File No. AERA/20010/MYTP/AAI-TVM/CP-II/2016-17/VOL-I

Order No.03/2017-18

सत्यमेव जयते

Airports Economic Regulatory Authority of India

सत्यमेव जयते

In the matter of determination of aeronautical tariffs in respect of Trivandrum International Airport, Thiruvananthapuram (TVM) for the second Control Period (01.04.2016 – 31.03.2021).

2nd June, 2017

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003

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1. Introduction

1.1. Trivandrum Airport commenced operations in 1935 and was declared as an international airport on 1st January, 1991.

1.2. In addition to civilian operations, Trivandrum International Airport (TVM) also caters to Indian Air Force and Coast Guard for their strategic operations. IAF has an exclusive apron for their operations at the airport.

1.3. The traffic handled by TVM during the 1st control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1st control period at TVM

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	0.98	1.84	2.82	11,708	15,531	27,239
2013	0.99	1.85	2.84	10,642	14,161	24,803
2014	0.99	1.95	2.94	9,631	14,150	23,781
2015	1.08	2.09	3.17	8,916	14,803	23,719
2016	1.20	2.27	3.47	9,692	16,309	26,001

1.4. TVM, with a traffic of more than 1.5 mppa, is a major airport as defined in Section 2 (i) of AERA Act. Accordingly, tariff determination of aeronautical services at the airport is undertaken by AERA.

1.5. Technical and Terminal building details of TVM are provided in the table below:

Table 2 – Technical and Terminal building details of TVM

Technical Details of TVM	
Particulars	**Details**
Total airport area	628.59 acres
Runway orientation and length	14/32 and 3,373 m
No. of Taxi Tracks	7
No. of Apron Bays	20
Aerodrome Category	4E
Navigational Aids	DVOR, DME, ILS
Operational hours	24 hours

Terminal building Details		
Particulars	**Domestic (T-I)**	**International (T-II)**
Terminal Building Area	13,335 sq. m	32,528 sq. m
Immigration Counters	-	14 + 12
Customs Counters	-	02 + 09
Security Counters	3	4

Particulars	Domestic (T-I)	International (T-II)
Departure Conveyor	1	2
Arrival Conveyor	3	3
Peak hour passenger capacity	400 + 400	800 + 800
No. of Check-in Counters (CUTE)	14 + 4	30
Total Area of Car Parking	7,000 sq. m. (290 Cars)	23,445 sq. m. (700 Cars and 20 Coaches)

1.6. AAI submitted MYTP for revising the aeronautical charges for the 2nd control period from FY 2016-17 to FY 2020-21. The Authority's consideration of this proposal and its tentative views in respect of all relevant issues were placed for stakeholder consultations vide Consultation Paper Number 07/2016-17 on 28.03.2017. The last date for receipt of comments was 28.04.2017.

1.7. A meeting with the stakeholders for inviting responses on the proposed decisions taken by the Authority was held on 20.04.2017.

1.8. Federation of Indian Airlines (FIA) requested for extension of time for submission of comments in response to the Consultation Paper Number 07/2016-17.

1.9. The request made by FIA was considered by the Authority and the date for submission of comments on Consultation Paper Number 07/2016-17 was extended up to 05.05.2017 vide Public Notice Number 06/2016-17 dated 26.04.2017.

1.10. This order of the Authority takes into account the proposals of AAI, views expressed by stakeholders in the meeting, the written submissions received from the stakeholders and examination by the Authority with reference to its guidelines for airport operators.

2. Summary of stakeholders' comments on Consultation Paper No. 07/ 2016-17

2.1. In response to Consultation Paper No. 07/2016-17 dated 28.03.2017, the Authority received several responses from stakeholders, which were uploaded on the website of the Authority vide Public Notice Number 06/2016-17 dated 26.04.2017 for information of all the concerned stakeholders. The list of stakeholders, who have commented on the Consultation Paper No. 07/2016-17, is presented below.

Table 3 – Summary of stakeholders' comments

Sr. No.	Stakeholder	Issues Commented
1.	International Air Transport Association (IATA)	• Methodology of Tariff Determination • Allocation of Assets • Capital Expenditure • WACC • Non-Aeronautical Revenues • O&M Expenditure • Annual Tariff Proposal • Quality of Service
2.	Federation of Indian Airlines (FIA)	• Methodology of Tariff Determination • True-up for 1st control period • Depreciation and RAB • Taxation for 1st and 2nd control period • Traffic • Non Aeronautical Revenues • Annual Tariff Proposal
3.	Air Passengers Association of India (APAI)	Methodology of Tariff Determination
4.	Hindustan Petroleum Corporation Limited	Annual Tariff Proposal
5.	Federation of Indian Export Organization	Annual Tariff Proposal

2.2. The Authority has carefully considered comments made by stakeholders and has obtained response of AAI on these comments. The tentative position of the Authority in its Consultation Paper No. 07/2016-17, issue-wise comments of the stakeholders on the Consultation Paper, the response from AAI thereon, Authority's examination, and its decision are given in the relevant sections of this order.

3. Methodology for Tariff determination

3.1. The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 ("Airport Order") and Direction No. 5/2010/11 dated 28.02.2011 ("Airport Guidelines"), has issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.

3.2. The tariff determination process consists of true-up for 1st control period and determination of building blocks for 2nd control period. The Authority proposes to undertake true-up of 1st control period based on actual financials and traffic data under Single Till (as was applicable during 1st control period) and determination of building blocks for 2nd control period under Hybrid Till.

3.3. The Aggregate Revenue Requirement (ARR) under regulatory framework of Authority is calculated as under

$$\text{ARR} = \sum_{t=1}^{5}(ARRt)\text{and}$$

$$\text{ARR}_t = (\text{FRoR x RAB}_t) + D_t + O_t + T_t - \alpha \text{ x NAR}_t$$

Where

3.3.1. t is the Tariff Year in the control period;

3.3.2. ARR_t is the Aggregate Revenue Requirement for year t;

3.3.3. FRoR is the Fair Rate of Return for the control period;

3.3.4. RAB_t is the Aeronautical Regulatory Asset Base for year t;

3.3.5. D_t is the Depreciation corresponding to the Aeronautical RAB for year t;

3.3.6. O_t is the Aeronautical Operation and Maintenance Expenditure for year t, which include all expenditures incurred by the Airport Operator(s) towards aeronautical activities including expenditure incurred on statutory operating costs and other mandatory operating costs;

3.3.7. T_t is the Tax in year t, which includes payments by Airport Operator in respect of corporate tax on income from assets/ amenities/facilities/services taken into consideration for determination of ARR for year t;

3.3.8. α is 30% cross subsidy factor for revenue from services other than aeronautical services under Hybrid Till for 2nd control period. α is 100% cross subsidy factor under Single Till for 1st control period; and

3.3.9. NAR_t is the revenue from services other than aeronautical services (Non-Aeronautical Revenues or NAR) for year t.

3.4. The true-up for 1st control period and determination of building blocks for 2nd control period are detailed in subsequent sections.

3.5. Based on ARR, Yield per Passenger is calculated as per formula given below:

$$\text{Yield per Passenger (Y)} = \frac{\sum_{t=1}^{5} PV(ARRt)}{\sum_{t=1}^{5}(VEt)}$$

Where,

3.5.1. Present value (PV) of ARR_t for a tariff year t is calculated at the beginning of the control period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority.

3.5.2. VE_t is the Traffic volume in a tariff year t as estimated by the Authority

3.5.3. ARR_t is the Aggregate Revenue Requirement for tariff year t.

3.6. While determining building blocks and ARR for TVM, Authority proposes to-

3.6.1. Allocate CHQ/ RHQ overhead expenses on revenue basis as per the approach followed by the Authority while determining tariffs for Guwahati and Lucknow airports

3.6.2. Adopt depreciation rates consistent with Companies Act and for assets not defined in the Companies Act at 3.33% from FY 2011-12 onwards for both control periods.

3.7. The Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator. The Authority's approach on the above is detailed in subsequent sections.

Stakeholders' comments and Authority's observations

Comments from IATA

3.8. It is a great disappointment that AERA has proceeded to adopt the Hybrid Till approach which will make aeronautical charges more expensive and goes against the fundamental requirements to boost air connectivity as envisaged by the National Civil Aviation Policy 2016 in a sustainable way.

3.9. The Air Passengers Association of India has filed an appeal with AERA's Appellate Tribunal challenging the Hybrid Till Order passed by AERA. Any pricing determination by AERA based on Hybrid Till should be put on hold until a decision is made by the Appellate Tribunal, or be assessed under a Single Till framework.

3.10. It should be noted that with the proposed asset and operating cost allocations, it can be inferred that TVM will be making on its non-aeronautical activities a return on assets of around 300%, which is outrageously high. This already highlights the issues of shifting to Hybrid Till approach. While such excessive profits were being utilized to reduce aeronautical charges in Single Till environment, they are only partially used in Hybrid Till. The result of applying Hybrid Till cannot be in the interest of users and their passengers, and has to be reconsidered.

Authority's examination of IATA's comments

3.11. The Authority has noted the comment from IATA regarding applicability of Hybrid Till at Trivandrum. The Authority had decided to adopt Hybrid Till as per the revised guidelines issued vide its order No. 14, 2016-17 dated 12.01.2017 and would consider the order to be issued by AERAAT at an appropriate time with regards to applicability of regulatory Till.

3.12. Regarding the issue of return on non-aeronautical assets as commented by IATA, the Authority notes that for assets depreciated over a long period of time, the net value of assets used for generating non-aeronautical revenues continues to decline. However, non-aeronautical revenues typically continue to grow and, thus, the return on the assets is bound to be high especially when non-aeronautical charges are not regulated.

Comments from APAI

3.13. In response to the decision taken by the Authority of following Hybrid Till approach for determination of tariffs in 2nd control period at TVM, APAI has stated that:

3.13.1. Each airport in India is at variance with the other in terms of the revenue generating capacity, facilities offered, numbers of nights operating, passenger traffic and importantly passengers handling services. A sweeping presumption that one rule should be applicable to every airport, that way, is unrealistic and not warranted by real life situation. Official documents prepared by AERA also speak about such variance.

3.13.2. Section 12 of NCAP 2016 has categorised three different types of Airports- Airports developed by the state Government, Private Sector and Public Private Partnership (PPP). This excludes Airports Developed by the Airports Authority of India (AAI). Section 13 of the NCAP 2016 addresses Airports developed by AAI. This means by its very nature and operation, airports by AAI belongs to a different category and they should be treated that way and any effort to club them along with airports developed by other agencies is against the established norms and principles laid.

3.13.3. Trivandrum Airport commenced its operation in 1935 and presently it is 82 years old. In addition to civilian operation, Trivandrum International Airport also caters to Indian Air Force and Coast Guards for their strategic operations. Trivandrum International Airport has been under the administrative jurisdiction of Airports Authority of India (AAI).

3.13.4. The airport was established as a part of the Royal Flying Club. The erstwhile Royal family of Travancore has funded the setting up of the airports. The first flight took off on 1 November 1935, carrying mails of Royal Anchal (Travancore Post) to Bombay. After Independence, the airstrip was used for domestic flights with construction of a domestic terminal: International operations were initiated by Air India to the cities in the Arabian Peninsula in the late 1970s using Boeing 707.

3.13.5. APAI feels that the Single Till mechanism for fixation of aeronautical & non-aeronautical costs is a time tested one. The evolution of Double and Hybrid Till are disruption and is synonymous with higher degree of commercialization of airports. Commercialisation is mostly driven by entry of private operators and to retain their interest in the operations.

3.13.6. Trivandrum Airport, since it is a part of Airports Authority of India (AAI) network should not have ever thought of switching over to the Hybrid Till since it is run by AAI on the one hand and on the other is used by multiple agencies like Air Force and Coast Guards. Ideally, a costing could have taken these factors into consideration rather than passing the entire burden to the passenger community.

3.13.7. Also, the airport being set up in 1935 and under the direct jurisdiction of the Raja of Travancore and later the kingdom got annexed to India, there is no direct initial cost incurred by the AAI in this regard. Later modifications and expansions undertaken by the AAI would have been funded by the revenue stream obtained by the footfall and various amenities run by the airport.

3.13.8. There is overwhelming opinion that airports created by AAI should remain under the purview of Single Till. There is evidence collated from Indian airport, which clearly proves how Single Till model is advantageous in the Indian context in terms of ensuring affordability and this throwing open air travel to the common man as envisaged as the goal of NCAP 2016. In the case of Hyderabad airport, AERA in 2014 fixed tariff on the basis of Single Till and charged User Development Fee (UDF) at zero level. Even in that dispensation, the airport operator achieved its targeted Annual Revenue Requirement (ARR) as empirically proved by the government prosecutor who argued against the airport operator for this plea to switch over to Hybrid Till.

3.13.9. Airports Authority of India (AAI) submitted in the said case of Trivandrum airport that it has earned ₹ 530.94 crore during first control period as actual aeronautical revenue. Correspondingly AAI has submitted that it has shortfall of ₹ 350.72 crore during first control period. Therefore it was compelled to switch over to Hybrid Till. AAI in the consultative note circulated nor in the presentation made had not substantiated how did the shortfall has set in.

3.13.10. Under a Hybrid Till, only aeronautical assets are included as a part of the regulatory asset base. To switch over to Hybrid Till in the second control period. AAI has divided into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets. A cursory look at the segregation of the assets under various heads will reveal the casual approach adopted by AAI in segregating assets.

3.13.11. Similarly, there are other flaws in the computation and segregation of other heads such as depreciation, capital expenditure, fair rate of return, etc. It is therefore, advisable to continue with the present system of Single Till as a matter of policy, Switch over to Hybrid Till will create abnormalities and will result in passenger community liable to pay more.

AAI's submission to APAI's comments

3.14. AAI has stated that the Ministry of Civil Aviation has in the recently announced Civil Aviation Policy stated that to ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'Hybrid Till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the airport operator and regulator will explore ways to keep the tariff reasonable, and spread the excess amount over the future.

Authority's examination of APAI's comments and AAI's submission to APAI's comments

3.15. The Authority has noted APAI's comment that each airport is at variance with other airports. There is some rationale in the contention that 'Till' mechanism should vary from airport to airport depending on the level of non-aeronautical revenues, requirement of funds for the expansion etc. However, in the present scenario, with civil aviation in India registering high growth rates, there is a need for heavy investment to upgrade the airport infrastructure. National Civil Aviation Policy 2016 has also considered this and laid down the ratio for Hybrid Till. The Authority has examined the issue in some detail and adopted Hybrid Till keeping in view the present situation. As and when there are significant changes in current scenario, the Authority may review the matter.

3.16. The Authority has noted APAI's comment related to different categories of airports. The Authority has already considered this aspect and issued order No. 14, 2016-17 dated 12.01.2017 for Hybrid Till to provide level playing field to all the airports in the country.

3.17. The Authority has also noted other views presented by APAI in favour of applicability of Single Till for AAI airports. All the views expressed by APAI related to regulatory Till have already been considered by the Authority in its order No. 14, 2016-17 dated 12.01.2017 and it is not necessary to revisit them again. Regarding the view that the airport was established during the time of Raja of Travancore, it is sufficient to note that only the assets created by AAI on its books have been considered for determination of tariffs.

3.18. The Authority has given due consideration to comment from APAI regarding the shortfall in the 1st control period. It is clarified that the tariffs prevailing during the 1st control period were inadequate to cover aggregate revenue requirement which has been worked out in the consultation paper. It is also clarified that the shortfall during the 1st control period has no bearing on the decision of adopting Hybrid Till.

Comments from FIA

3.19. FIA in its comments has stated that the Authority ought to follow Single Till model and provided additional comments as below:

3.19.1. Hybrid Till is followed, which is in contravention to AERA tariff guidelines.

3.19.2. It is noteworthy that in a matter pending adjudication before the Hon'ble Airports Economic Regulatory Authority Appellate Tribunal ("**AERAAT**"), MoCA had submitted by way of its Counter-Affidavit that the Authority is an independent regulator and suggestions of Government of India/ MoCA are not legally binding on it. Further, it has submitted that MoCA has no role to play with respect to determination of aeronautical tariff. The Authority being a party to the said matter is aware of the contents of MoCA's Counter Affidavit in the said matter.

3.19.3. Single Till is premised on the following legal framework being:

(a) Section 13 (1) (a) (v) of AERA Act envisages that while determining tariff for aeronautical services, the Authority shall take into consideration revenue received from services other than the aeronautical services.

(b) Clause 4.2 of AERA Guideline recognizes Single Till approach which sets out the following components on the basis of which ARR will be calculated:-

i) Fair Rate of Return applied to the Regulatory Asset Base

ii) Operation & Maintenance Expenditure

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iii) Depreciation

iv) Taxation

v) Revenues from services other than aeronautical services

(c) AERA in its Single Till Order has held that "Single Till is most appropriate for the economic regulation of major airports in India"

3.19.4. Determination of aeronautical tariff warrants a comprehensive evaluation of the economic model and realities of the airport – both capital and revenue elements. TVM's approach of Hybrid Till deserved to be discarded

3.19.5. In the Single Till order, Authority has strongly made a case in favour of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the Authority in its inter alia Single Till order has:

(a) Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.

(b) Taken into account the legislative intent behind Section 13 (1) (a) (v) of the AERA Act.

(c) Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India

(d) The Criteria for determining tariff after taking into account standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO.

3.19.6. The Authority in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services. In this respect, the matter must be dealt with by the Authority considering the ratio pronounced by the Constitutional Bench in the Hon'ble Supreme Court Judgment in PTC vs. CERC reported as (2010) 4 SCC 603 (please ref: Paragraph Nos. 58 to 64 at Phage Nos. 639 to 641). Wherein it is specifically stated that regulation under a enactment/ statute, as a part of regulatory framework, intervenes and even overrides the existing contracts between the regulated entities inasmuch as it casts a statutory obligation on the regulated entities to align their existing and future contracts with the said regulations.

3.19.7. The fundamental reasoning behind 'Single Till' approach is that if the consumers/ passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/ passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be taken into account by the Authority.

(a) Single Till Model ought to be applied to ALL the airports regulated by the Authority regardless of whether it is a public or private airport or works under the PPP model and in spite of the concession agreements as the same is mandated by the statute.

(b) Single Till is in the public interest and will not hurt the investor's interest and given the economic and aviation growth that is projected for India, Fair Rate of Return (FRoR) alone will be enough to ensure continued investor's interest.

(c) MoCA's view(s) with respect to any issue at best can be considered as that of a Stakeholder and by no means are binding to Authority's exercise of determination of aeronautical tariff as is admitted by MoCA itself before the AERAAT.

3.19.8. In view of the above, it is submitted without prejudice that determination of aeronautical tariff on Hybrid Till basis for the first control period has set the tone and precedent for determination of aeronautical tariff in subsequent control periods contrary to the applicable legal framework. Thus, it is submitted that Authority should discard the option of determination of aeronautical tariff on Hybrid Till and follow Single Till scrupulously from the Second Control Period onwards.

3.19.9. AERA vide its order 15/ 2015-16 dated 17.04.2015 had decided to continue existing tariffs on ad-hoc basis and advised AAI to submit MYTP for the 2nd control period well in time.

3.19.10. It may kindly be noted that AAI has submitted its proposal on 29.02.2016 (10 months from the order) and further AERA allowed AAI to resubmit the MYTP under Hybrid Till on 29.11.2018 (additional 9 months from first submission) post release of NCAP (June, 2016). AERA circulated this Consultation Paper on 28.03.2017 (4 months from revised submission). This can be treated as an intentional delay, allowing AAI to move from Single Till to Hybrid Till. AERA vide Para 4.18 proposes to determine the present value of the shortfall in the 1st control period as of 1 April, 2016 instead of 1 April, 2017.

3.19.11. Going with the same logic which AERA might have thought in determining the present value of the shortfall as on 1 April, 2016 – AERA should also determine the tariff under Single Till for 2nd control period as on date of 1 April, 2016 NCAP was not released.

Authority's examination of FIA's comments

3.20. The Authority has noted comments from FIA related to the regulatory Till applicable for Trivandrum airport. The Authority has decided to adopt Hybrid Till as per the revised guidelines issued vide its Order No. 14, 2016-17 dated 12.01.2017 and decides to consider the order to be issued by AERAAT at an appropriate time.

3.21. The Authority has also noted the comment from FIA related to timelines for Trivandrum's submissions and issue of consultation paper. It is to be noted that the time period between Trivandrum's submissions dated 29.02.2016 and the release of NCAP (June 2016) is three months and it was insufficient to issue the final order for Trivandrum for 2nd control period during this period. The delay in finalizing the tariff order was not intentional and was mainly due to the on-going discussions on apportionment of CHQ/RHQ expenses and the appropriate methodology for the same.

Authority's general views on adoption of Hybrid Till

3.22. The Authority's earlier decision to use 'Single Till' approach to fix the tariff for airports at a time when most of the new airports were being developed on 'Hybrid Till' basis resulted in differential treatment with one set of airports under the 'Single Till' and the other group under the 'Hybrid Till'. It was difficult to justify the basis for such differential treatment and it has also caused some regulatory uncertainty which is not warranted at a time when greater emphasis is being placed on private investments for airport development.

3.23. The Authority adequately responded to the stakeholders' comments on the adoption of Hybrid Till in its Order No. 14, 2016-17 and passed the following order:

"(i) The Authority will in future determine the tariffs of major airports under "Hybrid Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extent the airport operator guideline of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory Till, shall remain the same.

(ii) In case of Delhi and Mumbai airports, tariff will continue to be determined as per the SSA entered into between Government of India and the respective airport operators at Delhi and Mumbai."

3.24. In view of the above, the Authority decides to determine aeronautical tariffs at TVM for first control period on Single Till basis and for second control period on Hybrid Till basis.

Decision no. 1 – Regarding methodology for tariff determination

1.a. The Authority decides to determine aeronautical tariffs at TVM for first control period on Single Till basis and for second control period on Hybrid Till basis.

4. Multi Year Tariff Proposal of TVM

4.1. In the 1st control period, the Authority, vide its Order No. 15/2015-16 dated 17.04.2015 had decided that the tariffs at TVM would continue at the existing level on ad-hoc basis and advised AAI to submit MYTP for the 2nd control period well in time along with the actual financials till FY 2014-15 and the Aggregate Revenue Requirement for the 1st control period.

4.2. Accordingly, AAI made submission dated 29.02.2016 to the Authority for determination of tariffs for 2nd control period. Subsequent to the announcement of National Civil Aviation Policy, AAI made revised submission under Hybrid Till on 29.11.2016.

4.3. AAI provides Communication, Navigation, Surveillance/ Air Traffic Management (CNS/ATM) services in addition to landing, parking and other aeronautical services at TVM. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of CNS/ATM services. This Consultation Paper discusses the determination of tariffs for aeronautical services at the airport excluding CNS/ ATM services.

4.4. AAI has informed that accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI airports, regional/ field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for TVM. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

5. True-up for First control period

5.1. True-up for 1st control period is calculated as difference between

5.1.1. Permissible aeronautical revenue calculated based on actual traffic and financials

5.1.2. Actual aeronautical revenue received by AAI for 1st control period

5.2. AAI has submitted opening RAB for the 1st control period under Single Till at ₹ 344.40 crore.

Table 4 – Opening RAB for the 1st control period as per AAI – Single Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding CNS/ATM related assets as on 01.04.2011	449.45
2	Accumulated Depreciation as on 01.04.2011	105.05
3	**Opening RAB[(1)-(2)] as on 01.04.2011**	**344.40**

Permissible aeronautical revenues

5.3. AAI has calculated Aggregate Revenue Requirement of ₹ 728.04 crore (PV of ARR is ₹ 570.31 crore as on 1st April 2012) for 1st control period.

Table 5 - ARR as per AAI for the 1st control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Opening RAB	344.40	324.28	320.52	276.41	230.95
Assets capitalized during the year	29.08	49.49	10.21	6.57	33.63
Disposals/ Transfer	0.00	0.00	0.00	0.00	0.00
Depreciation	49.20	53.25	54.31	52.03	49.36
Closing RAB	324.28	320.52	276.41	230.95	215.23
Average RAB	**334.34**	**322.40**	**298.47**	**253.68**	**223.09**
Return on Average RAB@14%	46.81	45.14	41.79	35.52	31.23
Operating Expenditure	69.24	81.79	91.39	105.83	103.28
Depreciation	49.20	53.25	54.31	52.03	49.36
Corporate Tax	0	0	0.84	0.19	10.83
Less- Revenue from services other than Regulated services	23.57	29.20	40.57	46.33	54.32
ARR as per AAI	**141.67**	**150.97**	**147.76**	**147.24**	**140.39**
Total ARR as per AAI					**728.04**
Discounted ARR	141.67	132.43	113.69	99.38	83.12
PV of ARR for the control period as on 01.04.2012					**570.31**

Actual aeronautical revenues

5.4. AAI has submitted that it has earned ₹ 530.94 crore during 1st control period. Correspondingly, AAI has submitted that it has a shortfall of ₹ 350.72 crore (future value as on 01 April 2017) during the 1st control period. The aeronautical revenues for the 1st control period is shown below:

Table 6 - Aeronautical revenue earned for the 1st control period as per AAI Submission – Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
A	Revenues from Regulated Services					
1	Landing Charges:					
1.1	Domestic	7.59	6.79	6.71	6.45	6.57
1.2	International	18.07	18.54	17.37	17.99	20.30
1.3	Total Landing Charges	25.66	25.33	24.08	24.44	26.87
2	Parking and Housing Charges:	0.66	0.63	0.70	0.54	0.86
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	3.58	6.01	4.51	4.69	5.27
3.2	International	7.84	5.23	8.76	9.10	10.60
3.3	Total PSF (FC)	11.42	11.24	13.27	13.79	15.87
4	User Development Fees (UDF):					
4.1	Domestic	0.00	0.00	0.00	0.00	0.00
4.2	International	49.80	50.69	55.29	58.33	63.59
4.3	TOTAL UDF	49.80	50.69	55.29	58.33	63.59
5	Fuel Throughput Charges	1.21	1.25	1.30	1.60	1.65
6	Ground Handling Charges	2.32	7.64	10.31	11.93	11.05
7	CUTE services	0.73	1.47	2.32	1.32	1.75
	Total Aeronautical Revenues	**91.82**	**98.25**	**107.27**	**111.96**	**121.65**

Table 7 - ARR and its resultant shortfall as per AAI for 1st control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	141.67	150.97	147.76	147.24	140.39	**728.04**
2	Aeronautical Revenue	91.82	98.25	107.27	111.96	121.65	**530.94**
3	Shortfall	49.86	52.73	40.48	35.28	18.74	**197.09**

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
4	Future Value of shortfall as on 01.04.2017	109.44	101.52	68.37	52.27	19.11	**350.72**

Authority's Examination of AAI's submissions

5.5. The Authority had proposed adjustments on the following building blocks for calculating true-up of 1st control period

5.5.1. Adjustment of depreciation

5.5.2. Adjustment of non-aeronautical revenues

Adjustment for Depreciation

5.6. AAI has used depreciation rates as per the accounting policy approved by AAI board. The depreciation rates used by AAI for key assets are –

Table 8 - Depreciation rates as submitted by AAI

No.	Asset Class	As per AAI
1	Free hold land	0%
2	Runways	13%
3	Taxiways	13%
4	Aprons	13%
5	Road, bridges & culverts	13%
6	Terminal & other buildings in operational area	8%
7	Buildings-Temporary	100%
8	Buildings-Residential	5%
9	Fencing-Temporary	100%
10	Other buildings-Unclassified	8%
11	Computers & IT H/w & accessories	20%
12	Plant & machineries	11%
13	Tools & equipment	20%
14	Office furniture & fixtures	20%
15	Other vehicles	14%
16	Electrical installations & air conditioners	11%
17	Other office equipment / appliances	18%
18	F&F-operational area	20%
19	X-Ray baggage insp. system	11%
20	CFT/ firefighting equipment	13%
21	Boundary wall-Operational	8%
22	Intangible assets-computer s/w	20%
23	Boundary wall-Residential	5%

No.	Asset Class	As per AAI
24	Motors cars/jeeps	14%

5.7. The Authority had proposed the following depreciation rates

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

5.7.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 28.

5.8. Depreciation for the 1st control period has been calculated on the basis of actual date of capitalization of assets.

5.9. The revised depreciation for the 1st control period under Single Till is given below:

Table 9 – The Authority's consideration on depreciation for 1st control period – Single Till

No.	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	As per AAI	49.20	53.25	54.31	52.03	49.36	**258.15**
2	As per Authority	13.81	15.87	16.08	28.67	29.69	**104.13**

5.10. In respect of cost of land, the Authority notes that land is not a depreciable asset and if taken into RAB, the return over it has to be paid perpetually. Besides, if the principle of FRoR based on cost of capital is applied on cost of land the aeronautical charges may have to be fixed at exorbitantly high rates. Since the Authority has so far not come across instances where the land cost is significant part of the RAB, it is necessary to examine all the ramifications of taking the value of cost of land into RAB. The Authority realizes that unless some kind of return is given on land, future land acquisitions for airport purposes could become a major hurdle for airport development. Therefore, it had proposed to conduct a study based on which the treatment to be given to cost of land can be determined on a sound footage.

5.11. It appears from the submissions of AAI for TVM that the value of land included in the RAB pertains only to additional compensation as per court directions and original cost of land has not been included in the RAB. In the case of TVM the entire ARR is not being recovered through the charges proposed in the consultation paper. Therefore, the Authority proposed to exclude the cost of land from the RAB till a final decision is taken on the issue.

5.12. The change in depreciation rates and exclusion of land from RAB results in a change in average RAB of the 1st control period as shown below –

Table 10 – The Authority's consideration on average RAB for 1st control period – Single Till

No	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	**As per AAI**					
	Opening RAB	344.40	324.28	320.52	276.41	230.95
	Additions	29.08	49.49	10.21	6.57	33.63
	Disposals					
	Depreciation	49.20	53.25	54.31	52.03	49.36
	Closing RAB	324.28	320.52	276.41	230.95	215.23
	Average RAB	**334.34**	**322.40**	**298.47**	**253.68**	**223.09**
2	**As per Authority**					
	Opening RAB	336.04	351.30	384.88	379.00	356.90
	Additions	29.08	49.44	10.21	6.57	33.54
	Disposals					
	Depreciation	13.81	15.87	16.08	28.67	29.69
	Closing RAB	351.30	384.88	379.00	356.90	360.74
	Average RAB	**343.67**	**368.09**	**381.94**	**367.95**	**358.82**

Adjustment for Non-Aeronautical revenues

5.13. The Authority noted that AAI has considered lease rental revenues from ground handling agencies, oil companies and cargo as non-aeronautical revenues during the 1st control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling, oil companies and cargo are aeronautical services.

5.14. The Authority had proposed to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.

Table 11 – Comparison of NAR as considered by AAI and the Authority for 1st control period

NAR (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
NAR as submitted by AAI (1)	**23.57**	**29.20**	**40.57**	**46.33**	**54.32**
Adjustment					

Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)	0.90	1.41	1.69	2.84	5.32
NAR as per Authority (3 = 1 - 2)	**22.7**	**27.8**	**38.9**	**43.5**	**49.0**

Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

5.15. Total CHQ/ RHQ expenses for AAI is as shown in table below. AAI has requested the apportionment of CHQ/ RHQ expenses while determining tariffs of major airports. CHQ/ RHQ expenses consist of three components – Expenditure for TVM employee's retirement benefit allocated at CHQ, overheads at CHQ and overheads at RHQ. The CHQ/ RHQ expense considered for apportionment have been net off against the income received by CHQ/ RHQ.

5.16. The retirement benefit is allocated on the basis of number of employees at TVM. The Authority proposes to allocate the CHQ/ RHQ overhead expenses for the airport services (after excluding the ANS expenses) on revenue basis which is consistent with the approach adopted by the Authority in MYTP of 1st Control Period for Guwahati and Lucknow airports. The Authority observes that as per the above methodology the CHQ/ RHQ overhead expenses are allocated in proportion to the capacity of the airport to absorb higher cost of CHQ/ RHQ. Under this methodology, a portion of CHQ/ RHQ expenses are allocated to Delhi and Mumbai airports based on revenue received by AAI from these airports.

Table 12 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1st control period

No.	in INR cr.	2012	2013	2014	2015	2016
	Apportionment of CHQ/ RHQ overheads					
1	CHQ Expenses	259.3	331.2	303.8	397.3	404.6
2	Less - CHQ Revenue	93.8	152.6	183.5	236.8	227.7
3	**Net CHQ Expenses (1-2)**	**165.6**	**178.7**	**120.3**	**160.5**	**176.9**
1	Southern Region - RHQ Expenses	27.3	45.1	54.1	66.5	68.6
2	Less - Southern Region - RHQ Revenues	3.1	4.7	3.7	1.5	9.2
3	**Net Southern Region RHQ Expenses (1-2)**	**24.2**	**40.5**	**50.4**	**65.1**	**59.4**
	Total of Net CHQ and RHQ Expenses	**189.7**	**219.1**	**170.7**	**225.6**	**236.3**
	CHQ/ RHQ Overheads allocated to TVM	**14.2**	**19.6**	**20.4**	**25.5**	**24.0**

No.	in INR cr.	2012	2013	2014	2015	2016
	Apportionment of Retirement Benefits at CHQ					
	Total provision of retirement benefits at CHQ	**159.7**	**289.4**	**160.0**	**275.2**	**182.9**
	Provision of Retirement Benefits at CHQ for TVM	6.9	11.4	7.4	12.8	8.5

5.17. In view of the above, the O&M expenditure for 1st control period is given in table below.

Table 13 - Summary of O&M expenditure as per the Authority for 1st control period -Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	Pay roll Expenditure of TVM	31.5	33.4	43.7	45.9	47.5
2	Expenditure for TVM employees' retirement benefits allocated at CHQ	6.9	11.4	7.4	12.8	8.5
3	Less - Pay and Allowances of ANS unit	1.1	1.2	1.4	2.4	2.5
A	**Total Pay roll Expenditure (1+2-3)**	**37.4**	**43.6**	**49.7**	**56.3**	**53.5**
4	Administrative and General Expenditure	1.3	1.7	1.6	2.1	2.6
5	Apportionment of administration & General expenditure of CHQ/RHQ	14.2	19.6	20.4	25.5	24.0
B	**Total Administration & General Expenditure(3+4)**	**15.5**	**21.2**	**21.9**	**27.6**	**26.6**
C	**Repairs and Maintenance Expenditure**	**7.7**	**6.4**	**7.1**	**7.3**	**9.2**
6	Power Charges	6.2	7.9	9.9	10.8	9.6
7	Water Charges	0.3	0.3	0.3	0.4	0.5
8	Others	1.7	1.9	2.1	2.9	3.1
D	**Utility and Outsourcing Expenditure**	**8.2**	**10.1**	**12.3**	**14.1**	**13.2**
E	**Other Outflows**	**0.5**	**0.5**	**0.4**	**0.5**	**0.7**
	Total (A+B+C+D+E)	**69.2**	**81.8**	**91.4**	**105.8**	**103.3**

Adjustment in base year for calculating present value of shortfall

5.18. The Authority noted that the present value factor considered by AAI for the shortfall in aggregate revenue collection in comparison to allowable aggregate revenue for the 1st control period (refer to Table 7) is as on 01.04.2017 instead of 01.04.2016. The Authority had proposed to consider the present value of shortfall as on 01.04.2016.

Tax calculation for 1st control period

5.19. The tax calculation as submitted by AAI for 1st control period apportions actual tax liability of AAI based on the profit before tax of TVM and profit before tax of AAI.

5.20. The Authority noted that the tax liability of AAI would include tax as a result of income from Delhi and Mumbai airports. Therefore, the Authority proposes to determine tax for TVM by applying appropriate provisional tax rate on the standalone profit before tax of the airport. In addition, for calculation of tax, the Authority had proposed to determine depreciation considering the depreciation rates applicable under Income Tax laws.

5.21. AAI has submitted revised tax calculations based on standalone financials of TVM as shown below. The Authority had proposed to consider the tax calculation as submitted by AAI considering the depreciation rates as per Income Tax laws.

Table 14 – Revised amount of Tax as calculated by AAI for the 1st control period

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	92.72	99.65	108.96	114.80	126.98
Non-Aeronautical Revenues	22.66	27.78	38.88	43.50	49.00
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	48.13	50.83	63.61	67.55	70.74
Retirement benefits and CHQ/ RHQ Overheads	21.12	30.97	27.78	38.28	32.55
Depreciation as per IT Act	46.38	47.18	42.07	37.43	37.56
PBT	-0.24	-1.54	14.38	15.04	35.14
Tax	**0.00**	**0.00**	**4.98**	**5.20**	**12.16**

Revised Aggregate Revenue Requirement

5.22. The ARR for the 1st control period has been revised based on adjustments detailed above.

5.22.1. Change in depreciation rates as per Table 28

5.22.2. Apportionment of CHQ/RHQ costs and change in tax calculation

5.22.3. Lease rentals from ground handling agencies, oil companies and cargo to be treated as aeronautical revenues

5.22.4. Correction of present value factor for shortfall calculation

Table 15 - ARR as per Authority for the 1st control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	343.67	368.09	381.94	367.95	358.82
Return on Average RAB@14%	48.11	51.53	53.47	51.51	50.23
Operating Expenditure	69.24	81.80	91.39	105.83	103.28
Depreciation	13.81	15.87	16.08	28.67	29.69
Corporate Tax @34.6%	0.00	0.00	4.98	5.20	12.16
Less- Revenue from services	22.66	27.78	38.88	43.50	49.00

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
other than Regulated services					
ARR as per Authority	108.51	121.42	127.04	147.71	146.36
Total ARR as per Authority					**651.04**
Discounted ARR	**108.51**	**106.51**	**97.75**	**99.70**	**86.66**
PV of ARR for the control Period as on 01.04.2012					**499.13**

5.23. Correspondingly, the shortfall during the 1st control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 16 - ARR, yield and shortfall as per Authority for 1st control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year (refer Table 15)	108.51	121.42	127.04	147.71	146.36	651.04
2	Aeronautical Revenue	92.72	99.65	108.96	114.80	126.98	543.11
3	Shortfall	15.79	21.77	18.08	32.92	19.38	107.94
4	Future Value of shortfall as on 01.04.2016	30.41	36.76	26.79	42.78	22.09	158.83

5.24. Based on the material before it and its analysis, the Authority proposed the following:

5.24.1. To true-up the 1st control period ARR on the basis of Single Till

5.24.2. To adopt CHQ/RHQ overheads apportionment on revenue basis.

5.24.3. To consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.

5.24.4. To apply following depreciation rates

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

5.24.4.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 28.

5.24.5. To consider short fall of ₹ 158.83 crore in the 1st control period to be added to ARR for the 2nd control period.

Stakeholders' comments and Authority's observations

Comments from FIA

5.25. In Table 6, point 3.1 Domestic PSC (FC) for 2012-13 to 2014-15. There is reduction in the revenues under PSF (SC), however, as per Table 1 number of Domestic Pax flown were almost same.

5.26. Table 7 indicated calculation as per AAI of the shortfall for the 1st control period. In this table only aeronautical revenues (calculated in Table 6) are deducted from ARR, while non-aeronautical revenues are ignored. Further, had the submission been made within the time from the order date, the future value of the shortfall (i.e.) ₹ 350.72 crore) would not be so high. AERA proposes to consider the present value of shortfall as on 1 April 2016 instead of 1 April 2017.

5.27. AERA has revised depreciation rate and excluded Land from RAB. If Table 10 is observed ₹ 8.36 crore was only reduced from the Initial RAB while there is huge difference in the depreciation amount calculated by AERA (₹ 104.13 crore) and as mentioned by AAI (₹258.15 crore). This has resultant into higher average RAB.

Average RAB as per AAI – ₹223.09 crore

Average RAB as per AERA – ₹ 358.82 crore

The high average RAB also impacted opening RAB for the 2nd control period. Also, the impact of increase in the average RAB needs to be examined.

5.28. AERA agrees to consider the tax calculation as submitted by AAI. But while doing so it has ignored the revised calculation of Depreciation mentioned in Table 10. Impact of depreciation as per Table 10 on tax calculation needs to be examined.

AAI's submission to FIA's comments

5.29. PSF (FC) revenue increased for domestic passengers and decreased for international passengers in FY 2012-13. This was due to booking of PSF (FC) revenues for international passengers into domestic PSF (FC) revenue code. The total revenue for FY 2012-13 is correct. From FY 2013-14 onwards, the booking related error was corrected. The total PSF (FC) for the F.Y. 2012-13 to 2015-16 synchronizes with the passenger volume of Table 1.

5.30. The depreciation rate considered by AAI was higher than the depreciation rate recommended by AERA. Hence, the average RAB as per AERA calculation is higher than AAI's calculation due to reduction in amount of depreciation as per AERA recommended rates.

5.31. Depreciation for tax calculation is done on the basis of written down value method as per IT act whereas Table 10 shows depreciation on straight line basis. Depreciation as per IT Act is shown in Table 14.

Authority's examination of FIA's comments and AAI's submission to IATA's comments

5.32. The Authority has noted FIA's comment and AAI's submission to FIA's comments.

5.33. It is clarified that the non-aeronautical revenues have already been deducted while arriving at ARR through building blocks approach for the 1st control period under Single Till. As per the guidelines, the present value of ARR should be recovered through aeronautical revenues. Further, the Authority clarifies that the shortfall is calculated based on the present value on a certain date. As the 1st control period has ended on 31st March, 2016, it is prudent to determine the shortfall for the 1st control period as on 1st April, 2016.

5.34. The Authority has revised the depreciation rate as in para 5.7 and due to significant variance between AAI's depreciation rates and those proposed by the Authority, there is a difference between the amount of depreciation as per AAI's calculation and as per Authority's calculation. The depreciation calculated as per the rates proposed by the Authority is lower than depreciation calculated based on AAI's policy. This has resulted in decrease in depreciation during the 1st control period and corresponding increase in average RAB. However, the Authority will consider the recommendations of the study on the depreciation rates and accordingly, take a final decision at an appropriate time.

5.35. The calculation of depreciation for determining the quantum of tax is based on the depreciation rates as per Income Tax Act (amount shown in Table 14). The calculation of depreciation for determining RAB is based on Companies Act (amount shown in Table 10). Hence, the depreciation as shown in Table 14 is at variance from the depreciation in Table 10 and cannot be compared.

AAI's views on depreciation and RAB

5.36. In response to tentative decision taken by the Authority on applicable depreciation rates for 1st and 2nd control period, AAI has stated that

5.36.1. As the Authority is considering applying the rates of depreciation as defined in the Company Act (1956/2013) for asset types available in the Act and 3.33% as depreciation for assets not defined under the Companies Act, AAI is in agreement with this. However, the RAB as on 01.04.2011 based on the rates of depreciation as per AAI is being taken into account by the Authority. AAI proposes to recalculate the RAB from the date of asset capitalization based on the rates of Companies Act/3.33% as the case may be and the RAB as on 01.04.2011 works out to ₹ 415.47 crore as against ₹ 344.40 crore in our earlier submission. AAI requests AERA to consider this figure to work out the shortfall.

5.37. In response to tentative decision taken by the Authority to exclude land from the RAB for 1st and 2nd control period, AAI has stated that

5.37.1. AAI agrees with the Authority's view that land is an asset which is not subject to depreciation and as such it is considered in RAB, it will result in return being given perpetually. However, there is a cost attached to the land either in the form of acquisition cost or revised/enhanced compensation. In view of the same, it is proposed that AERA may consider fixing a life of the land as 30/60 years and amortization this cost over acceptable period. In future, if the Authority does not consider any return on the land either through RAB or through amortize method, no state Government or private entity will be encouraged to build new airport. The matter has also been discussed with MoCA and who concur with the same views as submitted by them in case of GHIAL.

Authority's examination of AAI's views on depreciation and RAB

5.38. The Authority has duly considered and analysed comments received from AAI on date of application of depreciation rates for assets under RAB. Determination of the depreciation rates for an asset depends on its useful life. The Authority is of the view that based on such useful life of the asset, the airport operator determines the tariff in such a way to achieve a certain rate of return on such asset. Hence, the Authority concludes that AAI would normally have recovered the value of investment in the asset through the tariffs prevailing before the 1st control period, that is, FY 2011-12. The Authority has issued the guidelines on determination of tariff for airport operators and fixed the first control period for TVM from FY 2011-12 to FY 2015-16. Hence, from FY 2011-12 onwards, the Authority decides to consider depreciation rates as in para 5.7.

5.39. The Authority has noted the recommendations of AAI on the treatment of cost of land in the determination of RAB. As stated earlier in para 5.10, the Authority will conduct a detailed study on the treatment of cost of land. The Authority will conduct a consultation process with concerned stakeholders after analysing the recommendation of the study. Meanwhile, it is decided to exclude the cost of land from the RAB till a final decision is taken on the issue.

Decision no. 2 – Regarding True-up for the 1st control period

2.a The Authority decides to true-up the 1st control period on the basis of Single Till

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

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

2.d The Authority decides to apply following depreciation rates:

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

b. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 28.

2.e The Authority decides to consider short fall of ₹ 158.83 crore in the 1st control period to be added to ARR for the 2nd control period.

6. Traffic forecast

6.1. The traffic growth rates as submitted by AAI for 2nd control period are as follows:

Table 17 - Traffic Growth rates assumed by AAI for the 2nd control period

	Passenger			ATM		
YEAR	Domestic	International	Combined	Domestic	International	Combined
2016-17	30%	5%	13.62%	30%	4%	13.69%
2017-18	12%	5%	7.76%	12%	4%	7.41%
2018-19	12%	5%	7.87%	12%	4%	7.56%
2019-20	12%	5%	7.98%	12%	4%	7.70%
2020-21	12%	5%	8.09%	12%	4%	7.85%

6.2. AAI submitted that traffic growth rate for FY 2016-17 is based on extrapolation of actual traffic during FY 2016-17.

Authority's Examination of AAI's submissions

6.3. The Authority noted that there has been significant volatility in the domestic traffic growth over the last 10 years. The growth rate of domestic passenger traffic over the past 10 years has fluctuated from -32% in FY 2008-09 to +84% in FY 2006-07. Given the significant volatility in short term traffic growth and potential for growth as a result of focus on regional connectivity, the Authority had proposed to consider long term 10 year CAGR for the domestic traffic forecast.

6.4. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM and Passenger traffic from FY 2005-06 to FY 2015-16 (10 years CAGR) for TVM as under:

Table 18 - CAGR FY 2005-06 to FY 2015-16 (10 Years) for TVM

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	CAGR (FY 2005-06 to FY 2015-16)
Domestic												
Passenger	12%	84%	18%	-32%	33%	7%	43%	1%	0%	10%	11%	14%
ATM	12%	129%	30%	-22%	18%	-19%	43%	-9%	-10%	-7%	9%	10%
International												
Passenger	15%	18%	18%	5%	15%	9%	0%	1%	5%	7%	9%	9%
ATM	9%	31%	28%	0%	17%	10%	-7%	-9%	0%	5%	10%	8%

6.5. The Authority had proposed to adopt 30% growth rate for domestic passenger traffic for FY 2016-17 as submitted by AAI since it is based on actual traffic during FY 2016-17. The Authority had proposed to adopt 14% growth rate for domestic passenger traffic from FY 2017-18 to FY 2020-21 based on 10-year CAGR of domestic passenger traffic.

6.6. The Authority had proposed to adopt 30% growth rate for domestic ATM traffic for FY 2016-17 as submitted by AAI since it is based on actual traffic during FY 2016-17. The Authority had proposed to adopt 10% growth rate for domestic ATM traffic from FY 2017-18 to FY 2020-21 based on 10-year CAGR of domestic ATM traffic.

6.7. The Authority noted that CAGR of international passenger traffic for last 10 years was 9% while it was 4% for 5 years. The high growth under 10 year CAGR was a result of significantly higher growth in the initial years of the period. As the growth in the earlier years is not representative of the trend in the later years, the Authority had proposed 5% growth rate for international passenger traffic for 2nd control period as per the projections submitted by AAI.

6.8. The Authority had proposed 4% growth rate for international ATM for 2nd control period as per the projections submitted by AAI.

Table 19 - Traffic as considered by Authority for the 2nd control period

	Passenger			ATM		
YEAR	**Domestic**	**International**	**Combined**	**Domestic**	**International**	**Combined**
2016-17	1,555,119	2,388,270	**3,943,389**	12,600	16,961	**29,561**
2017-18	1,772,835	2,507,684	**4,280,519**	13,860	17,640	**31,499**
2018-19	2,021,032	2,633,068	**4,654,100**	15,246	18,345	**33,591**
2019-20	2,303,976	2,764,721	**5,068,698**	16,770	19,079	**35,849**
2020-21	2,626,533	2,902,957	**5,529,490**	18,447	19,842	**38,289**

6.9. The Authority had proposed to true-up traffic as per actual growth achieved during the current control period at the time of determination of tariff for 3rd control period as explained in earlier orders of the Authority.

6.10. Based on the material before it and its analysis, the Authority proposed the following:

6.10.1. To consider the ATM and passenger traffic as per Table 19.

6.10.2. To true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd control period while determining tariffs for the 3rd control period.

Stakeholders' comments and Authority's observations

Comments from FIA

6.11. AERA proposes to adopt 14% growth rate for domestic passenger traffic based on 10-

year CAGR, while it proposes 4% growth rate for international ATM for 2nd control period as per the projections submitted by AAI. AERA cannot pick and choose growth rate from CAGR for domestic and from AAI for international traffic. It may kindly be noted that TVM has high international traffic as compared to the domestic traffic. Therefore, choosing lower traffic growth of 4% as proposed by AAI and not 9% as per CAGR, AERA has not applied practical logic.

Authority's examination of FIA's comments

6.12. The Authority noted and analysed FIA's observation on the traffic forecast. It is clarified that the Authority has applied the 10 years CAGR for domestic passenger and domestic ATM traffic forecast as the domestic traffic has been volatile in the past and it is felt that long term 10 years CAGR will reduce effect of volatility. Therefore, the Authority has adopted long term CAGR

6.13. Regarding the growth rate for international passenger traffic, the Authority noted that CAGR of international passenger traffic for last 10 years was 9% while it was 4% for 5 years. The high growth under 10 year CAGR was a result of significantly higher growth in the initial years of the period. As the growth in the earlier years is not representative of the trend in the later years, the Authority had proposed 5% growth rate for international passenger traffic for 2nd control period as per the projections submitted by AAI.

6.14. Regarding FIA's comment of considering 4% growth rate for International ATM and not considering 9%, it is to be clarified that 9% is 10 years CAGR for international passenger traffic and not for international ATMs. 10 years CAGR of international passenger traffic cannot be used for international ATMs projections. The Authority observed that the 5-year CAGR (FY11-FY16) for international ATM growth is 0%. Further, the Authority is of the view that the international ATM traffic growth rate is, in general, lower than the international passenger growth rate which is proposed at 5%. Therefore, the Authority proposed to consider 4% growth rate for international ATM for 2nd control period based on projections submitted by AAI.

Decision no. 3 – Regarding Traffic Forecast

3.a The Authority decides to consider the ATM and passenger traffic as per Table 19.

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

7. Allocation of Assets (Aeronautical and Non-Aeronautical)

7.1. Under Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base. As a result of the shift from Single Till to Hybrid Till at the end of 1st control period, the assets need to be segregated and opening RAB for 2nd control period needs to be recalculated.

7.2. For the allocation of assets between aeronautical and non-aeronautical services, AAI had divided assets into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following two ratios:

1) Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets)
2) Employee Ratio - ratio of staff providing commercial services (8 employees) to staff providing aeronautical services (373 employees)

7.3. The allocation of gross block of assets as on 01.04.2016 as submitted by AAI is given in the table below:

Table 20 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as submitted by AAI

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Free Hold Land	8.51	8.51	100.0%
2	Runways	36.65	36.65	100.0%
3	Taxiways	49.96	49.96	100.0%
4	Aprons	37.22	37.22	100.0%
5	Road, Bridges & Culverts	48.49	48.49	100.0%
6	Terminal & Other Buildings in operational Area	179.18	190.97	93.8%
7	Building Temporary	1.23	1.23	100.0%
8	Residential Building	3.83	3.83	100.0%
9	Fencing Temporary	1.08	1.08	100.0%
10	Other Buildings – Unclassified	7.89	7.97	99.0%
11	Computers & It H/W & Accessories	2.36	2.36	99.9%
12	Plant & Machineries	4.85	4.85	100.0%
13	Tools & Equipment	3.14	3.14	100.0%
14	Office Furniture & Fixtures	2.57	2.58	99.7%
15	Other Vehicles	1.28	1.28	100.0%
16	Electrical Installations & Air	143.93	144.20	99.8%

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
	Conditioners			
17	Other Office Equipment /Appliances	0.93	0.93	100.0%
18	Furniture & Fittings (F&F) - Operational Area	3.54	3.55	99.8%
19	X-ray Baggage Insp. System	5.33	5.33	100.0%
20	CFT/Fire Fighting Equipment	22.06	22.06	100.0%
21	Boundary Wall;-Operational	0.96	0.96	100.0%
22	Intangible Assets-Computer S/W	0.15	0.15	100.0%
23	Boundary Wall:-Residential	0.07	0.07	100.0%
24	Motors Cars/Jeeps	1.05	1.05	100.0%
	Total	**566.28**	**578.43**	**97.9%**

Authority's Examination of AAI's submissions

Allocation based on Terminal Area Ratio

7.4. In response to query by the Authority, AAI submitted the workings for the calculation of aeronautical area to non-aeronautical area ratio vide letter dated 16.12.2016.

Table 21 – Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16

S.No.	Category	Domestic Terminal (Sq.m)	International Terminal (Sq.m)	Total (Sq.m)
	Non-Aeronautical Area			
1	Restaurant / Snack Bars	38	177	215
2	T.R. Stall	198	594	792
3	Duty Free Shop	0	118	118
4	Hoarding & Display	0	0	0
5	Building Non-Residential	313	1,799	2,112
6	Admission Tickets	0	9	9
7	Cargo	0	0	0
8	Offices of AAI commercial, land & rest room	152	0	152
	Total Non-Aeronautical Area	**701**	**2,697**	**3,398**
	Total Terminal Area	**15,543**	**36,497**	**52,040**
	Ratio of Non-Aeronautical to Total Terminal Area			**6.53%**

7.5. AAI vide its submissions dated 25.01.2017 has proposed additional non-aeronautical area of 190 Sq.m and 212 Sq.m to be commissioned in FY 2016-17 and FY 2017-18. Out of 402 Sq.m area, 190 Sq.m will be available in Domestic Terminal and the remaining 212

Sq.m in International Terminal. With this addition, total non-aeronautical area increases to 4,098 Sq.m and ratio of non-aeronautical area to total terminal area increases to 8.94% in FY 2017-18.

7.6. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. The Authority had proposed to adopt 90% as aeronautical area for asset allocation of Terminal related assets to encourage growth of NAR which would cross-subsidize aeronautical charges.

7.7. Specific assets under Furniture & Fixtures inside Terminal Building have been considered as aeronautical by AAI. The Authority had proposed to allocate these assets in the ratio of 90% to 10%.

7.8. Specific assets under Electrical Installations and Air Conditioners related to the Terminal Building have been considered as aeronautical by AAI. The Authority had proposed to allocate these assets in the ratio of 90% to 10%.

7.9. Assets related to vehicles have been considered as aeronautical assets by AAI. The Authority had proposed to use the employee ratio of 98% (ratio of employees for aeronautical activities to total employees) for allocation of specific assets related to vehicles (Motors Cars/Jeeps).

7.10. The asset allocation proposed by Authority is tabulated below:

Table 22 – Change in allocation of gross block of assets existing as on 01.04.2016 between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Assets	Justification
1	Terminal & Other buildings in operational area	90.3%	Total assets are ₹ 190.97 crore out of which ₹ 13.56 crore are purely aeronautical assets and common assets are ₹ 176.58 crore. Common assets are allocated based on 90% ratio as aeronautical assets.
2	Other Buildings – Unclassified	97.0%	Total assets are ₹ 7.97 crore out of which ₹ 5.68 crore are purely aeronautical assets and common assets are ₹ 2.12 crore. Common assets of ₹ 0.43 crore allocated based on 90% ratio as aeronautical assets. Other common assets of ₹ 1.70 crore allocated based on employee ratio (97.9% aeronautical).
3	Office Furniture & Fixtures	99.5%	Total assets are ₹ 2.58 crore out of which ₹ 2.44 crore are purely aeronautical assets and

Sr. No.	Particulars	Aero Assets	Justification
			common assets are ₹ 0.13 crore. Common assets are allocated based on 90% ratio as aeronautical assets.
4	Electrical Installations & Air Conditioners	97.9%	Total assets are ₹ 144.20 crore out of which ₹ 115.08 crore are purely aeronautical assets and common assets are ₹ 29.03 crore. Common assets are allocated based on 90% ratio as aeronautical assets.
5	F&F-Operational Area	98.9%	Total assets are ₹ 3.55 crore out of which ₹ 3.15 crore are purely aeronautical assets and common assets are ₹ 0.40 crore. Common assets are allocated based on 90% ratio as aeronautical assets.
6	Motors Cars/Jeeps	99.6%	Total assets are ₹ 1.05 crore out of which ₹ 0.86 crore are purely aeronautical assets and common assets are ₹ 0.19 crore. Common assets are allocated based on employee ratio (97.9% aeronautical).
	Total	**96.2%**	

7.11. The cost of land has been excluded from the RAB of 2nd control period as per para 5.11.

7.12. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation is given in the table below:

Table 23 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as considered by the Authority

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Free Hold Land	0	0	-
2	Runways	36.65	36.65	100.00%
3	Taxiways	49.96	49.96	100.00%
4	Aprons	37.22	37.22	100.00%
5	Road, Bridges & Culverts	48.49	48.49	100.00%
6	Terminal & Other Buildings in operational Area	172.48	190.97	90.32%
7	Building Temporary	1.23	1.23	100.00%
8	Residential Building	3.83	3.83	100.00%
9	Fencing Temporary	1.08	1.08	100.00%
10	Other Buildings – Unclassified	7.73	7.97	96.99%
11	Computers & It H/W & Accessories	2.36	2.36	100.00%

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
12	Plant & Machineries	4.85	4.85	100.00%
13	Tools & Equipment	3.14	3.14	100.00%
14	Office Furniture & Fixtures	2.57	2.58	99.61%
15	Other Vehicles	1.28	1.28	100.00%
16	Electrical Installations & Air Conditioners	141.21	144.20	97.93%
17	Other Office Equipment /Appliances	0.93	0.93	100.00%
18	Furniture & Fittings (F&F) - Operational Area	3.51	3.55	98.87%
19	X-ray Baggage Insp. System	5.33	5.33	100.00%
20	CFT/Fire Fighting Equipment	22.06	22.06	100.00%
21	Boundary Wall;-Operational	0.96	0.96	100.00%
22	Intangible Assets-Computer S/W	0.15	0.15	100.00%
23	Boundary Wall:-Residential	0.07	0.07	100.00%
24	Motors Cars/Jeeps	1.05	1.05	100.00%
	Total	**548.15**	**569.91**	**96.18%**

7.13. Based on the material before it and its analysis, the Authority proposed to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 23.

Stakeholders' comments and Authority's observations

Comments from IATA

7.14. The allocation of asset to aeronautical at 97.9% as requested by AAI is exceptionally high and unreasonable even with AERA proposing to allocate these assets in the ratio of 90% to 10%. A proper cost allocation methodology could be used to partially correct the excessive profits issue highlighted in the previous paragraph.

AAI's submission to IATA's comments

7.15. AAI has stated that the detailed analysis was carried out in order to determine for the aeronautical and non-aeronautical ratio of Terminal Building. The percentage of Aero and Non Aero ratio works out to FY 2015-16, FY 2016-17 and FY 2017-18 is 93.47% : 06.53%, 93.11% : 06.89% and 92.70% : 07.30% respectively. The detailed ratios are calculated on the basis of actual and projected non-aeronautical activities. AAI will endeavour to increase the non-aeronautical area to 10%.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

7.16. The Authority notes that allocation ratio of 97.9% as mentioned by IATA refers to the average allocation of total assets and not just terminal assets. As per AAI's submissions, terminal related assets have been allocated based on 93.47%:6.53%, 93.11%:6.89% and 92.70%:7.30% respectively for FY 2015-16, FY 2016-17 and FY 2017-18. The Authority had proposed to consider terminal related assets in the ratio of 90%:10% for aeronautical and non-aeronautical allocation.

7.17. The Authority notes that the allocation of assets is based on the actual use of the assets and cannot be worked out based on hypothetical figure. A large portion of the assets (especially the air-side assets such as runways/taxiways/aprons) are purely aeronautical in nature and to be taken as 100% aeronautical assets. The Authority has taken higher % of non-aeronautical assets for allocation of terminal related assets than submitted by AAI on the assumptions that over the next four years, greater % of assets will be used for non-aeronautical activities.

Decision no. 4 – Regarding allocation of assets

4.a The Authority decides to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 23

8. Opening Regulatory Asset Base for Second control period

8.1. Opening RAB for 2nd control period under Hybrid Till as per AAI submission dated 29.11.2016 is ₹ 209.21 crore

Table 24 - Calculation of opening RAB as on 1st April 2016 as per AAI submission – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	437.72
2	Aeronautical asset addition during the 1st control period	128.56
3	**Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016**	**566.28**
4	Accumulated Depreciation as on 01.04.2016	357.07
5	**Opening RAB[(3)-(4)] as on 01.04.2016**	**209.21**

8.2. The Authority decides to adopt depreciation rates as detailed earlier in para 5.7 for calculating RAB for 2nd control period.

8.3. The Authority decides the allocation of assets between aeronautical and non-aeronautical assets as detailed in Table 23.

8.4. Based on revised depreciation rates and revised asset allocation, the opening RAB for 2nd control period considered by the Authority under Hybrid Till is ₹ 344.54 crore.

Table 25 - Calculation of opening RAB as on 1st April 2016 as per the Authority – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	420.00
2	Aeronautical asset addition during the 1st control period	128.15
3	**Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016**	**548.15**
4	Accumulated Depreciation as on 01.04.2016	203.61
5	**Opening RAB[(3)-(4)] as on 01.04.2016**	**344.54**

Decision No. 5. Opening Regulatory Asset Base for the 2nd control period

5.a. The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 344.54 crore

9. Capital Expenditure for Second control period

9.1. AAI has forecasted aeronautical capital expenditure of ₹ 492.65 crore for the 2nd control period as shown below:

Table 26 – Aeronautical assets to be capitalized at TVM for 2nd control period as per AAI

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways	56	-	-	-	-
2	Taxiways	62	-	-	-	-
3	Aprons	-	-	-	-	40
4	Road, bridges & culverts	0.38	-	-	-	-
5	Terminal & other buildings in operational area	21.76	6	-	20	280.41
6	Buildings-residential	-	5.88	-	-	-
7	Electrical Installations and air conditioners	0.22	-	-	-	-
	Total	**140.36**	**11.88**	**0.00**	**20.00**	**320.41**

9.2. AAI has submitted following details of the proposed capital works to be undertaken during the control period:

9.2.1. Extension of parallel taxi track 'P and construction of link taxi ways

The extension of parallel taxi track 'P' by 1312m and link taxi track (T2) 148.5m at right angle from parallel taxi track and from Air India MRO hangar to runway 14 beginning with taxi link (T6) 148.5m at right angle from parallel taxi track is proposed within the available land along with construction of Isolation Bay at the dumbbell 27. This will facilitate to reduce runway occupancy by aircrafts coming from International apron towards Chakai side. The work has been awarded to M/s NSC Projects at a cost of ₹ 61.22 crore.

9.2.2. Extension of air side arrival corridor with rotunda at NITB

Due to increase of international aircraft movements within a limited time, need was felt to provide additional in-contact facility by extending the corridor in the new international terminal building. The decision to this effect was taken at the review meeting held on 24.12.2012 at TVM.

The arrival corridor is being extended towards south east by 77m along with ramp facility and aerobridge rotunda similar to that of the existing building.

The work for proposed extension of air side corridor with rotunda for 4th aerobridge has been awarded to M/s SG Construction at a cost of ₹ 11.98 crore.

9.2.3. Resurfacing and strengthening of runway and taxiways

The evaluation of existing pavement was carried out during May 2011 and declared PCN Value is 74/R/C/W/T for rigid portion and 62/F/C/W/T for flexible pavement of Runway. A safety audit was conducted during June 2013 and it was observed that "Runway is showing degeneration. An urgent maintenance/ resurfacing of the Runway is required to be carried out." The Surveillance Audit Inspection, DGCA during September 2013 observed a significant level difference at the merging point of asphalt and concrete surface of Runway, and the same needs to be rectified to improve riding/ safe aircraft operation. The condition of rigid pavement at physical beginning of Runway 32 includes concrete spalling, significant cracks, distressed junction, concrete spalling on wheel track etc.

The work has been awarded to M/s M S Khurana Engineering Ltd. at a cost of ₹ 52.7 crore.

9.2.4. Construction of additional apron at NITB

To accommodate the additional domestic flights and future integrated operations from Chakai side, there is a need to extend the existing apron within the available land. The land towards north-western side up to Air India maintenance base is presently occupied by old Quarters and CISF Barracks which need to be dismantled for extension of apron. Alternatively, the apron can be extended towards North-Eastern side subject to handing over of additional 18.53 acres of land by State Govt. The exact requirement of additional apron bays is being evaluated.

9.2.5. Construction of B, C & D Type quarters at AAI colony

At present the AAI colony is spread over an area of 22936 Sq.m having 33 quarters. As per the latest Committee report dated 11.01.2016 on Policy/ norms for Construction of Residential Quarters, 276 quarters are required to be constructed. The quarters are proposed to be constructed in multi-storey construction to carve out area for commercial exploitation.

The present AAI Colony is situated close to ASR/MSSR Radar, due to which the construction of multi-storey flats may not get the height NOC. Appropriate decision would be taken in consultation with RED (SR) and APO, Trivandrum. Capital expenditure for development of quarters provided to ANS and commercial staff have not been considered as part of the capital expenditure in 2nd control period.

9.2.6. Expansion of existing international terminal building at Chakai side for integrated operations

The new International Terminal Building on Chakai side having an area of 32,528 Sq.m was commissioned on 01.03.2011 at a cost of ₹ 289 crore. Due to operational reasons, recently Air India and Jet Airways have been allowed to operate domestic flights from the existing International Terminal Building towards Chakai side. AAI has been asking for transfer of 131.5 acres of land for development of Trivandrum Airport at par with international standards. Due to increase in land cost and resistance from the local population, the State Govt. vide G.O Letter dated 20.08.2014 has directed the Collector to acquire and handover 18.53 acres of land on north-eastern side contiguous to AAI boundary towards Chakai side. The land is yet to be handed over.

Considering the present scenario of limited available land towards Chakai side, AAI has proposed to extend the existing International Terminal Building linearly on both sides to cater for integrated operations.

The existing International Terminal Building for integrated operations is proposed to be expanded by 54,425 Sq.m catering to a peak hour of 3465 pax with an annual handling capacity of 4.37 mppa. The proposal is at planning stage. Accordingly it is envisaged that Chakai side will have 2 Terminals (Existing Int'l + New integrated Terminal) and Shangumugam side will continue to cater Domestic operations of LCC airlines through existing Terminal to meet the passenger traffic demand.

9.2.7. Construction of new fire station at Chakai

The existing fire station is located on the South-West side of existing Runway. It is a very old structure. A new fire station (Cat. X) is proposed to be constructed behind the existing fire station, where the vacant land is available. After operationalization of new fire station, the old fire station shall be dismantled to make way for airside pavement.

Authority's Examination of AAI's submissions

9.3. The Authority requested AAI to submit the Capex to be incurred in FY 2016-17. In response to this, AAI vide submission dated 18.1.2017 provided the revised capital expenditure to be incurred in FY 2016-17 and 2nd control period. The Authority revised the capital expenditure as per the status provided by AAI dated 18.1.2017. The Authority noted that total amount for Terminal building Capex is ₹ 300 crore and the aeronautical component is ₹ 280.41 crore as per AAI submissions. The Authority had proposed to use 90% as aeronautical for asset allocation of Terminal related assets and proposed to consider ₹ 270 crore as aeronautical Capex towards Terminal building during the 2nd control period.

Table 27 - Revised aeronautical capital expenditure for 2nd control period as considered by the Authority

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways	43	13	-	-	-
2	Taxiways	62	-	-	-	-
3	Aprons	-	-	-	-	40
4	Road, bridges & culverts	-	-	-	-	-
5	Terminal & other buildings in operational area	-	21	-	20	270
6	Buildings-residential	-	2	-	-	-
7	Electrical Installations and air conditioners	-	-	-	-	-
	Total (₹ 471 crore)	**105**	**36**	**0**	**20**	**310**

9.4. The Authority had proposed to consider the total aeronautical Capex to be capitalized and added to RAB at ₹ 471 crore.

9.5. The Authority notes that the cost of the planned works is indicative. The Authority had proposed to consider the addition to aeronautical assets during the 2nd control period as given in Table 27 subject to true-up of RAB based on actual aeronautical asset addition while determining tariffs for the 3rd control period.

9.6. In the 2nd control period, project works related to extension of parallel taxi track (₹ 62 crore), resurfacing and re-strengthening of runway (₹ 56 crore), construction of additional aprons (₹ 40 crore), extension of air side arrival corridor (₹ 21 crore), construction of new fire station (₹ 20 crore) and the expansion of existing international terminal building at Chakai side for integrated operations (₹ 270 crore) are proposed to be taken up. These require user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as part of the consultation process with users. AAI has submitted user consultation for extension of parallel taxi track, extension of airside arrival corridor and resurfacing and re-strengthening work of runway.

9.7. The Authority has issued an order on Normative Approach to Building Blocks in Economic Regulations of major airports. AAI submitted that the total cost for expansion of Airport Terminal is ₹ 300 crore and area of such terminal is 54,425 sq. m. The Authority noted that the cost of terminal per square meter of terminal area is ₹ 55,121 which is within the threshold limits of normative cost as per Authority's guideline/ order.

9.8. Based on the material before it and its analysis, the Authority proposed the following:

9.8.1. To consider allowable project cost of ₹ 471 crore and accordingly to reckon the amount of ₹ 471 crore as addition for total assets during the 2nd control period.

9.8.2. Direct AAI to undertake user stakeholder consultation process for major Capex items as per the Guidelines.

9.8.3. To true-up the Opening RAB of the next control period depending on the Capex incurred and date of capitalisation of underlying assets in a given year.

Stakeholders' comments and Authority's observations

Comments from IATA

9.9. There is a need for AERA to ensure user consultation by AAI is undertaken in a meaningful way for CAPEX decisions. Regulated airports have an obligation to consult Users as stipulated in the AERA's consultation protocol between airport operator(s) and user(s). Disappointingly, there is generally a lack of meaningful consultation with Users on CAPEX at major airports in India to ascertain that investments in capacity meet current and future demand in a cost-effective manner. In some instances airport operator have yet to form the Airport Users Consultative Committee (AUCC) as mandated by AERA and decisions on investment are made unilaterally without agreement from Users. We call on AERA to exercise a stronger hand to ensure compliance with the consultation protocol. One way to assure this is by checking with Users (IATA included) if airport operators have satisfactorily followed through with the stipulated consultation process and not just merely conducting information session for Users.

AAI's submission to IATA's comments

9.10. AAI has stated that AAI is conducting User Consultation of major works of an airport as per guidelines issued by AERA on Airport User Consultative Committee (AUCC) meetings.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

9.11. The Authority has noted IATA's comment on the meaningful user consultation for decisions on capital expenditure.

9.12. The Authority is in general agreement with the view that airport operators should undertake meaningful discussions as per the guidelines with the stakeholders before incurring any significant Capex. AERA on its part will send senior officers as observers to such meetings. The Authority notes that the airlines send their executive officers operating at the airport for such meetings who might not have proper understanding of various issues involved in tariff determination. They may also not be able to forcefully put forth their points of view. The stakeholders should take these meetings seriously and send their senior officers, preferably from the head office, who have an understanding of tariff matters to participate in such meetings.

Decision no. 6 – Regarding Capital Expenditure

6.a. The Authority decides to consider allowable project cost of ₹ 471 crore and accordingly reckon the amount of ₹ 471 crore as additions to total assets during the 2nd control period.

6.b. The Authority directs AAI to undertake user stakeholder consultation process for major Capex items as per the Guidelines.

6.c. The Authority decides to true-up the Opening RAB of the next control period depending on the Capex incurred and date of capitalisation of underlying assets in a given year.

10. Depreciation

10.1. AAI has submitted that the depreciation rates used are as per AAI's approved accounting policy. The salient aspects of AAI's depreciation policy being followed are as under:

10.1.1. Method of depreciation: straight line;

10.1.2. 100% of depreciation rates of assets if assets are used in a financial year for 180 days or more. If the assets are used for less than 180 days in a year the depreciation is charged at 50% of the depreciation rates. This policy is effective from the financial year 2012-13;

10.1.3. Residual value for each asset is taken as Re.1 balance to be provided by way of depreciation as per prescribed rates.

Authority's Examination of AAI's submissions

10.2. The Authority notes that the depreciation policy of AAI is not in accordance with the depreciation rates adopted by the Authority in other private airports. AAI is a statutory body established under the AAI Act and it does not come under the Companies Act. The Board of AAI has approved the depreciation policy that has been adopted by AAI.

10.3. The Authority notes that on some of the assets the depreciation charged by AAI is not in line with the Companies Act 2013. The Authority is of the view that adoption of depreciation rates as prescribed under the Companies Act at any point of time is appropriate, considering the variation in policies adopted by the airport operators. The Authority further notes that there is no specific mention of the classes of assets viz. apron, taxiway and runway in the Companies Act 2013 or 1956 or in the Income Tax Act 1961.

10.4. In this regard, the Authority has separately commissioned a study to determine appropriate depreciation rates for regulation of airports in line with the provisions of the Companies Act 2013. The Authority will consider the recommendations of the study as and when the study is completed and submitted to the Authority for adjustment in RAB or true up depreciation.

10.5. In light of above, for the categories of assets (runway, taxiway and apron) where no specific depreciation rate/ useful life has been mentioned in the Companies Act, the

Authority proposes to adopt depreciation rate of 3.33%. This rate is proposed to be applied on runway, taxiway and apron assets existing as on 01.04.2011 and on these assets added during 1st and 2nd control period.

10.6. The Authority had proposed to adopt the depreciation rates mentioned under Companies Act for assets as per the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014.

10.7. The Authority had proposed that for the new assets to be capitalized in the 2nd control period, depreciation is charged at 50% of the depreciation rates in the year of capitalization.

10.8. The depreciation rates as submitted by AAI and as considered by the Authority during the 1st and 2nd control period are given below:

Table 28 - Depreciation rates as submitted by AAI and as considered by the Authority

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
1	Free hold land	0%	0%	0%
2	Runways	13%	3.33%	3.33%
3	Taxiways	13%	3.33%	3.33%
4	Aprons	13%	3.33%	3.33%
5	Road, bridges & culverts	13%	1.63%	3.33%
6	Terminal & other buildings in operational area	8%	1.63%	3.33%
7	Buildings-Temporary	100%	100%	33.33%
8	Buildings-Residential	5%	1.63%	3.33%
9	Fencing-Temporary	100%	100%	33.33%
10	Other buildings-Unclassified	8%	1.63%	3.33%
11	Computers & IT H/w & accessories	20%	16.21%	16.67%
12	Plant & machineries	11%	4.75%	6.67%
13	Tools & equipment	20%	4.75%	6.67%
14	Office furniture & fixtures	20%	6.33%	10%
15	Other vehicles	14%	9.50%	12.50%
16	Electrical installations & air conditioners	11%	4.75%	10%
17	Other office equipment/ appliances	18%	4.75%	20%
18	F&F-operational area	20%	6.33%	10%
19	X-Ray baggage insp. system	11%	4.75%	6.67%
20	CFT/ firefighting equipment	13%	4.75%	6.67%

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
21	Boundary wall-Operational	8%	1.63%	3.33%
22	Intangible assets-computer s/w	20%	20%	20%
23	Boundary wall-Residential	5%	1.63%	3.33%
24	Motors cars/jeeps	14%	9.50%	12.50%

10.9. The revised depreciation for the 2nd control period as per Hybrid Till as proposed by the Authority is given below:

Table 29 - Authority's consideration on depreciation for the 2nd control period – Hybrid Till

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	60.93	58.67	52.65	45.62	70.63	288.51
2	As per Authority	30.41	32.66	30.94	29.86	34.87	158.74

10.10. Based on the material before it and its analysis, the Authority proposed the following:

10.10.1. To adopt depreciation rates as per Table 28 and depreciation for the 2nd control period as per Table 29.

10.10.2. To consider the recommendations of the study as and when the study is completed and submitted to the Authority for adjustment in RAB or true up depreciation.

Decision No. 7. Regarding treatment of Depreciation

7.a. The Authority decides to adopt depreciation rates as per Table 28 and depreciation for the 2nd control period as per Table 29.

7.b. The Authority proposes to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.

11. RAB for Second control period

11.1. AAI has submitted Regulatory Asset Base for 2nd control period under Hybrid Till as follows:

Table 30 - Summary of the RAB and Depreciation for TVM (Airport Services) as per AAI for the 2nd control period

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	209.21	288.64	241.85	189.20	163.58
B	Aeronautical Additional Assets capitalized during the year	140.36	11.88	0.00	20.00	320.41
C	Disposals/Transfers	0	0	0	0	0
D	Depreciation	60.93	58.67	52.65	45.62	70.63
E	Closing Aeronautical RAB (A+B-C-D)	288.64	241.85	189.20	163.58	413.36
	Average RAB (A+E)/2	**248.92**	**265.24**	**215.52**	**176.39**	**288.47**

Authority's Examination of AAI's submissions

11.2. The Authority had proposed to adopt opening RAB for FY 2016-17 as detailed in Table 25.

11.3. The Authority had proposed to adopt depreciation as proposed in Table 29.

11.4. The Authority had proposed ₹ 471 crore as the addition of aeronautical assets to RAB as detailed in Table 27.

11.5. The revised Regulatory Asset Base as calculated by the Authority for 2nd control period under Hybrid Till is as follows:

Table 31 - Summary of forecast and Roll forward RAB and Depreciation for TVM (Airport Services) considered by the Authority for 2nd control period – Hybrid Till

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	344.54	419.13	422.46	391.52	381.66
B	Aeronautical Assets capitalized during the year	105.00	36.00	0.00	20.00	310.00
C	Disposals/Transfers	0.00	0.00	0.00	0.00	0.00
D	Depreciation	30.41	32.66	30.94	29.86	34.87
E	Closing Aeronautical RAB (A+B-C-D)	419.13	422.46	391.52	381.66	656.80
	Average RAB (A+E)/2	**381.83**	**420.79**	**406.99**	**386.59**	**519.23**

11.6. The Authority had proposed to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates, at the time of determination of tariff for the 3rd control period.

11.7. Based on the material before it and its analysis, the Authority proposed the following:

11.7.1. To consider RAB for 2nd control period as given in Table 31

11.7.2. To true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

Stakeholders' comments and Authority's observations

Comments from IATA

11.8. AERA intends to true up the RAB on the basis of actual capital expenditure, while it does not mention whether such expenditure will be subject to a capital efficiency analysis. The latter is extremely necessary in order to provide the right incentives to TVM to deliver Capex in an efficient manner.

AAI's submission to IATA's comments

11.9. AAI has stated that the major capital expenditure incurred by AAI for a particular airport follows the guidelines issued by AERA on AUCC as well as Normative Approach.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

11.10. The Authority has noted IATA's comments and AAI's comments related to major capital expenditure and adoption of normative approach benchmarks. The Authority has analysed per Sq.m cost for major capital expenditures and is satisfied that the capital expenditure projections are within the normative benchmarks provided by the Authority.

11.11. The Authority has noted IATA's comments related to capital efficiency and submits that the Authority shall normally take into account capital expenditures as per the normative order issued vide Order No. 07/2016-17 dated 06.06.2016 and in case the capital expenditures are higher than the normative order benchmarks, justification to be provided by the team of experts and accordingly the Authority shall take a view. The

AUCC should ensure that projects are completed on time and the properly utilized.

Comments from FIA

11.12. Depreciation on additional assets (point E) for years 2017-18 is higher than the aero additional assets (point B)), while depreciation of additional is almost same to the aero assets. Further there is still depreciation on additional assets although aeronautical additional assets is NIL.

11.13. AERA for the year 2017-18 has increased the aero additional assets without any justification and still allowed depreciation on additional assets although aero additional assets is NIL.

AAI' submission to FIA's comments

11.14. AAI has stated that the depreciation on additions shown in FY 2017-18 includes depreciation on additions of FY 2016-17 also.

Authority's examination of FIA's comments and AAI's submission to FIA's comments

11.15. With respect to FIA's comment on depreciation on additional assets, it is clarified that the depreciation for a given financial year on aeronautical assets consists of depreciation on the opening balance and depreciation calculated on the additions during that financial year of the 2nd control period. The total depreciation for the given year is shown in Table 31.

Decision no. 8 – Regarding RAB for 2nd control period

8.a. The Authority decides to consider RAB for 2nd control period as given in Table 31.

8.b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the Authority's decision on the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

12. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR)

12.1. AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority in Chennai, Kolkata Guwahati and Lucknow Airports for the 1st control period.

12.2. AAI has not apportioned any debt for TVM and financing activities are undertaken centrally at the corporate office of AAI. Due to lack of any debt on TVM's books, FRoR is determined based on capital structure of AAI as a whole.

Authority's Examination of AAI's submissions

12.3. The Authority has recognised that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure and determine the FRoR at a later date since it may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.

12.4. The Authority notes that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority notes that it has considered FRoR at 14% for Chennai and Kolkata airport in the 1st control period considering the recommendations of another study done by NIPFP. Based on the decision at Chennai and Kolkata airport, the Authority considered FRoR at 14% for Guwahati and Lucknow airport for 1st control period.

12.5. Based on the material before it and its analysis, the Authority proposed the following:

12.5.1. To consider the FRoR at 14% for TVM for the 1st and 2nd control period.

12.5.2. To undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.

Stakeholders' comments and Authority's observations

Comments from IATA

12.6. WACC at 14% is unacceptably high simply because debt is not apportioned to TVM. The financing structure of a very high equity proportion (equity is more costly than debts) is not efficient. AERA has mentioned in previous determinations for AAI airports that "it expects AAI to take steps to move toward efficient means of financing and achieve debt equity ratio of 60:40 over a period of time", with no firm deadline set. We call for the normative 60:40 structure to be applied now in this exercise as the debt arrangement (apportioning) between TVM with AAI is not likely to change in the near future.

AAI's submission to IATA's comments

12.7. AAI has stated that the Return on Equity allowed by AERA in order to calculate cost of capital is 16% whereas, AERA has allowed only 14% return on cost of capital for AAI's airports.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

12.8. The Authority has given careful consideration to the comments from IATA on the WACC and the response of AAI to IATA's comments. The Authority is yet to take a view on normative capital structure. The Authority had proposed to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole. The decision on the FRoR will be taken after considering the results of such study.

Decision no. 9 – Regarding FRoR

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

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

13. Revenue from services other than aeronautical services

13.1. AAI has forecasted revenue from services other than aeronautical services as below:

Table 32 - Revenue from Non-aeronautical Services – Projected by AAI for 2nd control period

No.	Revenue from services other than Regulated Services (₹ crore)	2015-16 (base)	2016-17	2017-18	2018-19	2019-20	2020-21
	Trading Concessions						
1	Restaurants/Snack Bar	3.05	3.35	3.69	4.06	4.46	4.91
2	TR Stall/others	13.64	15.01	16.51	18.16	19.97	21.97
3	Duty Free shop	14.20	15.62	17.18	18.90	20.79	22.87
4	Hoardings & Displays	1.30	1.43	1.57	1.73	1.90	2.09
	Rent and Services						
5	Land Leases	6.94	7.46	8.02	8.62	9.26	9.96
6	Buildings (Residential)	0.01	0.01	0.01	0.01	0.01	0.01
7	Buildings (Non-Residential)	4.79	5.98	6.58	7.24	7.96	8.76
	Miscellaneous						
8	Car Parking	5.02	5.52	6.07	6.68	7.35	8.08
9	Miscellaneous - Admission Tickets, Rest Room and Others	5.37	5.91	6.5	7.15	7.87	8.65
	Total	**54.32**	**60.29**	**66.13**	**72.54**	**79.58**	**87.30**

13.2. The growth rates assumed by AAI for forecasting non aeronautical revenues are given below:

Table 33 – Assumption (growth rates) for Service other than Regulated Services for the 2nd Control Period as per AAI

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurants/Snack Bar	10%	10%	10%	10%	10%
2	TR Stall/others	10%	10%	10%	10%	10%
3	Duty Free shop	10%	10%	10%	10%	10%
4	Hoardings & Displays	10%	10%	10%	10%	10%
5	Land Leases	7.5%	7.5%	7.5%	7.5%	7.5%
6	Buildings (Residential)	0%	0%	0%	0%	0%
7	Buildings (Non-Residential)	24.9%	10%	10%	10%	10%
8	Car Parking	10%	10%	10%	10%	10%
9	Miscellaneous - Admission Tickets, Rest Room and Others	10%	10%	10%	10%	10%

Authority's Examination of AAI's submissions

13.3. The Authority had proposed to true up the non-aeronautical revenues for tariff determination in the 3rd control period and accept the revenues from services other than regulated services as submitted by AAI other than adjustments as detailed below.

Adjustment of lease rentals

13.4. AAI has allotted following land to cargo, ground handling and fuel companies (CGF) for their operations. AAI has considered income from such land lease as non-aeronautical revenues

Table 34 – Details of land allotted to cargo, ground handling and supply of fuel service providers in 2nd control period

Service	Service Provider	Land Allocated (Sq.m)		Land Lease revenues (FY 2015-16) ₹ crore
		Paved	Unpaved	
Cargo	Kerala State Industrial Enterprises Limited (KSIEL)	7922	-	1.16
Ground Handling	Bhadra International India Limited	1706.19	649.31	0.86
Ground Handling	Air India Sats Airport Services Pvt. Ltd	6418.06	232.75	
Supply of Fuel to Aircraft	BPCL	578	4431	1.58
Supply of Fuel to Aircraft	IOCL	400	4435	
Supply of Fuel to Aircraft	HPCL	700	-	

13.5. As per the provisions of the AERA Act, services rendered in respect of cargo, ground handling and fuel supply are aeronautical services.

13.6. The Authority noted that AAI in their submission dated 29.11.2016 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per annum and proposes to accept the same. The Authority noted that AAI has increased rent revenues from building non-residential for GH agencies by 10% and proposes to accept the same.

13.7. The Authority had proposed to consider land lease revenues and building non-residential rent revenues on account of the aeronautical services of CGF as aeronautical revenue.

13.8. The Authority noted that revenue of ₹ 71.50 lakhs has been added to the lease rentals from Building Non-Residential. The Authority requested AAI to provide rationale for such addition. AAI vide it submission dated 16.12.2016 stated as below:

"The amount of ₹ 71.50 Lakhs has been projected as rent and services from domestic cargo in Building (Non-Residential) for the F.Y. 2016-17. The proposal for domestic cargo has been dropped. Accordingly, the projected amount may be removed."

13.9. The Authority had proposed to remove such amount from the FY 2016-17 Building – Non-Residential revenues.

Adjustment of increase in area

13.10. The Authority noted that non-aeronautical area of 190 Sq.m will be added in FY 2016-17 and 212 Sq.m will be added in FY 2017-18 as per para 7.5. In light of the above, AAI vide its submission dated 25.01.2017 proposed additional NAR due to utilization of this area. This additional NAR is added to Buildings Non-Residential revenues.

Adjustment of commissioning of integrated terminal

13.11. The Authority noted that the integrated terminal is expected to be commissioned in the last tariff year of the 2nd control period. AAI has submitted that commercial contracts for the integrated terminal are expected to be awarded in the 3rd control period and has thus not included corresponding revenues in 2nd control period.

13.12. The Authority observes that non-aeronautical revenue at TVM is low and expects AAI to utilize its resources better and maximize its non-aeronautical revenue to keep the aeronautical tariff down.

13.13. The Authority had proposed to consider non-aeronautical revenues as given below:

Table 35 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2nd control period

Revenue from services other than Regulated Services (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Aeronautical Revenues as per AAI (A)	**60.29**	**66.13**	**72.54**	**79.58**	**87.30**
Adjustment:					
Revenue from cargo, ground handling and fuel services considered as aeronautical revenues (1)	5.76	6.24	6.76	7.32	7.93
Additional revenues from increase in non-aeronautical area (2)	0.82	2.81	3.09	3.40	3.74

Change in lease revenue on account of drop of domestic cargo terminal proposal (3)	0.72	0.79	0.87	0.95	1.05
Adjustment by the Authority (B = -1+2-3)	**-5.66**	**-4.21**	**-4.53**	**-4.87**	**-5.23**
Non-Aeronautical Revenues as per Authority (A+B)	**54.63**	**61.92**	**68.01**	**74.71**	**82.07**

13.14. Based on the material before it and its analysis, the Authority proposed the following:

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

13.14.2. To consider the Non Aeronautical Revenue as per Table 35

13.14.3. To true up the non-aeronautical revenue for the 2nd control period based on the actual non aeronautical revenue earned by AAI while determining aeronautical tariffs for the 3rd control period.

Stakeholders' comments and Authority's observations

Comments from IATA

13.15. AERA highlights that it wishes TVM to increase is non-aeronautical revenues, and make an upwards adjustment because of it. But then it also proposes to true up the non-aero revenues (which could be at odds with AERA's wish if the actual non-aeronautical revenue is lower than forecast). In order to be consistent, AERA should consider a minimum amount of non-aero revenue that will be considered when truing up.

Authority's examination of IATA's comments

13.16. The Authority notes the views expressed by IATA regarding trueing up of non-aeronautical revenues and submits that this view is accepted and non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

Comments from FIA

13.17. AERA has accepted growth rate as proposed by AAI at a flat rate of 10%. AERA needs to reconsider the same.

Authority's examination of FIA's comments

13.18. With respect to FIA's comment on the acceptance of AAI's growth rate of non-aeronautical revenues, the Authority has confirmed from AAI that the growth rates for non-aeronautical revenues are as per the annual increments provided in the contracts signed between AAI and the non-aeronautical service provider. The Authority has also analysed historical CAGR for last 5 years and is satisfied that the growth rates submitted by AAI are reasonable.

Decision no. 10 – Regarding Non-Aeronautical Revenues

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

10.b. The Authority decides to consider the Non Aeronautical Revenue as per Table 35

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

14. Operation and Maintenance Expenditure

14.1. Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into: (i) Payroll expenses; (ii) Admin and General Expenditure; (iii) Repair and Maintenance Expenditure; (iv) Utilities and Outsourcing Expenditure; and (v) Other Outflows

14.2. Summary of aeronautical expenses proposed by AAI for 2nd control period is as below:

Table 36 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2nd control period on Hybrid Till

No.	Particulars (₹ crore)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of TVM	46.48	50.56	70.78	77.00	83.77	91.15
2	Expenditure for TVM employees' retirement benefits allocated at CHQ	8.52	8.95	9.40	9.87	10.36	10.88
3	Less - Pay and Allowances of ANS unit	1.77	2.35	3.17	3.43	3.72	4.03
A	**Total Pay roll Expenditure (1+2-3)**	**53.23**	**57.16**	**77.01**	**83.43**	**90.41**	**97.99**
4	Administrative and General Expenditure	2.78	3.06	3.36	3.69	4.05	4.45
5	Apportionment of administration & General expenditure of CHQ/RHQ	20.75	21.79	22.88	24.02	25.22	26.48
B	**Total Administration & General Expenditure(4+5)**	**23.53**	**24.84**	**26.23**	**27.71**	**29.27**	**30.93**
C	**Repairs and Maintenance Expenditure (Total)**	**9.07**	**9.98**	**10.98**	**12.08**	**13.28**	**14.61**
6	Power Charges	9.51	9.51	9.51	9.51	9.51	9.51
7	Water Charges	0.54	0.54	0.54	0.54	0.54	0.54
8	Others	3.04	3.34	3.68	4.05	4.45	4.90
D	**Utility and Outsourcing Expenditure (6+7+8)**	**13.08**	**13.39**	**13.72**	**14.09**	**14.50**	**14.94**
E	**Other Outflows**	**0.71**	**0.75**	**0.79**	**0.83**	**0.87**	**0.91**
	Total (A+B+C+D+E)	**99.63**	**106.11**	**128.73**	**138.14**	**148.33**	**159.38**

14.3. The details of the assumptions made by AAI for O&M Expenditure are given below:

Table 37 – Assumptions made by AAI for each item of O&M expenditure

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	**Payroll Expenses**					
	Salaries and Wages	9%	40%*	9%	9%	9%
	PF contribution	9%	40%*	9%	9%	9%

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
	Fringe benefits including perks & medical expenses	9%	40%*	9%	9%	9%
	Allocation of Retirement Benefit provided at CHQ in r/o TVM Employees	5%	5%	5%	5%	5%
2	**R&M Expenses**	**10%**	**10%**	**10%**	**10%**	**10%**
3	**Utility and outsourcing Expenditure**					
	Power & Water charges	0%	0%	0%	0%	0%
	Other outsourcing costs	10%	10%	10%	10%	10%
4	**Administration and General Expenditure**					
	Admin & General Expenses	10%	10%	10%	10%	10%
	Other fees like Aerodrome licensing	0%	0%	0%	0%	0%
	Apportionment of CHQ/RHQ Expenses	5%	5%	5%	5%	5%
5	**Other Outflows**					
	Collection charges on UDF	5%	5%	5%	5%	4%
	Collection charges on PSF	6%	6%	6%	6%	4.8%

** Higher growth rate for increase in Payroll costs in FY 2017-18 is due to 7th Pay Commission revision*

14.4. AAI has segregated total O&M expenditure for the 2nd control period into aeronautical expenses, non-aeronautical expenses, and common expenses. Common expenses in turn have been allocated between aeronautical and non-aeronautical services.

14.5. Expense allocation as submitted by AAI for 2nd control period is tabulated below:

Table 38 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	98%	2%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	94%	6%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	100%	0%
5	R&M Expenses	98%	2%
6	Utility and Outsourcing Charges	99%	1%
7	Other Outflows	100%	0%
	Total	**99.6%**	**0.4%**

Authority's Examination of AAI's submissions

14.6. The Authority considered the operating expenses and their projections submitted by AAI and noted the following.

Forecasting of payroll expenses

14.6.1. The Authority notes that payroll costs components – Salaries and Wages, Fringe Benefits, including perks & medical expenditure and PF contribution have been increased by AAI at the growth rate of 9% annually for 2nd control period except for FY 2017-18. These growth rates appear to be on a higher side. The Authority had proposed growth rate of 7% for the above payroll components.

14.6.2. The Authority notes that expenditure on apportionment of retirement benefits provided to CHQ in respect of TVM employees is increased at 5% annually for 2nd control period which is different from the 7% for the above mentioned payroll components. The Authority had proposed to apply the same growth rate of 7% annually except for FY 2017-18 for expenditure on apportionment of retirement benefits provided to CHQ in respect of TVM employees (as per discussion with AAI).

14.6.3. The Authority has in particular noted that an increase of 40% has been projected in the pay roll expenditure in FY 2017-18 due to tentative increase in salary and wages on account of wage revision. The Authority notes that Public Sector Undertakings are covered under separate wage revision mechanism. Moreover, the Authority is of the view that as on date there is no actual evidence of the said outflow in FY 2017-18 and hence had proposed to true up the expenditure in the 3rd control period. In view of above, an increase of 25% is proposed for projection of the pay roll expenditure for FY 2017-18.

14.6.4. The Authority had proposed to adopt CHQ/RHQ overheads apportionment for the 2nd control period based on actual revenue basis data provided by AAI. The Authority had proposed to increase CHQ/RHQ overheads apportionment costs (admin & general expenditure of CHQ/RHQ) by 5% per annum for the 2nd control period as submitted by AAI.

Segregation of aeronautical expenses

14.7. The Authority noted that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees which is 98.16%. To account for common service employees handling both aeronautical and non-aeronautical activities, the Authority had proposed to use ratio of 95% to 5% for allocation of payroll costs.

14.8. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of Trivandrum airport and apportionment of admin CHQ/RHQ expenses have been considered as 100% aeronautical expenses. The Authority had proposed to use the ratio of 90% to 10% for aeronautical and non-aeronautical allocation.

14.9. The Authority noted that the expenses related to vehicles such as R&M – Vehicles and Consumption of petrol/ lubricants etc. have been considered 100% aeronautical expense. The Authority had proposed to allocate aforementioned expenses using employee ratio into aeronautical and non-aeronautical expenses.

14.10. Terminal Area ratio for calculation of aeronautical assets is proposed as 90%. This ratio has been applied to specific expenses in R&M – Civil, R&M – Equipment and Furniture and Conservancy Charges/ Cleaning Contracts.

Correction in projection

14.11. The Authority has carried out minor revision in the operational expenditure pertaining to Travelling Expenses, Freight Charges/ Shifting Expenses, R&M – Electricals and Photocopy Expenses for FY 2015-16 after consultation with AAI.

14.12. The O&M expenditure for FY2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 39 – Total O&M expenditure for FY 2015-16 as proposed by the Authority

No.	Particulars (₹ crore)	2015-16
1	Pay roll Expenditure of TVM	47.48
2	Expenditure for TVM employees' retirement benefits allocated at CHQ	8.52
3	Less - Pay and Allowances of ANS unit	2.48
A	**Total Pay roll Expenditure (1+2-3)**	**53.51**
4	Administrative and General Expenditure	2.59
5	Apportionment of administration & General expenditure of CHQ/RHQ	24.02
B	**Total Administration & General Expenditure(4+5)**	**26.62**
C	**Repairs and Maintenance Expenditure (Total)**	**9.24**
6	Power Charges	9.56

No.	Particulars (₹ crore)	2015-16
7	Water Charges	0.54
8	Others	3.11
D	**Utility and Outsourcing Expenditure (6+7+8)**	**13.21**
E	**Other Outflows**	**0.71**
	Total (A+B+C+D+E)	**103.28**

14.13. Expense allocation proposed to be considered by the Authority after above changes for 2nd control period is tabulated below:

Table 40 – Expense allocation between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	95%	5%
2	Payroll Retirement benefit expenses Apportionment – CHQ	95%	5%
3	Admin and General Expenses – Non CHQ	94%	6%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	90%	10%
5	R&M Expenses	97%	3%
6	Utility and Outsourcing Charges	98%	2%
7	Other Outflows	100%	0%
	Total	**94.5%**	**5.5%**

14.14. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2nd control period under Hybrid Till and given in table below.

Table 41 - Summary of Aeronautical O&M expenditure as per the Authority for the 2nd control period as per Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of TVM	48.21	60.26	64.41	68.85	73.60
2	Expenditure for TVM employees' retirement benefits allocated at CHQ	8.66	10.83	11.59	12.40	13.27
3	Less - Pay and Allowances of ANS unit	2.25	2.81	3.00	3.21	3.43
A	**Total Pay roll Expenditure (1+2-3)**	**54.63**	**68.28**	**73.00**	**78.04**	**83.44**
4	Administrative and General Expenditure	2.67	2.94	3.22	3.54	3.89
5	Apportionment of administration & General expenditure of	22.70	23.84	25.03	26.28	27.59

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	CHQ/RHQ					
B	**Total Administration & General Expenditure(4+5)**	**25.37**	**26.77**	**28.25**	**29.82**	**31.49**
C	**Repairs and Maintenance Expenditure (Total)**	**9.87**	**10.85**	**11.94**	**13.13**	**14.44**
6	Power Charges	9.51	9.51	9.51	9.51	9.51
7	Water Charges	0.54	0.54	0.54	0.54	0.54
8	Others	3.24	3.56	3.91	4.31	4.74
D	**Utility and Outsourcing Expenditure (6+7+8)**	**13.28**	**13.60**	**13.96**	**14.35**	**14.78**
E	**Other Outflows**	**0.75**	**0.79**	**0.83**	**0.87**	**0.91**
	Total (A+B+C+D+E)	**103.89**	**120.30**	**127.98**	**136.22**	**145.05**

14.15. It appears that O&M expenditure at TVM is on higher side and expects AAI to reduce the O&M expenditure over a period of time.

14.16. Based on the material before it and its analysis, the Authority proposed the following:

14.16.1. To consider the operational and maintenance expenditure as given in Table 41 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

14.16.2. That AAI should endeavour to reduce O&M expenditure over a period of time.

14.16.3. To true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the 2nd control period based on the actuals at the time of determination of tariffs for the 3rd control period.

Stakeholders' comments and Authority's observations

Comments from IATA

14.17. The 95% aeronautical vs 5% non-aeronautical for allocation of payroll costs is on the high side and can be more appropriately adjusted. We lack detailed information to justify such heavily lopsided allocation ratio, all the more so in a Hybrid Till approach.

14.18. While the CHQ/RHQ costs are being allocated among major airports on a revenue basis, AERA is not following the same approach for splitting these costs among aeronautical and non-aeronautical activities. For consistency, AERA should consider allocating these costs among aero and non-aeronautical activities on a revenue basis.

14.19. While AERA is reducing salary increases from 40% to 25% in 2017/18, no evidence has been provided that would justify either the original or the reviewed amount. A more appropriate assumption would be to assume the same percentage growth as per the other years of the regulatory period (i.e.7%).

14.20. IATA requested AERA to apply greater scrutiny on the proposed Opex by the airport operators including cost efficiency targets while delivering optimal level of services to Users.

14.21. IATA further pointed out that the Authority is proposing to true up most of the components that form the basis of the building block calculations. It is unclear as to how such an approach will incentivise the regulated company to run efficient operations. Truing up minimises the risks borne by airports while AERA is not reflecting such lower risks through a lower WACC. AERA should start reconsidering its approach towards truing up.

AAI's comments

14.22. For the allocation of payroll costs between aeronautical and non-aeronautical expenses, it (employee ratio) may be considered on the basis of actual i.e. 98.16%: 1.84%. 5% ratio for non-aeronautical component proposed by AERA is felt to be on higher side when the actual is less than 5%. Hence, AERA may consider ratio as per actual.

14.23. As per last pay revision effective from F.Y 2007-08, there was approx. increase of 50% in salary and wages expenditure. Hence AERA may consider the increase of 40% as projected.

14.24. The actual amount of retirement benefits for non-aeronautical employees can be calculated & deducted from the Retirement benefits under the head retirement benefits of Trivandrum employees. Considering 10% as non-aeronautical portion towards retirement benefits is considered to be on higher side when the actual salary expenses for non-aeronautical staff is less than 5%. AERA's view point contradicts, in case of payroll the aeronautical & non-aeronautical expenses considered as 95%:5% whereas for retirement benefits of the same employees it is considered as 90%:10%. The above two ratios may be considered uniformly because the nature of expense is same. The actual ratio of aeronautical vs non-aeronautical expenses for retirement benefits on the basis of no. of employees, comes to 97.90%:2.10%. Hence AERA may consider as per actuals.

14.25. AAI has further commented that as per AERA directives it would endeavour to reduce the O&M expenditure.

Authority's examination of IATA's and AAI's comments

14.26. The Authority has noted the comments from AAI and IATA on the employee ratio used for allocation of the employee costs. The Authority has examined the employee details submitted by AAI and is satisfied that the ratio of 95% to 5% is reasonable.

14.27. The Authority has noted the comments of IATA and AAI on the growth rate of 25% for FY 2017-18 for payroll costs. Salaries at AAI are revised every 10 years and during the first year of revision, the increase in salary cost is in the range of 25% to 30%. During the last pay revision, the increase was 50% in the first year but the Authority has considered 25% increase in the current proposal.

14.28. The Authority has given careful consideration to IATA's comment on allocating the CHQ/ RHQ expenses into aeronautical and non-aeronautical expenses on revenue basis. The issue was debated in some detail and normally CHQ/RHQ expenses are allocated on cost basis. However, cost based allocation would result in high tariffs at smaller airports and hence, conscious decision was taken to apportion CHQ/RHQ on revenue basis to each airport. This is based on the rationale that airports with higher revenues would be able to absorb higher costs. The CHQ/RHQ overheads expenses apportioned to Trivandrum have been allocated to aeronautical and non-aeronautical component based on 90%:10% ratio.

14.29. The Authority has noted the comment of AAI on the allocation ratio for apportionment of retirement benefits at CHQ for TVM airport. The Authority decides to apply the ratio of 95% to 5% for allocation of the retirement benefits at CHQ for TVM airport which is consistent with ratio applied to other payroll expenses. The payroll costs have accordingly been updated in Table 41.

14.30. The Authority has duly considered IATA's comment on greater scrutiny of proposed O&M expenditure. AAI has provided detailed assumptions for each line item of the O&M

expenditure which the Authority has analysed while projecting it for the control period. The Authority also noted AAI's comment that it will endeavour to reduce the O&M expenditure.

14.31. The Authority has noted IATA's comment on the truing up of most of the building blocks. The Authority has accepted similar views of IATA regarding truing of non-aeronautical revenues. The Authority has also instituted normative capital expenditure benchmarks. Regarding O&M expenses, the Authority shall take up studies regarding efficient O&M expenditure and corresponding service quality levels in future.

Decision no. 11 – Regarding Operational and Maintenance expenditure

12.a. The Authority decides to consider the operational and maintenance expenditure as given in Table 41 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

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

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

15. Taxation

15.1. AAI has submitted tax calculations using provisional tax rate of 34.60 % for the 2nd control period. AAI had calculated the tax considering depreciation rates applicable under Income Tax laws.

Authority's Examination of AAI's submissions

Adjustment for 30% of non-aeronautical revenues

15.2. AAI vide their submissions dated 29.11.2016 calculated tax for aeronautical services under Hybrid Till taking into account 30% of revenues from services other than regulated services as part of total revenues. As per MIAL Order No. 32/2012-13 (Decision No. XV), the Authority had decided to consider corporate tax pertaining to earnings from aeronautical services under Shared Till. Therefore, the Authority had proposed to exclude non-aeronautical component from revenues considered while determining tax for aeronautical services.

Adjustment of aeronautical Capex

15.3. The Authority had proposed to consider aeronautical Capex of ₹ 471 crore as given in Table 27 while calculating depreciation as per IT Act

Adjustment of O&M Expenses

15.4. The Authority had proposed to consider O&M expenses as given in Table 41.

Adjustment of aeronautical revenues on account of CGF lease and rent correction

15.5. The Authority had proposed to modify total aeronautical revenues considering lease rentals from CGF as aeronautical as mentioned in para 13.7

Continuation of existing tariffs in FY 2016-17

15.6. The Authority had proposed to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.07.2017 onwards.

Revised Tax as considered by the Authority

15.7. The amount of tax as per submission of AAI and that arrived by the Authority after considering the above mentioned changes is given below:

Table 42 - Amount of Tax for aeronautical services as per AAI submission and as calculated

by the Authority for the 2nd control period - Hybrid Till

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	1.77	30.09	36.82	43.45	39.77	151.90
As per Authority	5.63	21.71	35.24	42.70	45.34	150.63

15.8. The detailed calculation of tax for aeronautical service by the Authority is given in table below:

Table 43 - Amount of Tax for aeronautical services as calculated by the Authority for the 2nd control period - Hybrid Till

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	136.66	207.44	253.05	280.85	312.07
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	72.55	85.65	91.38	97.56	104.22
CHQ/ RHQ Overheads	31.36	34.67	36.62	38.68	40.86
Depreciation as per IT Act	16.49	24.38	23.24	21.21	35.99
PBT	16.28	62.76	101.84	123.42	131.04
Tax for aeronautical services	**5.63**	**21.71**	**35.24**	**42.70**	**45.34**

15.9. The taxes actually paid/ apportioned in the 2nd control period are proposed to be trued up after review in the next control period.

15.10. Based on the material before it and its analysis, the Authority proposed the following:

15.10.1. To consider the corporate tax for aeronautical activities as per Table 43 for the 2nd control period.

15.10.2. To true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.

AAI's comments

15.11. AAI has stated that tax portion pertaining to 30% non-aero adjusted against ARR may be considered by AERA.

Authority's examination of AAI's comments

15.12. The Authority has noted the comments from AAI on the taxation. As stated earlier in para 15.2, as per MIAL order no. 32/ 2012-13 (Decision No. XV), the Authority has decided to consider corporate tax pertaining to earnings from aeronautical services under Hybrid Till.

Decision no. 12 – Regarding taxation

12.a. The Authority decides to consider the corporate tax for aeronautical activities as per Table 43 for the 2nd control period.

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

16. Aggregate Revenue Requirement for Second control period

16.1. AAI has submitted Aggregate Revenue Requirement (ARR) the yield per passenger (YPP) for the 2nd control period as per Hybrid Till. AAI has shown the true-up value separately from yield calculations for 2nd control period. During discussions, AAI had requested for including true-up while calculating tariff for 2nd control period.

Table 44 - ARR and Yield as per AAI for the 2nd control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	248.92	265.24	215.52	176.39	288.47
Return on Average Aeronautical RAB@14%	34.85	37.13	30.17	24.69	40.39
Aeronautical Operating Expenditure	106.11	128.73	138.14	148.33	159.38
Depreciation on aeronautical RAB	60.93	58.67	52.65	45.62	70.63
Aeronautical Corporate Tax @34.60%	0	18.69	26.35	35.11	33.63
Less- 30% of Non-Aeronautical Revenues	18.09	19.84	21.76	23.87	26.19
ARR as per AAI	**183.81**	**223.38**	**225.55**	**229.89**	**277.84**
Total ARR as per AAI					**1,489.41**
No. of Passengers (as per Actual/Projected)	3,943,389	4,249,417	4,583,809	4,949,551	5,349,967
Discounted ARR	**183.81**	**195.95**	**173.56**	**155.17**	**164.50**
True up short fall in 1st control period as on 01.04.2016	**350.72**				
PV of ARR for the control period as on 01.04.2016					**1,223.71**
Total Passengers during the control period					**23,076,133**
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)					**530.29**

Authority's examination of AAI's submissions

16.2. The Authority has examined the calculations of AAI for various elements of the regulatory building blocks that contribute to the calculation of ARR.

16.3. The Authority has estimated the following ARR and yield for the 2nd control period under Hybrid Till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.

Table 45 - ARR and Yield as per Authority for the 2nd control period – Hybrid Till

Details (₹ crore)	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Average Aeronautical RAB	381.83	420.79	406.99	386.59	519.23
Return on Average Aeronautical RAB@14%	53.46	58.91	56.98	54.12	72.69
Aeronautical Operating Expenditure	103.89	120.30	127.98	136.22	145.05
Depreciation on aeronautical RAB	30.41	32.66	30.94	29.86	34.87
Aeronautical Corporate Tax @34.6%	5.63	21.71	35.24	42.70	45.34
Less – 30% of Non-Aeronautical Revenues	16.39	18.58	20.40	22.41	24.62
True up short fall in 1st control period as on 01.04.2016	158.83				
ARR as per Authority	**335.83**	**215.01**	**230.73**	**240.49**	**273.33**
Total ARR as per Authority					**1,295.39**
Discounted ARR	**335.83**	**188.60**	**177.54**	**162.32**	**161.83**
PV of ARR for the control period as on 01.04.2016					**1,026.13**
No. of Passengers (as per Projected)	3,943,389	4,280,519	4,654,100	5,068,698	5,529,490
Total Passengers during the control period					**23,476,195**
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)					437.09
Target yield per pax	527.01	549.09	572.10	596.07	621.05
Target Aeronautical Revenues	**207.82**	**235.04**	**266.26**	**302.13**	**343.41**
PV of Target Aeronautical Revenues for the control period as on 01.04.2016					**1,026.13**

17. Annual Tariff Proposal

17.1. AAI has submitted ATP(s) for all years of the 2nd control period.

17.2. AAI has submitted the revision in tariff w.e.f. 01.04.2017 till 31.03.2021.

17.3. AAI has proposed for a scheme of rebate in landing charges depending on the number of landings per week for domestic flight operations.

17.4. Accordingly AAI has submitted the ATP(s) for 2nd control period in respect of TVM. The ATP(s) as submitted by AAI for the tariff years 2017-18 onwards (w.e.f. 01.04.2017) is annexed herewith for stakeholder consultation.

Authority's Examination of AAI's submissions

17.5. The Authority had proposed to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.07.2017.

17.6. The revised tariffs as applicable from 01.07.2017 as submitted by AAI and as proposed by the Authority are given in table below:

Table 46 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Rate per landing - International Flight			
Up to 100 MT	₹ 250.50 per MT		
Above 100 MT	₹ 25,050/- + ₹ 336.60 per MT in excess of 100 MT		
Up to 25 MT		₹ 300 Per MT	₹ 300 Per MT
Above 25 MT up to 50 MT		₹ 7,500 + ₹ 350 per MT in excess of 25 MT	₹ 7,500 + ₹ 350 per MT in excess of 25 MT
Above 50 MT up to 100 MT		₹ 16,250 + ₹ 400 per MT in excess of 50 MT	₹ 16,250 + ₹ 400 per MT in excess of 50 MT
Above 100 MT to 200 MT		₹ 36,250 + ₹ 460 per MT in excess of 100 MT	₹ 36,250 + ₹ 460 per MT in excess of 100 MT
Above 200 MT		₹ 82,250 + ₹ 520 per MT in excess of 200 MT	₹ 82,250 + ₹ 520 per MT in excess of 200 MT

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Rate per Landing - Domestic Flight			
Up to 100 MT	₹ 187.90 per MT		
Above 100 MT	₹ 18,790/- + ₹ 252.50 per MT in excess of 100 MT		
Up to 25 MT		₹ 160 Per MT	₹ 160 Per MT
Above 25 MT up to 50 MT		₹ 4,000 + ₹ 280 per MT in excess of 25 MT	₹ 4,000 + ₹ 280 per MT in excess of 25 MT
Above 50 MT up to 100		₹ 11,000 + ₹ 320 per MT in excess of 50 MT	₹ 11,000 + ₹ 320 per MT in excess of 50 MT
Above 100 MT to 200 MT		₹ 27,000 + ₹ 390 per MT in excess of 100 MT	₹ 27,000 + ₹ 390 per MT in excess of 100 MT
Above 200 MT		₹ 66,000 + ₹ 440 per MT in excess of 200 MT	₹ 66,000 + ₹ 440 per MT in excess of 200 MT
Housing Charges			
Up to 100 MT	₹ 8.10 per hour per MT		
Above 100 MT	₹ 810/- + ₹ 10.80 per MT per hour in excess of 100 MT		
Up to 25 MT		₹ 6 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100		₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT
Parking Charges			
Up to 100 MT	₹ 4.10 per hour per		

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
	MT		
Above 100 MT	₹ 410/- + ₹ 5.40 per MT per hour in excess of 100 MT		
Up to 25 MT		₹ 3 Per Hour Per MT	₹ 3 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT
Throughput Charges			
Rate per KL	₹ 139.80	₹ 146.80	₹ 146.80
Passenger Service Fee (PSF) – Facilitation			
Domestic Passenger	₹ 77 per embarking passenger	₹ 450 per embarking passenger	Nil
	$ 1.93 per embarking passenger	$ 11.28 per embarking passenger	Nil
International Passenger	₹ 77 per embarking passenger	₹ 950 per embarking passenger	Nil
	$ 1.93 per embarking passenger	$ 23.81 per embarking passenger	Nil
User Development Fee (UDF) (UDF proposed by Authority instead of PSF(FC) above)			
Domestic Passenger	Nil	Nil	₹ 450 per embarking passenger
International Passenger	₹ 575 per embarking passenger	Nil	₹ 950 per embarking passenger
Passenger Service Fee (PSF) – Security*			

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
Domestic Passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger
	$ 3.25 per embarking passenger	$ 3.25 per embarking passenger	$ 3.25 per embarking passenger
International Passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger	₹ 130 per embarking passenger
	$ 3.25 per embarking passenger	$ 3.25 per embarking passenger	$ 3.25 per embarking passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

17.7. Additionally, from 01.04.2018, the increase in tariffs as submitted by AAI is given below. The Authority had proposed to accept the increase in tariffs for the second control period as submitted by AAI.

17.7.1. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger charges

17.7.2. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in landing charges

17.7.3. Yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges during the 2nd control period

17.8. The Authority noted that AAI's proposed tariff applicable from 01.07.2017 will not be able to recover the proposed ARR for the 2nd control period. Hence, the Authority had proposed to accept the revised tariffs as submitted by AAI which would be applicable from 01.07.2017. The estimated aeronautical revenues based on tariffs as proposed by AAI is indicated in Table 47.

17.9. The Authority notes that revenue from tariff as proposed by AAI would not meet aeronautical revenue permissible for the 2nd control period. The resultant shortfall as on 01.04.2016 is ₹ 138.45 crore. The Authority had proposed to consider the shortfall of ₹ 138.45 crore as on 01.04.2016 in the 2nd control period while determining tariffs for the

3rd control period.

Table 47 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2nd control period

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing	29.65	40.10	47.26	51.96	57.17
Parking and Housing	0.97	1.93	2.37	2.53	2.70
UDF	83.84	141.40	177.37	198.11	221.58
FTP+ITP and lease rentals	3.58	3.93	4.37	4.83	5.34
Ground Handling Charges and lease rentals	15.38	16.60	17.92	19.36	20.90
CUTE	1.99	2.15	2.33	2.51	2.71
Cargo Charges	1.25	1.34	1.44	1.55	1.67
Total Projected Revenue	136.66	207.44	253.05	280.85	312.07
Target Aero Revenue	207.82	235.04	266.26	302.13	343.41
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-71.16	-27.60	-13.21	-21.28	-31.33
PV value as on 01.04.2016 with Discount rate (14.00%)	-71.16	-24.21	-10.16	-14.37	-18.55
Total PV of difference as on 01.04.2016 for the control period					**-138.45**

17.10. The Authority noted that AAI has taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2nd control period and X factor of 0.01% from FY 2018-19 onwards. As per RBI issued Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 45 dated 06.04.2017, the WPI inflation is forecasted to be 4.2% for the next 5 years. The Authority decides to revise WPI for the 2nd control period to 4.2%.

17.11. The Authority had proposed that any shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI to be considered while determining aeronautical tariffs for the 3rd control period.

17.12. The Authority notes that ASQ rating at Trivandrum has been more than 3.75 in every quarter of 1st control period as required under Section 6.14.3 of Airport Guidelines. Details of the ASQ ratings are provided below.

Table 48 – Quarterly ASQ rating of TVM during the 1st control period

Quarter	2012	2013	2014	2015	2016
Q1	4.15	3.97	4.26	4.51	4.87
Q2	4.48	4.06	4.28	4.49	4.90
Q3	3.78	4.12	4.3	4.89	4.38
Q4	3.99	4.16	4.33	4.27	4.66
Average	**4.10**	**4.08**	**4.29**	**4.54**	**4.70**

17.13. Based on the material before it and its analysis, the Authority proposed the following:

17.13.1. To accept Annual Tariff Proposals as given in Table 46 (and Annexure) for determination of tariff during 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority.

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

17.13.3. To provide waiver of landing and other charges in line with National Civil Aviation Policy under Regional Connectivity Scheme.

17.13.4. To merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.07.2017.

17.13.5. To consider shortfall in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.

Stakeholders' comments and Authority's observations

Comments from IATA

17.14. It is not clear how the incentives offered for Domestic operation will be funded.

Ideally it should be funded from marketing budget or the Regional Connectivity Scheme rather than Operation and Maintenance Expenditure which forms the basis for the calculation of unit rate of aeronautical charges. The proposed differential charges between international & domestic is discriminatory in nature and not in alignment with ICAO's Policy. This is also not in alignment with ICAO's policy of non-discriminatory pricing unless there is a clear cost justification that explains why the charges should be different. Pricing structure changes are impacting larger aircraft which is also discriminatory in nature.

17.15. IATA further requested AERA to ensure alignment with ICAO's policy to ensure airport charges are set based on the cost of delivering the services rather than other factors which might not be applicable/relevant when assessing the appropriateness of airport charges.

17.16. Overall benchmark for service quality requirements utilizing the ACIASQ Survey which is essentially a passenger experience survey. There is a need to better capture the service quality feedback/rating from aircraft operators using the airport services/facilities to drive the rebate scheme as well.

17.17. An Airport Service Level Agreement Framework (SLA) with airlines should be recommended to deliver consistent levels of service and promote continuous improvement. This will also allow a process to establish a clear link between airport service standards and user costs. The IATA best practice document for SLA is attached to this submission for your easy reference.

AAI's submission to IATA's comments

17.18. The incentive offered for domestic operations would not form part of MYTP. The expenses incurred for incentivizing the domestic operation would be borne by AAI.

17.19. The differential landing charges for domestic and International carriers have been worked out considering market conditions. Such practice of charging different rates for domestic and international carriers is prevalent at many foreign airports also.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

17.20. With respect to the tariff differential between international and domestic operations, the Authority notes that the airport has to set up facilities such as immigration, customs, etc. for international operations. For international passengers, facilities required are more and therefore the costs also vary. Hence, the Authority is of the view that international tariffs can be higher than the domestic tariffs.

17.21. With respect to overall benchmark for service quality levels, the Authority has proposed to undertake proper monitoring of service quality levels at a few select airports. The study will be objective, technology based and will focus on passenger experience as well as the views of the airlines.

17.22. With respect to IATA's comment on airport service level agreement framework, the Authority will examine the matter, consult the stakeholders and take appropriate decision.

Comments from FIA

17.23. AERA has accepted all the tariffs proposed by AAI. It has removed PSF (FC) and introduced UDF.

17.24. AERA has also accepted annual increase in UDF, Landing Charges and Fuel Throughput charges. It may kindly be noted that these tariffs are determined to achieve target revenue calculated on cost plus basis method. Any annual increase is allowing higher rate of return, which is unjustifiable specially under the scenario where these is a double digit pax growth rate.

AAI's submission to FIA's comments

17.25. AAI has stated that the tariff of a particular airport is determined on the basis of target revenue. The projected revenue at proposed rates cannot exceed the target revenue.

Authority's examination of FIA's comments and AAI's submission to FIA's comments

17.26. The Authority has noted FIA's comment related to annual increase in UDF, landing charges and fuel throughput charges. It is clarified that the tariffs are determined such that the present value of revenues is equal to the present value of ARR for 2nd control period. It is to be noted that even after revised tariffs to be applicable from 01.07.2017 and the annual increase in the tariffs thereafter, AAI will not able to meet the target ARR for 2nd control period and has shortfall of ₹ 138.45 crore as on 01.04.2016.

Comments from FIEO

17.27. From the proposal we have observed that there will be a substantial increase of 6,387% in rate per landing for international flights as earlier rate is of ₹ 250.50 for up to 100 MT has been proposed to increase to ₹16,250. Similarly, for above 100 MT, there will be an increase of 44.71% in rates.

17.28. Further, Parking and Housing charges too will increase substantially by more than 4,100% (up to 100 MT) and for above 100 MT there is an increase of 41%. Such a substantial increase will work against the end user and will add to the cost of doing business.

17.29. As per your annual report of 2015-16 AAI has a PAT of ₹ 2,537 crores and can absorb any cost escalation due to upgradation of facilities at the airport and it is therefore suggested that it may be kept in abeyance for the present.

AAI's submission to FIEO's comments

17.30. AAI has stated that the comparison for existing Landing rate of 100 MT of international flight with proposed Landing rate is wrongly interpreted. The existing rate of 100 MT comes out to ₹ 25,050 (100 MT @ ₹ 250.50 per MT) where as it has been considered as ₹ 250.50. In regards to proposed parking and housing charges there is reduction in charges for aircraft weighing up to 50 MT. The parking charges are very nominal. For example if an aircraft weighing 50MT parked at airport for an hour, the parking charges would be ₹ 175 only.

Authority's examination of FIEO's comments and AAI's submission to FIEO's comments

17.31. With respect to FIEO's comment on increase in tariffs, the Authority notes that the existing tariff per landing of international flights is ₹ 250.50 per MT of the aircraft, that is, for 100 MT aircraft total international landing tariff would be ₹ 25,050 per landing. Revised international tariff for 100 MT aircraft would be ₹ 36,250 per landing (which is calculated as sum of ₹ 16,250 up to 50 MT and ₹ 400 per MT for above 50 MT). Hence, the international landing tariff is increased by approx. 45% instead of 6,387% as wrongly stated by FIEO. Similarly, parking and housing charges are increased by approximately 40% to 42% respectively for aircrafts with 100 MT as against 4,100% as wrongly stated by FIEO.

17.32. With respect to FIA and FIEO's comment on the increase in tariff, the Authority clarifies that the tariffs have been increased for following reasons, inter alia,

a) due to shortfall of ₹ 158.33 crore in the 1st control period
b) capital expenditure of ₹ 471 crore is proposed in the 2nd control period
c) operational expenditure has increased for TVM
d) tariffs have not been increased for the last 9 years

Comments from HPCL

17.33. We agree with the proposal of the Authority to include land lease rental as aeronautical revenue. Further, any revision in the Fuel Throughput Charges (FTC) should be approved on prospective basis only.

Authority's examination of HPCL's comments

17.34. With respect to HPCL's comment on determining FTC on prospective basis, the Authority notes that the FTC at TVM and many other airports operated by AAI are subject to the commercial agreement between AAI and oil companies. Though, this commercial agreement was a result of transparent bidding process, the Authority notes that the parties like airlines as well as passengers who are or likely to be directly affected by FTC are not part of the commercial agreements between AAI and Oil Marketing Companies. Inasmuch as, the Authority has considered FTC as an aeronautical charge and revenues arising therefrom as aeronautical revenues, such revenue in the hands of AAI would be reckoned towards aeronautical charges, apart from the regulatory mechanisms of Hybrid Till. Having considered all these factors, the Authority decides to accept levy of revised FTC as proposed by AAI. This rate shall be effective from 01.07.2017.

Decision no. 13 – Regarding tariff rate card

13.a. The Authority decides to accept Annual Tariff Proposals as given in Table 46 (and Annexure) for determination of tariff during 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority.

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

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

13.d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.07.2017.

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

18. Summary of Orders

19. Order

19.1. In exercise of powers conferred by Section 13 (1) (a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines, the aeronautical tariffs to be levied at Trivandrum Airport for the second control period as placed at Annexure I, Annexure II, Annexure III and Annexure IV. These rates will be effective from 01.07.2017. The tariffs for the subsequent tariff years (i.e. FY 2018-19, FY 2019-20 and FY 2020-21) will be effective from 1st April of each Tariff Year, during the current Control Period.

19.2. In exercise of powers conferred by Section 13 (1) (b) of the AERA Act, 2008, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate cards at Annexure I, Annexure II, Annexure III and Annexure IV for the current Control Period. These rates will be effective from 01.07.2017.

19.3. The tariffs determined herein are ceiling rates, exclusive of taxes, if any.

By the Order of and in the Name of the Authority

(Puja Jindal)
Secretary

To,

Airports Authority of India

Rajiv Gandhi Bhavan

Safdarjung Airport

New Delhi -110003

List of Tables

Annexure I – Detailed Tariff Card to be applicable from 01.07.2017 to 31.03.2018

I) LANDING CHARGES

Rate per landing - International Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 300 Per MT
Above 25 MT up to 50 MT	₹ 7,500 + ₹ 350 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 16,250 + ₹ 400 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 36,250 + ₹ 460 per MT in excess of 100 MT
Above 200 MT	₹ 82,250 + ₹ 520 per MT in excess of 200 MT

Rate per Landing - Domestic Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 160 Per MT
Above 25 MT up to 50 MT	₹ 4,000 + ₹ 280 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 11,000 + ₹ 320 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 27,000 + ₹ 390 per MT in excess of 100 MT
Above 200 MT	₹ 66,000 + ₹ 440 per MT in excess of 200 MT

Incentives for increasing the Domestic Flight Operation:

No. of Landing (Domestic) per week per operator for Incentives	*Incentive offered on total landing charges
075	1%
125	2%
175	3%
225	4%
275	5%
Incentive on total landing Charges will be offered only if the payment is made within the stipulated time.	

Note

1)	All domestic legs of international routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
2)	No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) Approved Flying school/flying training institute aircrafts.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)
4)	Flight operating under Regional Connectivity Scheme will be completely exempted from landing charges from the date the scheme is operationalized by GOI.

II) PARKING AND HOUSING CHARGES

	Rates (In ₹)	Rates (In ₹)
Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 +₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1, 575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

Note

1)	No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point these periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6)	It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Trivandrum Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State
7)	Flight operating under Regional Connectivity Scheme will be completely exempted from parking charges from the date the scheme is operationalized by GOI.

III) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 146.80

IV) PASSENGER SERVICE FEE (PSF) – SECURITY*

₹ 130/- per embarking International/ Domestic passenger	$ 3.25 per embarking International/ Domestic passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	**Collection charges:** if the payment is made within 15 days of receipt of invoice, then collection charges at 2.5% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US $ into INR the rate as on 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

V) USER DEVELOPMENT FEE (UDF)

Particulars	Rate in INR (per embarking passenger)	Rate in US $ (per embarking passenger)
Domestic	₹ 450 per embarking passenger	$ 11.28
International	₹ 950 per embarking passenger	$ 23.81

Notes

1)	For conversion of US$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted.
2)	No UDF will be levied for Transit Passengers
3)	Revised UDF charges will be applicable on tickets issued on or after 01.07.2017 for FY 2017-18

VI) Exemption from levy and collection from PSF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF & Security

1)	Children (under age of 2 years),
2)	Holders of Diplomatic Passport,
3)	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),
4)	Persons travelling on official duty on aircraft operated by Indian Armed Forces,
5)	Persons traveling on official duty for United Nations Peace Keeping Missions.
6)	Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
7)	Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

a) All the above Charges are excluding of Service Tax. Service Tax at the applicable rates are payable in addition to above charges.

Annexure II – Detailed Tariff Card to be applicable from 01.04.2018 to 31.03.2019

I) LANDING CHARGES

Rate per landing - International Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 312 Per MT
Above 25 MT up to 50 MT	₹ 7,800 + ₹ 364 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 16,900 + ₹ 416 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 37,700 + ₹ 478 per MT in excess of 100 MT
Above 200 MT	₹ 85,540 + ₹ 541 per MT in excess of 200 MT

Rate per Landing - Domestic Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 166 Per MT
Above 25 MT up to 50 MT	₹ 4,160 + ₹ 291 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 11,440 + ₹ 333 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 28,080 + ₹ 406 per MT in excess of 100 MT
Above 200 MT	₹ 68,640 + ₹ 458 per MT in excess of 200 MT

Incentives for increasing the Domestic Flight Operation:

No. of Landing (Domestic) per week per operator for Incentives	*Incentive offered on total landing charges
075	1%
125	2%
175	3%
225	4%
275	5%
Incentive on total landing Charges will be offered only if the payment is made within the stipulated time.	

Note

1)	All domestic legs of international routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
2)	No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) Approved Flying school/flying training institute aircrafts.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)
4)	Flight operating under Regional Connectivity Scheme will be completely exempted from landing charges from the date the scheme is operationalized by GOI.

II) PARKING AND HOUSING CHARGES

	Rates (In ₹)	Rates (In ₹)
Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 +₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1, 575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

Note

1)	No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point these periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6)	It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Trivandrum Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State
7)	Flight operating under Regional Connectivity Scheme will be completely exempted from parking charges from the date the scheme is operationalized by GOI.

III) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 154.14

IV) PASSENGER SERVICE FEE (PSF) – SECURITY*

₹ 130/- per embarking International/ Domestic passenger	$ 3.25 per embarking International/ Domestic passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	**Collection charges:** if the payment is made within 15 days of receipt of invoice, then collection charges at 2.5% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US $ into INR the rate as on 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

V) USER DEVELOPMENT FEE (UDF)

Particulars	Rate in INR (per embarking passenger)	Rate in US $ (per embarking passenger)
Domestic	₹ 468 per embarking passenger	$ 11.73
International	₹ 988 per embarking passenger	$ 24.76

Notes

1)	For conversion of US$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted.
2)	No UDF will be levied for Transit Passengers

VI) Exemption from levy and collection from PSF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF & Security

1)	Children (under age of 2 years),
2)	Holders of Diplomatic Passport,
3)	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),
4)	Persons travelling on official duty on aircraft operated by Indian Armed Forces,
5)	Persons traveling on official duty for United Nations Peace Keeping Missions.
6)	Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
7)	Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

a) All the above Charges are excluding of Service Tax. Service Tax at the applicable rates are payable in addition to above charges.

Annexure III – Detailed Tariff Card to be applicable from 01.04.2019 to 31.03.2020

I) LANDING CHARGES

Rate per landing - International Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 324 Per MT
Above 25 MT up to 50 MT	₹ 8,112 + ₹ 379 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 17,576 + ₹ 433 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 39,208 + ₹ 498 per MT in excess of 100 MT
Above 200 MT	₹ 88,962 + ₹ 562 per MT in excess of 200 MT

Rate per Landing - Domestic Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 173 Per MT
Above 25 MT up to 50 MT	₹ 4,326 + ₹ 303 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 11,898 + ₹ 346 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 29,203 + ₹ 422per MT in excess of 100 MT
Above 200 MT	₹ 71,386 + ₹ 476 per MT in excess of 200 MT

Incentives for increasing the Domestic Flight Operation:

No. of Landing (Domestic) per week per operator for Incentives	*Incentive offered on total landing charges
075	1%
125	2%
175	3%
225	4%
275	5%
Incentive on total landing Charges will be offered only if the payment is made within the stipulated time.	

Note

1)	All domestic legs of international routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
2)	No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) Approved Flying school/flying training institute aircrafts.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)
4)	Flight operating under Regional Connectivity Scheme will be completely exempted from landing charges from the date the scheme is operationalized by GOI.

II) PARKING AND HOUSING CHARGES

	Rates (In ₹)	Rates (In ₹)
Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 +₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1, 575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

Note

1)	No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point these periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6)	It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Trivandrum Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State
7)	Flight operating under Regional Connectivity Scheme will be completely exempted from parking charges from the date the scheme is operationalized by GOI.

III) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 161.85

IV) PASSENGER SERVICE FEE (PSF) – SECURITY*

₹ 130/- per embarking International/ Domestic passenger	$ 3.25 per embarking International/ Domestic passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	**Collection charges:** if the payment is made within 15 days of receipt of invoice, then collection charges at 2.5% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US $ into INR the rate as on 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

V) USER DEVELOPMENT FEE (UDF)

Particulars	Rate in INR (per embarking passenger)	Rate in US $ (per embarking passenger)
Domestic	₹ 487 per embarking passenger	$ 12.21
International	₹ 1028 per embarking passenger	$ 25.76

Notes

1)	For conversion of US$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted.
2)	No UDF will be levied for Transit Passengers

VI) Exemption from levy and collection from PSF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF & Security

1)	Children (under age of 2 years),
2)	Holders of Diplomatic Passport,
3)	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),
4)	Persons travelling on official duty on aircraft operated by Indian Armed Forces,
5)	Persons traveling on official duty for United Nations Peace Keeping Missions.
6)	Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
7)	Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

a) All the above Charges are excluding of Service Tax. Service Tax at the applicable rates are payable in addition to above charges.

Annexure IV – Detailed Tariff Card to be applicable from 01.04.2020 to 31.03.2021

I) LANDING CHARGES

Rate per landing - International Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 337 Per MT
Above 25 MT up to 50 MT	₹ 8,436 + ₹ 394 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 18,279 + ₹ 450 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 40,776 + ₹ 517 per MT in excess of 100 MT
Above 200 MT	₹ 92,520 + ₹ 585 per MT in excess of 200 MT

Rate per Landing - Domestic Flight

Weight of the Aircraft	Rate Per Landing (In ₹)
Up to 25 MT	₹ 180 Per MT
Above 25 MT up to 50 MT	₹ 4,499 + ₹ 315 per MT in excess of 25 MT
Above 50 MT up to 100	₹ 12,374 + ₹ 360 per MT in excess of 50 MT
Above 100 MT to 200 MT	₹ 30,371 + ₹ 439 per MT in excess of 100 MT
Above 200 MT	₹ 74,241 + ₹ 495 per MT in excess of 200 MT

Incentives for increasing the Domestic Flight Operation:

No. of Landing (Domestic) per week per operator for Incentives	*Incentive offered on total landing charges
075	1%
125	2%
175	3%
225	4%
275	5%
Incentive on total landing Charges will be offered only if the payment is made within the stipulated time.	

Note

1)	All domestic legs of international routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
2)	No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators at airport and b) helicopters of all types c) Approved Flying school/flying training institute aircrafts.
3)	Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg)
4)	Flight operating under Regional Connectivity Scheme will be completely exempted from landing charges from the date the scheme is operationalized by GOI.

II) PARKING AND HOUSING CHARGES

	Rates (In ₹)	Rates (In ₹)
Weight of the Aircraft	**Parking Charges Rates per Hour**	**Housing Charges Rates per Hour**
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 +₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1, 575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

Note

1)	No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point these periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6)	It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Trivandrum Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State
7)	Flight operating under Regional Connectivity Scheme will be completely exempted from parking charges from the date the scheme is operationalized by GOI.

III) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 169.95

IV) PASSENGER SERVICE FEE (PSF) – SECURITY*

₹ 130/- per embarking International/ Domestic passenger	$ 3.25 per embarking International/ Domestic passenger

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	**Collection charges:** if the payment is made within 15 days of receipt of invoice, then collection charges at 2.5% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US $ into INR the rate as on 1^{st} day of the month for 1^{st} fortnightly billing period and rate as on 16^{th} of the month for the 2^{nd} fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

V) USER DEVELOPMENT FEE (UDF)

Particulars	Rate in INR (per embarking passenger)	Rate in US $ (per embarking passenger)
Domestic	₹ 506 per embarking passenger	$ 12.69
International	₹ 1069 per embarking passenger	$ 26.78

Notes

1)	For conversion of US$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted.
2)	No UDF will be levied for Transit Passengers

VI) Exemption from levy and collection from PSF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF & Security

1)	Children (under age of 2 years),
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3)	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),
4)	Persons travelling on official duty on aircraft operated by Indian Armed Forces,
5)	Persons traveling on official duty for United Nations Peace Keeping Missions.
6)	Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
7)	Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

a) All the above Charges are excluding of Service Tax. Service Tax at the applicable rates are payable in addition to above charges.