. 100 for International pax.*
- iii. Exempted passengers who will not be paying DF (based on AIC issued by DGCA) would be around 20%.*
- iv. Passenger numbers from FY 16-FY 19 are projected based on 5 year CAGR. “*

8.3. With regard to the assumption of certain categories of passengers being exempted from being charged the DF, MIAL had referred to the AIC no. 6/2012 issued by Director General of Civil Aviation's Aeronautical Information Services (Government of India) dated 31.08.2012 and cited the letter.

“EXEMPTION OF CATEGORIES OF PERSONS FROM LEVY AND
COLLECTION FROM DF/UDF/PSF AT INDIAN AIRPORTS.

In terms of Section 40 of Airports Authority of India Act, 1994, Airports Authority of India (AAI) and its lessees are hereby directed to exempt the following categories of persons from levy and collection of UDF/DF/PSF at all Airport and civil enclaves in the country:

(i) Children (under age of 2 years),

(ii) Holders of Diplomatic Passport,

(iii) 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),

(iv) Persons travelling on official duty on aircraft operated by Indian Armed Forces.

(v) Persons travelling on official duty for United Nations Peace Keeping Missions.

(vi) 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 a transit passenger”).

(vii) Passengers departing from IGI Airport, New Delhi, due to involuntary re-routing, i.e., technical problems or weather conditions.”

b. Authority’s examination of MIAL’s submission on the traffic projections

8.4. With regard to assumptions underlying the traffic projections, the Authority noted from MIAL’s letter dated 25.08.2015 that the domestic and international passenger traffic projections used for computation of DF did not follow a consistent growth rate every year. For the domestic traffic projection, while the projection for FY 2015-16 to FY 2018-19 was found to be based on the five year historical CAGR of 7.73% per annum growth

rate, the projection for FY 2019-20 was based on 3.09% growth rate. The Authority further noted that the growth rate for international traffic projection was considered to be below the five year historical CAGR. The Authority requested MIAL to submit a clarification in this regard.

- 8.5.** Subsequent to Authority's request for clarifications, MIAL submitted its responses via letter dated 08.09.2015. The Authority noted MIAL's submission regarding the growth rate of international traffic at the CSIA. MIAL submitted that four international airlines discontinued their operations at the CSIA recently and because of growing International traffic at other airports directly competing with CSIA, there is a drop in International traffic growth at CSIA (refer para 2.9 of the uploaded Consultation Paper No 09/2015-16 dated 04.11.2015). MIAL further stated that although there was substantial growth in International passenger traffic at other airports, at CSIA the growth was only 3.8%. In view of the same, MIAL assumed a growth rate of 3.8% for projecting traffic and not at the 5 year historical CAGR of 6.78% for International passengers.
- 8.6.** The Authority reviewed MIAL's submission and deliberated that despite four international airlines recently discontinuing their operations from CSIA, the airside capacity constraints at CSIA will likely make other international airlines take up the slots vacated by these four airlines, and therefore there shouldn't be any adverse impact on the international passenger traffic at CSIA. Moreover, a reduction in the number of airlines would result in redistribution of passengers to other airlines and would not necessarily cause a drop in overall passenger traffic at the airport. Thus, the Authority proposed in the Consultation Paper to project passenger traffic based on a five year CAGR on international traffic, a growth rate equal to 6.78% as computed in Table 3 below.
- 8.7.** The Authority further proposed to project domestic passenger traffic based on the CAGR of actual passenger traffic over the last five years i.e. 7.73%. The computations based on the proposed growth rates have been presented in Table 3 below. The Authority has

relied on passenger traffic data as per AAI's website¹ for the computation of CAGR over the previous five year period.

Table 3: Total Passenger Traffic during FY 2009-10 to FY 2014-15 as per AAI website

Passengers (in millions)	2009- 10	2010- 11	2011- 12	2012- 13	2013- 14	2014- 15	5 yr CAGR
Domestic Passengers	17.37	20.00	21.04	20.28	21.88	25.21	7.73%
International Passengers	8.23	9.08	9.70	9.93	10.34	11.43	6.78%
Total Passengers	25.61	29.07	30.75	30.21	32.22	36.63	

- 8.8.** Subsequently, based on the submissions made on MIAL and its analysis regarding the possibility of the assumptions underlying the traffic projections, the Authority proposed in the Consultation Paper No 09/2015-16 dated 04.11.2015 to project both domestic and international passenger traffic based on the previous five year CAGRs of 7.73% and 6.78% respectively, as calculated in **Table 3** above.
- 8.9.** The Authority had noted from MIAL's submission that certain passengers will be exempt from levy of DF as per assumptions underlying the payment schedule in MIAL's letter to AERA dated 25.08.2015. Consequently, the Authority sought auditor's certificate from MIAL for the number of domestic and international passengers embarking at CSIA and billed for DF till FY 2014-15. The Authority also requested AAI to provide passenger data for the number of billed passengers at the CSIA during FY 2013-14 and FY 2014-15. However, AAI submitted to the Authority that it does not collect the data in this form, i.e. data on billable passengers. Noting AAI's response, the Authority proposed in the Consultation Paper to use the passenger data as given in MIAL's submission, for the purpose of estimation of DF.

¹ The Authority noted that passenger data from AAI website matches the data in the Auditor's Certificates submitted by MIAL as a part of their MYTP submissions. Therefore, the Authority proposed in the Consultation Paper to use the AAI website data

8.10. In its e-mail dated 03.10.2015, MIAL had submitted the historical data on billed passengers vis-à-vis total embarking passengers at the CSIA. An extract of the information submitted by MIAL is reproduced below,

“

	FY 13*	FY 14	FY 15
<i>Total Embarking passengers (in Mn)</i>	13.85	16.13	18.40
<i>Total billed passengers (in Mn)</i>	10.23	13.15	14.65
% of passengers exempt	74%	82%	80%
<i>DF billed (in Rs. Crs.)</i>	268.60	348.96	380.08
<i>Interest on delayed payment (in Rs.)</i>	1.64	3.62	2.23
<i>Total billing (in Rs. Crs.)</i>	270.24	352.58	382.31

** DF collection started from 1st May 2012 as per AERA Order No. 02/2012-13 dated 16th April, 2012. ”*

8.11. The Authority noted from this submission that historically, the ratio of number of billed passengers to number of actual embarking passengers has been around 80%. Based on the above observation, the Authority proposed that for the purpose of estimation of embarking passengers for both domestic and international passengers which are likely to pay DF, 20% of embarking passengers be considered exempted from being charged DF. The Authority also proposed to consider 50% of the total passengers as embarking passengers. The Authority may reconsider these assumptions based on the responses received on this Consultation Paper.

8.12. The Authority further noted that MIAL proposed to levy the additional DF from 01.11.2015 to 31.03.2020. However, in view of the practicality of time schedule with respect to the consultation process and the requirement to reassess various issues based on stakeholder comments, the Authority proposed to consider 01.01.2016 as the start date of levy. Moreover, the Authority further proposed to make DF co- terminus with the payment schedule to MMRDA as part of the MOU dated 16.09.2015 signed between MMRC and MIAL and shared with the Authority by MIAL. Combining the approach proposed in para 8.11 above (also referred in para 3.11 of the uploaded

Consultation Paper No 09/2015-16 dated 04.11.2015) with its approach for projecting the total domestic and international passengers in Table 3 above, the Authority computed the estimated billable domestic and billable international passengers. The resulting traffic projections for FY 2015-16 to FY 2023-24 thus considered by the Authority in the Consultation Paper were as below,

Table 4: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24 in the Consultation Paper

Particulars (in millions)	FY 2015-16	3m ending March 2016	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Projected total domestic passengers	27.15	6.79	29.25	31.51	33.95	36.57	39.40	42.44	45.72	49.25
Projected total international passengers	12.20	3.05	13.03	13.91	14.86	15.86	16.94	18.09	19.31	20.62
Projected Billable domestic passengers	10.86	2.72	11.70	12.60	13.58	14.63	15.76	16.98	18.29	19.70
Projected Billable international passengers	4.88	1.22	5.21	5.57	5.94	6.35	6.78	7.23	7.73	8.25

c. Stakeholder Comments on Issues pertaining to the traffic projection

8.13. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in

its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments on the issues pertaining to the assumptions underlying the traffic projections are stated below.

- 8.14.** Federation of Indian Airlines (FIA) commented on the assumptions underlying the traffic projection as stated below,

“The assumptions and historical data for passenger capacity are at variance with the self- declared capacity constraints given by MIAL and therefore it fails to make informed cost- benefit analyses. The capacity of the CSIA is much below the assumptions and projections given for determination of the Development fee and therefore is flawed.”

- 8.15.** Ministry of Civil Aviation (MoCA) also commented on the assumptions underlying the traffic projection as stated below,

“...assumption used in the forecast of traffic made (based on CAGR of past 5 years) in the consultation paper is too naive. For example in the : year 2015-16 till October itself, Domestic passenger forecasted has grown by more than 20% as against the MIAL assumption of 7.73% while international traffic has grown only by less than half of what is assumed in consultation paper i.e. 6.78%. Rather than looking at past CAGR (since it was a trough period for Indian aviation market in the past few years) forecast should be made taking in to account underlying factors influencing traffic.”

- 8.16.** Ministry of Civil Aviation (MoCA) further commented with reference to assumption of certain categories of passengers being exempted from being charged the DF as under,

“In the consultation paper MIAL has submitted that 20 percent of passengers embarked from Mumbai Airport (both domestic and international) are exempted from levy of Development fee on account of DF exemption ;category as per AIC order no. 6/2012 issued by DGCA i.e. Only 80 % of embarked passengers are given as paying DF. This submission by MIAL is factually wrong and misleading.

For example as per DGCA data which excludes all the category of passengers(except diplomatic passport holders) mentioned in AIC order no.6/2012, total number International passengers embarked from Mumbai Airport in the year 2014-15 is

55,99,958 which is almost 97% of embarked passengers (i.e. 57,77,725) as reported by AAI and used by MIAL in their calculation . That means percentage of international passengers who do not pay DF is only around 3% as against the submission of MIAL i.e. 20%.

Every scheduled airlines submit to DGCA the city-pair data in ICAO Form-B every month which includes only revenue passengers. Hence AERA may be asked to validate the submission of MIAL with DGCA data. Going by 20% DF exemption formula submitted by MIAL can result in actual DF collection to be more than what is required to pay for MMRC (as per NPV calculation)."

"

8.17. Association of Private Airport Operators (APAO) stated that,

"The estimates given by MIAL for domestic and international passenger ratio and billable passengers may be accepted."

d. MIAL's response to Stakeholder Comments on the traffic projections

8.18. MIAL responded to MoCA's comments on assumption of certain categories of passengers being exempted from being charged the DF vide its letter no. MIALICEO/137 dated 21st December, 2015. The excerpts from the letter are reproduced as below,

".....However, as per data available with MIAL the submission by MIAL is correct.

The billing for DF is done by MIAL on the basis of communication received directly from the respective airlines. The communication from airlines for billing of DF regarding embarking passengers excludes the passengers which are exempted in terms of AIC no. 6/2012 dated 31st August, 2012 (AIC).

From the contents of the MoCA letter, it appears that it has considered data in respect of international embarked passengers for FY 2014-15 from the city-pair data in ICAD Form-B submitted by all scheduled airlines to DGCA. It has been wrongly presumed that non-exempted embarking passenger for the purpose of levy and collection of DF are same as revenue passengers as per Form B, which is not the case. Hence, any presumption that

they are same is factually wrong and any reliance on Form B to determine passengers paying DF is misconceived.

Passengers who are not Revenue Passengers as per Form B are those passengers who are travelling free e.g. employees of air carriers or their agents, infants who do not occupy a seat and any other passenger travelling free. As compared to this list under Form B, the list of exempted passengers as per AIC is much wider..... “

- 8.19.** MIAL’s response to MoCA’s comments on the assumptions underlying the traffic projection as stated below,

“Comment of MoCA about CAGR being a wrong basis of forecasting is without any substance. Past CAGR in normal circumstances can be safely considered for forecasting passengers. Without suggesting an alternative method comment made by MoCA are hollow and unrealistic. MIAL is of firm belief that CAGR is a robust method other than exceptions, like in case of, imitational traffic, growth projections at CSIA have to take into account the changed scenario because of bilaterals and competing airports. “

e. MIAL’s own comments on Issues pertaining to the traffic projections for airport passengers

- 8.20.** In addition to the comments from various stakeholders, MIAL has also submitted its own comments on the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015. These comments are presented below:

“.....

2.1.1. We note that Authority (in para 3.7 of CP) has proposed to project passenger traffic based on a five year CAGR of international traffic, at growth rate of 6.78% in contrast to MIAL’s traffic growth projections at 3.8%. However, 5 year CAGR is not appropriate for projecting international traffic in the current scenario under which international growth is permanently subdued because of competing airports, increased points of call and recent traffic rights distribution. There will be further adverse effect

once Navi Mumbai Airport comes into operation.

2.1.2. International passenger growth in current year till October 2015 is only 2.1%. Downwards trend in international passenger traffic has continued for the month of October 2015 which recorded YoY change of **-3.1%**. International traffic from April 2015 - October 2015, extrapolated till March 2016, also shows a reduction in International passenger by 1.7%.

2.1.3. Month-wise growth rate for the current year is as under:

Month	International Passengers (in Mn)		
	2015-16	2014-15	% Change
Apr-15	0.92	0.88	5.2%
May-15	1.06	1.00	6.6%
Jun-15	0.96	0.95	1.3%
Jul-15	0.92	0.90	2.1%
Aug-15	0.94	0.93	1.0%
Sep-15	0.87	0.85	1.8%
Oct-15	0.88	0.91	-3.1%
Total (Apr to Oct 15)	6.55	6.42	2.1%
Projected Linear Traffic In FY 2016	11.23	11.43	-1.7%
Traffic in FY 2011	9.08		
5 years CAGR considering FY 2016 projected traffic	4.4%		

2.1.4. There is subdued growth of international traffic at Mumbai. However, international traffic at other major airports viz. Chennai, Kolkata, Hyderabad and Bangalore has grown in the range of 6.83% to 22.77% during the period April 15 to Sep 15. Hence, lower growth rate at CSIA during the current year is not a temporary phenomenon.

2.1.5. For Domestic passengers, growth rate has stabilized and hence 5 year CAGR as considered by the Authority is appropriate.

2.1.6. In view of above trends, the Authority is requested to consider the 5 year CAGR till Y 16 of 4.4% for International passengers and 7.73% for Domestic passengers.

2.2 Authority has not considered the capacity constraint at CSIA while projecting passenger traffic.

2.2.1. CSIA is a capacity constrained airport. CSI Airport handled 36.63 million passengers in FY 15. Passenger traffic in current financial year i.e. FY 16 is likely be around 40 million passengers, which is the design capacity of CSIA.

2.2.2. With operational efficiency and creation of further infrastructure likely capacity is 47.25 mppa.

2.2.3. There is possibility of achieving 50 mppa, provided certain physical infrastructure are created. However, creation of such infrastructure is contingent on removing certain encumbrances and also involves support of stakeholders specially Air India. However, at present it is reasonable to consider passenger capacity of 47.25 mppa. “

8.21. MIAL commented on the exemption from levy of DF for transit / transfer passengers as stated below,

“2.8. DF from Transfer and transit passengers

Presently DF as well as UDF is being collected from the embarking passengers, excluding the exempted passengers. Exempted passengers include inter alia transit / transfer passengers whose travel journey is within 24 hours from arrival into airport and is part of same ticket. Allowing exemption to such passengers’ results in subsidization of charges related to such passengers by the general passengers.

2.8.1. Though not within the purview of the Authority, it is requested that Authority take up the matter of exemption of DF, in case, of Transit and transfer passenger with MoCA. Since, funding of contribution towards two metro stations is through levy and collection of DF from passengers while such stations are being developed, there is no reason to exempt transfer/ transit passengers because status of these passengers is akin to other passengers.”

f. Authority’s Examination of Stakeholder Comments on the traffic projections

8.22. The Authority has carefully examined the comments of all the stakeholders in addition to MIAL’s comments and response to other stakeholders’ comments regarding the assumptions underlying the traffic projections in respect of the CSI Airport, Mumbai. The Authority’s examination and decisions in this regard have been presented below.

8.23. The Authority has noted views provided by MIAL, FIA and MoCA, considering that comments have been made broadly on: a) International traffic passenger growth rate b) capacity constraint at CSIA c) assumption of certain categories of passengers being exempted from being charged the DF d) DF from transfer and transit passengers.

8.24. As regards MIAL’s comments pointing a downward trend in international passenger traffic, the Authority is of the view that the aforementioned traffic trend may be a one off occurrence, so principally the Authority decides to maintain its stance. The Authority considers CAGR to be a principally sound mechanism for the purpose of projecting traffic as it takes care of any short term anomalous trends, if any. Accordingly, the Authority decides to project both domestic and international passenger traffic based on the five year CAGR of 7.73% and 6.78% respectively. As regards the capacity constraints at CSIA, the Authority decides to cap the capacity at 50 mppa and accordingly caps the traffic projections beyond 2019-20. The resulting traffic projections considered by the Authority are as below,

Table 5: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24

Particulars (in millions)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total domestic passengers (A)	27.15	29.25	31.51	33.95	36.57	36.57	36.57	36.57	36.57
Total international passengers (B)	12.20	13.03	13.91	14.86	15.86	15.86	15.86	15.86	15.86

Embarking Domestic Passengers (C) = (50% of A)	13.58	14.63	15.76	16.98	18.29	18.29	18.29	18.29	18.29
Embarking International Passengers (D) = (50% of B)	6.10	6.52	6.96	7.43	7.93	7.93	7.93	7.93	7.93
Billable domestic passengers (E) = (80% of C)	10.86	11.70	12.60	13.58	14.63	14.63	14.63	14.63	14.63
Billable international passengers (F) = (80% of D)	4.88	5.21	5.57	5.94	6.35	6.35	6.35	6.35	6.35

- 8.25.** The Authority considers that these projections are made on certain assumptions and the actual traffic and DF collection realized may be different from the projected figures. The Authority would therefore review the actual DF collections and take appropriate action to match the collections including realizable with payments.
- 8.26.** Further, the Authority has duly considered and analysed comments received on the issue of charging DF from transfer and transit passengers. The Authority decides to follow the government guidelines of exempting the transfer and transit passengers from paying the DF.
- 8.27.** The Authority has also noted the comments of MoCA and MIAL’s response to MoCA’s comments with reference to assumption of certain categories of passengers being exempted from being charged the DF. The Authority has noted that the traffic data available on DGCA website is not airport specific and it cannot be taken as the basis for working out the percentage of the exempted passengers. The Authority is of the view that the data being published by AAI needs to be reconciled with the data furnished by MIAL, and AAI should institute a system for this purpose. In the absence of accurate data on billable passengers at CSIA, the Authority decides to continue with the stance of

considering the estimation given in the Table 5 above. The Authority decides that since there is a provision for truing up of the DF collection, in substance no stakeholder will be at a disadvantage.

Decision No. 5 Based on the material before it and its analysis, the Authority decides:

- 5.a. To project both domestic and international passenger traffic based on the previous five year CAGR of 7.73% and 6.78% respectively.**
- 5.b. To estimate the future billable passengers for both domestic and international passengers, as considered in Table 5.**
- 5.c. To cap the capacity of CSIA at 50 mppa beyond the year 2019-20 for the purpose of DF determination.**
- 5.d. To review the DF levy amounts and overall DF collection on a periodic basis and take appropriate actions, as may be necessary.**

9. Computation of DF

a. Authority's approach for computation of DF to be levied at CSIA, Mumbai

- 9.1. MIAL made various submissions discussed above for computing the DF rate at the consultation stage. Considering those submissions, the Authority had computed the DF levy for domestic and international embarking passengers at CSI Airport, Mumbai.
- 9.2. The Authority undertook a comparison of the cash inflows on account of DF collection with cash outflows on account of payment obligation to MMRC. The Authority expects that there might be a deficit in some of the years during the collection period (from FY 2015-16 to FY 2023-24) as presented in Table 6 below. A comparison of payment schedule to MMRC considered and likely inflows from DF receipts is calculated below:

Table 6: Estimated DF inflow vis-à-vis payments required to be made to MMRC in the Consultation Paper

Particulars (in Rs. Crores)	FY 2015- 16	FY 2016- 17	FY 2017- 18	FY 2018- 19	FY 2019- 20	FY 2020- 21	FY 2021 -22	FY 2022- 23	FY 2023- 24
Payments to MMRC	30.00	70.00	75.00	75.00	75.00	75.00	39.33	39.33	39.33
DF Inflows	11.51	49.29	52.76	56.47	60.45	64.71	69.26	74.14	79.37
(Deficit) / Surplus	(18.49)	(20.71)	(22.24)	(18.53)	(14.55)	(10.29)	29.93	34.81	40.03

- 9.3. The Authority was of the view that although the DF receipts in the initial few years is less than the expected payment outflow to MMRDA whereas for rest of the years, the DF receipt is expected to be more than the required amount of DF.
- 9.4. Consequently, the Authority assumed that MIAL will obtain a loan by securitizing the DF collection due in future and use these funds to meet the periodic payments to MMRC during the deficit years. Accordingly, in the Consultation Paper the Authority proposed to compute the DF rate such that present value of the total DF collected from international and domestic passengers between 01.01.2016 and 31.03.2024 (total inflows) is equal to the present value of payments to the MMRDA (total outflows).
- 9.5. The Authority further proposed that in determining the DF rate, the interest rate on securitization of the DF be taken as 11.25%, which is the cost of loans as computed in

Order no. 29/2012-13. Given the interest rate scenario in the country right now, the Authority expects MIAL to exercise its best endeavours to undertake securitization of DF receipts at a rate lesser than 11.25%.

9.6. With respect to the proportionate split of the DF levy between passengers, vide its letter dated 26.11.2014 to MoCA, MIAL further stated that it is currently levying DF at CSIA at the rate of Rs. 100 from each embarking domestic passenger and Rs. 600 from each embarking international passenger pursuant to AERA order No. 29/2-12-13 dated 21st December, 2012. MIAL also submitted three scenarios, the proposed per passenger DF being collected at present, DF to be charged incrementally, and the resulting total DF to be collected from Domestic and International passengers when the gross amount of Rs. 518 crores metro connectivity project is recovered through this incremental DF. These scenarios were based on varying ratios of domestic DF levy to international DF levy i.e. 1:6, 1:2 and 1:1. MIAL also submitted that it is required to collect additional DF in respect of the metro connectivity project till April 2021 i.e. co-terminus with collection of existing DF period. Consequently, MIAL requested the Authority to consider this submission.

9.7. The Authority noted from MIAL's submission dated 26.11.2014 to MoCA, the options considered for proportionate split of DF between domestic and international embarking passengers. Keeping in mind the ratio of 1:6 for existing DF levy at CSIA, the Authority proposed in the Consultation Paper to consider an approximate split of 1:6 between domestic and international embarking passengers for the additional DF, subject to rounding-off of the calculated DF levy amounts.

b. Stakeholders comments on the issues pertaining to approach proposed by the Authority for computing the DF

9.8. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in

its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments with respect to the approach proposed by the Authority for DF computation are presented below.

- 9.9.** Commenting on the approach proposed by the Authority for computing the DF rate, Association of Private Airport Operators (APAO) stated as under,

“.....

7) *The Authority should not try to leave annual deficits in collection of Development Fee. Too low rates on collection of Development Fee would result in deficits and would be extra burden on passengers, due to interest on securitization of DF. Therefore as far as possible the need to securitize the future Development Fee collection should be avoided.”*

- 9.10.** With respect to the discount rate proposed by the Authority for NPV calculation, Association of Private Airport Operators (APAO) stated as under,

“.....*The actual rate of interest for securitization of Development Fee should be allowed by AERA. “*

- 9.11.** International Air Transport Association (IATA) also commented on the issue as below,

“.....*2. In the case where collection of DF exceeds INR518 crores, the entire excess amount must be channeled back towards offsetting aeronautical costs in the tariff determination process.*

3. The revenues generated from commercial rights at all three metro stations must in its entirety go towards offsetting aeronautical costs in the tariff determination process. Under a pre-funding scheme, since the airport has no part in the funding of the metro connectivity project, it should not benefit from revenues generated from this project. The revenues should not be categorized in the same way as other non-aeronautical revenues but should be treated as aeronautical in nature, in view of the source of funding. “

- 9.12.** Ministry of Civil Aviation (MoCA) also commented on the approach followed by the Authority for computing the DF as stated below,

“*The development fee in respect of metro connectivity project for CSI Airport Mumbai has been calculated using NPV method. However the calculations are based on various assumptions some of which are factually incorrect and some are based on unsound*

methodology. Therefore any deviation from what is assumed will change future inflow of cash to MIAL and the amount of levy of DF to be collected from embarked passengers as well, given the outflow of cash to be made by MIAL to MMRC. “

- 9.13.** Commenting on the proportionate split of DF levy between domestic and international passengers proposed by the Authority, International Air Transport Association (IATA) stated its views as under,

“...The 1:6 ratio used for splitting the DF to be paid by domestic passengers and international passengers is not appropriate. It suggests that international passengers would be more likely to significantly benefit from the rail connectivity than domestic passengers which is most likely untrue. IATA believes that a 1:1 ratio would be more appropriate and as mentioned, the principle was settled in AERA’s order of 18 November 2013. “

c. MIAL’s response to Stakeholder Comments on approach followed for computation of DF

- 9.14.** Regarding stakeholder comments on possibility of DF collection in excess of Rs. 518 crores. MIAL responded as under,

“In case there is a need of securitization of DF receivables then only cost of securitization has to be funded through DF. However, MIAL has already requested the Authority that DF collection and schedule of payment to MMRC should coincide, suggesting a scheme with two set of DF rates for two periods, in which case amount of DF shall be Rs.518 crs.”

- 9.15.** MIAL’s response to Stakeholder Comments on revenue generated from commercial rights of Metro stations is as under,

“MIAL has already agreed that any non-aeronautical revenue generated from commercial rights of 2 metro stations accruing to MIAL may be utilized to subsidise aeronautical charges.”

d. MIAL's own comments on Issues pertaining to approach followed for computing the DF rate

9.16. With respect to approach followed for determining the DF rate, MIAL commented as under,

“2.3.4 MIAL understands that in case there is deficit in cash flow collection vis-a-vis payments to MMRC, the resulting interest paid on DF amount securitized would be paid out of additional DF collection. MIAL would like to state that explicit decision like in Decision no. II.b of the earlier DF order no. 29/2012-13 dated 21st December 2012 also be made for the additional DF now being proposed by the Authority. Decision II.b of the earlier DF order states - “The Authority decides to include the interest component in the allowable DF billing if DF is securitized.”

2.3.5 Authority has considered DF billing as DF collected and used the same for NPV calculation. However, there will always be a time gap between the following:

- a) Date of DF billing and date of DF deposited by airlines in AAI escrow account*
- b) Date of DF amount deposited in AAI escrow account and date of transfer of the same from AAI escrow account to MIAL escrow account*
- c) Date of DF amount transfer to MIAL escrow account and payment to MMRC*

2.3.6 Authority is requested to consider the actual date of payment to MMRC and not the date of billing of DF for DF computation by the net present value method referred in Para 3.25 of the CP.”

9.17. Regarding the approach followed for computation of DF rate, MIAL further stated that,

“2.4 Computation of Rate of DF by Authority

2.5.1 Authority has computed a single rate of DF throughout the period of DF till FY 24. It leads to a situation under which there would be large deficits in initial years.

2.5.2 MIAL requests the Authority to kindly determine two separate rates for collection of DF for two stages, being FY 16 - FY 21 (Stage 1) and FY 22 - FY 24 (Stage 2). This will minimize the annual deficit/surplus collections to an extent. It will eliminate/ minimize

the need for securitization of DF collection to fund the deficits and burden on passengers will be minimized. MIAL has attached detailed computation for rate of DF in Annexure 1

A) Stage 1 - Rates for DF w.e.f. January, 2016 to March, 2021

Per embarking passenger	Existing DF	Proposed Additional DF	Total DF to be collected w.e.f 1-1-2016
Domestic	100	18	118
International	600	108	708

B) Stage 2 - Rates for DF w.e.f. April, 2021 to March, 2024

Per embarking passenger	Existing DF	Proposed Additional DF	Total DF to be collected w.e.f 1-4-2021
Domestic	100	9	109
International	600	54	654

The above revised rates for DF proposed would minimize the annual deficits which were noticed in the single rate of Rs.15 and Rs.75 proposed in the CP and would minimize the need for securitization to a great extent.”

The above revised rate of DF plus applicable taxes, not confined to service tax alone, should be determined and allowed by the Authority.”

9.18. Regarding the proposed discount rate for the NPV calculation, MIAL stated as below, *“....The Authority has considered rate of 11.25% for equating the cash inflows and outflows.... The interest rate scenario may not remain the same over the long period of nine years till 2023-24... The current weighted average rate of interest for the month of October 2015 is 11.91% on DF securitized. MIAL requests the Authority to kindly consider the current rate of interest of 11.91% for equating the cash flows.”*

9.19. MIAL’s response to IATA’s comments on proportionate split of DF levy is as below, *“Comment of IATA about ratio is misconceived as there is no discrimination inter-se in case of domestic operations as well as international operations i.e. no airline gets special*

rates. Difference in amount of DF from domestic passengers and international passengers is not against any User Charge guidelines.”

e. Authority’s Examination of Stakeholder Comments on approach followed for computation of DF

9.20. The Authority has carefully considered the comments from the stakeholders as well as MIAL’s comments and response to these stakeholder’s comments on the approach followed for computation of DF.

9.21. The Authority has noted APAO’s comments on the approach followed for DF rate computation. The Authority is of view that MIAL need to securitize to the extent of the shortfall in phased payment to MMRC.

9.22. The Authority has carefully examined the comments made by MoCA on the approach followed for computation of the DF rate. The Authority’s approach is based on estimations for traffic and DF inflows. The review by the Authority shall take care of any deviation of the estimated DF inflows from the actuals.

9.23. Further, the Authority has noted MIAL comments regarding the DF billing date. MIAL commented as below,

“Authority is requested to consider the actual date of payment to MMRC and not the date of billing of DF for DF computation by the net present value method referred in Para 3.25 of the CP.”

Considering the fact of electronic transfer of payments and core banking mechanism, the Authority decides to consider 01.04.2016 as the start date of DF billing and its accounting will be based on the collection and outstanding dues. The date of payment outflow from AAI will be the basis of the DF account true up.

9.24. The Authority has also considered IATA’s comment regarding the revenue generated from commercial rights. In this regard, the Authority notes MIAL’s response to Stakeholder Comments vide letter dated 22.12.2015 on revenue generated from commercial rights of Metro stations stated as under,

“MIAL has already agreed that any non-aeronautical revenue generated from commercial rights of 2 metro stations accruing to MIAL may be utilized to subsidise aeronautical charges.”

Accordingly, the Authority decides to not consider the revenue generated from commercial rights for the purpose of determination of DF for the metro project but rather consider them as aeronautical revenue income for aeronautical tariff determination for future control periods.

9.25. Regarding the proposed discount rate for the NPV calculation, the Authority has carefully examined the comments by MIAL and APAO. Considering the low interest rate scenario in the economy, the Authority decides to keep the discounting rate for NPV calculation at 11.25% p.a. which is subject to review as part of its DF review.

9.26. The Authority has recomputed the DF by equating the present value of MIAL’s DF collection inflows with present values of scheduled payments with MMRC, as given below,

Table 7: DF Computation by the net present value method

Particulars (in Rs. crores)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Payments to MMRC/ Outflows (A)	100.00 ²	75.00	75.00	75.00	75.00	39.33	39.33	39.33	518.00
DF Collection/Inflows (B)	86.03	92.08	98.56	105.50	105.50	0.00	0.00	0.00	487.66
Difference (C = B-A)	(13.97)	17.08	23.56	30.50	30.50	(39.33)	(39.33)	(39.33)	(13.97)
Present Value Calculation									
Period of Time in Months ³	6	18	30	42	54	66	78	90	
Discount Factor (D)	0.9481	0.8522	0.7660	0.6886	0.6189	0.5564	0.5001	0.4495	
Present Value of DF Outflows/ Payment to MMRC (F = A/D)	94.81	63.92	57.45	51.64	46.42	21.88	19.67	17.68	373.47
Present Value of Inflows/ Passenger Contribution (E = B/D)	81.56	78.47	75.50	72.64	65.30	-	-	-	373.47
NPV of Inflows/Outflows	373.47								

² The payment for 2015-16- Rs. 30 crores have been added in the next year payment.

³ This calculation is based on mid-year discounting.

Table 8: Revised DF for domestic and international embarking passengers

Particulars	Amount
Discount Rate for Computation of NPV	11.25% p.a.
Monthly Compound (Surplus and Deficit)	0.89%
DF Levy for domestic passengers ⁴	Rs. 20.02 per domestic passenger
DF Levy for international passengers	Rs. 120.11 per international passenger
Combined DF levied on domestic passenger	Rs. 120.02 per domestic passenger
Combined DF levied on international passengers	Rs. 720.11 per international passenger

9.27. The Authority notes that the calculated DF figures need to be rounded-off for the ease of implementation of levy. Accordingly, the Authority decides to round-off the DF levy amounting to Rs. 20 for each embarking domestic passenger and Rs. 120 for each embarking international passenger.

9.28. The Authority notes that there might be a variance in the actual collection period of this additional DF because of variations in the actual traffic vis-à-vis the projected traffic. Accordingly, the Authority decides to review these DF levy amounts along with a review of overall DF collection on a periodic basis and undertake appropriate actions in the future.

9.29. The Authority has also noted from MIAL's submission dated 26.11.2014 to MoCA, the options considered for proportionate split of DF between domestic and international embarking passengers. Keeping in mind the ratio of 1:6 for existing DF levy at CSIA, the Authority proposed in the Consultation Paper to consider an approximate split of 1:6 between domestic and international embarking passengers for the additional DF, subject to rounding-off of the calculated DF levy amounts.

⁴ The DF rate is such that the NPV inflows = NPV of outflows.
Order. No. 46/2015-16

Decision No. 6 Based on the material before it and its analysis, the Authority decides:

- 6.a.** To consider a ratio of 1:6 between domestic and international embarking passengers for the additional DF, subject to rounding-off of the DF levy amounts.
- 6.b.** To levy DF of Rs. 20 for each embarking domestic passenger and Rs. 120 for each embarking international passenger towards Metro connectivity project, as calculated in Table 8.
- 6.c.** To review the DF levy amounts and overall DF collection on a periodic basis and take appropriate actions, as may be necessary.
- 6.d.** To consider 01.04.2016 as the date of commencement of DF levy and 31.03.2021 as the estimated cut-off date of DF levy.
- 6.e.** The date of payments by AAI to MIAL shall be the basis for true up of DF.
- 6.f.** To consider commercial revenues from the retail area of the two metro stations as aeronautical revenue income for determination of tariff for future control periods.

10. Review of Existing DF

10.1. The Authority, vide DF Order No. 29/2012-13 dated 21.12.2012, had allowed MIAL to levy Rs. 100 and Rs. 600 from domestic and international passengers respectively towards DF collection, for a total DF of Rs. 3,400 crores (refer Table 1 of the Order No. 29/2012-13), estimated to be recovered between 01.01.2013 and April 2021. The Authority has reviewed the collection and updated the figures given in the Consultation Paper and the details are as below.

Table 9: DF of Rs 3400 cr considered by Authority and collection accounted till 30-October-2015:

Sl. No.	Particulars	Amount (in crores)
a	Total DF allowed to be collected vide order no 02/2012-13 dated 16.04.2012	3400.00
b	DF collected by MIAL against DF order of MOCA and as per DF Audit report	642.27
c	Difference between collection shown by AAI and MIAL (to be reconciled)	1.5
d	Additional Collection till July 2012	108.43
	Balance (a-b-c-d) securitized by MIAL	2647.80
	Collection pursuant to Securitization	
e	Addition DF accrued from May, 12 to 31.10.2015 as per audit report/ MIS submitted by MIAL	1373.19

Table 10: Securitization details of DF based on Authority orders and based on DF Interim Order – 16.04.2012

Sl.no	Bank Disbursement Date	Bank Disbursement Amount
1	31.08.2012	300.00
2	28.09.2012	300.00
3	29.11.2012	75.00
4	05.12.2012	75.00
5(1 to 4)	Sub Total DF Loan-A	750.00
6	28.03.2013	530.00
7	30.03.2013	470.00
8	13.05.2013	223.90

9	21.06.2013	350.00
10	10.06.2013	223.90
11	24.06.2013	100.00
12(6 to 11)	Sub Total DF Loan –B	1898.80
5+12	Total DF Loan –(A+B)	2,647.80

10.2. As part of the Consultation Paper No 09/2015-16 dated 04.11.2015, the Authority proposed to merge the metro DF with DF levy for the Airport project.

10.3. Accordingly, the Authority proposed the following in the Consultation Paper.

10.3.1. The Authority decides to levy an additional DF of Rs. 20 for each embarking domestic passenger and Rs. 120 for each embarking international passenger towards Metro connectivity project, as calculated in Table 6 of uploaded Consultation Paper No 09/2015-16 dated 04.11.2015 and further reasoned in para 3.26 of the Consultation Paper No 09/2015-16 dated 04.11.2015. The above DF levy is exclusive of any applicable service taxes.

10.3.2. The Authority decides to merge the metro DF levy with the existing DF levy of Rs. 100 per embarking/departing domestic passenger and Rs. 600 per embarking/departing international passenger, and levy a single figure of DF as Rs. 120 per embarking/departing domestic passenger and Rs. 720 per embarking/departing international passenger.

a. Stakeholders comments on the issues pertaining to the review of the existing DF

10.4. Subsequent to the Stakeholder Consultation process, the Authority has received comments / views from various stakeholders in response to the tentative proposals presented by the Authority regarding the levy of DF for the metro connectivity project in its Consultation Paper No 09/2015-16 dated 04.11.2015. Comments with respect to the approach proposed by the Authority for DF computation are presented below.

10.5. Association of Private Airport Operators (APAO) submitted the comments stating that,

“A single consolidated DF is required merging with the existing DF collection. Separate accounting can be maintained.”

- 10.6.** AAI commented on the matter of keeping a separate account for MIAL DF collection as below,

“(iv) At present, the JVCs are not keeping a separate bank account regarding expenditure made from DF, due to which it will be difficult to identify assets created out of the DF.

This may create some, difficulty in future at the time of disposal / transfer of Asset.

(v) In view of the above, it is felt that the SOP related to -DF may be amended and following should be ensured.

a) The concerned agency may be asked to put all the amount received • on account of DF either through securitization or otherwise (AAI) in a separate account. All expenditure including repayment of loan to be made from this account.

b) The asset funded out of DF should be identified by the JVC’s. This issues with the approval of the competent Authority.

“

b. MIAL’s own comments on the review of the existing DF

- 10.7.** MIAL commented on the Authority’s proposal with respect to single consolidated DF rate as below,

“2.5.1 Authority has computed a single rate of DF throughout the period of DF till FY 24. It leads to a situation under which there would be large deficits in initial years.

2.5.2 MIAL requests the Authority to kindly determine two separate rates for collection of DF for two stages, being FY 16 - FY 21 (Stage 1) and FY 22 - FY 24 (Stage 2). This will minimize the annual deficit/ surplus collections to an extent. It will eliminate/ minimize the need for securitization of DF collection to fund the deficits and burden on passengers will be minimized. MIAL has attached detailed computation for rate of DF in Annexure 1

C) Stage 1 - Rates for DF w.e.f. January, 2016 to March, 2021

	In Rs.		
<i>Per embarking passenger</i>	<i>Existing DF</i>	<i>Proposed Additional DF</i>	<i>Total DF to be collected w.e.f 1-1-2016</i>
Domestic	100	18	118
International	600	108	708

D) Stage 2 - Rates for DF w.e.f. April, 2021 to March, 2024

	In Rs.		
<i>Per embarking passenger</i>	<i>Existing DF</i>	<i>Proposed Additional DF</i>	<i>Total DF to be collected w.e.f 1-4-2021</i>
<i>Domestic</i>	<i>100</i>	<i>9</i>	<i>109</i>
<i>International</i>	<i>600</i>	<i>54</i>	<i>654</i>

“

- 10.8.** Comments submitted by MIAL on Authority’s proposal regarding the DF levy being exclusive of any applicable service tax are as below,

“2.4. Authority has stated that DF levy is exclusive of any applicable service taxes.

2.4.1. It is noted that Authority has mentioned that DF rates are exclusive of any applicable service taxes. There is a likelihood that Service tax may be replaced by GST by Government of India. Hence, it would be appropriate if rate of DF is mentioned exclusive of any tax and levy, which shall be charged extra at actuals.”

c. Authority’s Examination of Stakeholder Comments on the review of the existing DF

- 10.9.** The Authority has duly considered and examined the comments made by MIAL, APAO, IATA regarding the DF rate to be levied for the metro connectivity project. The issue of single DF rate was examined in the Consultation Paper No 09/2015-16 dated 04.11.2015 (as stated in 10.1 above). Accordingly, the Authority decides to charge a single consolidated DF amount from the passengers, as given in Table 8 above.

10.10. However, the Authority directs MIAL as well as AAI to maintain separate accounts for collection, securitization and use of DF for the Airport project as well as DF for the metro project.

10.11. Regarding the submission made by MIAL in 10.8 above regarding applicability of taxes other than service tax, the Authority decides to determine the levy of DF exclusive of any applicable statutory tax, if payable.

Decision No. 7 Based on the material before it and its analysis, the Authority decides:

- 7.a.** To merge the metro DF levy with the existing DF levy of Rs. 100 per embarking/departing domestic passenger and Rs. 600 per embarking/departing international passenger, and levy a single figure of DF as Rs. 120 per embarking/departing domestic passenger and Rs. 720 per embarking/departing international passengers.
- 7.b.** To direct MIAL as well as AAI to maintain separate accounts for collection, securitization and use of DF for the Airport project as well as DF for the metro project.
- 7.c.** To determine the levy of DF exclusive of any applicable statutory taxes payable.

11. Truing up of DF collection for passengers who have booked tickets in advance

a. MIAL's own comments on the proposal regarding the truing up of DF collection for passengers who have booked tickets in advance

11.1. MIAL's comments with respect to truing up of DF collection for passengers who have booked tickets in advance is as below,

"2.9.1 The Authority has noted that airlines issue tickets in advance (nearly 12 months for international travel and 3 to 6 months for domestic travel). In case DF levy is made effective from 1 January 2016, the Authority has to consider operational inconvenience at the airport on account of gate collection of DF for tickets issued in advance.

2.9.2 In order to avoid the inconvenience to the passengers on account of gate collection of additional DF, MIAL request the Authority to allow for a 100% true-up for any shortfall in collection on account of lower DF rate paid by passengers due to air tickets purchased in advance.

2.9.3 We request the Authority to allow MIAL to levy DF effective from 1 January 2016 and to true-up any shortfall in DF billing."

b. Authority's Examination of MIAL Comments on the proposal regarding the truing up of DF collection for passengers who have booked tickets in advance

11.2. The Authority has carefully considered MIAL's comments on the proposal regarding the truing up of DF collection for passengers who have booked tickets in advance, the Authority's examination and decisions in this regard have been presented below.

11.3. The Authority notes that passengers who have booked tickets well in advance would not have been billed for the DF levy. The Airlines may make their own arrangements for billing and collecting the DF from these passengers without inconveniencing them. The Authority would also review the levy 6 months prior to the cut-off date in order to make any changes to ensure that the collection of DF levy matches with the requirements.

Unless an extension of the cut-off date is made by the Authority after the review, the airlines should not bill the passengers travelling after 31.03.2021.

Decision No. 8 **Based on the material before it and its analysis, the Authority decides:**

- 8.a. To review the levy 6 months prior to the cut-off date in order to make any changes to ensure that the collection of DF levy matches with the requirements. Unless an extension of the cut-off date is made by the Authority after the review, the airlines should not bill the passengers travelling after 31.03.2021.**
- 8.b. The Authority grants AAI six-month time after the cut-off date to reconcile and close the account, and to arrive at the over-recovery or under-recovery of DF.**

12. Summary of Decisions

Based on the material before it and its analysis, the Authority decides:

Decision No. 1:	27
1.a. <i>To permit the financing of two metro stations in the CSIA via DF levy and to determine the DF per person accordingly.</i>	27
Decision No. 2:	29
2.a. <i>That no escalation in the project cost beyond Rs. 518 crores shall be considered.</i>	29
Decision No. 3:	36
3.a. <i>To consider the schedule of payment to MMRC as per Table 2 above.</i>	36
3.b. <i>To collect metro DF levy from the year 2016-17 to the year 2020-21.</i>	36
Decision No. 4:	39
4.a. <i>That the Airports Authority of India should release payments to MIAL only upon receipt of demand notice from MMRC and after ascertaining award as well as progress of the project.</i>	39
4.b. <i>That the Airports Authority of India should invest the surplus funds in DF account prudently. This surplus could also be used to repay the loans taken by securitizing the project DF.</i>	39
4.c. <i>To permit MIAL to securitize the DF levy only to the extent of the shortfall in collections for making payments to MMRC.</i>	39
Decision No. 5:	53
5.a. <i>To project both domestic and international passenger traffic based on the previous five year CAGR of 7.73% and 6.78% respectively.</i>	53

- 5.b. *To estimate the future billable passengers for both domestic and international passengers, as considered in Table 5. 53*
- 5.c. *To cap the capacity of CSIA at 50 mppa beyond the year 2019-20 for the purpose of DF determination. 53*
- 5.d. *To review the DF levy amounts and overall DF collection on a periodic basis and take appropriate actions, as may be necessary. 53*

Decision No. 6: 63

- 6.a. *To consider a ratio of 1:6 between domestic and international embarking passengers for the additional DF, subject to rounding-off of the DF levy amounts. 63*
- 6.b. *To levy DF of Rs. 20 for each embarking domestic passenger and Rs. 120 for each embarking international passenger towards Metro connectivity project, as calculated in Table 8. 63*
- 6.c. *To review the DF levy amounts and overall DF collection on a periodic basis and take appropriate actions, as may be necessary. 63*
- 6.d. *To consider 01.04.2016 as the date of commencement of DF levy and 31.03.2021 as the estimated cut-off date of DF levy. 63*
- 6.e. *The date of payments by AAI to MIAL shall be the basis for true up of DF. 63*
- 6.f. *To consider commercial revenues from the retail area of the two metro stations as aeronautical revenue income for determination of tariff for future control periods. 63*

Decision No. 7: 69

- 7.a. *To merge the metro DF levy with the existing DF levy of Rs. 100 per embarking/departing domestic passenger and Rs. 600 per embarking/departing international passenger, and levy a single figure of DF as Rs. 120 per embarking/departing domestic passenger and Rs. 720 per embarking/departing international passengers. 69*

- 7.b. *To direct MIAL as well as AAI to maintain separate accounts for collection, securitization and use of DF for the Airport project as well as DF for the metro project. 69*
- 7.c. *To determine the levy of DF exclusive of any applicable statutory taxes payable..... 69*

Decision No. 8: 71

- 8.a. *To review the levy 6 months prior to the cut-off date in order to make any changes to ensure that the collection of DF levy matches with the requirements. Unless an extension of the cut-off date is made by the Authority after the review, the airlines should not bill the passengers travelling after 31.03.2021. 71*
- 8.b. *The Authority grants AAI six-month time after the cut-off date to reconcile and close the account, and to arrive at the over-recovery or under-recovery of DF.71*

13. Order

In exercise of power conferred by section 13(l) (b) of the AERA Act, 2008 read with section 22(A) of the AAI Act, 1994 and based on the above decisions, the Authority hereby determines Development Fee at Rs. 20 per domestic embarking passenger and Rs. 120 per international embarking passenger for funding the Metro Connectivity Project for Chhatrapati Shivaji International Airport, Mumbai. This levy shall be merged with the existing Airport Project DF levy issued vide Order no. 46/2015-16. Accordingly, the consolidated DF levy of Rs. 120 per domestic embarking passenger and Rs. 720 per international embarking passenger is decided to be levied from 01.04.2016 to 31.03.2021. The rates approved herein are exclusive of statutory taxes, if any. The summary of the decisions relating to levy, collection, and payment of metro DF is in Chapter 12.

By the Order of and in the Name of the Authority



(Joy Kuriakose)
Deputy Chief, AERA

To,

Mumbai International Airport Pvt. Ltd
Chhatrapati Shivaji International Airport
1st Floor, Terminal 1B, Santacruz(E),
Mumbai 400099, India
(Through: Shri R. K. Jain, Chief Executive Officer)



14. List of Tables

Table 1: Payment Schedule to MMRC considered by the Authority in the Consultation paper..	33
Table 2: Revised Payment Schedule to MMRC considered by the Authority	36
Table 3: Total Passenger Traffic during FY 2009-10 to FY 2014-15 as per AAI website	43
Table 4: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24 in the Consultation Paper	45
Table 5: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24.....	51
Table 6: Estimated DF inflow vis-à-vis payments required to be made to MMRC in the Consultation Paper	54
Table 7: DF Computation by the net present value method	61
Table 8: Revised DF for domestic and international embarking passengers	62
Table 9: DF of Rs 3400 cr considered by Authority and collection accounted till 30-October- 2015:	64
Table 10: Securitization details of DF based on Authority orders and based on DF Interim Order – 16.04.2012	64