



**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

**IN THE MATTER OF**

सत्यमेव जयते

**DETERMINATION OF AERONAUTICAL TARIFF FOR  
SRI GURU RAM DASS JEE INTERNATIONAL AIRPORT (ATQ),  
AMRITSAR FOR THE FIRST CONTROL PERIOD**

**(01.04.2019– 31.03.2024)**

भा.वि.आ.वि.प्रा  
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**AERA BUILDING  
ADMINISTRATIVE COMPLEX  
SAFDARJUNG AIRPORT  
NEW DELHI– 110003**



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AERA



**List of Abbreviations**

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AERA	Airports Economic Regulatory Authority
ALCMS	Airfield Lighting Control & Monitoring System
ANS	Air Navigation Services
ARR	Annual Revenue Requirement
ATM	Aircraft Traffic Movement
ATRS	Automated Tray Retrieval System
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
CAG of India	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CFT	Crash Fire Tender
CHQ	Central Headquarter
CISF	Central Industrial Security Force
CP	Consultation Paper
DGCA	Directorate General of Civil Aviation
DLP	Defect Liability Period
E&M	Electrical & Mechanical
EB	Electricity Board
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GAL	GMR Airports Limited
Gol	Government of India
GST	Goods and Services Tax
HR	Human Resources
IATA	International Air Transport Association
IDC	Interest During Construction
ILCMS	Individual Lamp Control Monitoring System
MoCA	Ministry of Civil Aviation
MPPA	Million Passenger per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
PBB	Passenger Boarding Bridge
PIB	Project Investment Board
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PSF(F)	Passenger Service Fee (Facilitation)
PTB	Passenger Terminal Building
P&L	Profit & Loss
RAB	Regulatory Asset Base
RHQ	Regional Headquarter
SITC	Supply, Installation, Testing & Commissioning
UDF	User Development Fees
YPP	Yield Per Passenger



## CHAPTER 1. INTRODUCTION

### 1.1 Profile of the Airport

- 1.1.1 Sri Guru Ram Dass Jee International Airport (ATQ), located in the city of Amritsar is the 26<sup>th</sup> busiest airport<sup>1</sup> in India. DGCA granted commercial license to AAI to operate the Amritsar Airport on June 19, 2007, which has been renewed every 2 years thereafter. The license was last renewed on December 19, 2019 and is valid up to December 18, 2021.
- 1.1.2 Technical and terminal building details of Amritsar Airport are provided in the table below:

**Table 1: Technical details and terminal building details**

Technical Details of ATQ	
Particulars	Details
Total airport area	976.59 Acre
Runway orientation and length	34/16 and 3658 m
No. of taxi tracks	05
No. of apron bays	14 + 1(Cargo) (10 new Parking Stands for Code "C" under construction)
Operational hours	24 hours
Terminal building details (Domestic plus International)	
Particulars	Details
Terminal building area	<b>40175 sq. meters</b> - Aeronautical Area: 37,993 sq. meters - Non-Aeronautical Area: 2,182 sq. meters
Arrival conveyors	04
Terminal building capacity	4 MPPA
Peak hour passenger capacity	1600 (1200 Domestic +400 International)
No. of check-in counters	30
Total area of car parking	20814 sq. meters

### 1.2 Background of the Tariff Determination Exercise

- 1.2.1 As per the AERA (Amendment) Act 2019, the annual passenger handling threshold definition of Major Airport was revised from 1.5 million to 3.5 million. Amritsar, with a throughput of 2.46 million passenger traffic for FY 2019-20, doesn't qualify as "Major Airport" as per the new definition. However, Ministry of Civil Aviation vide letter no. AV-24011/141/2015-AD (Vol. V) dated October 1, 2019 asked AERA to determine the tariff for the Amritsar airport as AAI has proposed to include the Amritsar airport in the next round of PPP leasing in order to provide a transparent view to various bidders. AERA vide letter no. AERA/20010/MoCA-Reference/2018-19/Vol-III/13092 dated October 14, 2019 clarified that the tariff determination shall be done on the basis of AAI's financial statements including capital expenditure incurred by AAI as on the date of determination and capital expenditure projections for the Control Period along with the capital structure and cost of funds of AAI. AERA clarified to the Ministry that these underlying factors may change substantially once the Airport is handed over to the prospective bidder and accordingly the tariff determined may not remain reflective of the changed situation. Further, AERA

<sup>1</sup> As per the data on top 50 busiest airports for FY 2019-20, published by AAI



requested MoCA to issue notification/circular declaring Amritsar Airport as a "Major Airport", if it so desired, to enable the Authority to determine its tariff in the current state. Accordingly, MoCA notified Amritsar Airport as "Major Airport" in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (ii) vide letter No. AV-24011/141/2015-AD (Vol. V) dated October 10, 2019.

- 1.2.2 As discussed above, once the airport is handed over to the prospective bidder, the inputs for tariff determination such as capital expenditure projections for the Control Period, capital structure, cost of funds etc. may change. *Accordingly, the Authority will direct the Concessionaire, once the privatization takes place, to submit a fresh application for tariff determination based on their financials, within a year of handing over the airport, failing which the applicable tariffs (Landing charges, Parking charges and UDF) shall be reduced by 10% till fresh application for tariff determination is submitted by the Concessionaire.*

### **1.3 Steps involved in determination of tariff for Amritsar Airport**

- 1.3.1 AAI submitted its Multi-Year Tariff Proposal dated December 24, 2019 to the Authority for determination of aeronautical tariff for the 1<sup>st</sup> Control Period. Based on this MYTP, the Authority reviewed submissions made by AAI with respect to various building blocks.
- 1.3.2 The Authority vide Consultation Paper No. 06/2020-21 dated June 1, 2020 proposed aeronautical tariff in respect of Amritsar Airport for the 1st control period (01/04/2019 to 31/03/2024) and invited comments from Stakeholders for the proposed tariffs.
- 1.3.3 A Stakeholders' Consultation Meeting was convened by the Authority on June 30, 2020 to invite the views of the Stakeholders on the Consultation Paper and the impact of the ongoing COVID-19 pandemic.
- 1.3.4 AAI presented the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 1st Control Period covering the features of the existing airport, historical and earlier projections for passenger traffic and ATM movements along with the revised projections of passenger traffic and ATM movements, revised non-aeronautical revenue and revised date of capitalization for proposed capital expenditure along with the revised tariff proposal for the Control Period in the light of COVID-19 pandemic.
- 1.3.5 Some of the Stakeholders raised the issue of impact of revised submission on the aeronautical tariff and requested the Authority to come up with a fresh consultation paper or issue an Addendum to the existing Consultation Paper.
- 1.3.6 The Authority received the written comments from the following Stakeholders on the Consultation Paper:
- a) Airport Authority of India (AAI)
  - b) InterGlobe Aviation (Indigo)
  - c) GMR Airports Limited (GAL)
- 1.3.7 The comments from AAI were received on July 10, 2020. The counter comments from AAI on the comments by other Stakeholders were received on August 11, 2020.
- 1.3.8 The Authority carefully read and analyzed the Stakeholders' comments. After a thoughtful consideration of these comments followed by discussions with Stakeholders and given the new proposals and revised numbers submitted by AAI due to ongoing COVID-19 pandemic, the Authority believed that the impact of revised submission of AAI on aeronautical tariff would be



material, and, accordingly, the Authority issued an Addendum to the Consultation Paper No. 06/2020-21 on November 10, 2020, for inviting fresh comments from various Stakeholders.

- 1.3.9 In the Addendum, the Authority had proposed to revise the date of implementation of the proposed tariffs to April 1, 2021.
- 1.3.10 The Authority had invited comments from all Stakeholders post publication of the above-mentioned Addendum to Consultation Paper. The Authority has received comments from following Stakeholders:
- a) Airport Authority of India (AAI)
  - b) Federation of Indian Airlines (FIA)
- 1.3.11 The comments from AAI were received on November 25, 2020. Further, the Authority received counter comments from AAI on the comments by FIA on November 27, 2020.
- 1.3.12 The Authority has examined the submissions of AAI and the comments of various Stakeholders and after considering all the relevant aspects, has finalized this Tariff Order.
- 1.3.13 The Authority had appointed an Independent Consultant i.e. M/s PwC to assess the MYTP of AAI Amritsar Airport. Accordingly, M/s PwC had assessed the MYTP with reference to the Certified Books of Accounts (Audited Financials, Asset Register etc.) of AAI Amritsar Airport.
- 1.3.14 The Tariff Order is structured in a manner wherein under each regulatory building block, the initial submission made by AAI in the MYTP is listed out, followed by the Authority's examination at the Consultation Stage and proposals for the First Control Period. The same is followed by the comments and counter comments by the various Stakeholders on the Consultation Paper and Addendum to the Consultation Paper, followed by the Authority's examination and its final decision on the subject matter.

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## CHAPTER 2. TARIFF SETTING PRINCIPLES

### 2.1 Background

- 2.1.1 The Authority vide its Order No. 13/2010-11 dated January 12, 2011 ("Airport Order") and Direction No. 5/2010-11 dated February 28, 2011 ("Airport Guidelines"), had 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 January 12, 2017 to determine the future tariffs using Hybrid Till Methodology in line with the policy of the Government of India.
- 2.1.2 The Authority has decided the 1<sup>st</sup> Control Period for the airport to be the five-year period from FY 2019-20 till FY 2023-24. The tariff determination process consists of determination of regulatory building blocks for the 1st Control Period under Hybrid Till.

### 2.2 Methodology for Determining Annual Revenue Requirement

- 2.2.1 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

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

Where,

t is the tariff year in the Control Period, ranging from 1 to 5

ARR<sub>t</sub> is the Aggregate Revenue Requirement for tariff year 't'

FRoR is the Fair Rate of Return for the Control Period

RAB<sub>t</sub> is the Aeronautical Regulatory Asset Base for tariff year 't'

D<sub>t</sub> is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

O<sub>t</sub> is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'

T<sub>t</sub> is the Aeronautical Taxation expense for the tariff year 't'

α is the cross-subsidy factor for revenue from services other than aeronautical services. Under the Hybrid Till methodology followed by the Authority, α = 30%.

NAR<sub>t</sub> is the Non-Aeronautical Revenue in tariff year 't'.

- 2.2.2 Based on ARR, Yield Per Passenger (Y) is calculated as per the formula given below:

$$Yield\ Per\ Passenger(Y) = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VEt}$$

Where,

PV (ARR<sub>t</sub>) is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. Further, the date considered by the Authority for discounting of cash flows is



one year from the start of the Control Period, i.e., April 1, 2019.

$VE_t$  is the passenger traffic in year 't'.

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

### **2.3 Stakeholders' Comments on CP regarding Tariff Setting Principles for the First Control Period**

#### **Indigo's comments on Tariff Setting Principles for the First Control Period:**

2.3.1 IndiGo submits that as per para 2.2 of the Consultation Paper, it is stated that AERA shall determine tariff for Amritsar Airport using the Hybrid Till model. It is to be noted that IndiGo has from time to time advocated the application of a Single Till model across the airports in India. IndiGo submitted that AERA should adopt Single Till basis the following legal framework being:

"In the AERA Order No. 13/2010-11 dated 12 January 2011 (Single Till Order), AERA has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that AERA has in its Single Till Order, inter alia:

- (i) Comprehensively evaluated the economic model and realities of the airport - both capital and revenue elements.
- (ii) Taken into account the legislative intent behind Section 13(1)(a)(v) of the AERA Act.
- (iii) Concluded that the Single Till is the most appropriate for the economic regulation of Major Airports in India.
- (iv) 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.

Further, AERA in its (Terms and Conditions for determination of tariff for airport operator) Guidelines, 2011 has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services.

The fundamental reasoning behind the 'Single Till' approach is that if the consumers/passengers are offered cheaper airfares on account of lower airport charges, the volume of passengers is bound to increase leading to more footfall 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. Thus, the above productive chain reaction needs to be taken into account by AERA".

### **2.4 AAI's counter comments and response to Stakeholders' comments on CP regarding Tariff Setting Principles for the First Control Period**

2.4.1 AAI has requested the Authority to offer its views on the tariff methodology.

### **2.5 Authority's examination regarding Tariff Setting Principles at Addendum to CP stage**

2.5.1 The Authority, as per the recommendations of the National Civil Aviation Policy 2016 (NCAP



2016) of GoI, has amended tariff guidelines vide its Order No. 14/2016-17 dated January 12, 2017 to determine the future tariffs using Hybrid Till. The Authority has provided detailed reasoning and adequately responded to the Stakeholders' comments on the adoption of Hybrid Till in the above order. The excerpt from the same has been provided below:

*"(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 guidelines of the Authority shall be amended. The provisions of the guidelines issued by the Authority, other than regulatory Till, shall remain the same.*

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

2.5.2 Therefore, the Hybrid Till approach has been followed to determine the aeronautical tariff.

## **2.6 Stakeholders' Comments on Addendum to CP regarding Tariff Setting Principles for the First Control Period**

2.6.1 No comments were received from the Stakeholders.

## **2.7 Authority's Decisions regarding Tariff Setting Principles for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



## CHAPTER 3. AAI'S MULTI-YEAR TARIFF PROPOSAL (MYTP) OF AMRITSAR AIRPORT

### 3.1 Background

- 3.1.1 AAI made submissions dated December 24, 2019 to the Authority for determination of tariffs for the 1<sup>st</sup> Control Period (01/04/19 to 31/03/24) on the basis of Hybrid Till. Subsequently, AAI revised the tariff proposal considering the impact of COVID-19 pandemic in the first control period.
- 3.1.2 AAI provides Air Navigation Services (ANS) in addition to landing, parking and other aeronautical services at Amritsar Airport. AAI submitted that the tariff proposal does not consider revenues, expenditure and assets on account of ANS. This order discusses the determination of tariffs for aeronautical services at the airport excluding ANS.
- 3.1.3 AAI has further submitted that all cargo operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned subsidiary and the tariff proposal does not consider revenues, expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the aeronautical revenue as per AAI's internal agreement with AAICLAS. Accordingly, this order has been issued for the determination of tariffs for aeronautical services at the airport excluding Cargo Operations. The tariffs for cargo operations will be determined separately since the operations are carried out by a separate entity.
- 3.1.4 AAI has informed that accounts of AAI are audited by Comptroller and Auditor General ("CAG") of India as mandated by AAI Act. The CAG's resident audit party audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for AAI as a whole and only Trial Balance is available for Amritsar Airport. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

### 3.2 Stakeholders' Comments on CP regarding MYTP for the First Control Period

#### Indigo's comments on MYTP for the First Control Period:

- 3.2.1 In respect of para 3.2,3.3 of the Consultation Paper in the matter of revenue from air navigation services and cargo services. IndiGo submitted that as per section 2 (a) of Airports Economic Regulatory Authority of India Act, 2008 (AERA Act),

"Aeronautical services means any services provided-

- (i) For navigation, surveillance and supportive communication thereto for air traffic management....  
(ii) for the cargo facility at an airport..."

IndiGo submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services and Cargo services (100% revenue accruing to AAICLAS) should form part of Aeronautical revenues and accordingly Authority should take into account of the corresponding revenues from such services and re-compute the Aggregate Revenue Requirement (ARR) and further revise the tariff card accordingly.

### 3.3 AAI's counter comments and response to Stakeholders' comments on CP regarding the MYTP for the First Control Period

- 3.3.1 AAICLAS is a separate entity and Cargo revenue is to be considered by AAICLAS for the





determination of Cargo Tariff. As per agreement, AAICLAS has to pay 30% of revenue from operation as revenue share to AAI and the same has been considered for the determination of aeronautical tariff. Regarding Air Navigation Service (ANS), the revenue from ANS is considered while determining the tariff proposal for ANS charges (RNFC, TNLC and overflying) on all India basis and the expenditure/capex of ANS have not been considered in the tariff proposal of Amritsar Airport.

**3.4 Authority's examination regarding MYTP for the First Control Period at Addendum to CP stage**

- 3.4.1 **Revenue from AAICLAS:** The Authority carries out a separate exercise for determination of tariff for cargo handling services, wherever these services are provided by Independent Service Providers (ISP) other than the Airport Operator. The Authority considers expenses, revenues, and assets pertaining to these services separately while determining tariff for these services. Under the current exercise of determination of aeronautical tariff for the airport operations, the Authority has considered the earnings accruing to AAI by way of revenue share (which is 30% of revenue from AAICLAS) and rent from these service providers.
- 3.4.2 **Revenue from ANS:** Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the revenues from ANS.

**3.5 Stakeholders' Comments on Addendum to CP regarding MYTP for the First Control Period**

- 3.5.1 No comments were received from the Stakeholders.

**3.6 Authority's Decisions regarding MYTP for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



## CHAPTER 4. TRAFFIC FORECAST

### 4.1 AAI's submission regarding Traffic Forecast for the First Control Period

4.1.1 The historical traffic<sup>2</sup> at the airport has been shown in the table below:

**Table 2: Historical passenger and ATM traffic at Amritsar Airport**

Year	Domestic passengers	International passengers	Domestic ATM	International ATM
2006-07	108,018	488,310	1,460	4,294
2007-08	125,081	552,687	2,108	4,775
2008-09	133,773	438,825	2,976	3,517
2009-10	203,133	499,271	3,985	3,846
2010-11	296,468	468,726	4,757	4,314
2011-12	493,897	398,207	5,660	3,548
2012-13	552,519	342,906	6,293	2,874
2013-14	724,340	307,481	7,539	2,515
2014-15	749,432	334,252	6,825	2,505
2015-16	892,985	357,385	6,802	2,893
2016-17	1,028,317	538,090	7,600	4,006
2017-18	1,685,883	634,072	13,314	4,453
2018-19	1,725,293	798,501	12,479	5,426
<b>Past 10 years CAGR</b>	<b>29.14%</b>	<b>6.17%</b>	<b>15.41%</b>	<b>4.43%</b>
<b>Past 5 years CAGR</b>	<b>18.96%</b>	<b>21.03%</b>	<b>10.60%</b>	<b>16.62%</b>
<b>Past 3 years CAGR</b>	<b>24.55%</b>	<b>30.73%</b>	<b>22.42%</b>	<b>23.32%</b>

4.1.2 The traffic growth rates as submitted by AAI for the 1<sup>st</sup> Control Period are as follows:

**Table 3: Traffic growth rates proposed by AAI as per initial submission**

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	16.0%	15.0%	15.7%	15.0%	14.0%	14.7%
2020-21	12.0%	10.0%	11.4%	11.0%	9.0%	10.4%
2021-22	12.0%	10.0%	11.4%	11.0%	9.0%	10.4%
2022-23	12.0%	10.0%	11.4%	11.0%	9.0%	10.4%
2023-24	10.0%	8.0%	9.4%	9.0%	7.0%	8.4%
<b>Traffic</b>						
2019-20	20,01,340	9,18,276	29,19,616	14,351	6,186	20,536
2020-21	22,41,501	10,10,104	32,51,604	15,929	6,742	22,672
2021-22	25,10,481	11,11,114	36,21,595	17,682	7,349	25,031
2022-23	28,11,738	12,22,226	40,33,964	19,627	8,011	27,637
2023-24	30,92,912	13,20,004	44,12,916	21,393	8,571	29,964

<sup>2</sup> Source: Traffic News from AAI website



- 4.1.3 AAI submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.
- 4.1.4 AAI submitted the growth rate of 16% and 15% for Domestic and International Passenger Traffic respectively in FY 2019-20 and the growth rate of 15% and 14% for Domestic and International Aircraft Traffic Movement (ATM) in FY 2019-20.

#### 4.2 Authority's examination regarding Traffic Forecast for the First Control period at Consultation stage

- 4.2.1 The Authority has verified the growth rate of actual Passenger Traffic of initial nine months of FY 2019-20 vis-à-vis initial nine months of FY 2018-19 and found it to be 2.20%. Similarly, the Authority has verified the growth rate of actual Aircraft Traffic Movement of initial nine months of FY 2019-20 vis-à-vis initial nine months of FY 2018-19 and found it to be -0.84%
- 4.2.2 The Authority analyzed the trend of proportion of actual initial nine months passenger traffic data i.e. April - December over the whole years' traffic data for last three years i.e. FY 2016-17 to FY 2018-19 as shown in table below:

**Table 4: Passenger traffic data for last three years (FY 2016-17 to FY 2018-19)**

Financial Year	Domestic Passenger Traffic Data			International Passenger Traffic Data		
	Apr - Dec	Apr - Mar	Proportion	Apr - Dec	Apr - Mar	Proportion
FY 2018-19	1,249,847	1,725,293	72.44%	560,418	798,501	70.18%
FY 2017-18	1,191,244	1,685,883	70.66%	444,005	634,072	70.02%
FY 2016-17	747,713	1,028,317	72.71%	390,642	538,090	72.60%
<b>Average Ratio (FY 2018-19 to FY 2016-17)</b>			<b>71.94%</b>			<b>70.94%</b>

\* Proportion = (Data for Apr-Dec)/(Data for Apr-Mar)

- 4.2.3 In line with above analysis, the Authority also analyzed the trend of proportion of actual initial nine months ATM data i.e. April - December over the whole years' ATM data for last three years i.e. FY 2016-17 to FY 2018-19 as shown in table below:

**Table 5: ATM data for last three years (FY 2016-17 to FY 2018-19)**

Financial Year	Domestic ATM Data			International ATM Data		
	Apr - Dec	Apr - Mar	Proportion	Apr - Dec	Apr - Mar	Proportion
FY 2018-19	8,990	12,479	72.04%	3,930	5,426	72.43%
FY 2017-18	9,962	13,314	74.82%	3,204	4,453	71.95%
FY 2016-17	5,558	7,600	73.13%	3,036	4,006	75.79%
<b>Average Ratio (FY 2018-19 to FY 2016-17)</b>			<b>73.33%</b>			<b>73.39%</b>

\* Proportion = (Data for Apr-Dec)/(Data for Apr-Mar)

- 4.2.4 Based on above analysis, the Authority proposed to compute the passenger traffic for FY 2019-20 by grossing up the actual initial nine months traffic data for FY 2019-20 with the average ratio as determined above. The Authority determined the Domestic and International passenger traffic as 1,710,058 and 874,041 respectively for FY 2019-20. Similarly, the Authority determined the Domestic and International ATM as 12,627 and 4,839 respectively for FY 2019-20.
- 4.2.5 The Authority duly examined the submissions from AAI. As part of its examination of AAI's forecast of traffic at Amritsar Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR,



for passenger traffic and ATM from FY 2008-09 to FY 2018-19 (10-year CAGR), FY 2013-14 to FY 2018-19 (5-year CAGR) and FY 2015-16 to 2018-19 (3-year CAGR).

4.2.6 Further, the Authority computed the revised 10-year CAGR, 5-year CAGR and 3-year CAGR up to FY 2019-20, using the above calculated traffic data for FY 2019-20.

4.2.7 The details are given in the table below:

**Table 6: Revised CAGR for Passenger Traffic and ATM as per Authority**

Particulars	10 year CAGR	5 year CAGR	3 year CAGR
<b>Passengers:</b>			
Domestic	29.14%	18.96%	24.55%
International	6.17%	21.03%	30.73%
<b>ATM:</b>			
Domestic	15.41%	10.60%	22.42%
International	4.43%	16.62%	23.32%
<b>After considering actuals of FY 2019-20*:</b>			
<b>Passengers:</b>			
Domestic	23.74%	17.94%	18.48%
International	5.76%	21.20%	17.55%
Total Passenger Traffic	13.91%	18.98%	18.16%
<b>ATM:</b>			
Domestic	12.22%	13.09%	18.44%
International	2.32%	14.07%	6.50%
Total ATM	8.35%	13.36%	14.60%

\*Based on actuals up to Dec 2019 with linear extrapolation up to March 2020

4.2.8 The Authority noted the wide variation in traffic in the recent past, which causes CAGR for 3-year period to be higher than that for 5-year period for Domestic passenger profile, while CAGR for 5-year period to be the highest for International passenger profile

4.2.9 The Authority proposed to use revised 3-year CAGR, i.e. 18.48% for Domestic passenger traffic growth for the 2nd year of the Control Period and onwards; and revised 3-year CAGR, i.e. 17.55% for International passenger traffic growth for the 2nd year of the Control Period and onwards.

4.2.10 With respect to ATM (2<sup>nd</sup> year of the Control Period and onwards), the Authority proposed the growth rates in line with revised 5-year CAGR, i.e. 13.09% for Domestic ATM and revised 3-year CAGR i.e., 6.50% for International ATM.

4.2.11 The traffic growth rates and the corresponding traffic for Passengers and ATM as considered by the Authority at consultation stage for the 1<sup>st</sup> Control Period is given in the table below:

**Table 7: Traffic forecast as considered by the Authority at consultation stage**

Year	Passenger Traffic			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	-0.88%	9.46%	2.39%	1.19%	-10.83%	-2.45%



Year	Passenger Traffic			ATM		
	Domestic	International	Combined	Domestic	International	Combined
2020-21	18.48%	17.55%	18.16%	13.09%	6.50%	11.27%
2021-22	18.48%	17.55%	18.16%	13.09%	6.50%	11.35%
2022-23	18.48%	17.55%	18.17%	13.09%	6.50%	11.42%
2023-24	18.48%	17.55%	18.17%	13.09%	6.50%	11.50%
Traffic in numbers						
2019-20	1,710,058	874,041	2584099	12,627	4,839	17,466
2020-21	2,025,996	1,027,442	3053438	14,281	5,153	19,434
2021-22	2,400,306	1,207,767	3608072	16,151	5,488	21,639
2022-23	2,843,770	1,419,740	4263509	18,266	5,844	24,110
2023-24	3,369,165	1,668,915	5038081	20,658	6,224	26,882

4.2.12 The Authority proposed to true-up the traffic as per actual growth achieved during the 1st Control Period at the time of determination of tariff for the 2nd Control Period.

### **4.3 Stakeholders' Comments on CP regarding Traffic Forecasts for the First Control Period**

#### **AAI's comments on Traffic Forecasts for the First Control Period**

4.3.1 AAI proposed the revised traffic projections as the aviation sector is going through a turbulent phase due to ongoing COVID-19 pandemic. The revised traffic growth rates as submitted by AAI for the 1<sup>st</sup> Control Period are as follows:

**Table 8: Revised Traffic forecast as proposed by the AAI**

Year	Passenger Traffic			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates						
2019-20	-5.04%	2.6%	-2.6%	-0.7%	-13.5%	-4.6%
2020-21	-39.0%	-63.4%	-47.1%	-32.7%	-54.3%	-38.7%
2021-22	20.0%	70.0%	31.5%	18.0%	65.0%	27.6%
2022-23	16.0%	25.0%	18.7%	15.0%	22.0%	16.9%
2023-24	16.0%	25.0%	18.8%	15.0%	22.0%	16.9%
Traffic						
2019-20	1,638,372	819,243	2,457,615	12,389	4,692	17,081
2020-21	1,000,000	300,000	1,300,000	8,333	2,143	10,476
2021-22	1,200,000	510,000	1,710,000	9,833	3,536	13,369
2022-23	1,392,000	637,500	2,029,500	11,308	4,314	15,622
2023-24	1,614,720	796,875	2,411,595	13,005	5,263	18,268

#### **Indigo's comments on Traffic Forecasts for the First Control Period**

4.3.2 Indigo has submitted that AAI has not disclosed the details of traffic forecast including comparison with any other forecast with industry forums like IATA etc. in accordance with the Clause A5.6 of the AERA (Terms and Conditions for Airport Operators) Guidelines, 2011 (AERA Guidelines). Further, Indigo has requested the Authority to conduct an independent study for the traffic projections, particularly due to the ongoing COVID-19 pandemic.

4.3.3 Indigo requested the Authority to clarify on the rationale behind adopting different periods for estimating the CAGR domestic and international traffic and ATM projections.



#### **4.4 AAI's counter comments and response to Stakeholders' comments on CP regarding traffic forecast for the First Control Period**

4.4.1 In response to Indigo's comments, AAI has requested the Authority to offer its views on the traffic projections

#### **4.5 Authority's examination regarding Traffic Forecast for the First Control Period at Addendum to CP stage**

4.5.1 The Authority considered the balanced view while proposing the traffic growth rates and proposed the median growth rates among the 3-year CAGR, 5-year CAGR and 10-year CAGR for domestic and international passenger projections over the control period. However, the Authority now proposes to revise the traffic projections considering the impact of COVID-19, which will subsequently be 'trued up' as per actuals at the time of tariff determination for next Control Period.

4.5.2 The Authority had sought the views of various Stakeholders at the time Stakeholders' Consultation. Based on the suggestions received, the Authority considered the ICAO study, IATA survey, and sector updates for the traffic projections for the control period. The traffic decline was proposed to be in the range of 40%-50% in the first year and 20%-30% in the second year while regaining the existing levels of FY 2019-20 by the end of FY 2022-23. For FY 2023-24, the hike of 20% has been considered in line with the recovery expected during those years.

4.5.3 Accordingly, the Authority proposed revised traffic projections as shown in table below:

**Table 9: Revised Traffic forecast as proposed by the Authority at Addendum to CP stage**

Year	Passenger Traffic			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	-5.04%	2.60%	-2.62%	-0.72%	-13.53%	-4.60%
2020-21	-38.96%	-63.38%	-47.10%	-32.74%	-54.33%	-38.67%
2021-22	20.00%	70.00%	31.54%	18.00%	65.00%	27.62%
2022-23	36.53%	60.64%	43.72%	25.99%	32.69%	27.77%
2023-24	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
<b>Traffic in numbers</b>						
2019-20	1,638,372	819,243	2,457,615	12,389	4,692	17,081
2020-21	1,000,000	300,000	1,300,000	8,333	2,143	10,476
2021-22	1,200,000	510,000	1,710,000	9,833	3,536	13,369
2022-23	1,638,372	819,243	2,457,615	12,389	4,692	17,081
2023-24	1,966,046	983,092	2,949,138	14,867	5,630	20,497

#### **4.6 Stakeholders' Comments on Addendum to CP regarding Traffic Forecasts for the First Control Period**

##### **AAI's comments on Traffic Forecasts for the First Control Period**

4.6.1 AAI has submitted that IATA had revised down their passenger forecast over the next five-year period. In new forecasts, IATA expects RPKs to decline by a little more than 60% in 2020 compared to 2019, with a return to pre-COVID-19 levels not occurring before 2024.

4.6.2 The revised traffic growth rates as submitted by AAI for the 1<sup>st</sup> Control Period are as follows:

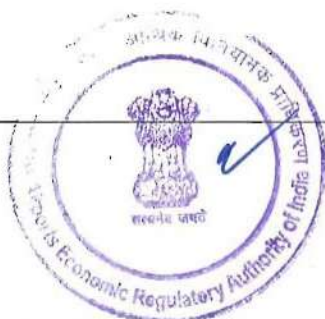


Table 10: Revised Traffic forecast as proposed by the AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	-5.04%	2.6%	-2.6%	-0.7%	-13.5%	-4.6%
2020-21	-39.0%	-63.4%	-47.1%	-32.7%	-54.3%	-38.7%
2021-22	20.0%	70.0%	31.5%	18.0%	65.0%	27.6%
2022-23	16.0%	25.0%	18.7%	15.0%	22.0%	16.9%
2023-24	16.0%	25.0%	18.8%	15.0%	22.0%	16.9%
<b>Traffic</b>						
2019-20	1,638,372	819,243	2,457,615	12,389	4,692	17,081
2020-21	1,000,000	300,000	1,300,000	8,333	2,143	10,476
2021-22	1,200,000	510,000	1,710,000	9,833	3,536	13,369
2022-23	1,392,000	637,500	2,029,500	11,308	4,314	15,622
2023-24	1,614,720	796,875	2,411,595	13,005	5,263	18,268

#### **FIA's comments on Traffic Forecasts for the First Control Period**

- 4.6.3 FIA has submitted that AERA should consider conducting an independent study for traffic projections for the first control period while considering the proposed increase in flight capacity to 70% as per Ministry for Civil Aviation's Order No. 10/2020 dated 11 November, 2020, and gradual easing of travel restrictions by state governments and robust movement of air traffic under 'Vande Bharat Mission' and 'Transport Bubble/Air Travel Arrangement'.

#### **4.7 AAI's counter comments and response to Stakeholders' comments on Addendum to CP regarding traffic forecast for the First Control Period**

- 4.7.1 In response to FIA's comments, AAI has submitted that IATA has revised the traffic forecasts for next five years and expects the passenger traffic to reach pre-COVID-19 levels by 2024. AAI has requested the Authority to revise the traffic projections as per their submission in the counter comments.

#### **4.8 Authority's examination and decisions regarding Traffic Forecast for the First Control Period**

- 4.8.1 The Authority has carefully analyzed the submissions from FIA & AAI, and, has presented its views in the ensuing paragraphs.
- 4.8.2 AAI has made a revised submission highlighting that IATA has revised the traffic forecasts for next five years and expects the passenger traffic to reach pre-COVID-19 levels by the year 2024.
- 4.8.3 The IATA study suggests decline in the revenue per passenger per kilometre, which depends on multiple factors apart from passenger traffic such as conservative pricing by the airlines to ensure full capacity utilization, restrictions on international travel imposed by the various Governments etc. These factors may be vital for international passenger traffic projections. However, the domestic passenger traffic growth will be governed largely by the gradual easing of the nation-wide travel restrictions imposed by the Government of India.
- 4.8.4 The airlines operations were suspended in March 2020 due to the country-wide lockdowns imposed by the Government of India. The lockdown restrictions on airline operations were relaxed in May



2020, however, the airlines were allowed to operate not more than 33% of their pre-COVID-19 domestic flights. The flight cap was increased to 45% on June 26 and to 60% on September 2, 2020.

- 4.8.5 In November 2020, the Ministry of Civil Aviation (MoCA) vide Order No. 10/2020 proposed to increase the airline capacity to 70% of the pre-COVID levels. Recently, MoCA vide circular dated December 3, 2020 allowed the airlines to operate with the flight capacity up to 80% of the pre-COVID-19 levels. Therefore, it may be safely assumed that airlines may be allowed to operate with 100% of the capacity by March 2021.
- 4.8.6 Considering the above factors, the Authority believes that the domestic and international passenger traffic shall reach the pre-COVID-19 levels somewhere in FY 2022-23. Since the traffic projections proposed by AAI in revised submission is in the suggested range, the Authority proposes to consider the passenger traffic and ATM movement as per AAI's projections for FY 2020-21 and FY 2021-22. Further, the passenger traffic and ATM movement have been considered in line with the pre-COVID-19 levels for FY 2022-23, and a 20% hike has been proposed on it for FY 2023-24. However, the Authority will consider the passenger traffic as per actuals at the time of true-up in Next Control Period.
- 4.8.7 As discussed in the above paragraphs of this chapter, the Authority decides to consider the revised traffic projections as shown in table below:

**Table 11: Revised Traffic forecast as considered by the Authority**

Year	Passenger Traffic			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	-5.04%	2.60%	-2.62%	-0.72%	-13.53%	-4.60%
2020-21	-38.96%	-63.38%	-47.10%	-32.74%	-54.33%	-38.67%
2021-22	20.00%	70.00%	31.54%	18.00%	65.00%	27.62%
2022-23	36.67%	60.78%	43.86%	26.11%	32.92%	27.91%
2023-24	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
<b>Traffic in numbers</b>						
2019-20	1,638,372	819,243	2,457,615	12,389	4,692	17,081
2020-21	1,000,000	300,000	1,300,000	8,333	2,143	10,476
2021-22	1,200,000	510,000	1,710,000	9,833	3,536	13,369
2022-23*	1,640,000	820,000	2,460,000	12,400	4,700	17,100
2023-24	1,968,000	984,000	2,952,000	14,880	5,640	20,520

\* The traffic figures have been rounded up to the nearest hundreds.

#### **4.9 Authority's Decision Regarding Traffic Forecast for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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





## CHAPTER 5. ALLOCATION OF ASSETS BETWEEN AERONAUTICAL AND NON-AERONAUTICAL

### 5.1 AAI's submission regarding Allocation of Assets for the First Control Period

5.1.1 Under Hybrid Till, only Aeronautical assets are included as part of the Regulatory Asset Base (RAB). Therefore, all airport assets need to be segregated between aeronautical and non-aeronautical. Further, projections of capitalizations during the Control Period with regard to only aeronautical assets need to be considered as part of RAB.

5.1.2 For the purposes of this segregation, AAI has divided its assets into three components – Aeronautical, Non-Aeronautical and Common. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following ratios:

- a) **Terminal Area Ratio:** This is a ratio of aeronautical area to non-aeronautical area and is applied for all terminal related common assets.
- b) **Employee Ratio:** This is a ratio of number of staff providing non-aeronautical services (i.e. commercial and land management) to number of staff providing aeronautical services, excluding ANS and Cargo.
- c) **Quarter ratio:** This is a ratio based on number of non-aeronautical staff to aeronautical staff residing at the residential quarters at the airport. It is applied to assets pertaining to such residential quarters.

5.1.3 The table below provides the details of these ratios used for allocation:

**Table 12: Ratios used by AAI for allocation of assets into aeronautical and non-aeronautical**

Particulars	Ratio (FY 2017-18)
Terminal Area Ratio	5.43%
Employee Ratio	5:118
Quarter ratio	2:52

5.1.4 The allocation of gross block of assets as on April 1, 2017 between aeronautical and non-aeronautical services as submitted by AAI is given in the table below:



**Table 13: Allocation of opening gross block of assets for FY 2017-18 between aeronautical and non-aeronautical as per AAI (INR crores)**

S. No.	Asset category	Total assets	Pure Aero Assets	Common Assets	Common Asset		Aero assets	% Aero
					Aero	Non-Aero		
1.	Land	0.042	0.042	0.00	0.00	0.00	0.042	100.0%
2.	Runways, Aprons and Taxiways	116.48	116.48	0.00	0.00	0.00	116.48	100.0%
3.	Road, Bridges & Culverts	34.60	34.60	0.00	0.00	0.00	34.60	100.0%
4.	Building – Terminal	158.85	100.21	58.65	55.46	3.18	155.67	98.0%
5.	Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.64	100.00%
6.	Building- Residential	4.40	3.08	1.32	1.26	0.06	4.34	98.67%
7.	Security Fencing-Temp	0.43	0.43	0.00	0.00	0.00	0.43	100%
8.	Boundary Wall – Operational	4.84	4.84	0.00	0.00	0.00	4.84	100.0%
9.	Boundary Wall – Residential	0.27	0.00	0.27	0.26	0.01	0.26	95.61%
10.	Building - Others	8.35	8.35	0.00	0.00	0.00	8.35	100%
11.	Computer - End user	1.07	1.07	0.00	0.00	0.00	1.07	100%
12.	Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.18	100%
13.	Intangible Assets – Software	0.45	0.45	0.00	0.00	0.00	0.45	100%
14.	Plant & Machinery	17.88	17.88	0.00	0.00	0.00	17.88	98.07%
15.	Tools & Equipment	7.01	7.01	0.00	0.00	0.00	7.01	100%
16.	Furniture & Fixtures: Other Than Trolley	5.31	5.31	0.00	0.00	0.00	5.31	100.0%
17.	Furniture & Fixtures: Trolley	1.22	1.22	0.00	0.00	0.00	1.22	100.0%
18.	Vehicles	1.76	1.67	0.09	0.08	0.01	1.76	99.81%
19.	Electrical Installations	74.09	68.31	5.78	5.47	0.31	73.78	99.58%
20.	Other Office Equipment	0.97	0.89	0.08	0.07	0.01	0.96	99.56%
21.	X Ray Baggage System	2.74	2.74	0.00	0.00	0.00	2.74	100.0%
22.	CFT/Fire Fighting Equipment	20.09	20.09	0.00	0.00	0.00	20.09	100.0%
	<b>Total</b>	<b>461.68</b>	<b>395.50</b>	<b>66.18</b>	<b>62.61</b>	<b>3.57</b>	<b>458.11</b>	<b>99.23%</b>

## 5.2 Authority's examination regarding Allocation of Assets for the First Control period at Consultation stage

- 5.2.1 AAI has submitted the Initial RAB as on April 1, 2017 considering that Amritsar airport became "Major Airport" in FY 2017-18 as defined in Section 2(i) of Airports Economic Regulatory Authority of India (AERA, the Authority) Act. However, the threshold for the definition of Major Airports was revised to 3.5 million passengers per annum as per AERA (Amendment) Act, 2019.
- 5.2.2 As discussed in Chapter 1, MoCA has directed AERA to determine the aeronautical tariff for Amritsar Airport while declaring it as a "Major Airport" vide letter AV-24011/141/2015-AD (Vol. V) dated October 30, 2019 as it is proposed to be privatized in next round of PPP leasing by AAI. Accordingly, the Authority has determined the Initial RAB as on April 1, 2019, considering the first Control Period to be from FY 2019-20 to FY 2023-24.
- 5.2.3 AAI submitted the details of common assets and their allocation between aeronautical assets and non-aeronautical assets as on April 1, 2017. The Authority for the purpose of calculating the gross Aero assets as on April 1, 2019, proposes to determine gross opening Aero assets as on April 1, 2017 as per AAI submissions and has considered the addition in aeronautical assets and net depreciation for FY 2017-18 and FY 2018-19 to compute the Initial RAB as



on April 1, 2019. The depreciation for FY 2017-18 and FY 2018-19 has been computed considering the depreciation rates as per AAI's internal accounting policies, which shall be discussed in subsequent sections.

- 5.2.4 AAI submitted the workings for the calculation of the terminal area ratio, i.e., ratio of non-aeronautical portion to the aeronautical portion of the terminal building. This has been presented in the table below:

**Table 14: Terminal Area Ratio**

S. No.	Category	Area (Sq. meters)
1	Commercial Entities- Restaurant / Snack Bars	440.19
2	Commercial Entities- Retail Facility	549.93
3	Duty Free Shop	238.04
4	Building Non-Residential	923.75
5	Admission Tickets	0.00
6	AAI Commercial office	30.80
	<b>Total non-aeronautical area (1)</b>	<b>2182.71</b>
	<b>Total area of terminal (2)</b>	<b>40175.00</b>
	<b>Terminal area ratio (1/2)</b>	<b>5.43%</b>

- 5.2.5 The Authority observed that 817.55 sq. mt. of area was used for advertising purposes. However, this area does not occupy any floor space and has therefore, not been considered while calculating Terminal Area Ratio.

- 5.2.6 The Authority verified the above working, with details of exact area given to various entities – commercial, airlines, and regulatory and allied agencies. However, the Authority believes that AAI should put in more efforts to increase the share of non-aeronautical activities in the terminal building. Considering that the passenger profile at Amritsar Airport is dominated by tourists, the Authority proposes to consider the 'terminal building ratio' as 10%, in line with the optimum 'terminal building ratio' of 8%-12% as approved for similar airports.

- 5.2.7 The Authority verified the workings provided by AAI for 'employee ratio.' AAI has considered the employee ratio without deducting the cargo employees and ANS share of employees in Finance and HR. The Authority has computed the 'employee ratio' based on above observations as 5/107. **Accordingly, the Authority proposes to consider the ratio as 5/107.**

- 5.2.8 The Authority verified the workings provided by AAI for 'quarter ratio' (Residential Quarters). **The Authority proposed to consider the 'quarter ratio' as 2/52.**

- 5.2.9 The Authority observed the use of various ratios for segregation of common assets into aeronautical and non-aeronautical. These are explained in the table below:

**Table 15: Allocation of common assets as per Authority**

S. No.	Asset category	Common Assets (INR cr.)	Aero Assets (INR cr.)	Non- Aero Assets (INR cr.)	Ratio used for allocation of common assets	Remarks
1.	Building – Terminal	58.74	52.87	5.87	Terminal Building ratio – 10%	All common assets of INR 58.74 crores have been allocated as per the Terminal Building ratio of 10%.



S. No.	Asset category	Common Assets (INR cr.)	Aero Assets (INR cr.)	Non- Aero Assets (INR cr.)	Ratio used for allocation of common assets	Remarks
2.	Building – Residential	1.32	1.26	1.26	Quarter Ratio- 2:52	All common assets of INR 1.32 crores have been inappropriately allocated as per the Employee ratio and have been allocated as per quarter ratio.
3.	Boundary wall residential	0.30	0.26	0.26	Quarter ratio- 2:52	All common assets of INR 0.30 crores have been inappropriately allocated as per the Employee ratio and have been allocated as per quarter ratio.
4.	Electrical Installations	68.31	61.48	6.83	Terminal Area Ratio- 10%	The total common assets of INR 68.31 crores have been proposed to allocate on the basis of terminal area ratio.
5.	Office Furniture	1.38	1.32	0.06	Employee Ratio- 5:107	AAI allocated the assets as 100% aeronautical. However, because these assets are used commonly by all employees, the Authority proposes to allocate these on the basis of Employee Ratio.
6.	Other Office Equipment	0.97	0.92	0.04	Employee Ratio: 5:107	AAI proposed an allocation of ~99% aeronautical for these assets. However, because these assets pertain to office equipment used by the employees, the Authority proposes to allocate these on the basis of Employee Ratio.

5.2.10 On the basis of above observations, the Authority proposed the allocation of Gross Block of Assets in accordance with the table below:

**Table 16: Allocation of assets proposed by the Authority at Consultation stage (Gross Block as on 1<sup>st</sup> April 2017) (INR crores)**

S. No.	Asset category	Total assets	Pure Aero	Common Assets	Common Asset		Aero assets	% Aero
					Aero	Non-Aero		
1.	Land	0.042	0.042	0.00	0.00	0.00	0.042	100.0%
2.	Runways, Aprons and Taxiways	116.48	116.48	0.00	0.00	0.00	116.48	100.0%
3.	Road, Bridges & Culverts	34.60	34.60	0.00	0.00	0.00	34.60	100.0%
4.	Building – Terminal	158.85	100.21	58.65	52.78	5.86	152.99	96.31%
5.	Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.64	100.00%
6.	Building- Residential	4.40	3.08	1.32	1.27	0.05	4.35	98.84%



S. No.	Asset category	Total assets	Pure Aero	Common Assets	Common Asset		Aero assets	% Aero
					Aero	Non-Aero		
7.	Security Fencing-Temp	0.43	0.43	0.00	0.00	0.00	0.43	100%
8.	Boundary Wall – Operational	4.84	4.84	0.00	0.00	0.00	4.84	100.0%
9.	Boundary Wall – Residential	0.27	0.00	0.27	0.26	0.01	0.26	96.15%
10.	Building - Others	8.35	8.35	0.00	0.00	0.00	8.35	100%
11.	Computer - End user	1.07	1.07	0.00	0.00	0.00	1.07	100%
12.	Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.18	100%
13.	Intangible Assets – Software	0.45	0.45	0.00	0.00	0.00	0.45	100%
14.	Plant & Machinery	17.88	17.88	0.00	0.00	0.00	17.88	98.07%
15.	Tools & Equipment	7.01	7.01	0.00	0.00	0.00	7.01	100%
16.	Furniture & Fixtures: Other Than Trolley	5.31	5.31	1.38	1.31	0.06	5.25	98.87%
17.	Furniture & Fixtures:	1.22	1.22	0.00	0.00	0.00	1.22	100.0%
18.	Vehicles	1.76	1.67	0.09	0.08	0.01	1.76	99.81%
19.	Electrical Installations	74.09	68.31	5.78	5.21	0.58	73.51	99.22%
20.	Other Office Equipment	0.97	0.89	0.08	0.07	0.01	0.96	99.19%
21.	X Ray Baggage System	2.74	2.74	0.00	0.00	0.00	2.74	100.0%
22.	CFT/Fire Fighting	20.09	20.09	0.00	0.00	0.00	20.09	100.0%
	<b>Total</b>	<b>461.68</b>	<b>394.12</b>	<b>67.56</b>	<b>60.98</b>	<b>6.58</b>	<b>455.10</b>	<b>98.57%</b>

### 5.3 Stakeholders' Comments on CP regarding Allocation of Assets for the First Control Period

#### AAI's comments on Allocation of Assets for the First Control Period

5.3.1 AAI has requested to consider the following allocation ratios:

Table 17: Revised Allocation Ratios proposed by AAI

Particulars	Ratio (FY 2017-18)
Terminal Building Ratio	5.43%
Employee Ratio	5:109
Quarter Ratio	2:50



- 5.3.2 For 'Terminal Building ratio,' AAI has submitted that the proposed allocation ratio of 5.43% is currently not fully utilized and the clientele in Amritsar is primarily pilgrim tourism which does not generally spend at airport and travels with a lot of luggage making it necessary to have more movement space. Therefore, it will not be prudent to consider the 'terminal building ratio' of 10%.
- 5.3.3 For 'employee ratio,' AAI has submitted that AERA has not considered the portion of finance and HR allocated to ANS. AAI has requested to include the portion of finance and HR allocated to ANS as the airport is proposed for privatization in next round of PPP leasing and only aeronautical portion of such common assets shall be paid to AAI while all these assets will be physically handed over to the concessionaire.
- 5.3.4 AAI submitted that allocation of assets is done on the basis of actual utilization for the facility provided for services like Navigation/ Airport Services/ Non-aero activities.
- 5.3.5 Further, AAI requested to bifurcate the common assets on the following basis:

**Table 18: Allocation of common assets as per AAI**

S. No.	Asset category	Remarks
1.	Building – Terminal	AAI requested to consider the 'terminal building ratio' of 5.43% based on the actual area allotment to concessionaires to run their business at the airport.
2.	Building – Residential	AAI agrees that 'quarter ratio' to be applied instead of employee ratio, but the 'quarter ratio' to be applied should be 2 (non-aero) accordingly. the amount of common assets will get changed as the amount of ANS and Cargo will now be based on 'quarter ratio'
3.	Boundary wall residential	
4.	Electrical Installations	INR 68.30 crores has wrongly been considered as Common assets. as it includes most of the item which are purely AERO in nature e.g Electrification of isolation bay- Airside, Perimeter road Lighting work, Lifts elevator, escalator, runway lighting etc. which are purely aero and may not be considered as common assets. Hence, AERA may be requested to consider assets worth INR 5.47 crores as common as in MYTP based on actual use and same has already been bifurcated in the MYTP by using appropriate ratio i.e. Terminal Building ratio; employee ratio.
5.	Office Furniture	AAI requested to consider the allocation as per MYT proposal as they allocated based on actual usage.
6.	Other Office Equipment	

**Indigo's comments on Allocation of Assets for the First Control Period**

- 5.3.6 Indigo submitted that AERA's proposal to bifurcate assets between aeronautical assets and non- aeronautical assets is based on information received from AAI and no detailed technical evaluation of the same or an independent study has been done by AERA.
- 5.3.7 Further, Indigo highlighted that allocation of the assets between Aeronautical or Non-Aeronautical categories is critical under Hybrid Till approach, hence the same should be carried out based on independent study as per the AERA Act.
- 5.3.8 With prejudice to the above, Indigo requested AERA to clarify regarding the assumption for



the splitting of terminal building cost between civil works and electrical installation and basis for splitting such expenditure as this ratio will have a significant impact on depreciation considering the depreciation rate of electrical installation is higher than building.

**GMR Airport Limited's comments on Allocation of Assets for the First Control Period**

- 5.3.9 GMR Airport Limited (GAL) submitted that that the terminal area allocation would be based on specific characteristics of the airport terminal and therefore, the terminal area allocation should be based on actual area utilization, rather than on normative percentages.

**5.4 AAI's counter comments and response to Stakeholder comments on CP regarding Allocation of Assets for the First Control Period**

- 5.4.1 In response to Indigo's comments, AAI has submitted that the allocation of assets between Aeronautical and Non-aeronautical have been done on the actual usage of the facility for aeronautical and non-aeronautical purposes. Further, AAI has submitted that split ratio of 65% for Civil works and 35% for Electrical Installations has been considered based on a reasonable estimate.
- 5.4.2 In response to GMR Airports Limited (GAL) comments, AAI has shown agreement with their views.

**5.5 Authority's examination regarding Allocation of Assets for the First Control Period at Addendum to CP Stage**

- 5.5.1 The Authority carefully analyzed the submissions from Indigo, GAL and AAI, and presented its views, as below.
- 5.5.2 The allocation ratio must be based on the potential of the non-aeronautical services at the airport. The IATA has recommended the ideal 'Terminal Building ratio' of 8%-12% at any airport. Given the dominance of religious tourism at the airport under consideration, the practical 'Terminal Building ratio' must be higher than the ratio as proposed by AAI and the efforts must be made by AAI to achieve the suggested 'Terminal Building ratio'. Further, the split ratio of 65% for Civil works and 35% for Electrical Installations has been considered in line with the Authority's proposal for other AAI airports in the past.
- 5.5.3 For 'employee ratio,' the Authority proposed to consider the ratio as proposed in the Consultation Paper since presently there is no clarity regarding the terms and conditions of privatization or when it will be privatized.
- 5.5.4 AAI has submitted that the 'quarter ratio' to be applied should be 2(Non-Aero):2(Cargo):37(ANS):50(Aero). Accordingly, the Authority proposes to consider the 'quarter ratio' as 2/91.
- 5.5.5 As discussed in the above paragraphs of this chapter, the Authority proposed revised allocation ratio as shown in table below:



Table 19: Revised Allocation Ratios proposed by the Authority in the Addendum to CP

Particulars	Ratio (FY 2017-18)
Terminal Area Ratio	10%
Employee Ratio	5:107
Quarter ratio	2:91

5.5.6 On the basis of above observations, the Authority proposed the allocation of Gross Block of Assets in accordance with the table below:

Table 20: Allocation of assets considered by the Authority at Addendum to CP stage (Gross Block as on 1<sup>st</sup> April 2017) (INR crores)

S. No.	Asset category	Total assets	Pure Aero Assets	Common Assets	Common Asset		Aero assets	% Aero
					Aero	Non-Aero		
1.	Land	0.042	0.042	0.00	0.00	0.00	0.042	100.00%
2.	Runways, Aprons and Taxiways	116.48	116.48	0.00	0.00	0.00	116.48	100.00%
3.	Road, Bridges & Culverts	34.60	34.60	0.00	0.00	0.00	34.60	100.00%
4.	Building – Terminal	158.95	100.21	58.74	52.78	5.86	152.99	96.25%
5.	Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.64	100.00%
6.	Building- Residential	4.40	3.08	1.32	1.29	0.03	4.37	99.34%
7.	Security Fencing-	0.43	0.43	0.00	0.00	0.00	0.43	100.00%
8.	Boundary Wall – Operational	4.84	4.84	0.00	0.00	0.00	4.84	100.00%
9.	Boundary Wall – Residential	0.27	0.00	0.27	0.26	0.01	0.26	97.80%
10.	Building - Others	8.35	8.35	0.00	0.00	0.00	8.35	100.00%
11.	Computer - End user	1.07	1.07	0.00	0.00	0.00	1.07	100.00%
12.	Computer Server &	0.18	0.18	0.00	0.00	0.00	0.18	100.00%
13.	Intangible Assets –	0.45	0.45	0.00	0.00	0.00	0.45	100.00%
14.	Plant & Machinery	17.88	17.88	0.00	0.00	0.00	17.88	100.00%
15.	Tools & Equipment	7.01	7.01	0.00	0.00	0.00	7.01	100.00%
16.	Furniture & Fixtures: Other Than Trolley	5.31	3.93	1.38	1.31	0.06	5.25	98.87%
17.	Furniture & Fixtures:	1.22	1.22	0.00	0.00	0.00	1.22	100.00%
18.	Vehicles	1.76	1.67	0.09	0.08	0.01	1.76	99.81%
19.	Electrical Installations	74.11	68.31	5.78	5.21	0.58	73.51	99.19%
20.	Other Office	0.97	0.89	0.07	0.06	0.01	0.96	98.97%
21.	X Ray Baggage	2.74	2.74	0.00	0.00	0.00	2.74	100.00%
22.	CFI/Fire Fighting	20.09	20.09	0.00	0.00	0.00	20.09	100.00%
	<b>Total</b>	<b>461.75</b>	<b>394.11</b>	<b>67.65</b>	<b>60.99</b>	<b>6.56</b>	<b>455.12</b>	<b>98.56%</b>

\* Sum of Pure Aero assets and Common assets may differ from the total Assets due to rounding off





## **5.6 Stakeholders' Comments on Addendum to CP regarding Allocation of Assets for the First Control Period**

### **AAI's comments on Allocation of Assets for the First Control Period**

5.6.1 AAI has requested to consider the following allocation ratios:

**Table 21: Revised Allocation Ratios proposed by AAI**

Particulars	Ratio (FY 2017-18)
Terminal Building Ratio	5.43%
Employee Ratio	5:109
Quarter Ratio	2:50

5.6.2 For 'Terminal Building ratio,' AAI has submitted that the proposed allocation ratio of 5.43% is currently not fully utilized and the clientele in Amritsar is primarily pilgrim tourism which does not generally spend at airport and travels with a lot of luggage making it necessary to have more movement space. Therefore, it will not be prudent to consider the terminal building ratio of 10%.

5.6.3 For 'employee ratio,' AAI has submitted that AERA has not considered the portion of Finance and HR allocated to ANS. AAI has requested to include the portion of Finance and HR allocated to ANS as the airport is proposed for privatization in next round of PPP leasing and only aeronautical portion of such common assets shall be paid to AAI while all these assets will be physically handed over to the concessionaire.

## **5.7 Authority's examination and decisions regarding Allocation of Assets for the First Control Period**

5.7.1 The Authority has carefully analyzed the submissions from AAI, and presents its views, as below.

5.7.2 The allocation ratio must be based on the potential of the non-aeronautical services at the airport. The IATA has recommended the ideal 'Terminal Building ratio' of 8%-12% at any airport. Given the dominance of religious tourism at the airports under consideration, the practical TB ratio must be higher than the ratio as proposed by AAI and the efforts must be made by AAI to achieve the suggested 'Terminal Building ratio.' Further, the split ratio of 65% for Civil works and 35% for Electrical Installations has been considered in line with the Authority's proposal for other AAI airports in the past.

5.7.3 For 'employee ratio,' the Authority decides to consider the ratio as proposed in the Consultation Paper since presently there is no clarity regarding the terms and conditions of privatization or when it will be privatized.

5.7.4 The Authority has considered AAI's submission regarding the 'quarter ratio' and accordingly, decides to revise the allocation of common assets between aeronautical and non-aeronautical assets.

5.7.5 As discussed in the above paragraphs of this chapter, the Authority decides to revise the



allocation ratio as shown in table below:

**Table 22: Revised Allocation Ratios Considered by the Authority for FCP**

Particulars	Ratio (FY 2017-18)
Terminal Area Ratio	10%
Employee Ratio	5:107
Quarter ratio	2:52

5.7.6 On the basis of above ratios, the Authority decides to allocate Gross Block of Assets as on 01.04.2017 in accordance with the table below:

**Table 23: Allocation of assets considered by the Authority (Gross Block as on 1<sup>st</sup> April 2017)  
(INR crores)**

S. No.	Asset category	Total assets	Pure Aero Assets	Common Assets	Common Asset		Aero assets	% Aero
					Aero	Non-Aero		
1.	Land	0.042	0.042	0.00	0.00	0.00	0.042	100.00%
2.	Runways, Aprons and Taxiways	116.48	116.48	0.00	0.00	0.00	116.48	100.00%
3.	Road, Bridges & Culverts	34.62	34.60	0.02	0.00	0.02	34.60	99.92%
4.	Building – Terminal	158.95	100.21	58.74	52.78	5.86	152.99	96.25%
5.	Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.64	100.00%
6.	Building- Residential	4.40	3.08	1.32	1.26	0.06	4.35	98.86%
7.	Security Fencing-	0.43	0.43	0.00	0.00	0.00	0.43	100.00%
8.	Boundary Wall – Operational	4.85	4.84	0.00	0.00	0.00	4.84	99.79%
9.	Boundary Wall – Residential	0.27	0.00	0.27	0.26	0.01	0.26	96.30%
10.	Building - Others	8.35	8.35	0.00	0.00	0.00	8.35	100.00%
11.	Computer - End user	1.07	1.07	0.00	0.00	0.00	1.07	100.00%
12.	Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.18	100.00%
13.	Intangible Assets – Software	0.45	0.45	0.00	0.00	0.00	0.45	100.00%
14.	Plant & Machinery	17.88	17.88	0.00	0.00	0.00	17.88	100.00%
15.	Tools & Equipment	7.01	7.01	0.00	0.00	0.00	7.01	100.00%
16.	Furniture & Fixtures: Other Than Trolley	5.31	3.93	1.38	1.31	0.06	5.25	98.87%
17.	Furniture & Fixtures:	1.22	1.22	0.00	0.00	0.00	1.22	100.00%
18.	Vehicles	1.76	1.67	0.09	0.08	0.01	1.75	99.43%
19.	Electrical Installations	74.09	68.31	5.78	5.21	0.58	73.51	99.22%
20.	Other Office Equipment	0.97	0.89	0.08	0.07	0.01	0.96	98.97%
21.	X Ray Baggage System	2.74	2.74	0.00	0.00	0.00	2.74	100.00%
22.	CFT/Fire Fighting	20.09	20.09	0.00	0.00	0.00	20.09	100.00%
	<b>Total</b>	<b>461.80</b>	<b>394.12</b>	<b>67.59</b>	<b>60.98</b>	<b>6.61</b>	<b>455.09</b>	<b>98.55%</b>



**5.8 Authority's Decision regarding Allocation of Assets between Aeronautical and Non-Aeronautical**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



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## CHAPTER 6. INITIAL REGULATORY ASSET BASE

### 6.1 AAI's submission regarding Initial Regulatory Asset Base for the First Control Period

6.1.1 As per AAI's submission, the Initial RAB as on 31/03/17 amounted to INR 134.61 crores. AAI submitted the following working for the computation of Initial RAB.

**Table 24: Initial RAB on 1<sup>st</sup> April 2017 as per AAI's submission (INR crores)**

Asset Category	Opening Gross Block	Accumulated Depreciation	Opening Net Block
Land	0.00	0.00	0.00
Runways, Aprons and Taxiways	116.48	63.66	52.82
Road, Bridges & Culverts	34.60	29.15	5.44
Building – Terminal	155.67	107.83	47.84
Building – Temporary	0.64	0.64	0.00
Building- Residential	4.34	2.04	2.30
Security Fencing-Temp	0.43	0.43	0.00
Boundary Wall – Operational	4.84	3.60	1.24
Boundary Wall – Residential	0.26	0.17	0.09
Building - Others	8.35	3.12	5.23
Computer - End user	1.07	1.05	0.02
Computer Server & Network	0.18	0.18	0.00
Intangible Assets – Software	0.45	0.45	0.00
Plant & Machinery	17.88	15.90	1.98
Tools & Equipment	7.01	4.30	2.71
Furniture & Fixtures: Other Than Trolley	5.31	4.30	1.01
Furniture & Fixtures: Trolley	1.22	0.76	0.46
Vehicles	1.76	1.65	0.11
Electrical Installations	73.78	60.86	12.92
Other Office Equipment	0.96	0.85	0.12
X Ray Baggage System	2.74	2.67	0.07
CFT/Fire Fighting Equipment	20.09	19.86	0.23
<b>Total</b>	<b>458.07</b>	<b>323.46</b>	<b>134.61</b>

### 6.2 Authority's examination regarding Initial Regulatory Asset Base for the First Control period at Consultation stage

6.2.1 AAI has worked out depreciation for FY 2017-18 and FY 2018-19 using rates as per Authority's Order No. 35/2017-18, which is applicable for Major Airports within the economic regulatory ambit of AERA. However, MoCA has directed AERA to determine the aeronautical tariff for Amritsar Airport, while declaring it as a Major Airport, only on October 30, 2019. Accordingly, the depreciation rates as per Authority's Order No. 35/2017-18 may not be applicable for the periods FY 2017-18 and FY 2018-19. Therefore, the Authority proposed to use the depreciation rates applicable as per AAI's internal accounting policies for computing the net block of Initial RAB.



6.2.2 As discussed in para 5.2.1, the Initial RAB as on April 1, 2019 has been computed based on opening value of Aeronautical Assets as on April 1, 2017, addition in assets and net depreciation for FY 2017-18 and FY 2018-19. The depreciation methodology used for FY 2017-18 and FY 2018-19 has been discussed in Chapter 8 on Depreciation.

6.2.3 The Authority revised the Initial RAB mainly on account of change in Terminal Building ratio, employee ratio and depreciation rates, as presented in the following table:

**Table 25: Initial RAB on 1<sup>st</sup> April 2019 as proposed by Authority at Consultation stage (INR crores)**

Asset Category	Opening Gross Block on Apr' 17	Acc. Depreciation	Opening Net Block on Apr'17	Addition for FY 2017-18	Net Depreciation FY 2017-18	Addition for FY 2018-19	Net Depreciation FY 2018-19	Opening Net Block on Apr'19
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Runways, Aprons and Taxiways	116.48	63.66	52.82	4.84	9.06	0.00	9.36	39.24
Road, Bridges & Culverts	34.60	29.15	5.44	0.00	1.28	5.96	1.54	8.58
Building – Terminal	152.99	105.73	47.26	0.00	11.97	2.21	11.20	26.31
Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.00	0.00	0.00
Building- Residential	4.35	2.05	2.30	0.00	0.22	0.00	0.22	1.87
Security Fencing- Temp	0.43	0.43	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall – Operational	4.84	3.60	1.24	0.00	0.23	0.00	0.21	0.81
Boundary Wall – Residential	0.26	0.17	0.09	0.00	0.01	0.00	0.01	0.06
Building - Others	8.35	3.12	5.23	1.67	0.62	0.63	0.69	6.22
Computer - End user	1.07	1.05	0.02	0.06	0.01	1.13	0.13	1.07
Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets – Software	0.45	0.45	0.00	0.01	0.00	0.00	0.00	0.01
Plant & Machinery	17.88	15.90	1.98	5.45	1.11	0.17	0.91	5.58
Tools & Equipment	7.01	4.30	2.71	0.21	0.92	9.11	1.81	9.31
Furniture & Fixtures: Other Than Trolley	5.25	4.28	0.97	0.00	0.00	0.22	0.02	0.20
Furniture & Fixtures: Trolley	1.22	0.76	0.46	0.00	0.15	0.00	0.15	0.15
Vehicles	1.76	1.65	0.11	0.09	0.08	2.05	0.18	1.98
Electrical Installations	73.51	60.62	12.89	15.66	5.64	1.26	3.86	20.20
Other Office Equipment	0.96	0.84	0.12	0.00	0.32	0.04	0.29	0.51
X Ray Baggage	2.74	2.67	0.07	0.28	0.04	0.04	0.04	0.29



Asset Category	Opening Gross Block on Apr' 17	Acc. Depreciation	Opening Net Block on Apr'17	Addition for FY 2017-18	Net Depreciation FY 2017-18	Addition for FY 2018-19	Net Depreciation on FY 2018-19	Opening Net Block on Apr'19
System								
CFT/Fire Fighting Equipment	20.09	19.86	0.23	0.55	0.11	5.28	0.11	5.47
<b>Total</b>	<b>455.10</b>	<b>321.11</b>	<b>133.95</b>	<b>28.82</b>	<b>31.77</b>	<b>28.09</b>	<b>31.13</b>	<b>127.97</b>

### 6.3 Stakeholders' Comments on CP regarding Initial Regulatory Asset Base for the First Control period

6.3.1 No comments were received from the Stakeholders.

### 6.4 Authority's examination regarding Initial Regulatory Asset Base for the First Control period at Addendum to CP stage

6.4.1 On account of change in the aeronautical capitalization, the Authority revised the initial RAB once again during the Addendum to CP stage as presented in the following table:

**Table 26: Initial RAB on 1<sup>st</sup> April 2019 as proposed by the Authority at Addendum to CP stage (INR crores)**

Asset Category	Opening Gross Block on Apr' 17	Acc. Depreciation	Opening Net Block on Apr'17	Addition for FY 2017-18	Net Depreciation on FY 2017-18	Addition for FY 2018-19	Net Depreciation on FY 2018-19	Opening Net Block on Apr'19
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Runways, Aprons and Taxiways	116.48	63.66	52.82	4.84	9.06	0.00	9.36	39.24
Road, Bridges & Culverts	34.60	29.16	5.44	0.00	1.28	5.96	1.54	8.58
Building – Terminal	152.99	105.73	47.26	0.00	11.97	2.21	11.20	26.31
Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.00	0.00	0.00
Building-Residential	4.37	2.06	2.31	0.00	0.22	0.00	0.22	1.87
Security Fencing-Temp	0.43	0.43	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall – Operational	4.84	3.60	1.24	0.00	0.23	0.00	0.21	0.81
Boundary Wall – Residential	0.26	0.18	0.09	0.00	0.01	0.00	0.01	0.06
Building - Others	8.35	3.12	5.23	1.67	0.62	0.63	0.69	6.22
Computer - End user	1.07	1.05	0.02	0.06	0.01	1.13	0.13	1.07
Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets – Software	0.45	0.45	0.00	0.01	0.00	0.00	0.00	0.01
Plant & Machinery	17.88	15.90	1.98	5.45	1.11	0.17	0.91	5.58



Asset Category	Opening Gross Block on Apr' 17	Acc. Depreciation	Opening Net Block on Apr'17	Addition for FY 2017-18	Net Depreciation on FY 2017-18	Addition for FY 2018-19	Net Depreciation on FY 2018-19	Opening Net Block on Apr'19
Tools & Equipment	7.01	4.30	2.71	0.21	0.92	9.11	1.81	9.31
Furniture & Fixtures: Other Than Trolley	5.25	4.28	0.97	0.00	0.26	0.23	0.28	0.66
Furniture & Fixtures: Trolley	1.22	0.76	0.46	0.00	0.15	0.00	0.15	0.15
Vehicles	1.76	1.65	0.11	0.09	0.08	2.05	0.18	1.98
Electrical Installations	73.51	60.62	12.89	15.66	5.64	1.26	3.86	20.30
Other Office Equipment	0.96	0.84	0.12	0.00	0.07	0.03	0.04	0.04
X Ray Baggage System	2.74	2.67	0.07	0.28	0.04	0.04	0.05	0.29
CFT/Fire Fighting Equipment	20.09	19.86	0.23	0.55	0.11	5.28	0.48	5.47
<b>Total</b>	<b>455.12</b>	<b>321.12</b>	<b>133.96</b>	<b>28.82</b>	<b>31.77</b>	<b>28.09</b>	<b>31.13</b>	<b>127.98</b>

\* Sum of Pure Aero assets and Common assets may differ from the total Assets due to rounding off

## **6.5 Stakeholders' Comments on Addendum to CP regarding Initial Regulatory Asset Base for the First Control period**

6.5.1 No comments were received from the Stakeholders.

## **6.6 Authority's examination and decisions regarding Initial Regulatory Asset Base for the First Control period**

6.6.1 AAI has worked out depreciation for FY 2017-18 and FY 2018-19 using rates as per Authority's Order No. 35/2017-18, which is applicable for Major Airports within the economic regulatory ambit of AERA. However, MoCA has directed AERA to determine the aeronautical tariff for Amritsar Airport, while declaring it as a Major Airport, only on October 30, 2019. Accordingly, the depreciation rates as per Authority's Order No. 35/2017-18 may not be applicable for the periods FY 2017-18 and FY 2018-19. Therefore, the Authority has decided to use the depreciation rates applicable as per AAI's internal accounting policies for computing the Net Block of Initial RAB.

6.6.2 The Initial RAB as on April 1, 2019 has been computed based on opening value of Aeronautical Assets as on April 1, 2017, addition in assets and net depreciation for FY 2017-18 and FY 2018-19. The depreciation methodology used for FY 2017-18 and FY 2018-19 has been discussed in the Chapter 8 on Depreciation of this Order.

6.6.3 The Initial RAB has been revised mainly on account of change in 'Terminal Building ratio,' 'employee ratio' and depreciation rates, as presented in the following table:



Table 27: Initial RAB on 1<sup>st</sup> April 2019 as considered by the Authority (INR crores)

Asset Category	Opening Gross Block on Apr' 17	Acc. Depreciation	Opening Net Block on Apr'17	Addition for FY 2017-18	Net Depreciation FY 2017-18	Addition for FY 2018-19	Net Depreciation FY 2018-19	Opening Net Block on Apr'19
Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Runways, Aprons and Taxiways	116.48	63.66	52.82	4.84	9.06	0.00	9.36	39.24
Road, Bridges & Culverts	34.60	29.16	5.44	0.00	1.28	5.96	1.54	8.58
Building – Terminal	152.99	105.73	47.26	0.00	11.97	2.21	11.20	26.31
Building – Temporary	0.64	0.64	0.00	0.00	0.00	0.00	0.00	0.00
Building-Residential	4.35	2.05	2.31	0.00	0.22	0.00	0.22	1.87
Security Fencing-Temp	0.43	0.43	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall – Operational	4.84	3.60	1.24	0.00	0.23	0.00	0.21	0.81
Boundary Wall – Residential	0.26	0.18	0.09	0.00	0.01	0.00	0.01	0.06
Building - Others	8.35	3.12	5.23	1.67	0.62	0.63	0.69	6.22
Computer - End user	1.07	1.05	0.02	0.06	0.01	1.13	0.13	1.07
Computer Server & Network	0.18	0.18	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets – Software	0.45	0.45	0.00	0.01	0.00	0.00	0.00	0.01
Plant & Machinery	17.88	15.90	1.98	5.45	1.11	0.17	0.91	5.58
Tools & Equipment	7.01	4.30	2.71	0.21	0.92	9.11	1.81	9.31
Furniture & Fixtures: Other Than Trolley	5.25	4.28	0.97	0.00	0.26	0.23	0.28	0.66
Furniture & Fixtures: Trolley	1.22	0.76	0.46	0.00	0.15	0.00	0.15	0.15
Vehicles	1.75	1.65	0.11	0.09	0.08	2.05	0.18	1.98
Electrical Installations	73.51	60.62	12.89	15.66	5.64	1.26	3.86	20.30
Other Office Equipment	0.96	0.84	0.12	0.00	0.07	0.03	0.04	0.04
X Ray Baggage System	2.74	2.67	0.07	0.28	0.04	0.04	0.05	0.29
CFT/Fire Fighting Equipment	20.09	19.86	0.23	0.55	0.11	5.28	0.48	5.47
<b>Total</b>	<b>455.05</b>	<b>321.10</b>	<b>133.95</b>	<b>28.82</b>	<b>31.77</b>	<b>28.09</b>	<b>31.13</b>	<b>127.97</b>





**6.7 Authority's Decision regarding Initial RAB for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



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## CHAPTER 7. CAPITAL EXPENDITURE FOR THE 1<sup>ST</sup> CONTROL PERIOD

### 7.1 AAI's submission regarding Capital Expenditure for the First Control Period

7.1.1 AAI has proposed the total expenditure of INR 537.66 crores for the 1<sup>st</sup> Control Period. The item wise capex phasing, physical and financial progress as submitted by AAI has been shown in table below:

**Table 28: Capital Expenditure as proposed by AAI for 1<sup>st</sup> Control period (INR crores)**

Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
Expansion of Terminal Building [Assumption:(65% civil and 35% electrical)]	230.07	243.28	94.57%	March 2022	0.00	40.00	120.00	83.28	0.00	Nil	Nil
Parallel Taxi Track	84.60	84.60	100%	2022-23	0.00	0.00	38.00	46.60	0.00	Nil	Nil
Obstructions to the construction of Parallel taxi track- IAF rehabilitation	13.40	13.40	100%	2020-21	0.00	13.40	0.00	0.00	0.00		
Expansion of apron for 10 Nos Code 4C type (excl. GLF work to be taken up with ALCMS work)	52.41	52.41	100%	2020-21	8.50	43.91	0.00	0.00	0.00	32%	7.5
Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting	34.13	34.13	100%	2021-22	0.00	10.00	20.00	4.13	0.00	Nil	Nil
Interior work of First floor TB	17.56	18.61	94.57%	15.06.2019	18.61	0.00	0.00	0.00	0.00	100%	18.83
SITC of Inline XBIS - 2 Phase	11.39	11.39	100%	2020-21	0.00	11.39	0.00	0.00	0.00	Nil	Nil
Body scanners	10.45	10.45	100%	2020-21	0.00	10.45	0.00	0.00	0.00	Nil	Nil
TCV	9.20	9.20	100%	2020-21	0.00	9.20	0.00	0.00	0.00	Nil	Nil
Replacement of flooring	7.57	8.00	94.57%	2021-22	0.00	4.00	4.00	0.00	0.00	Nil	Nil
Runway mechanical sweeper	7.30	7.30	100%	2020-21	0.00	7.30	0.00	0.00	0.00	Nil	Nil
CFT and RIVs	5.00	5.00	100%	2020-21	0.00	5.00	0.00	0.00	0.00	Nil	Nil
ATRS	4.00	4.00	100%	2021-22	0.00	0.00	4.00	0.00	0.00	Nil	Nil
Provision of AVDGS for parking bays (excluding maintenance cost of INR 0.57 crores)	3.28	3.28	100%	2019-20	3.00	0.28	0.00	0.00	0.00	70.00%	1.8



Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
Provision of Tensile Fabric Canopy in front of TB	2.25	2.38	94.57%	2019-20	2.38	0.00	0.00	0.00	0.00	100%	2.31
Replacement of 02 Nos. outlived Baggage Conveyors Belt by new baggage conveyor in Domestic arrival (excluding INR 2.17crores, for maintenance cost)	2.75	2.75	100%	2020-21	0.00	2.75	0.00	0.00	0.00	Nil	Nil
FIDS	2.00	2.00	100%	2021-22	0.00	0.00	2.00	0.00	0.00	Nil	Nil
Improvement of Air conditioning system in TB	1.73	1.83	94.57%	2019-20	1.83	0.00	0.00	0.00	0.00	100%	1.83
SITC of 219 DV XBIS	1.69	1.69	100%	2020-21	0.00	1.69	0.00	0.00	0.00	Nil	Nil
SITC OF SCCTV (excluding CAMC)	1.66	1.66	100%	2019-20	1.66	0.00	0.00	0.00	0.00	Nil	Nil
Procurement of Electrical Testing equipment: SH supply Testing and Training of Motorized Photometric Measuring System and other special Equipment's for maintenance of airfield Ground Lighting (AGL) system	1.60	1.60	100%	2019-20	1.60	0.00	0.00	0.00	0.00	100%	1.6
Providing Fixing and installation of fall protection and walkway system on roof of TB	1.42	1.50	94.57%	2019-20	1.50	0.00	0.00	0.00	0.00	100%	1.5
Modification to railing at central cut -out and towards air-corridor and mis work at ops and security reason	1.47	1.47	100%	2019-20	1.47	0.00	0.00	0.00	0.00	100.00%	1.47
Provision of road from apron to fire station	1.44	1.44	100%	2020-21	0.00	1.44	0.00	0.00	0.00	10.00%	Nil
Replacement of Damaged RIGIDAL aluminum standing skylight with profile sheet on roof of TB	1.22	1.29	94.57%	2019-20	1.29	0.00	0.00	0.00	0.00	100.00%	1.47
TUV, MM Bolero, Swift Dzire Truck tractor etc	1.28	1.28	100%		0.63	0.15	0.00	0.40	0.10	Nil	Nil
SITC OF SCCTV with for 1st and Mezzanine floor (Excluding CAMC)	1.26	1.26	100%	2019-20	1.26	0.00	0.00	0.00	0.00	Nil	Nil
Replacement of old outlived DG sets in phase-1	1.20	1.20	100%	2020-21	1.19	0.01	0.00	0.00	0.00	50.00%	0.6



Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
Powerhouse											
SS Dustbin, Sanitary Vending Machine vertical garden PET Bottle Shredder, LED TVs	1.10	1.10	100%		0.20	0.15	0.35	0.20	0.20	Nil	Nil
Improvement in toilet	0.97	1.03	94.57%	2019-20	1.03	0.00	0.00	0.00	0.00	50%	0.39
Others	7.16	7.16	100%	2019-20	7.16	0.00	0.00	0.00	0.00		
<b>Total</b>	<b>522.56</b>	<b>537.66</b>			<b>53.32</b>	<b>161.12</b>	<b>188.35</b>	<b>134.61</b>	<b>0.30</b>		

7.1.2 AAI has proposed aeronautical capitalization expenditure of INR 522.56 crores for the 1<sup>st</sup> Control Period. This has been shown in the table below:

**Table 29: Aeronautical Capitalization proposed by AAI for 1<sup>st</sup> Control Period (INR crores)**

Asset category	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Runways, Aprons and Taxiways	0.00	60.95	0.00	84.60	0.00	145.55
Road, Bridges & Culverts	0.53	1.44	0.00	0.00	0.00	1.96
Building – Terminal	19.34	0.00	157.11	0.00	0.00	176.45
Other Building – Unclassified	0.47	0.00	0.00	0.00	0.00	0.47
Plant & Machinery	7.32	10.95	2.00	0.00	0.00	20.27
Tools & Equipment	1.46	16.81	4.00	0.00	0.00	22.27
Office Furniture	0.25	0.15	0.10	0.15	0.25	0.90
Vehicles	0.63	0.15	0.00	0.40	0.10	1.28
Electrical Installations	7.67	8.81	114.65	0.00	0.00	131.13
Furniture & Fixtures-Other than Trolley	1.69	0.15	0.35	0.20	0.20	2.59
furniture & Fixtures- Trolley	0.30	0.00	0.15	0.00	0.30	0.75
X Ray Baggage System	0.00	13.94	0.00	0.00	0.00	13.94
CFT/Fire Fighting Equipment	0.00	5.00	0.00	0.00	0.00	5.00
<b>Total</b>	<b>39.67</b>	<b>118.34</b>	<b>278.37</b>	<b>85.35</b>	<b>0.85</b>	<b>522.57</b>

7.1.3 AAI submitted that the existing capacity of the airport is 4.0 million passengers while the airport served 2.52 million passengers in FY 2018-19. This traffic is expected to grow further in the future. To accommodate this growing traffic, AAI has proposed an expansion plan for the existing terminal building.

7.1.4 The proposed expansion plan shall be the extension of existing terminal (Area=40,175 sqm)



and will span across an area of 16,000 sqm.

- 7.1.5 The funding requirement of expansion plan shall be met out of internal resources and is proposed to be capitalized in FY 2021-22.
- 7.1.6 AAI has proposed a capital expenditure of INR 98.00 crores towards construction of parallel taxi track including relocation and rehabilitation of IAF (Indian Air Force) structure, obstructing the proposed parallel taxi track.
- 7.1.7 AAI has proposed a capital expenditure of INR 52.41 crores for expansion of Apron for additional 10 nos. parking bays for 4C type of aircrafts. AAI has submitted that additional parking bays shall support by catering to the diverted flights from IGI Airport, Delhi during bad weather conditions.
- 7.1.8 AAI has proposed a capital expenditure of INR 4.52 crores for Up-Gradaation of ALCMS & provision of ILCMS including Provision of CAT-IIIB lights on Balance Bays including Isolation Bay, Cargo Bay and upcoming 10 nos. apron bays. AAI has submitted that due to non-availability of Individual Lamp Monitoring Control System, only 4 nos. bays against 24 nos. bays (10 nos. under construction) are available in CAT-IIIB condition.

## **7.2 Authority's examination regarding Capital Expenditure for the First Control period at Consultation stage**

- 7.2.1 The Authority examined the proposed capital expenditure including its rationale, detailed line item wise breakup, current progress including procurement steps and future planning.
- 7.2.2 The Authority analyzed the expansion of existing terminal building being proposed including the need and objectives, proposed capital expenditure, and, scope of work. The Authority noted that the CAPEX proposals are in the planning stage and yet to be awarded. Accordingly, the key takeaways noted below.
- As per AAI's submissions, the expansion of existing PTB shall be spread across an area of 16,000 sqm (Ground Level – 8,000 sqm and First Floor– 8,000 sqm) with a cost estimate of INR 243.28 crores. The unit area cost for the expansion of terminal worked out to INR 152,050 per sqm.
  - The Authority has adopted the normative approach towards determination of cost of terminal building and has considered a normative cost of INR 100,000 per sq. meters in line with previous tariff orders pertaining to other airports such as Guwahati, Lucknow, Chennai and Patna. The Authority conducted a study of few Major Airports for determining the reasonableness of the capital expenditures for respective terminal buildings. As per these studies, the cost worked out to be in the range of 0.95 to 1.25 lakhs per sqm. Accordingly, the Authority decides to adopt INR 100,000 per sqm for terminal buildings of similar design and specifications.
  - Therefore, as per the above benchmarks, the cost of expansion of existing PTB works out to INR 160 crores. The Authority has considered AAI's original allocation of 65% for Civil and 35% for E&M works for working out the breakup of PTB cost. Accordingly, the breakup of terminal cost would be INR 104 crores for civil work and INR 56 crores for E&M installations/works.
  - The Authority also sought item wise cost breakup for the proposed expansion of existing terminal building from AAI. It has been observed that the proposed items of capital expenditure include expenditure specifically necessitated due to this being a



modification of the existing building, such as cost of diverting services, shifting of existing capital items etc. Such expenditures do not form a part of the benchmarking study, which was conducted from the perspective of a new Terminal Building. Accordingly, the Authority proposes following items to be allowed separately, considering these were not considered as part of Terminal Building costing in the benchmarking study:

**Table 30: Additional cost proposed by Authority for expansion of existing terminal building (INR crores)**

S. No.	Particulars	Value
1.	Cost of diverting services, dismantling wall partition and other unforeseen work etc.	20.67
2.	Solar Plant	3.16
3.	Cost of Sub-Station Building	4.17
4.	Shifting and Trans installation of Existing Arrival BHS -2 nos and Modification of Existing Departure BHS	5.47
5.	Additional 04 nos. escalators in Existing Building for SHA from FF to MF	2.43
6.	<b>Total</b>	<b>35.90</b>
7.	Benchmarked cost for proposed expansion of existing PTB	160.00
8.	<b>Proposed cost for expansion of existing PTB</b>	<b>195.90</b>

- Thus, the Authority proposed the capital expenditure of INR 195.90 crores for the proposed expansion of existing terminal building. Considering AAI's original allocation of 65% for Civil and 35% for E&M works, the civil cost works out to INR 127.34 crores and the E&M cost works out to INR 68.56 crores.
- AAI submitted that the terminal building ratio shall remain the same at 5.43% for the extension portion of the existing terminal building. However, the Authority proposed to consider the terminal building ratio as 10%. Accordingly, the Aeronautical Portion of projected cost for expansion plan for existing PTB works out to INR 176.31 crores.
- AAI proposed the date of capitalization for expansion plan as March 2022. The Authority has examined the current status of project tendering and therefore proposes to shift the date of capitalization by 6 months i.e. to September 2022.

7.2.3 The Authority has also examined the other capital expenditure proposed by AAI considering the current procurement stage such as Administrative Approval, Expenditure Sanction, status of tendering, Letters of Award and physical and financial progress of capital expenditure already under execution, as applicable. The specific observations as follows:

- Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting– As per AAI submission, the administrative approval and expenditure sanction has already been accorded. Considering the current status, the Authority proposes to change the proposed date of capitalization to FY 2021-22.
- The Authority sought the total area of the proposed 10 nos. of Apron bays from AAI. As per the details received from AAI, the Aprons shall span across an area of 109,100 sqm. For the purpose of prudence check, the Authority computed the normative cost of the Apron and found the awarded cost as determine in "Table 31" below is within the



benchmarks cost of proposed apron.

**Table 31: Benchmarked cost for proposed Apron**

Particulars	Value
Area (sqm)	109,100
Cost per sqm as on 1st April 2016 (INR)	4,700
Inflation % assumed	5%
Number of years of inflation	4
Inflation factor	1.26
Normative cost (INR crores)	62.33
Cost proposed by AAI (INR crores)	47.54
<b>Cost proposed by Authority (INR crores)</b>	<b>47.54</b>

7.2.4 Similarly, the Authority sought the total area of the proposed Parallel Taxi Track (PTT) from AAI. As per the details received from AAI, the PTT will have an area of 124,000 sqm. AAI has submitted that out of the cost estimate of INR 98.00 crores, INR 13.40 crores shall be incurred for the relocation/ rehabilitation of IAF structure, INR 0.20 crores will be utilized for demolition of existing concrete infrastructure and INR 0.20 crores for office support. The Authority has computed the normative cost of PTT as INR 78.10 crores, as against INR 84.60 crores proposed by AAI excluding the IAF rehabilitation. The Authority finds it appropriate to include the cost of demolition of existing concrete structure, IAF rehabilitation and cost of office support over and above the normative cost, as they were not included in the benchmark cost of taxi track as per the study. Therefore, the Authority proposed to revise the cost of these assets to INR 91.90 crores. The computation of normative cost has been shown below:

**Table 32: Benchmarked cost for proposed Parallel Taxi Track**

Particulars	Value
Area (sqm)	124,000
Cost per sqm as on 1st April 2016 (INR)	4,700
Inflation % assumed	5%
Number of years of inflation	6
Inflation factor	1.34
Normative cost (INR crores)	78.10
Cost of IAF rehabilitation	13.40
Office support & demolition	0.40
Total normative cost	91.90
Cost proposed by AAI (INR crores)	98.00
<b>Cost proposed by Authority (INR crores)</b>	<b>91.90</b>

7.2.5 AAI had conducted AUCC meeting on December 13, 2019. As per the minutes of that meeting, the Authority observed that the discussion was around the growth rate consideration and proposal for expansion of existing terminal building in order to increase the passenger capacity from existing 4.0 MPPA to 5.5 MPPA.

Broadly following issues were discussed in AUCC meeting:

- Consideration of 10%-12% growth in passenger traffic
- Congestion in SHA
- Provision of direct transit area in proposed expansion plan
- Source of funding for upcoming projects



- Rationale of going for proposed expansion when Amritsar airport is shortlisted for privatization.
- Dip in Aero revenue in FY 2020-21

7.2.6 AAI proposed a capital expenditure of INR 8.00 crores for replacement of flooring in existing terminal building. However, the Authority believes that the nature of the work is Operation & Maintenance and proposes to shift it to Repair & Maintenance expenses.

7.2.7 In accordance with above, the Authority proposed the capital expenditure for the 1<sup>st</sup> Control Period as per the table below:

**Table 33: Capital Expenditure as proposed by the Authority for 1st Control Period at Consultation stage (INR crores)**

Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
Expansion of Terminal Building [Assumption:( 65% civil and 35% E&M)]	176.31	195.90	90%	Sept 2023	0.00	32.12	96.35	66.87	0.00	Nil	Nil
Parallel Taxi Track	78.50	78.50	100%	2022-23	0.00	0.00	38.00	40.50	0.00	Nil	Nil
Obstructions to the construction of Parallel taxi track- IAF rehabilitation	13.40	13.40	100%	2020-21	0.00	13.40	0.00	0.00	0.00		
Expansion of apron for 10 Nos Code 4C type (excl. GLF work to be taken up with ALCMS work)	47.54	47.54	100%	2020-21	8.50	39.04	0.00	0.00	0.00	32%	7.50
Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting	34.13	34.13	100%	2022-23	0.00	10.00	20.00	4.13	0.00	Nil	Nil
Interior work of First floor TB	16.75	18.61	90%	15.06. 2019	18.61	0.00	0.00	0.00	0.00	100%	18.83
SITC of Inline XBIS - 2 Phase	11.39	11.39	100%	2020-21	0.00	11.39	0.00	0.00	0.00	Nil	Nil
Body scanners	10.45	10.45	100%	2020-21	0.00	10.45	0.00	0.00	0.00	Nil	Nil
TCV	9.20	9.20	100%	2020-21	0.00	9.20	0.00	0.00	0.00	Nil	Nil
Runway mechanical sweeper	7.30	7.30	100%	2020-21	0.00	7.30	0.00	0.00	0.00	Nil	Nil
CFT and RIVs	5.00	5.00	100%	2020-21	0.00	5.00	0.00	0.00	0.00	Nil	Nil
ATRS	4.00	4.00	100%	2021-22	0.00	0.00	4.00	0.00	0.00	Nil	Nil
Provision of AVDGS for parking bays (excluding maintenance cost of INR 0.57 crores)	3.28	3.28	100%	2019-20	3.00	0.28	0.00	0.00	0.00	70.00%	1.80





Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
Provision of Tensile Fabric Canopy in front of TB	2.14	2.38	90%	2019-20	2.38	0.00	0.00	0.00	0.00	100%	2.31
Replacement of 02 Nos. outlived Baggage Conveyors Belt by new baggage conveyor in Domestic arrival (excluding INR 2.17 crores, for maintenance cost)	2.75	2.75	100%	2020-21	0.00	2.75	0.00	0.00	0.00	Nil	Nil
FIDS	2.00	2.00	100%	2021-22	0.00	0.00	2.00	0.00	0.00	Nil	Nil
Improvement of Air conditioning system in TB	1.65	1.83	90%	2019-20	1.83	0.00	0.00	0.00	0.00	100%	1.83
SITC of 219 DV XBIS	1.69	1.69	100%	2020-21	0.00	1.69	0.00	0.00	0.00	Nil	Nil
SITC OF SCCTV (excluding CAMC)	1.66	1.66	100%	2019-20	1.66	0.00	0.00	0.00	0.00	Nil	Nil
Procurement of Electrical Testing equipment: SH supply Testing and Training of Motorized Photometric Measuring System and other special Equipment's for maintenance of airfield Ground Lighting (AGL) system	1.60	1.60	100%	2019-20	1.60	0.00	0.00	0.00	0.00	100%	1.60
Providing Fixing and installation of fall protection and walkway system on roof of TB	1.35	1.50	90%	2019-20	1.50	0.00	0.00	0.00	0.00	100%	1.50
Modification to railing at central cut-out and towards air-corridor and mis work at ops and security reason	1.47	1.47	100%	2019-20	1.47	0.00	0.00	0.00	0.00	100.00%	1.47
Provision of road from apron to fire station	1.44	1.44	100%	2020-21	0.00	1.44	0.00	0.00	0.00	10.00%	Nil
Replacement of Damaged RIGIDAL aluminum standing skylight with profile sheet on roof of TB	1.16	1.29	90%	2019-20	1.29	0.00	0.00	0.00	0.00	100.00%	1.47
TUV, MM Bolero, Swift Dzire Truck tractor etc	1.28	1.28	100%		0.63	0.15	0.00	0.40	0.10	Nil	Nil
SITC OF SCCTV with for 1st and Mezzanine floor (Excluding CAMC)	1.26	1.26	100%	2019-20	1.26	0.00	0.00	0.00	0.00	Nil	Nil
Replacement of old outlived DG sets in phase-I Powerhouse	1.20	1.20	100%	2020-21	1.19	0.01	0.00	0.00	0.00	50.00%	0.60



Component	Aero Cost	Total Cost	Aero Portion (%)	PDC	Phasing of Capital Expenditure					Physical Progress (In %)	Financial Progress
					2019-20	2020-21	2021-22	2022-23	2023-24		
SS Dustbin, Sanitary Vending Machine vertical garden PET Bottle Shredder, LED TVs	1.10	1.10	100%		0.20	0.15	0.35	0.20	0.20	Nil	Nil
Improvement in toilet	0.93	1.03	90%	2019-20	1.03	0.00	0.00	0.00	0.00	50%	0.39
Others	7.14	7.14	100%	2019-20	7.14	0.00	0.00	0.00	0.00		
<b>Total</b>	<b>449.06</b>	<b>471.32</b>			<b>53.29</b>	<b>144.46</b>	<b>187.25</b>	<b>112.29</b>	<b>0.30</b>		

7.2.8 Accordingly, the Authority proposed the aeronautical capitalization for the 1st Control Period as per the table below:

**Table 34: Aeronautical Capitalization as proposed by the Authority at Consultation stage (INR crores)**

Asset category	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Runways, Aprons and Taxiways	0.00	60.95	0.00	78.50	0.00	139.45
Road, Bridges & Culverts	0.53	1.44	0.00	0.00	0.00	1.96
Building – Terminal	18.50	0.00	0.00	114.60	0.00	133.10
Other Building – Unclassified	0.47	0.00	0.00	0.00	0.00	0.47
Plant & Machinery	7.27	10.95	2.00	0.00	0.00	20.22
Tools & Equipment	1.46	16.81	4.00	0.00	0.00	22.27
Office Furniture	0.25	0.15	0.10	0.15	0.25	0.90
Vehicles	0.63	0.15	0.00	0.40	0.10	1.28
Electrical Installations	7.41	3.95	0.00	95.84	0.00	107.19
Furniture & Fixtures-Other than Trolley	1.62	0.15	0.35	0.20	0.20	2.52
furniture & Fixtures- Trolley	0.30	0.00	0.15	0.00	0.30	0.75
X Ray Baggage System	0.00	13.94	0.00	0.00	0.00	13.94
CFT/Fire Fighting Equipment	0.00	5.00	0.00	0.00	0.00	5.00
<b>Total</b>	<b>38.45</b>	<b>113.47</b>	<b>6.60</b>	<b>289.69</b>	<b>0.85</b>	<b>449.06</b>

### 7.3 Stakeholders' Comments on CP regarding Capital Expenditure for the First Control Period

#### AAI's comments on Capital Expenditure for the First Control Period

7.3.1 AAI has proposed the cost of Apron as INR 52.41 crores (Civil part – INR 47.54 crores and Electrical Part – INR 4.86 crores). AAI has requested to consider the balance amount of INR 4.86 crores towards the electrical work of Apron which forms part of total cost.



- 7.3.2 AAI has requested to consider the full cost of Parallel Taxi track at INR 98.00 crores.
- 7.3.3 AAI has proposed to revise the proposed date of capitalization of some of the capital expenditure considering the impact of the ongoing COVID-19 pandemic. Further, the AAI has requested to consider the cost of expansion plan of existing terminal building, parallel taxi track and Apron as AAI's submission in original tariff proposal giving the account of the additional cost to be allowed over and above the earlier proposed capital cost.
- 7.3.4 AAI has proposed the revised capital expenditure of INR 537.48 crores for the 1st Control Period. The item wise revised capital expenditure and proposed date of capitalization as submitted by AAI has been shown in table below:

**Table 35: Revised Capitalization as proposed by AAI for 1<sup>st</sup> Control period (INR crores)**

S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
a)	Expansion of Terminal Building [Assumption:( 65% civil and 35% electrical)]	229.87	243.07	94.57%	December 2022
b)	Parallel Taxi Track	84.60	84.60	100%	December 2022
c)	Obstructions to the construction of Parallel taxi track- IAF rehabilitation	13.40	13.40	100%	2020-21
d)	Expansion of apron for 10 Nos Code 4C type (excl. GLF work to be taken up with ALCMS work)	52.41	52.41	100%	March 2021
e)	Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting	34.13	34.13	100%	March 2022
f)	Interior work of First floor TB	17.56	18.61	94.57%	15.06.2019
g)	SITC of Inline XBIS - 2 Phase	11.39	11.39	100%	May 2021
h)	Body scanners	10.45	10.45	100%	May 2021
i)	TCV	9.20	9.20	100%	June 2021
j)	Replacement of flooring	7.57	8.00	94.57%	March 2022
k)	Runway mechanical sweeper	7.30	7.30	100%	March 2022
l)	CFT and RIVs	5.00	5.00	100%	March 2022
m)	ATRS	4.00	4.00	100%	2021-22
n)	Provision of AVDGS for parking bays (excluding maintenance cost of INR 0.57 crores)	3.28	3.28	100%	March 2021
o)	Provision of Tensile Fabric Canopy in front of TB	2.25	2.38	94.57%	2019-20



S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
p)	Replacement of 02 Nos. outlived Baggage Conveyors Belt by new baggage conveyor in Domestic arrival (excluding INR 2.17 crores, for maintenance cost)	2.75	2.75	100%	March 2021
q)	FIDS	2.00	2.00	100%	2021-22
r)	Improvement of Air conditioning system in TB	1.73	1.83	94.57%	2019-20
s)	SITC of 219 DV XBIS	1.69	1.69	100%	2020-21
t)	SITC OF SCCTV (excluding CAMC)	1.66	1.66	100%	July 2020
u)	Procurement of Electrical Testing equipment: SH supply Testing and Training of Motorized Photometric Measuring System and other special Equipment's for maintenance of airfield Ground Lighting (AGL) system	1.60	1.60	100%	2019-20
v)	Providing Fixing and installation of fall protection and walkway system on roof of TB	1.42	1.50	94.57%	2019-20
w)	Modification to railing at central cut -out and towards air-corridor and mis work at ops and security reason	1.47	1.47	100%	2019-20
x)	Provision of road from apron to fire station	1.44	1.44	100%	September 2020
y)	Replacement of Damaged RIGIDAL aluminum standing skylight with profile sheet on roof of TB	1.22	1.29	94.57%	2019-20
z)	TUV, MM Bolero, Swift Dzire Truck tractor etc	1.28	1.28	100%	
aa)	SITC OF SCCTV with for 1st and Mezzanine floor (Excluding CAMC)	1.26	1.26	100%	2019-20
ab)	Replacement of old outlived DG sets in phase-I Powerhouse	1.20	1.20	100%	July 2020
ac)	SS Dustbin, Sanitary Vending Machine vertical garden PET Bottle Shredder, LED TVs	1.10	1.10	100%	
ad)	Improvement in toilet	0.97	1.03	94.57%	2019-20
ae)	Others	7.16	7.16	100%	2019-20
	<b>Total</b>	<b>522.37</b>	<b>537.48</b>		

**Indigo's comments on Capital Expenditure for the First Control Period**

- 7.3.5 Indigo requested to review the need for expansion plan of existing terminal building in light of COVID-19 and proposed privatization of the airport, which may entail fresh assessment, capex requirements and consequent impact on tariff.
- 7.3.6 Further, Indigo has highlighted that the Authority has considered the normative cost of INR 100,000 per sq. meters for the terminal building in line with the consideration of normative cost for Lucknow, Guwahati, Chennai, Patna etc., however, the Authority as per Order No. 07/2016-17 dated June 13, 2016 has set the ceiling cost as INR 65,000.00 per sqm. Indigo further highlighted that for Vishakhapatnam, the normative cost per sq. meter works out as INR 58,546.60 per sqm and since, the regional dynamics for Amritsar airport is not similar to Lucknow, Guwahati, Chennai or Patna, therefore considering the cost escalations for Varanasi and Amritsar will not be appropriate and the same must be considered within the normative norms prescribed in the Normative Order.

**GMR Airport Limited (GAL) comments on Capital Expenditure for the First Control Period**

- 7.3.7 GMR Airport Limited (GAL) submitted that the Authority in the past has recognized that each airport is different and therefore, has used airport specific approaches for Capital Expenditure, rather than using the normative approach. Accordingly, GAL has suggested that capital expenditure should be based on actuals.
- 7.3.8 GMR Airport Limited (GAL) has also requested to remove the provision of 1% penalty to be levied in case of delay in implementation of the project envisaged as project capitalization period may overlap with the privatization and it would become difficult to determine the delay and the entitled party.

**7.4 AAI's counter comments and response to Stakeholder comments on CP regarding Capital Expenditure for the First Control Period**

- 7.4.1 In response to Indigo's comments, AAI has submitted that the terminal building is planned to cater passenger growth for next 10-15 years and it takes 30 to 36 months to construct a new terminal building with all the facility. Further, the capacity of existing terminal is 4 MPPA, which is expected to get saturated in next 4-5 years as it has handled 2.45 MPPA in FY 2019-20.
- 7.4.2 Regarding privatization of the airport, AAI has submitted that the whole process will take time and up to the handing over of airport to the Concessionaire, they have to facilitate the passengers and needs more space for smooth operations at the airport.
- 7.4.3 In response to GAL's comments, AAI has supported their views.

**7.5 Authority's examination regarding Capital Expenditure for the First Control Period at Addendum to CP stage**

- 7.5.1 The Authority carefully analyzed the submissions from Indigo, GAL and AAI, and presented its views in the ensuing paragraphs.
- 7.5.2 The Authority noted the concerns of Indigo regarding the need of the expansion of existing terminal building considering the ongoing COVID-19 pandemic. The Authority viewed that the approach followed by AAI for planning of expansion of terminal building or construction



of new terminal building could be accepted under normal conditions. However, in light of COVID-19, the same needs to be revisited considering the need for the capital expenditure while balancing the Consumers' and Airport Operators' interests. As per the AAI's revised submission, the traffic projections are proposed to remain at the significant lower level vis-à-vis the terminal capacity by the end of FY 2023-24 for Amritsar Airport, therefore, the expansion plan of existing terminal building may be deferred to the next Control Period. Although the Authority proposes to revise the traffic projections, but still it remains at the significantly lower levels than the capacity of the existing terminal building i.e. 4 MPPA.

- 7.5.3 The Authority also enquired about the progress/status of the proposed expansion plans from AAI, however, AAI confirmed that the proposed Capex project is still in the tender stage. As per AAI's submission, the construction of new terminal building takes around 30-36 months to complete, and, therefore, going by the similar timelines for the expansion plan, the Authority assessed that AAI is likely to miss their 'proposed date of completion' of their expansion plans. Therefore, the Authority vide letter dated October 10, 2020 intimated AAI to reconsider the decision for expansion plan of existing terminal building considering the prevailing COVID-19 situation which may impact the completion of the project. AAI vide letter dated October 22, 2020 submitted that the airport building is likely to saturate by 2032 considering revised traffic projections, and, further proposed to defer the expansion plan of existing terminal building. **Therefore, considering the need of expansion plan and AAI's proposal, the Authority had not considered the expansion plan of existing terminal building in the First Control Period as the existing terminal building is capable of handling the passenger traffic up to Year 2032 as per AAI's own traffic projections.**
- 7.5.4 The Authority considered AAI's proposal for revision of Proposed Date of Capitalization (PDC) of other Capital Expenditure and had considered the proposed capital cost of INR 52.41 crores for the Apron.
- 7.5.5 Further, the Authority considered the Capital Expenditure for the First Control Period in line with the Authority's proposal in original Consultation Paper and Addendum to Consultation Paper.
- 7.5.6 Accordingly, the Authority proposed to revise Capital Expenditure for the 1st Control Period as shown in table below:

**Table 36: Capital Expenditure as proposed by the Authority for 1st Control Period at Addendum to CP stage (INR crores)**

S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
a)	Obstructions to the construction of Parallel taxi track- IAF rehabilitation	13.40	13.40	100%	2022-23
b)	Parallel Taxi Track	78.50	78.50	100%	Dec 2022
c)	Expansion of apron for 10 Nos Code 4C type (excl. GLF work to be taken up with ALCMS work)	52.41	52.41	100%	March 2021
d)	Upgradation of ALCMS & provision of ILCMS for CAT III B Lighting	34.13	34.13	100%	March 2022



S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
e)	Interior work of First floor TB	16.75	18.61	90%	15.06.2019
f)	SITC of Inline XBIS – 2 <sup>nd</sup> Phase	11.39	11.39	100%	May 2021
g)	Body scanners	10.45	10.45	100%	May 2021
h)	TCV	9.20	9.20	100%	June 2021
i)	Replacement of flooring	7.20	8.00	90%	March 2022
j)	Runway mechanical sweeper	7.30	7.30	100%	March 2022
k)	CFT and RIVs	5.00	5.00	100%	March 2022
l)	ATRS	4.00	4.00	100%	2021-22
m)	Provision of AVDGS for parking bays (excluding maintenance cost of INR 0.57 crores)	3.28	3.28	100%	March 2021
n)	Provision of Tensile Fabric Canopy in front of TB	2.14	2.38	90%	2019-20
o)	Replacement of 02 Nos. outlived Baggage Conveyors Belt by new baggage conveyor in Domestic arrival (excluding INR 2.17 crores, for maintenance cost)	2.75	2.75	100%	March 2021
p)	FIDS	2.00	2.00	100%	2021-22
q)	Improvement of Air conditioning system in TB	1.65	1.83	90%	2019-20
r)	SITC of 219 DV XBIS	1.69	1.69	100%	2020-21
s)	SITC OF SCCTV (excluding CAMC)	1.66	1.66	100%	July 2020
t)	Procurement of Electrical Testing equipment: SH supply Testing and Training of Motorized Photometric Measuring System and other special Equipment's for maintenance of airfield Ground Lighting (AGL) system	1.60	1.60	100%	2019-20
u)	Providing Fixing and installation of fall protection and walkway system on roof of TB	1.35	1.50	90%	2019-20
v)	Modification to railing at central cut -out and towards air-corridor and mis work at ops and security reason	1.47	1.47	100%	2019-20
w)	Provision of road from apron to fire station	1.44	1.44	100%	September 2020



S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
x)	Replacement of Damaged RIGIDAL aluminum standing skylight with profile sheet on roof of TB	1.16	1.29	90%	2019-20
y)	TUV, MM Bolero, Swift Dzire Truck tractor etc	1.28	1.28	100%	
z)	SITC OF SCCTV with for 1st and Mezzanine floor (Excluding CAMC)	1.26	1.26	100%	2019-20
aa)	Replacement of old outlived DG sets in phase-I Powerhouse	1.20	1.20	100%	July 2020
ab)	SS Dustbin, Sanitary Vending Machine vertical garden PET Bottle Shredder, LED TVs	1.10	1.10	100%	
ac)	Improvement in toilet	0.93	1.03	90%	2019-20
ad)	Others	7.14	7.14	100%	2019-20
	<b>Total</b>	<b>284.83</b>	<b>288.29</b>		

7.5.7 Accordingly, the Authority proposed the revised aeronautical capitalization for the 1<sup>st</sup> Control Period as per the table below:

**Table 37: Revised Aeronautical Capitalization as considered by the Authority at Addendum to CP stage (INR crores)**

Asset category	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Runways, Aprons and Taxiways	0.00	47.55	0.00	91.90	0.00	139.45
Road, Bridges & Culverts	0.53	1.44	0.00	0.00	0.00	1.96
Building – Terminal	18.50	0.00	7.20	0.00	0.00	25.70
Other Building – Unclassified	0.47	0.00	0.00	0.00	0.00	0.47
Plant & Machinery	2.34	5.44	12.45	0.00	0.00	20.22
Tools & Equipment	1.46	0.31	20.50	0.00	0.00	22.27
Office Furniture	0.25	0.15	0.10	0.15	0.25	0.90
Vehicles	0.63	0.15	0.00	0.40	0.10	1.28
Electrical Installations	7.41	8.81	34.13	0.00	0.00	50.35
Furniture & Fixtures-Other than Trolley	1.62	0.15	0.35	0.20	0.20	2.52
furniture & Fixtures- Trolley	0.30	0.00	0.15	0.00	0.30	0.75
X Ray Baggage System	0.00	2.55	11.39	0.00	0.00	13.94
CFT/Fire Fighting Equipment	0.00	0.00	5.00	0.00	0.00	5.00
<b>Total</b>	<b>33.51</b>	<b>66.54</b>	<b>91.27</b>	<b>92.65</b>	<b>0.85</b>	<b>284.82</b>

## 7.6 Stakeholders' Comments on Addendum to CP regarding Capital





**Expenditure for the First Control Period**

**AAI's comments on Capital Expenditure for the First Control Period**

7.6.1 AAI has requested to consider the full cost of Parallel Taxi track at INR 98.00 crores.

**FIA's comments on Capital Expenditure for the First Control Period**

7.6.2 FIA submitted that the Authority may consider deferring any non-essential capital expenditure projects to the subsequent control period and the same may be decided through a suitable user consultation/AUCC. Further, the essential capital expenditure should be proposed within the ceiling limits of the normative norms prescribed by AERA.

**7.7 AAI's counter comments and response to Stakeholder comments on Addendum to CP regarding Capital Expenditure for the First Control Period**

7.7.1 In response to FIA's comments, AAI has submitted that AUCC meeting was already conducted on December 13, 2019 where all the major capex items were discussed. Further, AAI has submitted that all the projects are in the range of normative norms and capital expenditure proposed in tariff proposals are essential in nature.

**7.8 Authority's examination and decisions regarding Capital Expenditure for the First Control Period**

7.8.1 The Authority carefully analyzed the submissions from FIA and AAI, and presented its views as below.

7.8.2 The Authority has done a detailed analysis regarding the requirement of the major capital expenditure at the time of issuing of Addendum to CP, and, accordingly, the Authority decided to consider the deferred expansion plan submitted by AAI as per their revised assessment (impact of COVID pandemic) in respect of the existing Terminal Building.

7.8.3 The Authority decides to consider the Capital Expenditure for the 1<sup>st</sup> Control Period in line with the Authority's proposal in Addendum to Consultation Paper.

7.8.4 As discussed in the above paragraphs of this Chapter, the Authority decides to revise the Capital Expenditure for the 1st Control Period as shown in table below:

**Table 38: Capital Expenditure as considered by the Authority for 1st Control Period (INR crores)**

S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
a)	Obstructions to the construction of Parallel taxi track- IAF rehabilitation	13.40	13.40	100%	2022-23
b)	Parallel Taxi Track	78.50	78.50	100%	Dec 2022
c)	Expansion of apron for 10 Nos Code 4C type (excl. GLF work to be taken up with ALCMS work)	52.41	52.41	100%	March 2021



S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
d)	Upgradation of ALCMS & provision of ILCMS for CAT IIIB Lighting	34.13	34.13	100%	March 2022
e)	Interior work of First floor TB	16.75	18.61	90%	15.06.2019
f)	SITC of Inline XBIS – 2 <sup>nd</sup> Phase	11.39	11.39	100%	May 2021
g)	Body scanners	10.45	10.45	100%	May 2021
h)	TCV	9.20	9.20	100%	June 2021
i)	Replacement of flooring	7.20	8.00	90%	March 2022
j)	Runway mechanical sweeper	7.30	7.30	100%	March 2022
k)	CFT and RIVs	5.00	5.00	100%	March 2022
l)	ATRS	4.00	4.00	100%	2021-22
m)	Provision of AVDGS for parking bays (excluding maintenance cost of INR 0.57 crores)	3.28	3.28	100%	March 2021
n)	Provision of Tensile Fabric Canopy in front of TB	2.14	2.38	90%	2019-20
o)	Replacement of 02 Nos. outlived Baggage Conveyors Belt by new baggage conveyor in Domestic arrival (excluding INR 2.17 crores, for maintenance cost)	2.75	2.75	100%	March 2021
p)	FIDS	2.00	2.00	100%	2021-22
q)	Improvement of Air conditioning system in TB	1.65	1.83	90%	2019-20
r)	SITC of 219 DV XBIS	1.69	1.69	100%	2020-21
s)	SITC OF SCCTV (excluding CAMC)	1.66	1.66	100%	July 2020
t)	Procurement of Electrical Testing equipment: SH supply Testing and Training of Motorized Photometric Measuring System and other special Equipment's for maintenance of airfield Ground Lighting (AGL) system	1.60	1.60	100%	2019-20
u)	Providing Fixing and installation of fall protection and walkway system on roof of TB	1.35	1.50	90%	2019-20
v)	Modification to railing at central cut -out and towards air-corridor and mis work at ops and security reason	1.47	1.47	100%	2019-20
w)	Provision of road from apron to fire station	1.44	1.44	100%	September 2020
x)	Replacement of Damaged RIGIDAL aluminum standing	1.16	1.29	90%	2019-20



S. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
	skylight with profile sheet on roof of TB				
y)	TUV, MM Bolero, Swift Dzire Truck tractor etc	1.28	1.28	100%	
z)	SITC OF SCCTV with for 1st and Mezzanine floor (Excluding CAMC)	1.26	1.26	100%	2019-20
aa)	Replacement of old outlived DG sets in phase-I Powerhouse	1.20	1.20	100%	July 2020
ab)	SS Dustbin, Sanitary Vending Machine vertical garden PET Bottle Shredder, LED TVs	1.10	1.10	100%	
ac)	Improvement in toilet	0.93	1.03	90%	2019-20
ad)	Others	7.14	7.14	100%	2019-20
	<b>Total</b>	<b>284.83</b>	<b>288.29</b>		

7.8.5 Accordingly, the Authority has decided to consider the revised aeronautical capitalization for the 1<sup>st</sup> Control Period as per the table below:

**Table 39: Revised Aeronautical Capitalization as considered by the Authority (INR crores)**

Asset category	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Runways, Aprons and Taxiways	0.00	47.55	0.00	91.90	0.00	139.45
Road, Bridges & Culverts	0.53	1.44	0.00	0.00	0.00	1.96
Building – Terminal	18.50	0.00	7.20	0.00	0.00	25.70
Other Building – Unclassified	0.47	0.00	0.00	0.00	0.00	0.47
Plant & Machinery	2.34	5.44	12.45	0.00	0.00	20.22
Tools & Equipment	1.46	0.31	20.50	0.00	0.00	22.27
Office Furniture	0.25	0.15	0.10	0.15	0.25	0.90
Vehicles	0.63	0.15	0.00	0.40	0.10	1.28
Electrical Installations	7.41	8.81	34.13	0.00	0.00	50.35
Furniture & Fixtures-Other than Trolley	1.62	0.15	0.35	0.20	0.20	2.52
furniture & Fixtures- Trolley	0.30	0.00	0.15	0.00	0.30	0.75
X Ray Baggage System	0.00	2.55	11.39	0.00	0.00	13.94
CFT/Fire Fighting Equipment	0.00	0.00	5.00	0.00	0.00	5.00
<b>Total</b>	<b>33.51</b>	<b>66.54</b>	<b>91.27</b>	<b>92.65</b>	<b>0.85</b>	<b>284.82</b>

**7.9 Authority's Decision regarding Aeronautical Capitalization for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:



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



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## CHAPTER 8. DEPRECIATION

### 8.1 AAI's submission regarding Depreciation for the First Control Period

- 8.1.1 AAI follows rates of depreciation, approved by its Board for different asset classes. While submitting the Multi-Year Tariff proposal for the first Control Period, AAI has taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders. Accordingly, AAI has proposed three different sets of rates. These are based on three different periods – up to FY 2015-16, from 01/04/16 to 31/03/18, and beyond 01/04/18.
- 8.1.2 However, for the period, i.e., from 01/04/17 to 31/03/19, AAI has proposed depreciation rates as per the Authority's notified rates of depreciation considering Amritsar airport as Major Airport. For the 1<sup>st</sup> Control Period, i.e., FY 2019-20 onwards, the depreciation rates have been proposed as per the Authority's Order No. 35/2017-18 titled "In the matter of Determination of Useful life of Airport Assets", describing the normative useful lives for various airport assets.
- 8.1.3 Further, depreciation has been computed separately on opening block of assets and on proposed additions.
- 8.1.4 The depreciation rates proposed by AAI have been summarized in the table below:

**Table 40: Depreciation rates proposed by AAI**

Asset category	Up to FY 2018	Beyond FY 2018	
		For opening block of assets	For proposed additions
Leasehold Land	0.00%	0.00%	0.00%
Runways, Aprons and Taxiways	3.33%	3.33%	3.33%
Road, Bridges & Culverts	3.33%	10.00%	10.00%
Building-Others	3.33%	3.33%	3.33%
Building – Terminal	3.33%	3.33%	3.33%
Building – Temporary	33.33%	33.33%	33.33%
Building- Residential	3.33%	3.33%	3.33%
Security Fencing-Temp	33.33%	33.33%	33.33%
Boundary Wall – Operational	3.33%	10.00%	10.00%
Boundary Wall – Residential	3.33%	10.00%	10.00%
Buildings – Other	3.33%	3.33%	3.33%
Computer - End user	16.67%	33.33%	33.33%
Computer – Server & Networks	16.67%	16.67%	16.67%
Intangible Assets – Software	20.00%	20.00%	20.00%



Asset category	Up to FY 2018	Beyond FY 2018	
		For opening block of assets	For proposed additions
Plant & Machinery	6.67%	6.67%	6.67%
Tools & Equipment	6.67%	6.67%	6.67%
Furniture & Fixtures: Other Than Trolley	10.00%	14.29%	14.29%
Furniture & Fixtures: Trolley	10.00%	33.33%	33.33%
Vehicles	12.50%	12.50%	12.50%
Electrical Installations	10.00%	10.00%	10.00%
Other Office Equipment	20.00%	20.00%	20.00%
X Ray Baggage System	6.67%	6.67%	6.67%
CFT/Fire Fighting Equipment	6.67%	6.67%	6.67%

8.1.5 The depreciation amount proposed by AAI for the 1<sup>st</sup> Control Period has been presented in the table below:

**Table 41: Depreciation proposed by AAI (INR crores)**

Particulars	FY ending March 31, 2018	FY ending March 31, 2019	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Depreciation	14.82	15.90	17.01	20.39	31.27	40.84	41.93

## **8.2 Authority's examination regarding Depreciation for the First Control period at Consultation stage and proposals made in the CP**

- 8.2.1 The Authority noted the submission regarding the two different rates of depreciation adopted by AAI for different periods under consideration and had duly examined these for consideration towards determination of aeronautical tariff.
- 8.2.2 AAI has worked out depreciation for FY 2017-18 and FY 2018-19 using rates as per Authority's Order No. 35/2017-18, which is applicable for Major Airports within the economic regulatory ambit of AERA. However, MoCA has directed AERA to determine the aeronautical tariff for Amritsar Airport, while declaring it as a Major Airport, only on October 30, 2019. Accordingly, the depreciation rates as per Authority's Order No. 35/2017-18 may not be applied for the periods FY 2017-18 and FY 2018-19. Therefore, the Authority proposed to use the depreciation rates applicable as per AAI's internal accounting policies for computing the net block of Initial RAB.
- 8.2.3 However, from April 2019 onwards, the Authority has drawn reference to its Order No. 35/2017-18 titled "In the matter of Determination of Useful life of Airport Assets", for working out the



depreciation rates and proposed to use the same for computation of Aggregate Revenue Requirement (ARR).

- 8.2.4 These normative depreciation rates of airport assets as per the above-mentioned Order, relevant to Amritsar Airport, are given in the table below:

**Table 42: Depreciation rates as per Authority's Order No. 35 / 2017-18 dated January 12, 2018**

Asset category	Beyond FY 2018
Leasehold Land	0.00%
Runways, Aprons and Taxiways	3.33%
Road, Bridges & Culverts	10.00%
Building – Terminal	3.33%
Building – Temporary	33.33%
Building – Residential	3.33%
Boundary Wall – Operational	10.00%
Boundary Wall – Residential	10.00%
Computer - End user	33.33%
Computer - Servers and networks	16.67%
Intangible Assets – Software	20.00%
Plant & Machinery	6.67%
Tools & Equipment	6.67%
Furniture & Fixtures: Other Than Trolley	14.29%
Furniture & Fixtures: Trolley	33.33%
Vehicles	12.50%
Electrical Installations	10.00%
Other Office Equipment	20.00%
X Ray Baggage System	6.67%
CFT/Fire Fighting Equipment	6.67%

- 8.2.5 The Authority observed that the depreciation rates used by AAI for the period beyond 01/04/2019 are in line with the rates as per the above-mentioned order. Therefore, the Authority does not propose any change in the depreciation rate schedule.

- 8.2.6 Combining its observations across the two periods, the Authority proposed the depreciation rates for tariff determination in respect of Amritsar Airport as per table below:

**Table 43: Depreciation rates proposed by the Authority**

Asset category	For FY 2017-18 & FY 2018-19		Beyond FY 2019-20	
	For opening block of assets	For proposed additions	For opening block of assets	For proposed additions
Leasehold Land	0.00%	0.00%	0.00%	0.00%
Runways, Aprons and Taxiways	13.00%	13.00%	3.33%	3.33%
Road, Bridges & Culverts	13.00%	13.00%	10.00%	10.00%
Building – Terminal	8.00%	8.00%	3.33%	3.33%



Asset category	For FY 2017-18 & FY 2018-19		Beyond FY 2019-20	
	For opening block of assets	For proposed additions	For opening block of assets	For proposed additions
Building – Temporary	100.00%	100.00%	33.33%	33.33%
Building- Residential	5.00%	5.00%	3.33%	3.33%
Security Fencing-Temp	100.00%	100.00%	33.33%	33.33%
Boundary Wall – Operational	8.00%	8.00%	10.00%	10.00%
Boundary Wall – Residential	5.00%	5.00%	10.00%	10.00%
Buildings – Other	8.00%	8.00%	3.33%	3.33%
Computer - End user	20.00%	20.00%	33.33%	33.33%
Computer – Server & Networks	20.00%	20.00%	16.67%	16.67%
Intangible Assets – Software	20.00%	20.00%	20.00%	20.00%
Plant & Machinery	11.00%	11.00%	6.67%	6.67%
Tools & Equipment	20.00%	20.00%	6.67%	6.67%
Furniture & Fixtures: Other Than Trolley	20.00%	20.00%	14.29%	14.29%
Furniture & Fixtures: Trolley	20.00%	20.00%	33.33%	33.33%
Vehicles	14.00%	14.00%	12.50%	12.50%
Electrical Installations	11.00%	11.00%	10.00%	10.00%
Other Office Equipment	20.00%	20.00%	20.00%	20.00%
X Ray Baggage System	11.00%	11.00%	6.67%	6.67%
CFT/Fire Fighting Equipment	13.00%	13.00%	6.67%	6.67%

8.2.7 On account of the above depreciation rates, and the changes in proposed capital expenditure, the Authority proposed the following depreciation during the 1<sup>st</sup> Control Period.

**Table 44: Depreciation proposed by the Authority at Consultation stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Depreciation	15.62	19.22	22.09	29.32	36.54	122.78





### **8.3 Stakeholders' Comments on CP regarding Depreciation for the First Control Period**

#### **AAI's comments on Depreciation for the First Control Period**

- 8.3.1 AAI has requested to consider the depreciation rate of 18% for "Other Office Equipment's" for FY 2017-18 and FY 2018-19 as against the depreciation rate of 20% considered by the Authority.

#### **Indigo's comments on Depreciation for the First Control Period**

- 8.3.2 Indigo has submitted that review of useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicates that terminal buildings have useful life of as long as 60 years and aprons have it for as long as 99 years. Similarly, the useful life of terminal building for Kannur and Cochin airports has been considered as 60 years by the Authority and accordingly, the useful life for terminal building must be considered as 60 years.
- 8.3.3 Regarding depreciation of residential building, Indigo submitted that "as per Sl. No.8 of Annexure - I of the Authority's Order 35/2017- 18- In the matter of determination of useful life of Airport Assets dated 12.01.2018; residential buildings have a prescribed useful life of 30/60 years. It is pertinent to note here that unlike in case of terminal buildings where option of 30 or 60 years is to be evaluated by Airport Operator, the election of 30 years or 60 years in case of residential buildings is not to be evaluated by Airport Operator but is to be derived from provisions of Companies Act". Further, Indigo submitted that Part C of Schedule II of Companies Act 2013 prescribes the useful life of Buildings (other than factory buildings) having Reinforced Concrete Cement (RCC) frame structure to be 60 years. " It is very unlikely that residential buildings will not be built on RCC Frame structure." Therefore, Indigo submitted that residential buildings should be depreciated over a period of 60 years and not 30 years.
- 8.3.4 In view of the above, Indigo submitted that AERA should consider the useful life of Residential building and Terminal Building as 60 years as envisaged in Order No. 35/2017-18 read with Schedule II of Companies Act 2013 and revise the amount of depreciation accordingly.

### **8.4 AAI's counter comments and response to Stakeholder comments on CP regarding Depreciation for the First Control Period**

- 8.4.1 In response to Indigo's comments, AAI has submitted that they have adopted the Useful Life Policy issued by AERA while preparing proposal for all AAI Major Airports.

### **8.5 Authority's examination regarding Depreciation for the First Control Period at Addendum to CP stage**

- 8.5.1 The Authority carefully analyzed the submissions from Indigo and AAI, and has presented its views, as below.
- 8.5.2 AAI has considered the useful life in accordance with the Useful Life Policy issued by AERA. Since, the Policy allows the Airport Operators to choose the 'useful life' of terminal buildings, therefore, the Authority is bound to accept their proposal.



8.5.3 As discussed in para 8.2.2, the Authority has considered the depreciation rates for FY 2017-18 and FY 2018-19 as per AAI's internal accounting policy to compute the Initial RAB. Accordingly, the Authority has already considered the depreciation rate of 18% for "Other Office Equipments" for FY 2017-18 and FY 2018-19.

8.5.4 As discussed in the above paragraphs of this Chapter, the Authority proposed to consider the depreciation rates as per the Order No. 35/2017-18. The Authority proposed the following revised depreciation during the 1<sup>st</sup> Control Period.

**Table 45: Revised Depreciation as proposed by the Authority at Addendum to CP stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Depreciation	15.46	17.63	22.51	26.53	27.28	109.41

## **8.6 Stakeholders' Comments on Addendum to CP regarding Depreciation for the First Control Period**

8.6.1 No comments were received from the Stakeholders.

## **8.7 Authority's examination and decisions regarding Depreciation for the First Control Period**

8.7.1 Since the Authority has decided to adopt the capital expenditure and aeronautical capitalization in line with the Authority's proposal in Addendum to Consultation Paper, the Authority, accordingly, also decides to revise depreciation for the 1<sup>st</sup> Control Period as presented in table below:

**Table 46: Revised Depreciation as considered by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Depreciation	15.46	17.63	22.51	26.53	27.28	109.41

## **8.8 Authority's Decision regarding Depreciation for the First Control Period**

Based on the material before it and its analysis, the Authority has decided the following:

8.8.1 The Authority decides to adopt depreciation rates for Amritsar airport as per Table 43 for the 1<sup>st</sup> Control Period.

8.8.2 The Authority decides to consider the depreciation amounts as per Table 46 for the 1<sup>st</sup> Control Period.



## CHAPTER 9. REGULATORY ASSET BASE (RAB) FOR THE 1ST CONTROL PERIOD

### 9.1 AAI's submission regarding RAB for the First Control Period

9.1.1 AAI submitted RAB for the 1<sup>st</sup> Control Period as follows:

**Table 47: RAB for the 1st Control Period as per AAI's submission (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
1.	Opening RAB	160.81	183.46	281.41	528.51	573.02
2.	Capitalizations	39.67	118.34	278.37	85.35	0.85
3.	Disposals	0.00	0.00	0.00	0.00	0.00
4.	Depreciation	17.01	20.39	31.27	40.84	41.93
5.	Closing RAB	183.46	281.41	528.51	573.02	531.94
6.	<b>Average RAB</b>	<b>172.14</b>	<b>232.44</b>	<b>404.96</b>	<b>550.77</b>	<b>552.48</b>

### 9.2 Authority's examination regarding RAB for the First Control period at Consultation stage

9.2.1 The Authority examined each element of RAB proposed to adopt the Initial RAB as per Table 25, the aeronautical capitalization in accordance with Table 34, and the depreciation amounts in accordance with Table 44.

9.2.2 Combining all its propositions, the Authority had proposed to consider the aeronautical RAB for the 1<sup>st</sup> Control Period of Amritsar Airport as per table below:

**Table 48: RAB for the 1st Control Period after Authority's examination at consultation stage (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
1.	Opening RAB	127.97	150.80	245.05	229.52	489.89
2.	Capitalizations	38.45	113.47	6.60	289.69	0.85
3.	Disposals	0.00	0.00	0.04	0.00	0.00
4.	Depreciation	15.62	19.22	22.09	29.32	36.54
5.	Closing RAB	150.80	245.05	229.52	489.89	454.20
6.	<b>Average RAB</b>	<b>139.38</b>	<b>197.92</b>	<b>237.28</b>	<b>359.71</b>	<b>472.05</b>

### 9.3 Stakeholders' Comments on CP regarding Average RAB for the First



**Control Period**

9.3.1 No comments were received from the Stakeholders.

**9.4 Authority's examination regarding Average RAB for the First Control Period at Addendum to CP stage**

9.4.1 Considering the revision in the aeronautical capitalization, the Authority proposed the revised RAB for the first control period as presented in the following table:

**Table 49: Revised RAB for the 1st Control Period proposed by the Authority at Addendum to CP stage (INR crores)**

S.No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
1.	Opening RAB	127.98	146.03	194.94	263.69	329.81
2.	Capitalizations	33.51	66.54	91.27	92.65	0.85
3.	Disposals	0.00	0.00	0.00	0.00	0.00
4.	Depreciation	15.46	17.63	22.51	26.53	27.28
5.	Closing RAB	146.03	194.94	263.69	329.81	303.38
6.	<b>Average RAB</b>	<b>137.00</b>	<b>170.48</b>	<b>229.31</b>	<b>296.75</b>	<b>316.60</b>

**9.5 Stakeholders' Comments on Addendum to CP regarding Average RAB for the First Control Period**

9.5.1 No comments were received from the Stakeholders.

**9.6 Authority's examination and decisions regarding Average RAB for the First Control Period**

9.6.1 Combining all its decisions, the Authority has decided to revise the aeronautical RAB for determination of tariffs for the 1<sup>st</sup> Control Period in respect of Amritsar Airport as given in the table below:

**Table 50: Revised RAB for the 1st Control Period after Authority's examination (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
1.	Opening RAB	127.97	146.02	194.93	263.69	329.81
2.	Capitalizations	33.51	66.54	91.27	92.65	0.85
3.	Disposals	0.00	0.00	0.00	0.00	0.00
4.	Depreciation	15.46	17.63	22.51	26.53	27.28
5.	Closing RAB	146.02	194.93	263.69	329.81	303.38



S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
6.	Average RAB	137.00	170.48	229.31	296.75	316.59

**9.7 Authority's Decision regarding Average RAB for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



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## CHAPTER 10. FAIR RATE OF RETURN (FRoR)

### 10.1 AAI's submission regarding FRoR for the First Control Period

- 10.1.1 AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority for other AAI airports, including Chennai, Jaipur, Patna among others.
- 10.1.2 AAI has submitted that all project financing activities are undertaken centrally by AAI's Corporate Office, New Delhi. The funds are then apportioned among airports by the Corporate Office, New Delhi.

### 10.2 Authority's examination regarding FRoR for the First Control period at Consultation stage

- 10.2.1 The Authority has recognized that AAI's capital structure may not be regarded as an efficient one as 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 and leveraging AAI's credit ratings. The Authority would like to highlight that it may also consider a normative capital structure to determine the FRoR at a later date.
- 10.2.2 The Authority had earlier considered the Fair Rate of Return at 14% for similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority proposes to consider the Fair Rate of Return at 14%.
- 10.2.3 Based on the above, the Authority proposes to consider FRoR as per table below for Amritsar Airport for the 1<sup>st</sup> Control Period:

**Table 51: Fair Rate of Return (FRoR) as proposed by the Authority in Consultation Paper**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%

### 10.3 Stakeholders' Comments on CP regarding FRoR for the First Control Period

#### Indigo's comments on FRoR for the First Control Period

- 10.3.1 IndiGo has requested the Authority to expedite the study for normative norms on capital structure to review the high cost of equity/FRoR being awarded to state entities like AAI, which are required to cater to the public interest and not to the commercial interests.

### 10.4 AAI's counter comments and response to Stakeholder comments on CP regarding FRoR for the First Control Period

- 10.4.1 AAI has requested the Authority to offer its views.

### 10.5 Authority's examination regarding FRoR for the First Control Period at



**Addendum to CP stage**

10.5.1 The Authority has carefully analyzed the submissions from Indigo and AAI, and decides to consider the following Fair rate of Return for the first control period for the Amritsar Airport in line with views expressed in para 10.2.1 above:

**Table 52: Fair Rate of Return (FRoR) as considered by the Authority**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%

**10.6 Stakeholders' Comments on Addendum to CP regarding FRoR for the First Control Period**

10.6.1 No comments were received from the Stakeholders.

**10.7 Authority's Decision regarding Fair Rate of Return (FRoR) for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

10.7.1 The Authority decides to consider the FRoR for Amritsar Airport for the 1<sup>st</sup> Control Period as per Table 52.



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## CHAPTER 11. NON-AERONAUTICAL REVENUE

### 11.1 AAI's submission regarding Non- Aeronautical Revenue for the First Control Period

11.1.1 AAI has forecast revenue from services other than aeronautical services as below.

**Table 53: Non-aeronautical revenue projections as per AAI (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>1. Trading concessions</b>					
Restaurant / snack bars	8.82	9.71	10.68	12.81	14.09
T.R. stall	9.29	10.22	11.24	13.49	14.84
Hoarding & display	4.94	5.68	6.24	7.49	8.24
<b>2. Rent and services</b>					
Land leases	1.00	1.00	1.00	1.00	1.00
Building (residential)	0.04	0.04	0.04	0.05	0.05
Building (non-residential)	4.89	5.38	5.92	7.10	7.81
<b>3. Miscellaneous</b>					
Duty Free	9.04	9.94	10.94	13.12	14.44
Car rentals	0.97	1.06	1.17	1.40	1.55
Car parking	4.08	3.05	3.36	4.03	4.43
Admission tickets	2.31	2.54	2.80	3.35	3.69
Other income/ sale of scrap etc.	2.89	3.04	3.19	3.35	3.52
<b>Total</b>	<b>48.28</b>	<b>51.67</b>	<b>56.58</b>	<b>67.21</b>	<b>73.66</b>

11.1.2 The growth rates assumed by AAI have been presented in the table below:

**Table 54: Growth rates assumed by AAI for non-aeronautical revenue**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>1. Trading concessions</b>					
Restaurant / snack bars	52.37%	10.00%	10.00%	20.00%	10.00%
T.R. stall	142.67%	10.00%	10.00%	20.00%	10.00%
Hoarding & display	30.37%	15.00%	10.00%	20.00%	10.00%
<b>2. Rent and services</b>					
Land leases	3.94%	0.00%	0.00%	0.00%	0.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	7.04%	10.00%	10.00%	20.00%	10.00%
<b>3. Miscellaneous</b>					
Duty Free	10.00%	10.00%	10.00%	20.00%	10.00%
Car rentals	10.00%	10.00%	10.00%	20.00%	10.00%





Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Car parking	-10.51%	-25.22%	10.00%	20.00%	10.00%
Admission tickets	10.00%	10.00%	10.00%	20.00%	10.00%
Other income/ sale of scrap etc.	-11.53%	5.00%	5.00%	5.00%	5.00%
<b>Total</b>	<b>27.02%</b>	<b>7.02%</b>	<b>9.51%</b>	<b>18.79%</b>	<b>9.60%</b>

## 11.2 Authority's examination regarding Non-aeronautical revenues for the First Control period at Consultation stage

- 11.2.1 The Authority examined the non-aeronautical revenues for FY 2018-19 as submitted by AAI and found the figures to be in line with the trial balances of FY 2018-19.
- 11.2.2 **Restaurant/Snack Bars:** AAI submitted that there is a three-fold increase in the revenue from the restaurant and Snack bars due to Master Concession for INR 73.53 lakhs awarded per month.
- 11.2.3 **Car Parking:** AAI submitted that car parking contract of INR 45.99 lakhs per month has expired on May 2019, subsequent to which it has been awarded being maintained by AAI with monthly revenue of INR 25.42 lakhs.
- 11.2.4 **Car Rentals:** AAI submitted that a new contract has been awarded in FY 2018-19 resulting in high growth in FY 2018-19, thus normal growth of 10% has been assumed for the Control Period.
- 11.2.5 **Advertisement & Hoarding:** AAI submitted that new contract has been awarded in April 2019 for 10 years, resulting in a higher growth in revenue in FY 2019-20, thereafter the normal growth of 10% has been assumed for the Control Period.
- 11.2.6 The Authority verified the above-mentioned concession agreements and found the projections to be in line with the same.
- 11.2.7 The Authority observed that AAI proposed additional 10% escalation in some of the components of non-aeronautical revenue in FY 2022-23 considering completion of the expansion work of terminal building.
- 11.2.8 The Authority has considered the growth rates as submitted by AAI as shown below:

**Table 55: Growth rates in non-aeronautical revenue considered by the Authority at Consultation stage**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>Trading concessions</b>					
Restaurant / snack bars	52.37%	10.00%	10.00%	20.00%	10.00%
T.R. stall	142.67%	10.00%	10.00%	20.00%	10.00%
Hoarding & display	30.37%	15.00%	10.00%	20.00%	10.00%
<b>Rent and services</b>					
Land leases	3.94%	0.00%	0.00%	0.00%	0.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	7.04%	10.00%	10.00%	20.00%	10.00%
<b>Miscellaneous</b>					



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Duty Free	10.00%	10.00%	10.00%	20.00%	10.00%
Car rentals	10.00%	10.00%	10.00%	20.00%	10.00%
Car parking	-10.51%	-25.22%	10.00%	20.00%	10.00%
Admission tickets	10.00%	10.00%	10.00%	20.00%	10.00%
Other income/ sale of scrap etc.	-11.53%	5.00%	5.00%	5.00%	5.00%
<b>Total</b>	<b>27.02%</b>	<b>7.02%</b>	<b>9.51%</b>	<b>18.79%</b>	<b>9.60%</b>

11.2.9 The non-aeronautical revenues as per Authority's examination have been presented in the table below:

**Table 56: Non-aeronautical revenues proposed by the Authority at Consultation stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>Trading concessions</b>					
Restaurant / snack bars	8.82	9.71	10.68	12.81	14.09
T.R. stall	9.29	10.22	11.24	13.49	14.84
Hoarding & display	4.94	5.68	6.24	7.49	8.24
<b>Rent and services</b>					
Land leases	1.00	1.00	1.00	1.00	1.00
Building (residential)	0.04	0.04	0.04	0.05	0.05
Building (non-residential)	4.89	5.38	5.92	7.10	7.81
<b>Miscellaneous</b>					
Duty Free	9.04	9.94	10.94	13.12	14.44
Car rentals	0.97	1.06	1.17	1.40	1.55
Car parking	4.08	3.05	3.36	4.03	4.43
Admission tickets	2.31	2.54	2.80	3.35	3.69
Other income/ sale of scrap etc.	2.89	3.04	3.19	3.35	3.52
<b>Total</b>	<b>48.28</b>	<b>51.67</b>	<b>56.58</b>	<b>67.21</b>	<b>73.66</b>

### **11.3 Stakeholders' Comments on CP regarding Non-aeronautical Revenues for the First Control Period**

#### **AAI's comments on Non-aeronautical Revenue for the First Control Period**

11.3.1 AAI has proposed to extend the waiver to commercial contracts by giving a reduction of 50% in FY 2020-21, 30% in FY 2021-22 and Nil in FY 2022-23.

11.3.2 AAI has proposed the revised non-aeronautical revenue as below:



Table 57: Revised Non-aeronautical revenue projections as per AAI (INR crores)

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
<b>Trading concessions</b>						
Restaurant / snack bars	8.82	4.41	6.18	8.82	10.59	38.82
T.R. stall	9.29	4.65	6.50	9.29	11.15	40.88
Hoarding & display	4.94	2.47	3.46	4.94	5.92	21.72
<b>Rent and services</b>						
Land leases	1.00	0.50	0.70	1.00	1.00	4.21
Building (residential)	0.04	0.04	0.04	0.05	0.05	0.22
Building (non-residential)	4.89	2.45	3.42	4.89	5.87	21.52
<b>Miscellaneous</b>						
Duty Free	9.04	4.52	6.33	9.04	10.85	39.77
Car rentals	0.97	0.48	0.68	0.97	1.16	4.26
Car parking	4.08	2.04	2.86	4.08	4.89	17.95
Admission tickets	2.31	1.16	1.62	2.31	2.77	10.17
Other income/ sale of scrap	2.89	3.04	3.19	3.35	3.52	16.00
<b>Total</b>	<b>48.28</b>	<b>25.75</b>	<b>34.97</b>	<b>48.74</b>	<b>57.78</b>	<b>215.52</b>

**Indigo's comments on Non-aeronautical Revenue for the First Control Period**

11.3.3 Indigo has submitted that the increase in non-aeronautical revenue is the function of passenger traffic growth, inflationary increase and real increase in contract rates. However, the Authority has followed the conservative approach. Further, Indigo has highlighted the following:

- Propose increase in non-aeronautical revenue is not commensurate with the expansion of existing terminal building सत्यमेव जयते
- No reason was provided behind decline in car parking revenue
- Whether annual escalations as agreed under related contracts have been considered or not for the Land lease/commercial contracts/building?

11.3.4 Indigo has also requested AAI to clarify whether airlines are eligible to claim waiver of charges as suggested for commercial contracts and to specify such contracts.

**GAL's comments on Non-aeronautical Revenue for the First Control Period**

11.3.5 GAL has submitted that given the present situation of COVID-19, there is a high degree of uncertainty on the traffic figures and a dip in Non-Aero revenues to the tune of 50% has been estimated by various air traffic agencies. GAL has requested the Authority to rationalize the non-aeronautical revenues in-line with the Authority's viewpoint for rationalization of passenger traffic.

**11.4 AAI's counter comments and response to Stakeholder comments on CP regarding Non-aeronautical Revenues for the First Control Period**

11.4.1 In response to Indigo's comments, AAI has submitted that the increase in non-aeronautical revenue is not a direct function of passenger traffic growth, inflationary increase and real increase in contract rates and depends upon the passenger profile at the airport as well. An additional 10% y-o-y increase has been considered for non-aeronautical revenue due to the expansion of existing terminal building.



11.4.2 Further, AAI has clarified that they have changed their car parking policy resulting in the lower revenue for car parking; and annual escalation has been considered as per the agreement/rates issued by AAI for Land lease/Commercial contract etc. AAI has also clarified that the waiver in respect of commercial contracts (excluding space rentals contracts) shall be applicable to all concessionaires.

11.4.3 In response to GAL's comments, AAI has shown agreement with their views.

### **11.5 Authority's examination regarding issues on Non-aeronautical Revenues for the First Control Period at Addendum to CP stage**

11.5.1 The Authority carefully analyzed the submissions from Indigo, GAL and AAI, and presented its views, as below.

11.5.2 The Authority assessed the projections made by AAI. Considering the ongoing COVID-19 pandemic and GoI imposed restrictions on aircraft movements, it was difficult to gauge the actual impact on non-aeronautical revenue. Therefore, the Authority proposed to consider the non-aeronautical revenue as per AAI's proposal and the same shall be true-up as per actuals at the time of true-up. However, the additional 10% hike proposed by AAI in FY 2023-24 has not been considered in line with the proposed deferral of the expansion plan of existing terminal building to the next Control Period.

11.5.3 The table below provides the non-aeronautical revenue as proposed by the Authority in the Addendum to CP for the 1<sup>st</sup> Control Period:

**Table 58: Non-aeronautical revenues proposed by the Authority at Addendum to CP stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
<b>Trading concessions</b>						
Restaurant / snack bars	8.82	4.41	6.18	8.82	9.71	37.94
T.R. stall	9.29	4.65	6.50	9.29	10.22	39.95
Hoarding & display	4.94	2.47	3.46	4.94	5.43	21.23
<b>Rent and services</b>						
Land leases	1.00	0.50	0.70	1.00	1.00	4.21
Building (residential)	0.04	0.04	0.04	0.05	0.05	0.22
Building (non-residential)	4.89	2.45	3.42	4.89	5.38	21.03
<b>Miscellaneous</b>						
Duty Free	9.04	4.52	6.33	9.04	9.94	38.87
Car rentals	0.97	0.48	0.68	0.97	1.06	4.16
Car parking	4.08	2.04	2.86	4.08	4.49	17.54
Admission tickets	2.31	1.16	1.62	2.31	2.54	9.93
Other income/ sale of scrap etc.	2.89	3.04	3.19	3.35	3.52	16.00
<b>Total</b>	<b>48.28</b>	<b>25.75</b>	<b>34.97</b>	<b>48.74</b>	<b>53.34</b>	<b>211.08</b>



## **11.6 Stakeholders' Comments on Addendum to CP regarding Non-aeronautical Revenues for the First Control Period**

### **FIA's comments on Non-aeronautical Revenue for the First Control Period**

11.6.1 FIA has submitted that the non-aeronautical revenues may be revised keeping in view of any upward revision in traffic.

## **11.7 AAI's counter comments and response to Stakeholder comments on Addendum to CP regarding Non-aeronautical Revenues for the First Control Period**

11.7.1 In response to FIA's comments, AAI has submitted that Non-aeronautical revenue may not be linked directly with the passenger growth as the clientele is primarily pilgrim tourist which does not generally spend at the airport.

## **11.8 Authority's examination and decisions regarding issues on Non-Aeronautical Revenues for the First Control Period**

11.8.1 The Authority has carefully analyzed the submissions from FIA & AAI, and presents its views, as given below.

11.8.2 The Authority has considered the passenger traffic projections in line with its proposal in Addendum to Consultation Paper. Accordingly, the Authority decides to consider the non-aeronautical revenues as proposed in the Addendum to Consultation Paper.

11.8.3 The table below provides the Non-Aeronautical Revenue as considered by the Authority for the 1<sup>st</sup> Control Period:

**Table 59: Non-Aeronautical Revenues considered by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
<b>Trading concessions</b>						
Restaurant / snack bars	8.82	4.41	6.18	8.82	9.71	37.94
T.R. stall	9.29	4.65	6.50	9.29	10.22	39.95
Hoarding & display	4.94	2.47	3.46	4.94	5.43	21.23
<b>Rent and services</b>						
Land leases	1.00	0.50	0.70	1.00	1.00	4.21
Building (residential)	0.04	0.04	0.04	0.05	0.05	0.22
Building (non-residential)	4.89	2.45	3.42	4.89	5.38	21.03
<b>Miscellaneous</b>						
Duty Free	9.04	4.52	6.33	9.04	9.94	38.87
Car rentals	0.97	0.48	0.68	0.97	1.06	4.16
Car parking	4.08	2.04	2.86	4.08	4.49	17.54
Admission tickets	2.31	1.16	1.62	2.31	2.54	9.93
Other income/ sale of	2.89	3.04	3.19	3.35	3.52	16.00
<b>Total</b>	<b>48.28</b>	<b>25.75</b>	<b>34.97</b>	<b>48.74</b>	<b>53.34</b>	<b>211.08</b>



**11.9 Authority's Decision regarding Non-Aeronautical Revenues for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



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## CHAPTER 12. OPERATION AND MAINTENANCE EXPENDITURE

### 12.1 AAI's submission regarding Operation and Maintenance expenditure for the First Control Period

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

- a) Payroll expenses;
- b) Admin and general expenditure;
- c) Repair and maintenance expenditure;
- d) Utilities and outsourcing expenditure; and
- e) Other outflows, i.e. collection charges on UDF

12.1.2 The expenses related to AAICLAS, ANS and CISF security have not been considered by AAI.

12.1.3 AAI has segregated the expenses into aeronautical expenses, non-aeronautical expenses, and common expenses. The common expenses have been further segregated into aeronautical and non-aeronautical on the basis of relevant ratios.

12.1.4 AAI submitted that the allocation of CHQ/RHQ expenses among individual airports has been done on the basis of revenue.

12.1.5 The summary of growth rates assumed by AAI for the operation and maintenance expenses have been presented in the table below:

**Table 60: Growth rates in O&M as per AAI**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	6.0%	7.0%	7.0%	17.0%	7.0%
Payroll expenses - CHQ/RHQ	8.6%	7.0%	7.0%	17.0%	7.0%
Administration and General expenses - non CHQ/RHQ	27.1%	10.0%	10.0%	28.8%	10.0%
Administration and General expenses - CHQ/RHQ	5.0%	5.0%	5.0%	5.0%	5.0%
Repairs and maintenance	11.8%	30.3%	171.9%	-54.3%	8.8%
Utilities and outsourcing expenses	0.9%	0.9%	1.0%	36.6%	0.9%
Other outflows - Collection Charges on UDF & PSF (F)	15.7%	11.4%	11.4%	11.4%	9.4%
<b>Total</b>	<b>8.1%</b>	<b>9.8%</b>	<b>38.0%</b>	<b>-11.2%</b>	<b>6.5%</b>

12.1.6 The summary of aeronautical expenses proposed by AAI for the 1st Control Period has been presented in the table below:



**Table 61: Operation and Maintenance (O&M) expenditure (in INR crores) as per AAI**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	15.69	16.79	17.97	21.02	22.49
Payroll expenses - CHQ/RHQ	2.07	2.21	2.37	2.77	2.97
Administration and General expenses - non CHQ/RHQ	8.33	9.16	10.08	12.99	14.29
Administration and General expenses - CHQ/RHQ	29.16	30.62	32.15	33.76	35.44
Repairs and maintenance	12.33	16.07	43.69	19.98	21.74
Utilities and outsourcing expenses	7.51	7.58	7.66	10.47	10.56
Other outflows - Collection Charges on UDF	0.59	0.66	0.74	0.82	0.90
<b>Overall Growth Rates</b>	<b>75.69</b>	<b>83.10</b>	<b>114.65</b>	<b>101.81</b>	<b>108.39</b>

12.1.7 Further, summary of allocation of expenses between aeronautical and non-aeronautical as proposed by AAI is given in the table below:

**Table 62: Allocation of O&M expenses as per AAI in 2018-19**

Particulars	Aeronautical	Non-aeronautical
Payroll expenses - non CHQ/RHQ	95.97%	4.03%
Payroll expenses - CHQ/RHQ	95.0%	5.0%
Administration and General expenses - non CHQ/RHQ	99%	1%
Administration and General expenses - CHQ/RHQ	95.0%	5.0%
Repairs and maintenance	85.70%	14.30%
Utilities and outsourcing expenses	100%	0%
Other outflows - Collection Charges on UDF	100%	0%

## **12.2 Authority's examination regarding Operation and Maintenance expenses for the First Control period at Consultation stage and proposal made in the CP:**

12.2.1 The Authority examined the trial balance for FY 2018-19 and discrepancies are detailed below:

- An amount of INR 0.5 lakhs in item titled "Office Expenses" pertaining to AAICLAS & ANS has been included erroneously as part of Administrative & General Expenses;
- An amount of INR 2.42 lakhs in item titled "Telephone Charges" pertaining to ANS has been





included erroneously as part of Administrative & General Expenses;

- c) An amount of INR 0.12 lakhs in item titled "Printing & Stationary" pertaining to ANS has been included erroneously as part of Administrative & General Expenses;
- d) An amount of INR 18.25 lakhs in item titled "Hiring of Manpower" pertaining to ANS has been included erroneously as part of Administrative & General Expenses;
- e) An amount of INR 17.69 lakhs in item titled "Electronics" pertaining to ANS has been included erroneously as part of Repair & Maintenance Expenses;

The Authority accordingly proposed to revise the same.

12.2.2 The Authority examined the allocation of expenses between aeronautical and non-aeronautical and compared the allocation proposed by AAI to its recent orders for other AAI airports. A summary of these has been presented in the table below:

**Table 63: Comparison of allocation of O&M expenses as aeronautical with other AAI airports**

Expense category	Patna	Kolkata	Jaipur
Payroll expenses - non CHQ/RHQ	97%	88%	94%
Payroll expenses - CHQ/RHQ	95%	88%	95%
Administration and General expenses - non CHQ/RHQ	99%	96%	88%
Administration and General expenses - CHQ/RHQ	95%	85%	90%
Repairs and maintenance	95%	89%	93%
Utilities and outsourcing expenses	90%	91%	93%
Other outflows - Collection Charges on UDF	100%	93%	100%

12.2.3 The Authority observed that AAI has allocated 95% of Payroll expenses – CHQ/RHQ and Administration and General expenses - CHQ/RHQ to aeronautical expenses. The Authority finds it to be appropriate based on AERA's decision in respect of other AAI airports.

12.2.4 The Authority observed that AAI has allocated 4.03% of Payroll expenses – non CHQ/RHQ to Non-Aeronautical expenses. The Authority proposes to revise this in proportion of employee ratio for FY 2018-19, 5/120 i.e. 4.17%.

12.2.5 The Authority observed that AAI has allocated 99% of the Administration & General Expenses – non CHQ/RHQ to aeronautical expenses. The Authority proposes to modify this ratio based on the terminal building ratio and employee ratio for allocation of various components of these expenses. Accordingly, 93.95% of Administration & General Expenses – non CHQ/RHQ may be allocated to aeronautical expenses.

12.2.6 AAI proposed to allocate the entire Utilities & Outsourcing expenses to aeronautical expenses. However, since the Utilities and related expenses shall be proportionately utilized for non-aeronautical functions also, the Authority proposes to allocate 90% of Utilities and outsourcing expenses to aeronautical expenses, in line with the 'terminal building ratio.'

12.2.7 For other outflows, i.e., collection charges on UDF, AAI considered the growth rate to be the same as that of ATM traffic. The Authority proposes to use the same fundamental approach, as it finds them reasonable for projection purposes.

12.2.8 The Authority proposed the following allocation of O&M expenses into aeronautical and non-



aeronautical.

**Table 64: Allocation of O&M expenses as per the Authority**

Particulars	Aeronautical	Non-aeronautical
Payroll expenses - non CHQ/RHQ	95.83%	4.17%
Payroll expenses - CHQ/RHQ	95.00%	5.00%
Administration and General expenses - non CHQ/RHQ	93.95%	6.05%
Administration and General expenses - CHQ/RHQ	95.00%	5.00%
Repairs and maintenance	85.70%	14.30%
Utilities and outsourcing expenses	90.00%	10.00%
Other outflows - Collection Charges on UDF	100.00%	0.00%

- 12.2.9 AAI considered a growth rate of 7% in payroll expenses beyond FY 2019. This rate is consistent with other AAI airports and the Authority finds it to be reasonable. AAI has also considered a growth rate of 17% in payroll expenses in FY 2022-23 due to operationalization of expanded terminal building i.e. an additional 10% over and above annual growth rate of 7%. The Authority observed that it has earlier allowed an additional hike of 10% in case of new terminal building. However, since the proposed expansion of existing terminal building shall increase the terminal area by 40%, the Authority proposes to allow an additional growth of 5% in FY 2022-23 for payroll expenses.
- 12.2.10 AAI considered an additional increase of ~40% in electricity charges in FY 2022-23 due to operationalization of the terminal building expansion area. The Authority finds the same to be appropriate, given a ~40% increase in terminal area due to the expansion.
- 12.2.11 AAI proposed a capital expenditure of INR 8 crores for replacement of flooring in existing terminal building. However, the Authority believes that the nature of the said work is of Operations & Maintenance and proposes to shift it to Repair & maintenance expenses.
- 12.2.12 AAI proposed an expense of INR 1.22 crores for “May I help you” in Administrative and General Expenses”, resulting in a hike of overall 27% in A&G expenses in FY 2019-20. Similarly, 10% additional increase in Watch & Ward charges and 40% additional increase in Upkeep charges has been proposed in FY 2022-23, due to operationalization of expanded terminal, thus resulting in 28% increase in A&G expenses. The Authority finds the same to be appropriate.
- 12.2.13 AAI proposed a one-time expense of INR 26.27 crores in Repairs & Maintenance for “Conversion of 869M of rigid pavement of the runway to flexible”, thus resulting in a spike in growth of Repair & Maintenance expenses in FY 2021-22. The Authority finds it appropriate and proposes the same in Repairs & Maintenance Expenses.
- 12.2.14 AAI proposed a trajectory for Repair and maintenance expenses in their MYTP. The Authority examined actual growth trend of expenses for the past few years at the airport and examined AMC and other contractual agreements with vendors on a sample basis, to understand the escalation dynamics. On the basis of these checks, the Authority has found the considered growth rates to be reasonable.
- 12.2.15 Based on above considerations, the Authority proposed the following growth rates in Operation and



Maintenance expenses.

**Table 65: Growth rates in O&M expenses considered by the Authority at consultation stage**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	7.00%	7.00%	7.00%	12.00%	7.00%
Payroll expenses - CHQ/RHQ	7.00%	7.00%	7.00%	12.00%	7.00%
Administration and General expenses - non CHQ/RHQ	27.12%	10.00%	10.00%	28.84%	10.00%
Administration and General expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Repairs and maintenance	11.81%	45.15%	164.19%	-57.75%	8.79%
Utilities and outsourcing expenses	0.87%	0.94%	1.03%	36.64%	0.90%
Other outflows - Collection Charges on UDF	2.39%	18.16%	18.16%	18.17%	18.17%
<b>Overall Growth Rate</b>	<b>8.14%</b>	<b>12.28%</b>	<b>39.31%</b>	<b>-14.93%</b>	<b>6.57%</b>

12.2.16 After incorporating the above observations by the Authority, the revised O&M expenses are given in the table below:

**Table 66: Revised Operation and maintenance (O&M) expenses as proposed by the Authority at Consultation stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	15.88	16.99	18.18	20.36	21.79	93.20
Payroll expenses - CHQ/RHQ	2.04	2.18	2.33	2.61	2.80	11.97
Administration and General expenses - non CHQ/RHQ	7.92	8.71	9.58	12.35	13.58	52.15
Administration and General expenses - CHQ/RHQ	29.16	30.62	32.15	33.76	35.44	161.12
Repairs and maintenance	12.13	17.61	46.53	19.66	21.39	117.33
Utilities and outsourcing expenses	6.76	6.83	6.90	9.42	9.51	39.42
Other outflows - Collection Charges on UDF	0.53	0.62	0.73	0.87	1.02	3.77
<b>Total</b>	<b>74.42</b>	<b>83.56</b>	<b>116.41</b>	<b>99.03</b>	<b>105.53</b>	<b>478.96</b>



### **12.3 Stakeholders' Comments on CP regarding Operation and Maintenance expenses for the First Control Period**

#### **AAI's comments on Operations and Maintenance expenses for the First Control Period**

- 12.3.1 AAI has submitted that the operational expenditure has been projected based on past trends and considering the inflationary impact and increase in the minimum wages of maintenance workers as decided by the state Government. The same has been considered by AERA in previous tariff order for AAI Major Airports.
- 12.3.2 In its revised submission, AAI has proposed an additional 10% R&M expenses for sanitization and other expenses due to ongoing COVID-19 pandemic. For the month of April 2020 and May 2020, electricity charges have been considered as 35% of the existing expenditure. AAI has also clarified that the electricity charges were proposed after the adjustment of recoveries against the electricity charges from various concessionaires and accordingly, AAI has requested to consider the electricity charges as proposed in revised submissions.
- 12.3.3 Further, AAI has clarified that the consumption of stores & spares which includes consumption of paper glass for the passengers are 100% aeronautical expenditure; and consumption of stores & spares and POL have been considered on actual basis.
- 12.3.4 For various expenses deducted by the Authority as per trial balance, AAI has clarified that these expenses have been booked wrongly under ANS and AAICLAS and pertains to the airport operations only. AAI has further requested the Authority to consider the Terminal Building ratio and employee ratio as per the revised submissions.
- 12.3.5 AAI has submitted that the CHQ/RHQ expenses and retirement benefits were projected on provisional basis for FY 2018-19 and the same has been proposed based on actuals in revised submissions.
- 12.3.6 The revised O&M expenditure proposed by AAI is shown in table below:

**Table 67: Revised O&M expenses as proposed by AAI (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	15.73	16.83	18.01	19.27	22.55	92.39
Payroll expenses - CHQ/RHQ	5.64	6.03	6.46	6.91	8.08	33.12
Administration and General expenses - non CHQ/RHQ	8.33	9.16	10.08	11.09	14.29	52.95
Administration and General expenses - CHQ/RHQ	63.31	66.48	69.80	73.29	76.96	349.84
Repairs and maintenance	12.30	14.12	41.91	18.89	21.72	108.94



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Utilities and outsourcing expenses	7.51	6.85	7.66	7.75	10.56	40.34
Other outflows - Collection Charges on UDF	0.50	0.26	0.35	0.41	0.49	2.01
<b>Total</b>	<b>113.32</b>	<b>119.74</b>	<b>154.27</b>	<b>137.61</b>	<b>154.65</b>	<b>679.59</b>

**Indigo's comments on Operations and Maintenance expenses for the First Control Period**

- 12.3.7 Indigo submitted that the "Operating and Maintenance; expenditure is one of the major components for determining ARR, hence, the AERA should evaluate such expenses in detail rather than accepting projections provided by AAI on an "as is" basis".
- 12.3.8 Indigo further submitted that as per clause 5.4.2 of AERA Guidelines, while reviewing forecast of operating expenditure the Authority has to assess (a) baseline operation and maintenance expenditure based on review of actual expenditure indicated in last audited accounts and check for underlying factors impacting variance over the preceding year; (b) efficiency improvement with respect to such costs based on review of factors such as trends in operating costs, productivity improvements, cost drivers as may be identified, and other factors as may be considered appropriate.
- 12.3.9 Indigo submitted that in order to assess efficient operating expenditure, AERA should conduct an independent analysis in terms of AERA Act. Indigo submitted that Amritsar Airport has already completed a significant period of operations, hence benchmarking the costs would not be difficult for AERA. However, till the time an independent study is conducted by AERA, Indigo highlighted the Aeronautical allocation ratio proposed as per AERA CP 5/2014-15 of Normative approach of 80% should be applied.

**12.4 AAI's counter comments and response to Stakeholder comments on CP regarding Operation and Maintenance expenses for the First Control Period**

- 12.4.1 AAI has submitted that the operational expenditure has been projected based on past trends and considering the inflationary impact and increase in the minimum wages of maintenance workers as decided by the state Government. The same has been considered by AERA in previous tariff order for AAI Major Airports.

**12.5 Authority's examination regarding issues on Operation and Maintenance expenses for the First Control Period at Addendum to CP stage**

- 12.5.1 The Authority carefully analyzed the submissions from Indigo and AAI and presented its proposal on Opex in the Addendum to CP as detailed in the ensuing paragraphs.



- 12.5.2 The Authority considered AAI's submission regarding the additional expenses for sanitization, proposed electricity charges and consideration of wrongly booked entries while proposing the O&M expenses for the control period.
- 12.5.3 The Authority observed that AAI has proposed an excessive hike in the CHQ/RHQ allocation of Administrative & General expenses and Employee expenses vis-à-vis AAI's submission in the original tariff proposal. Further, AAI has not clarified or explained the reason behind such increase in these expenses. Therefore, the Authority proposes to consider these expenses as per original tariff proposal and the same shall be revisited at the time of true-up in the next control period.
- 12.5.4 AAI proposed to consider the "Conversion of 869M of rigid pavement of the runway to flexible" as part R&M expenses only, therefore the Authority has considered the same as part of R&M expenses.
- 12.5.5 For employee expenses, the Authority understands that since the traffic projections for the control period have been rationalized due to the ongoing COVID-19 pandemic and expected to reach the existing levels of FY 2019-20 by the end of FY 2022-23, therefore, AAI should not increase the number of employee deputed to the airport. Hence, the y-o-y increase in the employee expenses has been proposed as 5%.
- 12.5.6 Further, the Authority has considered the allocation ratios as proposed in Chapter 5 for allocating the common expenses of FY 2018-19 while projecting the O&M expenses for the control period.
- 12.5.7 As discussed in the above paragraphs of this chapter, the Authority proposed the following growth rates in various components of Operation and Maintenance expenses.

**Table 68: Growth rates in O&M expenses proposed by the Authority**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Payroll expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Administration and General expenses - non CHQ/RHQ	27.12%	10.00%	10.00%	10.01%	10.00%
Administration and General expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Repairs and maintenance	11.50%	14.80%	196.88%	-54.93%	15.00%
Utilities and outsourcing expenses	0.87%	-8.87%	11.90%	1.12%	1.22%
Other outflows - Collection Charges on UDF	-2.62%	-47.10%	31.54%	43.72%	20.00%
<b>Overall Growth Rate</b>	<b>7.75%</b>	<b>5.38%</b>	<b>39.99%</b>	<b>-17.07%</b>	<b>7.36%</b>

- 12.5.8 The revised O&M expenses proposed by the Authority are given in the table below:



**Table 69: Revised O&M expenses as proposed by the Authority at Addendum to CP stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	15.88	16.67	17.51	18.38	19.30	87.75
Payroll expenses - CHQ/RHQ	2.04	2.14	2.25	2.36	2.48	11.27
Administration and General expenses - non CHQ/RHQ	7.92	8.71	9.58	10.54	11.60	48.36
Administration and General expenses - CHQ/RHQ	29.16	30.62	32.15	33.76	35.44	161.12
Repairs and maintenance	12.13	13.93	41.36	18.64	21.44	107.50
Utilities and outsourcing expenses	7.51	6.85	7.66	7.75	7.84	37.62
Other outflows - Collection Charges on UDF	0.50	0.26	0.35	0.50	0.60	2.21
<b>Total</b>	<b>75.15</b>	<b>79.19</b>	<b>110.85</b>	<b>91.93</b>	<b>98.70</b>	<b>455.82</b>

## **12.6 Stakeholders' Comments on Addendum to CP regarding Operation and Maintenance expenses for the First Control Period**

### **AAI's comments on Operations and Maintenance expenses for the First Control Period**

- 12.6.1 AAI has submitted that the CHQ/RHQ expenses and retirement benefits were projected on provisional basis for FY 2018-19 and the same has been proposed based on actuals in revised submissions. Accordingly, AAI has requested to consider the CHQ/RHQ expenses as per revised submissions.
- 12.6.2 AAI has submitted that y-o-y growth of 7% does not include the increase in the number of employees deputed at the Airport and represents the average increase in the payroll due to annual increment of 3% in salary, quarterly increase in Dearness Allowance ("DA") and Employer contribution to PF and pension.
- 12.6.3 AAI has also requested the Authority to consider the R&M expenses and A&G expenses as per their revised submission.
- 12.6.4 The revised O&M expenditure as proposed by AAI is shown in table below:

**Table 70: Revised O&M expenses as proposed by AAI (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	15.73	16.83	18.01	19.27	22.55	92.39



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - CHQ/RHQ	5.64	6.03	6.46	6.91	8.08	33.12
Administration and General expenses - non CHQ/RHQ	8.33	9.16	10.08	11.09	14.29	52.95
Administration and General expenses - CHQ/RHQ	63.31	66.48	69.80	73.29	76.96	349.84
Repairs and maintenance	12.30	14.12	41.91	18.89	21.72	108.94
Utilities and outsourcing expenses	7.51	6.85	7.66	7.75	10.56	40.34
Other outflows - Collection Charges on UDF	0.50	0.26	0.35	0.41	0.49	2.01
<b>Total</b>	<b>113.32</b>	<b>119.74</b>	<b>154.27</b>	<b>137.61</b>	<b>154.65</b>	<b>679.59</b>

## **12.7 Authority's examination and decisions regarding Operation and Maintenance expenses for the First Control Period**

- 12.7.1 The Authority has carefully analyzed the submissions from AAI and has presented its views in the ensuing paragraphs
- 12.7.2 For employee expenses, the Authority would like to highlight that the airport operator has assumed that the 7% hike will remain the same across the control period. However, the effective hike shall decrease with the y-o-y increase in the base DA and accordingly, the effective hike will vary from ~6.00%-6.66% over the control period.
- 12.7.3 The Government of India vide DPE's OM No. W-02/0038/2017-DPE(WC)-GL-IX/20 dated 28.04.2020 has frozen the CDA pay scales for CPSE employee till June 30, 2021. Therefore, DA shall remain at the Jan 2020 levels till June 2021. Further, it may be noted that AAI has incurred losses during the year due to the de-growth in passenger traffic caused by the COVID-19 pandemic, thereby resulting in withdrawal of Performance related Payments (PRP). Considering the economic downturn caused by the COVID-19 pandemic, the resultant decrease in Aeronautical revenues, losses incurred by AAI, and the consequent austerity measures such as withdrawal of hike in DA, the Authority may have to consider the variable growth rate in payroll expenses across the Control Period. However, in order to rationalize the payroll expenses for the Control Period, a flat growth rate of 5% has been considered.
- 12.7.4 Further, the Authority has utilized the 'allocation ratio' as considered in Chapter 5 for allocating the common expenses between the aeronautical and non-aeronautical services.
- 12.7.5 As discussed in the above paragraphs of this Chapter, the Authority has decided to consider the





following growth rates in various components of Operation & Maintenance expenses

**Table 71: Growth rates in O&M expenses considered by the Authority**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Payroll expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Administration and General expenses - non CHQ/RHQ	27.12%	10.00%	10.00%	10.00%	10.00%
Administration and General expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Repairs and maintenance	10.21%	14.79%	199.14%	-55.19%	14.98%
Utilities and outsourcing expenses	0.87%	-8.87%	11.90%	1.12%	1.22%
Other outflows - Collection Charges on UDF	-2.62%	-47.10%	31.54%	43.86%	20.00%
<b>Overall Growth Rate</b>	<b>5.90%</b>	<b>5.40%</b>	<b>40.47%</b>	<b>-17.29%</b>	<b>7.39%</b>

12.7.6 Accordingly, the Authority, has decided to revise the O&M expenses to be considered for First Control Period as given in the table below:

**Table 72: Revised O&M expenses as considered by the Authority for the First Control Period (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	15.58	16.36	17.18	18.03	18.94	86.08
Payroll expenses - CHQ/RHQ	2.04	2.14	2.25	2.36	2.48	11.27
Administration and General expenses - non CHQ/RHQ	8.20	9.01	9.92	10.91	12.00	50.03
Administration and General expenses - CHQ/RHQ	29.16	30.62	32.15	33.76	35.44	161.12
Repairs and maintenance	12.16	13.95	41.74	18.70	21.50	108.05
Utilities and outsourcing expenses	7.51	6.85	7.66	7.75	7.84	37.62
Other outflows - Collection Charges on UDF	0.50	0.26	0.35	0.50	0.60	2.21
<b>Total</b>	<b>75.14</b>	<b>79.19</b>	<b>111.24</b>	<b>92.01</b>	<b>98.80</b>	<b>456.38</b>



**12.8 Authority's Decision regarding Operation and Maintenance expenses for the First Control Period**

Based on the material before it, and, its analysis, the Authority has decided the following:

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



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## CHAPTER 13. AERONAUTICAL REVENUE

### 13.1 AAI's submission regarding Aeronautical Revenue for the First Control Period

13.1.1 AAI has proposed to increase the aeronautical tariff as applicable from 1<sup>st</sup> February 2020 as per below schedule:

- Landing Charges- For Domestic ATM, one-time hike of 41% and 4% year on year thereafter. For International ATM, one-time hike of 18% and 4% year on year thereafter;
- Parking and housing charges - For Domestic ATM, one-time hike of 120% and 4% year on year thereafter. For International ATM, one-time hike of 91% and 4% year on year thereafter;
- User Development Fee – AAI has proposed to subsume the PSF(F) charges to UDF charges. AAI has sought a hike of 48% in Domestic UDF charges only to recover the shortfall in ARR;
- Fuel Throughput Charges – AAI has proposed to increase the through put charges at 5% year on year basis;

13.1.2 The table below summarizes the Aeronautical revenue proposed by AAI:

**Table 73: Aeronautical revenue as proposed by AAI (INR crores)**

S. No.	Particulars	Apr'19- Jan'20	Feb'20 - Mar'20	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
1.	Landing charges	24.02	6.17	42.38	48.49	55.49	62.34
2.	Parking & Housing charges	0.32	0.13	0.88	1.01	1.16	1.30
3.	UDF/PSF	62.55	14.31	95.12	105.38	116.76	127.05
4.	Fuel Throughput Charges	5.71	1.20	7.94	8.77	9.68	10.49
5.	Land Lease	0.90	0.18	1.08	1.08	1.08	1.08
6.	Ground Handling Charges	0.98	0.20	1.30	1.43	1.58	1.72
7.	Cute Charges	1.86	0.37	2.85	3.18	3.54	3.87
8.	Revenue share from AAICLS	0.53	0.11	0.71	0.79	0.89	0.98
9.	<b>Total Revenue</b>	<b>96.86</b>	<b>22.67</b>	<b>152.27</b>	<b>170.14</b>	<b>190.17</b>	<b>208.82</b>

### 13.2 Authority's examination regarding Aeronautical revenue for the First Control period at Consultation stage and proposals made in the CP:

13.2.1 The MYTP for Amritsar Airport was submitted by AAI on 24<sup>th</sup> December 2019. However, GoI's restrictions on Domestic and International flights entering / exiting the country, in view of the



COVID-19 pandemic, have negatively impacted the aviation sector in general and traffic in particular.

- 13.2.2 Considering the present scenario as discussed in para 1.3, the Authority is inclined not to increase the Landing, Parking & Housing charges both for domestic and international traffic in the current financial year 2020-21 and proposes to revise the Landing, Parking & Housing charges with effect from April 1, 2021 and the User Development Fees (UDF) from July 1, 2020.
- 13.2.3 The Authority proposes to allow a one-time increase of 45% and 20% respectively in Domestic and International landing charges for FY 2021-22 and thereafter a 6% increase on compounded basis every year, up to FY 2023-24.
- 13.2.4 The Authority proposes to increase Domestic and International parking and housing charges by 120% and 91% respectively for FY 2021-22 as proposed by AAI. Further, the Authority proposes parking and housing charges to be increased by 6% on compounded basis every year.
- 13.2.5 Further, the Ministry of Civil Aviation has discontinued the levy of fuel throughput charge at all airports with effect from 15<sup>th</sup> January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8<sup>th</sup> January 2020.
- 13.2.6 The Authority proposes to keep all other charges in line with AAI proposal.
- 13.2.7 The Authority has determined the aeronautical revenue with the proposed aeronautical tariff as follows:

**Table 74: Aeronautical revenue as proposed by the Authority at consultation stage (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
1.	Landing charges	23.31	25.43	36.91	42.89	49.88	178.42
2.	Parking & Housing charges	0.31	0.33	0.74	0.86	0.99	3.22
3.	UDF/PSF	65.74	86.77	104.69	121.37	140.70	519.26
4.	Fuel Throughput Charges	5.42	0.00	0.00	0.00	0.00	5.42
5.	Land Lease	1.08	1.08	1.08	1.08	1.08	5.39
6.	Ground Handling Charges	1.00	1.11	1.24	1.38	1.54	6.28
7.	Cute Charges	2.16	2.52	2.93	3.42	3.98	15.02
8.	Revenue share from AAICLS	0.63	0.71	0.79	0.89	0.98	4.00
9.	<b>Total Revenue</b>	<b>99.66</b>	<b>117.95</b>	<b>148.39</b>	<b>171.88</b>	<b>199.14</b>	<b>733.02</b>



### **13.3 Stakeholders' Comments on CP regarding Aeronautical Revenue for the First Control Period**

#### **AAI's comments on Aeronautical Revenue for the First Control Period**

- 13.3.1 AAI has requested to change the date of implementation of tariffs for all the revenue streams w.e.f. August 1, 2020.
- 13.3.2 AAI has proposed to increase the aeronautical tariff as applicable from August 1, 2020 as per below schedule:
- Landing Charges- For Domestic ATM, one-time hike of 46.7% and 4% year on year thereafter. For International ATM, one-time hike of 23% and 4% year on year thereafter;
  - Parking and housing charges - For Domestic ATM, one-time hike of 129% and 4% year on year thereafter. For International ATM, one-time hike of 98% and 4% year on year thereafter;
  - User Development Fee – AAI has proposed the UDF charges of INR 700 for domestic passenger and INR 1300 for international passenger

#### **Indigo's comments on Aeronautical Revenue for the First Control Period**

- 13.3.3 Indigo has appreciated the Authority's proposal to implement the hike in aeronautical tariff from April 1, 2021, however, Indigo has requested to defer the tariff hikes to the next control period stating that airlines has suffered an adverse financial impact due to GoI restrictions on scheduled domestic and international flights between March and May 2020.
- 13.3.4 Further, the domestic operations were resumed on May 25, 2020 with restrictions on fare and capacity and therefore, airlines may continue to face financial distress until the complete opening of scheduled domestic and international flights.
- 13.3.5 Indigo has further highlighted that the proposed increase in aeronautical tariff along with y-o-y escalation will adversely impact the operational expenditure and it may not be commensurate with the increase in passenger traffic.

### **13.4 AAI's counter comments and response to Stakeholder comments on CP regarding Aeronautical Revenues for the First Control Period**

- 13.4.1 In response to Indigo's comments, AAI has submitted that it doesn't agree with their views as airport operators have been hit badly in current situation due to the higher investment. AAI has also submitted that the airport operators may have to incur losses even after the proposed hike and thus, has requested to consider the tariff hikes as per the revised submission.

### **13.5 Authority's examination regarding Aeronautical Revenues for the First Control Period at Addendum to CP stage and proposals made therein**

- 13.5.1 The Authority carefully analyzed the comments received from Indigo and AAI on the CP, and made the following proposals in the Addendum to CP.



- 13.5.2 The Authority understand the concerns of the airlines and airport operators, however, deferring the tariff hikes for the control period may result in the unwarranted burden on the consumers in second control period and financial hardship to the airport operator. Therefore, the Authority proposed the aeronautical tariff while balancing the interests of the passengers, airlines and airport operators in order to promote the growth in passenger traffic.
- 13.5.3 The Authority proposed to revise the aeronautical charges with effect from April 1, 2021.
- 13.5.4 The Authority proposed to allow a one-time increase of 45% in Domestic and International landing charges for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.
- 13.5.5 The Authority proposed to increase the Domestic and the International Parking & Housing charges by 45% for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.
- 13.5.6 The Authority proposed the User Development Fees of INR 500/- and INR 1300/- respectively for Domestic and International passengers for FY 2021-22 and thereafter to remain at the same levels for the Control Period.
- 13.5.7 The Authority determined the aeronautical revenue with the proposed aeronautical tariff as under:

**Table 75: Revised Aeronautical revenue as proposed by the Authority at Addendum to CP stage (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
1.	Landing charges	23.24	13.08	26.06	33.97	42.69	139.05
2.	Parking & Housing charges	0.31	0.08	0.34	0.45	0.56	1.74
3.	UDF/PSF	70.06	28.45	63.15	76.24	92.16	330.06
4.	Fuel Throughput Charges	4.51	0.00	0.00	0.00	0.00	4.51
5.	Land Lease	1.08	1.08	1.08	1.08	1.08	5.39
6.	Ground Handling Charges	0.98	0.60	0.77	0.98	1.17	4.50
7.	Cute Charges	2.16	1.14	1.50	1.78	2.12	8.70
8.	Revenue share from AAICLS	0.63	0.61	0.79	0.89	0.98	3.91
9.	<b>Total Revenue</b>	<b>102.97</b>	<b>45.04</b>	<b>93.69</b>	<b>115.38</b>	<b>140.77</b>	<b>497.85</b>

**13.6 Stakeholders' Comments on Addendum to CP regarding Aeronautical Revenue for the First Control Period**

**AAI's comments on Aeronautical Revenue for the First Control Period**



- 13.6.1 AAI has requested to change the date of implementation of tariffs for all the revenue streams w.e.f. January 1, 2021.
- 13.6.2 Further, AAI has submitted that the UDF was allowed up to June 2020 by the Ministry of Civil Aviation vide letter dated May 25, 2010 and currently, no User Development Fee is being levied to the passengers.
- 13.6.3 AAI has proposed to increase the aeronautical tariff as applicable from August 1, 2020 as per below schedule:
- Landing Charges- A one-time increase of 45% in Domestic and International landing charges for FY 2020-21 and thereafter 10% increase in FY 2021-22 and 6% increase in FY 2022-23 and FY 2023-24;
  - Parking and housing charges - For Domestic ATM, one-time hike of 120% and 6% year on year thereafter. For International ATM, one-time hike of 91% and 6% year on year thereafter;
  - User Development Fee – AAI has proposed the UDF charges of INR 700 for domestic passenger and INR 1300 for international passenger

### **13.7 Authority's examination and decisions regarding Aeronautical Revenues for the First Control Period**

- 13.7.1 The Authority has carefully analyzed the submissions from AAI, and presented its views, as below.
- 13.7.2 The Authority understand the concerns of the Airlines and Airport Operators, however, deferring the tariff hikes during the First Control Period may result in the unwarranted burden on the consumers in Second Control Period and financial hardships to the Airport Operator. Therefore, the Authority has attempted to balance the interests of the Passengers, Airlines, and, the Airport Operators, while approving the aeronautical tariffs, in order to promote the growth in passenger traffic.
- 13.7.3 As discussed earlier in this Chapter, the Authority decides to revise the aeronautical charges with effect from April 1, 2021.
- 13.7.4 The Authority decides to allow a one-time increase of 45% in Domestic and International landing charges for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.
- 13.7.5 The Authority decides to increase Domestic and International parking and housing charges by 45% for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.
- 13.7.6 The Authority decides the User Development Fees of INR 500/- and INR 1300/- respectively for Domestic and International passengers for FY 2021-22, and, thereafter the same rates to continue for the remaining years of FY 2022-23 & FY 2023-24 of the Control Period. The Authority has considered the User Development Fees (UDF) up to June 2020 in FY 2020-21 in line with MoCA's Circular dated May 25, 2010, and, has decided that no UDF will be levied from July 2020 to March 2021. Accordingly, the above approved rates of UDF will be applicable on tickets issued on or after 1<sup>st</sup> April, 2021.



13.7.7 The Authority has computed the aeronautical revenue with the above decided tariff hikes as under:

**Table 76: Revised Aeronautical revenue as considered by the Authority (INR crores)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
1.	Landing charges	23.24	13.08	26.06	37.12	47.22	146.73
2.	Parking & Housing charges	0.31	0.17	0.34	0.49	0.62	1.93
3.	UDF/PSF	70.06	7.51	63.15	94.30	113.16	348.18
4.	Fuel Throughput Charges	4.51	0.00	0.00	0.00	0.00	4.51
5.	Land Lease	1.08	1.08	1.08	1.08	1.08	5.39
6.	Ground Handling Charges	0.98	0.60	0.77	0.98	1.18	4.50
7.	Cute Charges	2.16	1.14	1.50	2.16	2.59	9.55
8.	Revenue share from AAICLS	0.63	0.61	0.79	0.89	0.98	3.91
9.	<b>Total Revenue</b>	<b>102.97</b>	<b>24.19</b>	<b>93.69</b>	<b>137.02</b>	<b>166.83</b>	<b>524.69</b>

### **13.8 Authority's Decision regarding Aeronautical Revenue for the First Control Period**

Based on the material before it and its analysis, the Authority has decided the following:

13.8.1 The Authority decides to consider the Aeronautical revenue for the 1st Control Period for Amritsar Airport as per Table 76.





## CHAPTER 14. TAXATION

### 14.1 AAI's submission regarding Taxation for the First Control Period

14.1.1 To compute depreciation for tax purposes, AAI has used the depreciation rates in accordance with the following table:

**Table 77: Depreciation rates for tax purposes as per AAI**

Asset category	IT Depreciation rate - up to FY 18	IT Depreciation rate - from FY 19
Leasehold Land	0%	0%
Runways, Aprons and Taxiways	15%	10%
Road, Bridges & Culverts	10%	10%
Building-Others	10%	10%
Building – Terminal	10%	10%
Building – Temporary	100%	100%
Building- Residential	5%	5%
Security Fencing-Temp	10%	10%
Boundary Wall – Operational	10%	10%
Boundary Wall – Residential	5%	5%
Computer - End user	60%	40%
Intangible Assets – Software	60%	40%
Plant & Machinery	15%	15%
Tools & Equipment	15%	15%
Furniture & Fixtures: Other Than Trolley	10%	10%
Furniture & Fixtures: Trolley	10%	10%
Vehicles	15%	15%
Electrical Installations	10%	10%
Other Office Equipment	15%	15%
X Ray Baggage System	15%	15%
CFT/Fire Fighting Equipment	15%	15%

14.1.2 The tax calculation as submitted by AAI as given in the table below:

**Table 78: Taxation as per AAI (INR crores)**

Particulars	FY ending March 31, 2018	FY ending March 31, 2019	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Aero revenue with revised rates	92.69	105.91	119.52	152.27	170.14	190.17	208.82
O&M expenses	64.82	70.03	75.69	83.10	114.65	101.81	108.39
Depreciation	17.99	16.96	19.26	26.32	44.38	57.72	55.77
<b>Profit before tax</b>	<b>9.9</b>	<b>18.9</b>	<b>24.6</b>	<b>42.8</b>	<b>11.1</b>	<b>30.6</b>	<b>44.7</b>



Particulars	FY ending March 31, 2018	FY ending March 31, 2019	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Prior Period Set-off	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT after Set-off	9.9	18.9	24.6	42.8	11.1	30.6	44.7
Tax rate (%)	34.61%	34.61%	25.17%	25.17%	25.17%	25.17%	25.17%
<b>Taxes</b>	<b>3.4</b>	<b>6.6</b>	<b>6.2</b>	<b>10.8</b>	<b>2.8</b>	<b>7.7</b>	<b>11.2</b>

## 14.2 Authority's examination regarding Taxation for the First Control period at Consultation stage

- 14.2.1 The Authority observed that AAI has proposed 01/02/2020 as the implementation date of the tariffs. The Authority proposes to revise the Landing, Parking & Housing charges with effect from 01/04/2021 and the User Development Fees from 01/07/2020. This had an impact on the projected aeronautical revenues, leading to difference in tax computation.
- 14.2.2 Furthermore, the Authority considered Amritsar Airport on standalone basis, as it has done for other AAI airports as well. Treatment on standalone basis for computation of aeronautical taxes as a building block for determination of ARR means computing tax based on levels of profitability of these airports individually and not getting clouded by levels of profitability at the corporate or group level.
- 14.2.3 The Authority observed that AAI has taken the tax rate for FY 2018-19 as 34.61% and as 25.17% for the 1<sup>st</sup> Control Period i.e. from FY 2019-20 to FY 2023-24. This percentage has been calculated on basis of 22% basic tax, plus 10% surcharge plus 4% cess.
- 14.2.4 The projected aeronautical revenues for the Control Period are based on the charges proposed by AAI as part of its initial submission of Multi-Year Tariff Proposal.
- 14.2.5 The Authority proposed to consider the O&M expenses in accordance with Table 66 for computation of tax expense.
- 14.2.6 The Authority proposed to consider the capital expenditures for computation of depreciation in accordance with Table 44.
- 14.2.7 After considering all the above observations, the Authority proposes the following tax expense during the 1st Control Period.

**Table 79: Tax expense as per Authority at consultation stage at consultation stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Aero revenue with proposed rates	99.66	117.95	148.39	171.88	199.14
O&M expenses	74.42	83.56	116.41	99.03	105.53
Depreciation	15.62	19.22	22.09	29.32	36.54
<b>Profit before tax</b>	<b>9.62</b>	<b>15.17</b>	<b>9.90</b>	<b>43.53</b>	<b>57.07</b>
Set-off of loss	0.00	0.00	0.00	0.00	0.00



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Profit before tax after set-off of loss	9.62	15.17	9.90	43.53	57.07
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
Taxes	2.42	3.82	2.49	10.96	14.36

### **14.3 Stakeholders' Comments on CP regarding Taxation for the First Control Period**

#### **Indigo's comments on Taxation for the First Control Period**

- 14.3.1 Indigo has submitted that business losses can be carried forward for 8 years and can be set off with profits in future years. The actual tax paid by the Company in control period shall be lower due to the set-off of carry forward losses prior to the present control period.
- 14.3.2 Therefore, IndiGo has requested that losses for periods prior to present control period (if any) that are allowed to carry forward as per Income Tax Act, 1961 should be considered while computing taxation in the first control period rather than leaving it for true up in the second control period and true up must be done on basis of actual tax payment at the time of true-up.

#### **GMR Airport Limited comments on Taxation for the First Control Period**

- 14.3.3 GMR Airport Limited (GAL) has agreed on the AERA's approach for adopting methodology for assessment of aero tax on a standalone aeronautical P&L drawn based on various building blocks used for tariff determination.

### **14.4 AAI's counter comments and response to Stakeholder comments on CP regarding Taxation for the First Control Period**

- 14.4.1 AAI has submitted that the MYTP in the instant case is submitted for the first control period and the loss in a year during the control period has been set off against the profits (if any) of the subsequent years in the control period.

### **14.5 Authority's examination regarding issues on Taxation for the First Control Period at Addendum to CP stage**

- 14.5.1 The Authority carefully analyzed the submissions from Indigo, GAL and AAI, and presented its views in the Addendum to CP, as detailed below.
- 14.5.2 Since the First Control Period has been considered from FY 2019-20, therefore the loss of previous periods cannot be utilized to set-off the gains in the first control period as the true up of loss/gain for the period prior to the control period has not been considered for the determination of Annual Revenue Requirement (ARR). Accordingly, the Authority proposed 'nil' taxation for the years where there were no taxable profits.
- 14.5.3 As discussed in the above paragraphs of this Chapter, the Authority proposed to consider the Tax Expense for the First Control Period as under:



**Table 80: Tax expense as considered by the Authority at Addendum to CP stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Aero revenue with proposed rates	102.97	45.04	93.69	115.38	140.77
O&M expenses	75.15	79.19	110.85	91.93	98.70
Depreciation	15.46	17.63	22.51	26.53	27.28
<b>Profit before tax</b>	12.36	-51.78	-39.67	-3.09	14.79
Set-off of loss	0.00	0.00	0.00	0.00	-14.79
<b>Profit before tax after set-off of loss</b>	12.36	-51.78	-39.67	-3.09	0.00
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
<b>Taxes</b>	3.11	0.00	0.00	0.00	0.00

**14.6 Stakeholders' Comments on Addendum to CP regarding Taxation for the First Control Period**

14.6.1 No comments were received from the Stakeholders.

**14.7 Authority's examination and decisions regarding Taxation for the First Control Period**

14.7.1 The Authority has decided to implement the revised tariffs from April 1, 2021.

14.7.2 The Authority has considered the tax rates as per AAI's submission.

14.7.3 The Authority has considered the O&M expenses in accordance with Table 72 for computation of tax expense.

14.7.4 The Authority has considered the Capital Expenditures for computation of depreciation in accordance with Table 39.

14.7.5 The Authority has considered the aeronautical revenues in accordance with Table 76 for computation of tax expense.

14.7.6 Based on above considerations, the Authority has decided to consider the following tax expense during the 1st Control Period:

**Table 81: Tax expense as considered by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Aero revenue with proposed rates	102.97	24.19	93.69	137.02	166.83
O&M expenses	75.14	79.19	111.24	92.01	98.80
Depreciation	18.83	21.96	28.82	35.94	36.49
<b>Profit before tax</b>	9.00	-76.97	-46.37	9.07	31.53
Set-off of loss	0.00	0.00	0.00	-9.07	-31.53



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Profit before tax after set-off of loss	9.00	-76.97	-46.37	0.00	0.00
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
Taxes	2.26	0.00	0.00	0.00	0.00

#### 14.8 Authority's Decision regarding Taxation for the First Control Period

Based on the material before it, and its analysis, the Authority has decided the following:

- 14.8.1 The Authority decides to consider the Tax Expense for the 1<sup>st</sup> Control Period for Amritsar Airport as per Table 81.



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## CHAPTER 15. AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE 1<sup>st</sup> CONTROL PERIOD

### 15.1 AAI's submission regarding ARR for the First Control Period

15.1.1 AAI submitted the Aggregate Revenue Requirement (ARR) and Yield Per Passenger (YPP) for the 1<sup>st</sup> Control Period as per the regulatory building blocks discussed.

15.1.2 All cash flows are assumed to occur at the end of the year. Further, all cash flows are discounted to 1<sup>st</sup> April 2019.

15.1.3 The summary of ARR and YPP has been presented in the table below:

**Table 82: ARR and Yield as per AAI**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Average RAB (INR crores)	172.14	232.44	404.96	550.77	552.48
Fair Rate of Return	0.14	0.14	0.14	0.14	0.14
Return on average RAB (INR crores)	24.10	32.54	56.69	77.11	77.35
O&M expenses (INR crores)	75.69	83.10	114.65	101.81	108.39
Depreciation (INR crores)	17.01	20.39	31.27	40.84	41.93
Tax expense (INR crores)	6.18	10.78	2.79	7.71	11.24
Less: 30% NAR (INR crores)	14.48	15.50	16.97	20.16	22.10
<b>ARR per year (INR crores)</b>	<b>108.50</b>	<b>131.32</b>	<b>188.44</b>	<b>207.31</b>	<b>216.81</b>
Add: True up Shortfall/(Surplus)	-0.90				
PV of ARR based @14% (INR crores)	107.60	115.19	145.00	139.93	128.37
Sum Present value of ARR (INR crores)	636.08				
Total traffic (million passengers)	9.12				
<b>Yield Per Passenger (YPP) (INR)</b>	<b>697.47</b>				

### 15.2 Authority's examination regarding ARR for the First Control period at Consultation stage and proposals made in the CP:

15.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and YPP. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and YPP in table above, the Authority proposed as below:

- To consider the average RAB in accordance with Table 48.
- To consider the FRoR in accordance with Table 51.
- To consider the O&M expenses as per Table 66.
- To consider the depreciation as per Table 44.
- To consider the tax expense as per Table 79.
- To consider the non-aeronautical revenue as per Table 56.



- To consider the total traffic in accordance with Table 7.

15.2.2 After considering the above, the Authority proposes the following ARR and YPP, as presented in the table below:

**Table 83: ARR and YPP as per Authority at consultation stage**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Average RAB (INR crores) (Refer Table 48)	139.38	197.92	237.28	359.71	472.05
Fair Rate of Return	0.14	0.14	0.14	0.14	0.14
Return on average RAB (INR crores)	19.51	27.71	33.22	50.36	66.09
O&M expenses (INR crores)	74.42	83.56	116.41	99.03	105.53
Depreciation (INR crores)	15.62	19.22	22.09	29.32	36.54
Tax expense (INR crores)	2.42	3.82	2.49	10.96	14.36
Less: 30% NAR (INR crores)	14.48	15.50	16.97	20.16	22.10
<b>ARR per year (INR crores)</b>	<b>97.49</b>	<b>118.81</b>	<b>157.23</b>	<b>169.50</b>	<b>200.43</b>
Add: True up Shortfall/(Surplus)	0.00				
PV of ARR based @14% (INR crores)	97.49	104.22	120.99	114.41	127.01
Sum Present value of ARR (INR crores)	564.12				
Total traffic (million passengers)	9.27				
<b>Yield Per Passenger (YPP) (INR)</b>	<b>608.31</b>				

### 15.3 Stakeholders' Comments on CP regarding Taxation for the First Control Period

15.3.1 No comments were received from the Stakeholders.

### 15.4 Authority's examination regarding ARR for the First Control Period at Addendum to CP stage

15.4.1 Based on the revised propositions on various building blocks of ARR as discussed in previous sections, the Authority proposed the revised ARR and Yield Per Passenger as below:

**Table 84: ARR and YPP as per Authority at Addendum to CP stage**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Average RAB (INR crores) (Refer Table 49)	137.00	170.48	229.31	296.75	316.60
Fair Rate of Return (in %)	14%	14%	14%	14%	14%
Return on average RAB (INR crores)	19.18	23.87	32.10	41.55	44.32



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
O&M expenses (INR crores)	75.15	79.19	110.85	91.93	98.70
Depreciation (INR crores)	15.46	17.63	22.51	26.53	27.28
Tax expense (INR crores)	3.11	0.00	0.00	0.00	0.00
Less: 30% NAR (INR crores)	14.48	7.73	10.49	14.62	16.00
<b>ARR per year (INR crores)</b>	<b>98.41</b>	<b>112.96</b>	<b>154.98</b>	<b>145.39</b>	<b>154.30</b>
Add: True up Shortfall/(Surplus)	0.00				
PV of ARR based @14% (INR crores)	98.41	99.09	119.25	98.13	91.36
Sum Present value of ARR (INR crores)	506.24				
Total traffic for the control period (million passengers)	5.44				
<b>Yield Per Passenger (YPP) (INR)</b>	<b>931.07</b>				

### 15.5 Stakeholders' Comments on Addendum to CP regarding Taxation for the First Control Period

15.5.1 No comments were received from the Stakeholders.

### 15.6 Authority's examination and decisions regarding ARR for the First Control Period

15.6.1 The consideration of the Authority across the regulatory building blocks impact the computation of ARR and YPP. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and YPP in table above, the Authority proposed as below:

- To consider the average RAB in accordance with Table 50.
  - To consider the FRoR in accordance with Table 52.
  - To consider the O&M expenses as per Table 72.
  - To consider the depreciation as per Table 46.
  - To consider the tax expense as per Table 81.
  - To consider the non-aeronautical revenue as per Table 59.
  - To consider the total traffic in accordance with Table 11.
- Based on the revised propositions on various building blocks of ARR as discussed in previous sections, the Authority, has decided to consider the revised ARR and Yield Per Passenger (YPP) as below:

**Table 85: ARR and YPP as considered by the Authority for the FCP**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Average RAB (INR crores) (Refer Table	137.00	170.48	229.31	296.75	316.59





Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
50)					
Fair Rate of Return (in %) (Refer Table 52)	14%	14%	14%	14%	14%
Return on average RAB (INR crores)	19.18	23.87	32.10	41.54	44.32
O&M expenses (INR crores) (Refer Table 72)	75.14	79.19	111.24	92.01	98.80
Depreciation (INR crores) (Refer Table 46)	15.46	17.63	22.51	26.53	27.28
Tax expense (INR crores) (Refer Table 81)	2.26	0.00	0.00	0.00	0.00
Less: 30% NAR (INR crores) (Refer Table 59)	14.48	7.73	10.49	14.62	16.00
<b>ARR per year (INR crores)</b>	<b>97.56</b>	<b>112.97</b>	<b>155.36</b>	<b>145.46</b>	<b>154.40</b>
Add: True up Shortfall/(Surplus)	0.00				
PV of ARR based @14% (INR crores)	97.56	99.09	119.54	98.18	91.42
Sum Present value of ARR (INR crores)	505.79				
Total traffic for the control period (million passengers) (Refer Table 11)	5.44				
<b>Yield Per Passenger (YPP) (INR)</b>	<b>929.80</b>				

### 15.7 Authority's Decision regarding Aggregate Revenue Requirement (ARR) for the First Control Period

Based on the material before it, and, its analysis, the Authority has decided the following:

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



## CHAPTER 16. ANNUAL TARIFF PROPOSAL

### 16.1 AAI's submission regarding Annual Tariff Proposal for the First Control Period

- 16.1.1 As part of the Multi-year Tariff proposal, AAI submitted a tariff card for all five years of the first Control Period. This tariff card has been reproduced in this chapter. AAI has proposed an increase in Landing Charges- for Domestic ATM (one-time hike of 41% and 4% year on year thereafter) and International ATM (one-time hike of 18% and 4% year on year thereafter), increase in parking and housing charges - for Domestic ATM (one-time hike of 120% and 4% year on year thereafter) and International ATM (one-time hike of 91% and 4% year on year thereafter), increase in User Development Fee (subsume the PSF(F) charges to UDF charges and one time hike of 48% in Domestic UDF charges only).
- 16.1.2 The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this consultation paper in the previous chapters.
- 16.1.3 AAI has proposed the revised implementation date of tariffs from February 01, 2020. The Authority had proposed to revise the aeronautical charges with effect from April 1, 2021.
- 16.1.4 The tariff card proposed for the first Control Period has been reproduced here. This is based on tariff card proposed by AAI, revised with the changes proposed by the Authority. For purposes of comparison, the existing aeronautical charges have been provided along with each charge.

#### D) LANDING CHARGES

**Table 86: Existing International landing charges at Amritsar Airport**

Weight of the Aircraft	International rate per landing (INR)
Up to 10 MT	141 Per MT
Above 10 MT up to 20 MT	1410+ 207.10 per MT in excess of 10 MT
Above 20 MT up to 50 MT	3,481 + 409.10 per MT in excess of 20 MT
Above 50 MT to 100 MT	15,754 + 477.80 per MT in excess of 50 MT
Above 100 MT	39,644+ 545.10 per MT in excess of 100 MT

**Table 87: Existing Domestic landing charges at Amritsar Airport**

Weight of the Aircraft	Domestic rate per landing (INR)
Up to 10 MT	67.10 Per MT
Above 10 MT up to 20 MT	671 + 117.70 per MT in excess of 10 MT
Above 20 MT	1,848 + 231 per MT in excess of 20 MT



**Table 88: Landing charges proposed by AAI for the first Control Period**

Weight of the Aircraft	International rate per landing (INR)	Domestic rate per landing (INR)
Up to 25 MT	260 Per MT	173 Per MT
Above 25 MT up to 50 MT	6,500+ 487 per MT in excess of 25 MT	4,325+ 303 per MT in excess of 25 MT
Above 50 MT up to 100	18,675+ 563 per MT in excess of 50 MT	11,900+ 346 per MT in excess of 50 MT
Above 100 MT to 200 MT	46,825+ 649 per MT in excess of 100 MT	29,200+ 422 per MT in excess of 100 MT
Above 200 MT	111,725+ 779 per MT in excess of 200 MT	71,400+ 476 per MT in excess of 200 MT

Landing charges are proposed to be increased by 4% on a compounded basis.

**Table 89: Landing Charges proposed by Authority for Domestic ATM\* (INR)**

Weight of the Aircraft	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Up to 25 MT	225 Per MT	239 Per MT	253 Per MT
Above 25 MT up to 50 MT	5625 + 294 per MT in excess of 25 MT	5963 + 312 per MT in excess of 25 MT	6320 + 330 per MT in excess of 25 MT
Above 50 MT up to 100	12975 + 328 per MT in excess of 50 MT	13754 + 348 per MT in excess of 50 MT	14579 + 369 per MT in excess of 50 MT
Above 100 MT to 200 MT	29375 + 339 per MT in excess of 100 MT	31138 + 359 per MT in excess of 100 MT	33006 + 381 per MT in excess of 100 MT
Above 200 MT	63275 + 350 per MT in excess of 200 MT	67072 + 371 per MT in excess of 200 MT	71096 + 393 per MT in excess of 200 MT

\* Existing Landing charges as per Table 87 shall be applicable up to March 31, 2021

**Table 90: Landing Charges proposed by Authority for International ATM\* (INR)**

Weight of the Aircraft	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Up to 25 MT	269 Per MT	280 Per MT	291 Per MT
Above 25 MT up to 50 MT	6,734 + 505 per MT in excess of 25 MT	7,003 + 526 per MT in excess of 25 MT	7,283 + 547 per MT in excess of 25 MT
Above 50 MT up to 100	19,370 + 586 per MT in excess of 50 MT	20,145 + 609 per MT in excess of 50 MT	20,951 + 633 per MT in excess of 50 MT



Weight of the Aircraft	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Above 100 MT to 200 MT	48,646 + 652 per MT in excess of 100 MT	50,592 + 678 per MT in excess of 100 MT	52,616 + 705 per MT in excess of 100 MT
Above 200 MT	113,854 + 725 per MT in excess of 200 MT	118,408 + 754 per MT in excess of 200 MT	123,144 + 784 per MT in excess of 200 MT

\*Existing Landing charges as per Table 86 shall be applicable up to March 31, 2021

- 16.1.5 No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by Domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- 16.1.6 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.
- 16.1.7 Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
- 16.1.8 Flight operating under Regional Connectivity Scheme will be completely exempted from Landing charges from the date of the scheme is operationalization by GOI.

#### **II) PARKING AND HOUSING CHARGES**

**Table 91: Existing Parking, Housing and Night Parking Charges for International ATM**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 40 MT	2.10 Per Hour Per MT	4.10 Per Hour Per MT
Above 40 MT up to 100 MT	84+3.90 per Hour per MT in excess of 40 MT	164+7.90 per MT per Hour in excess of 40 MT
Above 100 MT	318+6.00 per MT per Hours in excess of 100 MT	638+11.90 per MT per Hour in excess of 100 MT

**Table 92: Existing Parking, Housing and Night Parking Charges for Domestic ATM**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 40 MT	1.80 Per Hour Per MT	3.50 Per Hour Per MT
Above 40 MT up to 100 MT	72+3.40 per Hour per MT in excess of 40 MT	140+6.80 per MT per Hour in excess of 40 MT



Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Above 100 MT	276+5.20 per MT per Hours in excess of 100 MT	548+10.30 per MT per Hour in excess of 100 MT

**Table 93: Parking and housing charges proposed by AAI for the first Control Period**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	3.37 Per Hour Per MT	6.75 Per Hour Per MT
Above 25 MT up to 50 MT	84.36+4.50 per Hour per MT in excess of 25 MT	168.73+9.00 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	196.85+9.00 per MT per Hour in excess of 50 MT	393.70+18.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	646.80+11.25 per MT per Hours in excess of 100 MT	1293.59+22.50 per MT per Hours in excess of 100 MT
Above 200 MT	1771.66+12.37 per MT per Hours in excess of 200 MT	3543.32+24.75 per MT per Hours in excess of 200 MT

Parking and housing charges are proposed to be increased by 4% on a compounded basis every year.

**Table 94: Parking & Housing Charges proposed by Authority for Amritsar Airport from April 1, 2021**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)*	Parking Charges Rates per Hour (INR) (beyond first four hours)*
Up to 25 MT	3.37 Per Hour Per MT	6.75 Per Hour Per MT
Above 25 MT up to 50 MT	84.36+4.50 per Hour per MT in excess of 25 MT	168.73+9.00 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	196.85+9.00 per MT per Hour in excess of 50 MT	393.70+18.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	646.80+11.25 per MT per Hour in excess of 100 MT	1293.59+22.50 per MT per Hour in excess of 100 MT
Above 200 MT	1771.66+12.37 per MT per Hour in excess of 200 MT	3543.32+24.75 per MT per Hour in excess of 200 MT



*\*Existing Parking and housing charges as per Table 91 shall be applicable up to March 31, 2021 and the above charges are proposed to be increased by 6% on a compounded basis for FY 2022-23 and FY 2023-24*

- 16.1.9 No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- 16.1.10 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- 16.1.11 Charges shall be calculated on the basis of nearest MT.
- 16.1.12 Charges for each period parking shall be rounded off to nearest rupee.
- 16.1.13 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.
- 16.1.14 It is proposed to waive off the night parking charges in principle for all Domestic scheduled operators at Amritsar Airport if the State Government reduces the rate of tax (VAT) on ATF less than 5%. The above waiver of night parking charges (between 2200 hours to 0600 hours) will be made applicable from the date of implementation of less than 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.
- 16.1.15 Flight operating under Regional Connectivity Scheme (RCS) shall be completely governed by AIC Sl. No. 19/2017 dated August 30, 2017 issued by DGCA.
- 16.1.16 For unauthorized overstay of aircraft on ground, an additional charge of INR 20.00 per hour per MT beyond 24 hours will be payable.

### **III) FUEL THROUGHPUT CHARGES**

- 16.1.17 The Ministry of Civil Aviation has discontinued the levy of Fuel Throughput Charges (FTC) from all airports w.e.f. 15<sup>th</sup> January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8<sup>th</sup> January 2020. Accordingly, the Authority has not proposed any Fuel Throughput Charges.

### **IV) USER DEVELOPMENT FEES (UDF)**

**Table 95: Existing UDF, UDF Proposed by AAI (per embarking passenger)**

Passenger	Existing UDF*	UDF proposed by AAI
Domestic	INR 227/-	INR 700/-
International	INR 1140/-	INR 1300/-

**\*PSF (F) is proposed to be subsumed in the UDF.**

#### **Notes:-**

- a) Collection charges: if the payment is made in accordance within period prescribed under credit policy



of AAI, then collection charges at INR 5.00 per departing passenger shall be paid by AAI. No collection charges shall be payable in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI.

- b) No collection charges are payable to casual operator/non-scheduled operators.
- c) For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
- d) Revised UDF charges will be applicable on tickets issued on or after 01/02/2020.
- e) No UDF/PSF (Facilitation) will be levied for Transit Passengers.

**V) Aviation Security Fee:** Applicable as prescribed by MoCA vide Order No. AV.13024/659/2015-AS dated May 7, 2019

**VI) Exemption from levy and collection from UDF/ASF at the Airports**

16.1.18 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/ASF:

- a. Children (under age of 2 years),
- b. Holders of Diplomatic Passport,
- c. Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- d. Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e. Persons traveling on official duty for United Nations Peace Keeping Missions.
- f. Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. "A passenger is treated in transit only if onward travel journey is within 24 hours. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
- g. 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 GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme (RCS) will be completely exempted from charges as per Order No.20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

**16.2 Authority's examination regarding Annual Tariff Proposal for the First Control period at Consultation stage**

16.2.1 The Authority examined AAI's MYTP, along with all the regulatory building examination has been



discussed in detail in the previous Chapters of this Tariff Order.

- 16.2.2 Based on the Present Value of ARR arrived by the Authority at the Consultation stage (of INR 564.12 crores as mentioned in Table 83 of this Tariff Order), the Authority had proposed at the Consultation stage to allow a one-time increase of 45% and 20% respectively in Domestic and International Landing for FY 2021-22 and thereafter a 6% increase on compounded basis every year, up to FY 2023-24.
- 16.2.3 The Authority proposed to increase the Domestic, and, the International Parking & Housing Charges by 120% and 91% respectively for FY 2021-22 as proposed by AAI. Further, the Authority proposed parking & housing charges to be increased by 6% on compounded basis every year.
- 16.2.4 The Authority proposed to increase Domestic and International UDF by 40.97% and 9.45% respectively for FY 2021-22 and thereafter to remain at the same level for the Control Period.
- 16.2.5 The Authority proposed to revise the Landing, Parking & Housing charges with effect from April 1, 2021 and the User Development Fees (UDF) from July 1, 2020.

### **16.3 Stakeholders' Comments on CP regarding Annual Tariff Proposal for the First Control Period**

#### **AAI's comments on Aeronautical Revenue for the First Control Period**

- 16.3.1 AAI has requested to change the date of implementation of tariffs for all the revenue streams w.e.f. August 1, 2020.
- 16.3.2 AAI has proposed to increase the aeronautical tariff as per below schedule:
- Landing Charges- For Domestic ATM, one-time hike of 46.7% and 4% year on year thereafter. For International ATM, one-time hike of 23% and 4% year on year thereafter;
  - Parking and housing charges - For Domestic ATM, one-time hike of 129% and 4% year on year thereafter. For International ATM, one-time hike of 98% and 4% year on year thereafter;
  - User Development Fee – AAI has proposed the UDF charges of INR 700 for domestic passenger and INR 1300 for international passenger

#### **Indigo's comments on Annual Tariff Proposal for the First Control Period**

- 16.3.3 Indigo acknowledged AERA's proposal to defer the increase/hike in the Landing, Parking and Housing charges at Amritsar Airport to April 2021 and requested AERA to not allow/implement any increase of aeronautical tariff, during the First Control Period, due to the reasons below:
- Airlines have suffered adverse financial impact due to operational restrictions on scheduled domestic and international air transport, imposed by government authorities due to Covid-19 but have continued to incur airport charges and further, been directed to mandatorily refund cancelled tickets for certain categories of passengers w.r.t booking/travel period, which has aggravated the financial impact.
  - While the scheduled domestic air transport has been permitted a calibrated opening w.e.f. 25th May 2020, such flight operations are subject to restrictions on capacity and fare, and adherence to safety protocols, as imposed by the Ministry of Civil Aviation / Directorate General of Civil Aviation (DGCA). It may be appreciated that until there is a complete opening of scheduled





domestic and international flight operations, coupled with regaining confidence of passengers in air travel, airlines will continue to face a weak financial position.

- c. The proposed increase in Landing Charges itself will adversely impact the operating expenditure for Indigo operating at Amritsar airport at the current level of operations. This impact is likely to further increase with the Year-on-Year increase of tariff proposed by AERA and increase of flight operations.

16.3.4 Indigo further requested the Authority to not take any steps, including increase in aeronautical tariff, which may further precipitate any adverse financial impact on the airlines.

16.3.5 Indigo requested to delete the following line as part of 'Note' to the levy of the User Development Fee under the Tariff Card/Proposal:

*"To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI."*

16.3.6 IndiGo submitted that since collection charges are primarily for rendering of service of collection of UDF as part of ticket, and does not have any correlation with payment of utilities/rentals to the airport operators, it should be treated on a stand-alone basis and not held back on account of any other overdues in favour of the airport operator.

16.3.7 Further, Indigo highlighted that AAI will appreciate, there are certain instances wherein invoices for utilities/rentals etc. are disputed between the parties. In such cases, airlines should be not be penalized in delayed recovery/disqualification of 'Collection Charges' when the airlines have deposited the UDF amounts, with the airport operator as per due timelines.

#### **16.4 Authority's examination regarding issues on Annual Tariff Proposal for the First Control Period at Addendum to CP stage**

16.4.1 The Authority carefully examined the comments raised by Indigo & AAI, and, had proposed that the new tariffs should be implemented with effect from April 1, 2021, in order to safeguard the interest of all the Stakeholders and avoid any steep increase in tariffs in the 2nd Control Period.

16.4.2 The Authority ensured that the proposed tariff card leads to projected revenues in line with the ARR as detailed in the table below:

**Table 96: Computation of shortfall or surplus from proposed aeronautical charges at Addendum to CP stage (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>Total PV of ARR including true up</b>	<b>506.24</b>				
<b>Landing charges:</b>					
Domestic	11.40	7.67	13.12	16.60	20.23
International	11.84	5.41	12.94	17.37	22.46
<b>Parking and housing charges:</b>					
Domestic	0.13	0.04	0.15	0.19	0.23
International	0.18	0.04	0.19	0.26	0.34
Fuel Throughput charges	4.51	0.00	0.00	0.00	0.00



Particulars	FY	FY	FY	FY	FY
	ending March 31, 2020	ending March 31, 2021	ending March 31, 2022	ending March 31, 2023	ending March 31, 2024
Ground handling charges	0.98	0.60	0.77	0.98	1.17
Land lease - Oil companies & Ground Handling	1.08	1.08	1.08	1.08	1.08
CUTE charges	2.16	1.14	1.50	1.78	2.12
Cargo Revenue	0.63	0.61	0.79	0.89	0.98
<b>Total - before UDF</b>	<b>32.91</b>	<b>16.59</b>	<b>30.54</b>	<b>39.14</b>	<b>48.61</b>
PV factor	1.0000	0.8772	0.7695	0.6750	0.5921
PV of above	32.91	14.55	23.50	26.42	28.78
<b>∑ PV of above</b>	<b>126.16</b>				
<b>Shortfall before UDF</b>	<b>380.08</b>				
<b>User Development Fees:</b>					
Domestic	19.70	11.35	30.00	34.80	40.37
International	50.36	17.10	33.15	41.44	51.80
PV of UDF	70.06	24.96	48.59	51.46	54.57
<b>∑ PV of UDF</b>	<b>249.64</b>				
<b>Surplus/ (Shortfall)</b>	<b>(130.45)</b>				

16.4.3 As can be observed from the table above, as per Authority's proposals, AAI is entitled to recover an ARR of INR 506.24 crores from the tariff card proposed. Out of the Authority's proposed tariff card, the present value of total projected aeronautical revenues based on the Authority's proposed aeronautical charges and UDF charge is INR 126.16 crore and INR 249.64 crore respectively, thus resulting in a net shortfall of INR 130.45 crores that shall be carried forward to the next Control Period.

## **16.5 Stakeholders' Comments on Addendum to CP regarding Annual Tariff Proposal for the First Control Period**

### **AAI's comments on Aeronautical Revenue for the First Control Period**

16.5.1 AAI has requested to change the date of implementation of tariffs for all the revenue streams w.e.f. January 1, 2021.

16.5.2 AAI has proposed to increase the aeronautical tariff as per below schedule:

- Landing Charges- A one-time increase of 45% in Domestic and International landing charges for FY 2020-21 and thereafter 10% increase in FY 2021-22 and 6% increase in FY 2022-23 and FY 2023-24;
- Parking and housing charges - For Domestic ATM, one-time hike of 120% and 6% year on year thereafter. For International ATM, one-time hike of 91% and 6% year on year thereafter;
- User Development Fee – AAI has proposed the UDF charges of INR 700 for domestic passenger and INR 1300 for international passenger

### **FIA's comments on Annual Tariff Proposal for the First Control Period**



- 16.5.3 FIA requested to delete the following line as part of 'Note' to the levy of the User Development Fee under the Tariff Card/Proposal:

*"To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI."*

- 16.5.4 FIA has highlighted that the detailed reasons has already been submitted under Sr. No. 11 of Indigo's submission.

### **16.6 Authority's examination and decisions regarding Annual Tariff Proposal for the First Control Period**

- 16.6.1 The Authority has carefully examined the comments raised by Indigo, GAL, FIA and AAI, dealt with them in the relevant Chapters, and, has decided that the new tariffs should be implemented with effect from April 1, 2021, in order to safeguard the interest of all the Stakeholders and avoid any steep increase in tariff in the 2nd Control Period.
- 16.6.2 The Authority has reviewed the comments raised by various Stakeholders and has addressed all these comments/ issues in the respective Chapters.
- 16.6.3 In the interest of the Passengers, the Authority, wants to determine tariffs within a year of privatization of the Airport. Hence, the Authority decides to reduce the tariff by 10% if there is any delay in filing a fresh application for determination of tariff by the new Concessionaire. Tariff is presently determined based on financials of AAI and those would change post-privatization of the Airport.
- 16.6.4 The aeronautical tariffs were last revised in the year 2009 for 'domestic' category, and, in the year 2017 for 'international' category thus rendering it necessary to factor in, the inflationary increase in the expenses.
- 16.6.5 There are no Housing charges that are levied as per the Tariff Card issued by the Authority (Refer Annexure 1of this Tariff Order for details) with effect from April 1, 2021. The existing housing charges for parking of aircraft in the hangar on hourly basis is applicable only till March 31, 2021.
- 16.6.6 The Authority has re-computed the surplus/ shortfall from Aeronautical charges (in accordance with the increase in tariff rates as mentioned under para 13.5 in this Tariff Order), taking into consideration the revised ARR as per and the same is reproduced below:

**Table 97: Computation of shortfall or surplus by Authority for the 1<sup>st</sup> Control Period (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>Total PV of ARR including true up</b>	505.79				
<b>Landing charges:</b>					
Domestic	11.40	7.67	13.12	18.20	23.15
International	11.84	5.41	12.94	18.92	24.07
<b>Parking and housing charges:</b>					
Domestic	0.13	0.09	0.15	0.21	0.26
International	0.18	0.08	0.19	0.28	0.36
Fuel Throughput charges	4.51	0.00	0.00	0.00	0.00
Ground handling charges	0.98	0.60	0.77	0.98	1.18



Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Land lease - Oil companies & Ground Handling	1.08	1.08	1.08	1.08	1.08
CUTE charges	2.16	1.14	1.50	2.16	2.59
Cargo Revenue	0.63	0.61	0.79	0.89	0.98
<b>Total - before UDF</b>	<b>32.91</b>	<b>16.67</b>	<b>30.54</b>	<b>42.72</b>	<b>53.67</b>
PV factor	1.0000	0.8772	0.7695	0.6750	0.5921
PV of above	32.91	14.63	23.50	28.83	31.77
<b>Σ PV of above</b>	<b>131.64</b>				
<b>Shortfall before UDF</b>	<b>374.15</b>				
<b>User Development Fees:</b>					
Domestic	19.70	4.60	30.00	41.00	49.20
International	50.36	2.91	33.15	53.30	63.96
PV of UDF	70.06	6.59	48.59	63.65	67.00
<b>Σ PV of UDF</b>	<b>255.89</b>				
<b>Surplus/ (Shortfall)</b>	<b>(118.26)</b>				

16.6.7 The Authority decides to carry forward the revised shortfall of INR 118.26 crores (as per Table 97) to the 2nd Control Period, with a view to not burden the Airlines further which are already suffering with Covid-19 pandemic impact, as also the other Users, with excessive tariff at this juncture. However, the above shortfall will be adjusted based on the aeronautical revenues achieved by Amritsar Airport in line with the actual traffic data of the 1st Control Period.

### **16.7 Authority's decisions regarding Annual Tariff Proposal for the First Control Period**

16.7.1 The Authority decides to approve the tariffs for the 1st Control Period for Amritsar Airport as given in the Tariff Card annexed as **Annexure-I**.



## CHAPTER 17. SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned provides a summary of the Authority's decisions (given under each Chapter) regarding the tariff determination for the 1st Control Period (FY 2019-2024) for AAI Amritsar Airport:

- Chapter 2, 2.7.1 The Authority decides to adopt the "Hybrid Till" approach for determination of tariffs for the 1<sup>st</sup> Control Period in respect of the Amritsar Airport.
- Chapter 3, 3.6.1 The Authority decides not to consider the revenues from AAICLAS and ANS while determining aeronautical tariffs for Amritsar Airport.
- Chapter 4, 4.9.1 The Authority decides to consider the ATM and passenger traffic for the 1st Control Period for Amritsar Airport as per Table 11.
- Chapter 4, 4.9.2 The Authority proposes to 'true-up' the traffic volumes (ATM and Passengers) on the basis of actual traffic in 1st Control Period while determining tariffs for the 2nd Control Period.
- Chapter 5, 5.8.1 The Authority decides to consider the Allocation of Gross Block of Assets as on 1st April 2017 between Aeronautical and Non-Aeronautical Assets as detailed in Table 23.
- Chapter 6, 6.7.1 The Authority decides to consider the Initial Regulatory Asset Base for the 1st Control Period for Amritsar Airport as INR 127.97 crores in accordance with Table 27.
- Chapter 7, 7.9.1 The Authority decides to adopt the Aeronautical Capitalization for the 1st Control Period in accordance with Table 39.
- Chapter 7, 7.9.2 The Authority has decided that subject to the terms and conditions of privatization of Amritsar Airport, it will consider to 'true-up' the Capital expenditure incurred based on actual costs subject to the 'normative' approach at the time of determination of tariffs for the 2nd Control Period.
- Chapter 7, 7.9.3 The Authority decides to reasonably assess the project completion/commissioning date vis-à-vis the proposed date of capitalization, and, subsequently, may decide to exclude/reduce the capital cost of the project by 1% from RAB at the time of 'true-up' in the 2nd Control Period.
- Chapter 8, 8.8.1 The Authority decides to adopt Depreciation Rates for Amritsar Airport as per Table 43 for the 1<sup>st</sup> Control Period.
- Chapter 8, 8.8.2 The Authority decides to consider the Depreciation amounts as per Table 46 for the 1st Control Period.
- Chapter 9, 9.7.1 The Authority decides to consider the average RAB for the 1<sup>st</sup> Control Period for Amritsar Airport as per Table 50.
- Chapter 10, 10.7.1 The Authority decides to consider the FRoR for Amritsar Airport for the 1<sup>st</sup> Control Period as per Table 52.
- Chapter 11, 11.9.1 The Authority decides to consider the Non-Aeronautical Revenues for the 1<sup>st</sup> Control Period for Amritsar airport in accordance with Table 59.



- Chapter 12, 12.8.1 The Authority decides to consider the O&M expenses for the 1st Control Period for Amritsar Airport as per Table 72.
- Chapter 13, 13.8.1 The Authority decides to consider the Aeronautical Revenues for the 1st Control Period for Amritsar Airport as per Table 76.
- Chapter 14, 14.8.1 The Authority decides to consider the Tax Expense for the 1<sup>st</sup> Control Period for Amritsar Airport as per Table 81.
- Chapter 15, 15.7.1 The Authority decides to consider the ARR and YPP for the 1<sup>st</sup> Control Period for Amritsar airport in accordance with Table 85.
- Chapter 16, 16.7.1 The Authority decides to approve the tariffs for the 1st Control Period for Amritsar Airport as given in the Tariff Card annexed as Annexure I.



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## CHAPTER 18. ORDER

- 18.1 In exercise of the powers conferred by section 13 (I) (a) of the AERA Act, 2008, and, based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at Amritsar Airport for the First Control Period from 01.04.2019 to 31.03.2024, as placed at **Annexure-I**. These rates will be effective from April 1, 2021.
- 18.2 Further, in exercise of powers conferred by Section 13 (I) (b) of the AERA Act, 2008, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of User Development Fees (UDF) as indicated in the tariff card at **Annexure-I** for the 1st Control Period. The rates will be effective from April 1, 2021.
- 18.3 The tariffs determined herein are ceiling rates, exclusive of taxes, if any.



By the Order and in the name of the Authority

(Col. Manu Sooden)

Secretary

To,  
The Chairman  
Airports Authority of India  
Rajiv Gandhi Bhawan,  
Safdarjung Airport,  
New Delhi – 110003

Copy To:

1. **Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003.**
2. **Directorate General of Civil Aviation, for issue of AIC.**



**Annexure-I – Tariff Card for Amritsar Airport for the First Control Period approved by the Authority**

**RATE CARD FOR AAI AMRITSAR AIRPORT - FOR  
AERONAUTICAL SERVICES FOR THE  
FIRST CONTROL PERIOD (FY 2019-20 to 2023-24)**

The Existing tariff (Landing charges, Parking charges, Housing charges)  
shall continue up to March 31, 2021

**APPROVED TARIFF EFFECTIVE FROM APRIL 1, 2021**

**I. LANDING CHARGES**

**Table 98: Landing Charges for Domestic ATM\* (INR)**

Weight of the Aircraft	01.04.2021 to 31.03.2022	01.04.2022 to 31.03.2023	01.04.2023 to 31.03.2024
Up to 25 MT	208 per MT	229 per MT	243 per MT
Above 25 MT up to 50 MT	5200 + 302 per MT in excess of 25 MT	5720 + 332 per MT in excess of 25 MT	6063 + 352 per MT in excess of 25 MT
Above 50 MT up to 100	12750 + 335 per MT in excess of 50 MT	14025 + 369 per MT in excess of 50 MT	14867 + 391 per MT in excess of 50 MT
Above 100 MT to 200 MT	29500 + 370 per MT in excess of 100 MT	32450 + 407 per MT in excess of 100 MT	34397 + 431 per MT in excess of 100 MT
Above 200 MT	66500 + 390 per MT in excess of 200 MT	73150 + 429 per MT in excess of 200 MT	77539 + 455 per MT in excess of 200 MT

\*The existing Landing charges have been increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and by 6% for FY 2023-24.

**Table 99: Landing Charges for International ATM\* (INR)**

Weight of the Aircraft	01.04.2021 to 31.03.2022	01.04.2022 to 31.03.2023	01.04.2023 to 31.03.2024
Up to 25 MT	350 per MT	385 per MT	408 per MT
Above 25 MT up to 50 MT	8750 + 585 per MT in excess of 25 MT	9625 + 644 per MT in excess of 25 MT	10203 + 682 per MT in excess of 25 MT
Above 50 MT up to 100	23375 + 680 per MT in excess of 50 MT	25713 + 748 per MT in excess of 50 MT	27255 + 793 per MT in excess of 50 MT





Weight of the Aircraft	01.04.2021 to 31.03.2022	01.04.2022 to 31.03.2023	01.04.2023 to 31.03.2024
Above 100 MT to 200 MT	57375 + 765 per MT in excess of 100 MT	63113 + 842 per MT in excess of 100 MT	66899 + 892 per MT in excess of 100 MT
Above 200 MT	133875 + 850 per MT in excess of 200 MT	147263 + 935 per MT in excess of 200 MT	156098 + 991 per MT in excess of 200 MT

\* The existing Landing charges have been increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and by 6% for FY 2023-24.

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

## II. PARKING CHARGES

**Table 100: Parking Charges for Domestic ATM (FY 2021-22)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	2.50 Per Hour Per MT	5.00 Per Hour Per MT
Above 25 MT up to 50 MT	62.50 + 3.90 per Hour per MT in excess of 25 MT	125.00 + 7.80 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	160.00 + 4.90 per MT per Hour in excess of 50 MT	320.00 + 9.80 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	405.00 + 7.50 per MT per Hours in excess of 100 MT	810.00 + 15.00 per MT per Hours in excess of 100 MT
Above 200 MT	1155.00 + 7.70 per MT per Hours in excess of 200 MT	2310.00 + 15.40 per MT per Hours in excess of 200 MT

**Table 101: Parking Charges for Domestic ATM (FY 2022-23)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	2.80 Per Hour Per MT	5.60 Per Hour Per MT
Above 25 MT up to 50 MT	70.00 + 4.30 per Hour per MT in excess of 25 MT	140.00 + 8.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	177.50 + 5.40 per MT per Hour in excess of 50 MT	355.00 + 10.80 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	447.50 + 8.30 per MT per Hours in excess of 100 MT	895.00 + 16.60 per MT per Hours in excess of 100 MT
Above 200 MT	1277.50 + 8.50 per MT per Hours	2555.00 + 17.00 per MT per Hours



Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
	in excess of 200 MT	in excess of 200 MT

**Table 102: Parking Charges for Domestic ATM (FY 2023-24)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	3.00 Per Hour per MT	6.00 Per Hour Per MT
Above 25 MT up to 50 MT	75.00 + 4.60 per Hour per MT in excess of 25 MT	150.00 + 9.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	190.00 + 5.70 per MT per Hour in excess of 50 MT	380.00 + 11.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	475.00 + 8.80 per MT per Hours in excess of 100 MT	950.00 + 17.60 per MT per Hours in excess of 100 MT
Above 200 MT	1355.00 + 9.00 per MT per Hours in excess of 200 MT	2710.00 + 18.00 per MT per Hours in excess of 200 MT

**Table 103: Parking Charges for International ATM (FY 2021-22)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	2.80 Per Hour per MT	5.60 Per Hour Per MT
Above 25 MT up to 50 MT	70.00 + 4.80 per Hour per MT in excess of 25 MT	140.00 + 9.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	190.00 + 5.20 per MT per Hour in excess of 50 MT	380.00 + 10.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	450.00 + 8.70 per MT per Hours in excess of 100 MT	900.00 + 17.40 per MT per Hours in excess of 100 MT
Above 200 MT	1320.00 + 9.30 per MT per Hours in excess of 200 MT	2640.00 + 18.60 per MT per Hours in excess of 200 MT

**Table 104: Parking Charges for International ATM (FY 2022-23)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	3.10 Per Hour Per MT	6.20 Per Hour Per MT
Above 25 MT up to 50 MT	77.50 + 5.30 per Hour per MT in excess of 25 MT	155.00 + 10.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	210.00 + 5.70 per MT per Hour in excess of 50 MT	420.00 + 11.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	495.00 + 9.60 per MT per Hours in excess of 100 MT	990.00 + 19.20 per MT per Hours in excess of 100 MT



Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Above 200 MT	1455.00 + 10.20 per MT per Hours in excess of 200 MT	2910.00 + 20.40 per MT per Hours in excess of 200 MT

**Table 105: Parking Charges for International ATM (FY 2023-24)**

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Up to 25 MT	3.30 Per Hour Per MT	6.60 Per Hour Per MT
Above 25 MT up to 50 MT	82.50 + 5.60 per Hour per MT in excess of 25 MT	165.00 + 11.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	222.50 + 6.00 per MT per Hour in excess of 50 MT	445.00 + 12.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	522.50 + 10.20 per MT per Hours in excess of 100 MT	1045.00 + 20.40 per MT per Hours in excess of 100 MT
Above 200 MT	1542.50 + 10.80 per MT per Hours in excess of 200 MT	3085.00 + 21.60 per MT per Hours in excess of 200 MT

**Notes:**

1. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
3. Charges shall be calculated on the basis of nearest MT.
4. Charges for each period parking shall be rounded off to nearest rupee.
5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
6. It is proposed to waive off the night parking charges in principle for all Domestic scheduled operators at Amritsar Airport if the State Government reduces the rate of tax (VAT) on ATF less than 5%. The above waiver of night parking charges (between 2200 hours to 0600 hours) will be made applicable from the date of implementation of less than 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
7. Flight operating under Regional Connectivity Scheme (RCS) shall be completely governed by AIC Sl. No. 19/2017 dated August 30, 2017 issued by DGCA.
8. For unauthorized overstay of aircraft on ground, an additional charge of INR 20.00 per hour per MT beyond 24 hours will be payable.

**III. FUEL THROUGHPUT CHARGES**

The Ministry of Civil Aviation has discontinued the levy of Fuel Throughput Charges (FTC) from all



Airports w.cf. 15<sup>th</sup> January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8<sup>th</sup> January 2020.

**IV. USER DEVELOPMENT FEES (UDF)**

**Table 106: UDF charges Approved by the Authority (Per Embarking Passenger)**

Passenger	UDF
	On tickets issued on or after April 1, 2021 (Rate from April 1, 2021 to March 31, 2024)
Domestic	INR 500/-
International	INR 1300/-

**\*PSF (F) is subsumed in the UDF.**

**Notes:-**

- Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at INR 5.00 per departing passenger shall be paid by AAI. No collection charges shall be payable in case the airline fails to pay the UDF invoice to AAI within the prescribed credit period or in case of part payment.
- No collection charges are payable to casual operator/non-scheduled operators.
- For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
- UDF charges will be applicable on tickets issued on or after **01/04/2021**.
- No UDF/PSF (Facilitation) will be levied for Transit Passengers.

**V. AVIATION SECURITY FEE:** Applicable as prescribed by MoCA from time to time.

**VI. EXEMPTION FROM LEVY AND COLLECTION FROM UDF/ASF 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/ASF:

- Children (under age of 2 years),
- Holders of Diplomatic Passport,
- Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- Persons traveling on official duty for United Nations Peace Keeping Missions.
- Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. "A passenger is treated in transit only if onward travel journey is within 24 hours. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
- 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 GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme (RCS) will be completely exempted from charges as per Order No.20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.



सत्यमेव जयते

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