

फा0 सं0: ऐरा/20010/एमवाईटीपी/एएआई/त्रिची/सीपी-1/2019-20

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

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दिनांक : 14.10.2020

विषय - प्रथम नियंत्रण अवधि (01.04.2020 से 31.03.2025) के लिए तिरुचिरापल्ली अंतर्राष्ट्रीय हवाई ^{अड्डे} के संबंध में वैमानिक शुल्कों के मामले में।

उपर्युक्त विषय पर दिनांक 14.10.2020 को टैरिफ परामर्श पत्र संख्या 36/2020-21 सूचना एवं अनुपालन के लिए संलग्न है।

उपर्युक्त परामर्श पत्र पर हितधारकों से लिखित साक्ष्य, अपने विचार, टिप्पणियां और सुझाव प्रस्तुत करने की अंतिम तारीख 13.11.2020 है।

भवदीय

गीता साह
14.10.2020

(गीता साह)

सहायक महाप्रबंधक (वित्त)

F. No. AERA/20010/MYTP/AAI/Trichy/CP-I/2019-20

Consultation Paper No. 36/2020-21



Airports Economic Regulatory Authority of India

**In the matter of determination of Aeronautical tariffs in respect of
Tiruchirappalli International Airport (TRZ) for the
First Control Period (April 1, 2020 to March 31, 2025)**

14th October 2020

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110003

STAKEHOLDERS' COMMENTS

The Authority is aware of the fact that the Aviation Sector is undergoing unprecedented turbulence and uncertainty on account of the COVID-19 pandemic and the associated lockdown situation in the major cities around the world has resulted in restrictions in air travel, both domestic and international. The Authority has released this Consultation Paper, after examining the impact of COVID-19 pandemic on the various assumptions stipulated in the Multi Year Tariff Proposal ('MYTP') submitted by the Airport Operator. Accordingly, the Authority's opinion on the various aspects forming part of the tariff determination process has been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. **36/2020-21** dated **14/10/2020** is invited from the stakeholders, preferably in electronic form at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airports, New Delhi – 110002, India

Email: gita.sahu@era.gov.in copy to director-ps@era.gov.in and secretary@era.gov.in

Stakeholder Consultation Meeting	: 03.11.2020
Last Date for submission of comments	: 13.11.2020
Last Date for submission of counter comments	: 23.11.2020

Comments and counter comments will be posted on AERA's website: www.era.gov.in.

For any clarification/ information, Director (P&S, Tariff) may be contacted at Telephone Number: Tel: 011-24695044-47.

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List of Abbreviations

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
AERA	Airports Economic Regulatory Authority
ANS	Air Navigation Services
ARR	Annual Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CFT	Crash Fire Tender
CHQ	Central Headquarters
CISF	Central Industrial Security Force
DGCA	Directorate General of Civil Aviation
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GoI	Government of India
GST	Goods and Services Tax
IDC	Interest During Construction
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
PCN	Pavement Classification Number
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RHQ	Regional Headquarters
SITC	Supply, Installation, Testing & Commissioning
UDF	User Development Fees
YPP	Yield per Passenger

1. INTRODUCTION

- 1.1 Tiruchirappalli International Airport (TRZ or ‘Trichy Airport’) located in Tiruchirappalli in the state of Tamil Nadu, is currently the 31st and 34th busiest airport¹ in India by passengers handled and by air traffic movement, respectively. The airport is ISO 9001:2008 quality certified and was declared an international airport on October 4, 2012. The commercial operations of the integrated passenger terminal which presently handles both domestic and international traffic, had commenced in the year 2009.
- 1.2 Technical and terminal building details of Tiruchirappalli (‘Trichy’) Airport are depicted in the table below:

Table 1: Technical details and terminal building details

Technical Details of Trichy Airport	
Particulars	Details
Total airport area	998 acres
Runway orientation and length	09-27 and 2.43 Km
No. of taxi tracks	04
No. of apron bays	07
Operational hours	24 hours
Terminal building details (domestic plus international)	
Particulars	Details
Terminal building area	14,450 sq.mt. - Aeronautical area: 13,020.53 sq.mt. - Non-Aeronautical area: 1,429.47 sq.mt.
Arrival conveyors	02
Peak hour passenger capacity	450 (Integrated Terminal)
No. of check-in counters	17
Total area of car parking	10,245 sq.mt.

- 1.3 As per AERA (Amendment) Act 2019, the passenger handling threshold for definition of major airports was revised from 1.5 million passengers (‘MPPA’) to 3.5 million annually. Trichy Airport with a throughput of 1.61 MPPA for FY 2019-20 (period from April 1, 2019 to March 31, 2020) does not qualify as “Major Airport”. However, Ministry of Civil Aviation vide letter no. AV-24011/141/2015-AD (Vol. V) dated October 1, 2019 notified Trichy as a Major Airport. Ministry of civil Aviation also asked AERA to determine the tariffs for Trichy Airport to provide a transparent view to the various bidders, as the same is proposed for leasing in the 2nd phase of PPP. 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

¹ As per data on top 50 busiest airports for FY 2019-20, published by AAI.

Period along with the capital structure and cost of funds of AAI. AERA clarified 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.

- 1.4 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 shall be reduced by 10% till fresh application for tariff determination is submitted by the Concessionaire.***
- 1.5 AERA vide its Letter No. AERA/15090/RFP/03/2019-20 dated February 6, 2020 directed AAI that the First Control Period for Trichy Airport shall be from FY 2020-21 to FY 2024-25 and that the shortfall/surplus of FY 2019-20 shall be considered for the purpose of tariff determination of the above Airport.
- 1.6 AAI had submitted its Multi-Year Tariff Proposal ('MYTP') originally on March 19, 2020 to AERA ('the Authority') for determination of Aeronautical tariffs for the First Control Period. The Authority, upon consideration of the substantial deviations in business scenarios caused due to the outbreak of COVID-19 pandemic and with the perspective of encouraging investors in airport facilities for efficient, economic & viable operations and also to protect reasonable interest of the passengers, had suggested to AAI on May 14, 2020 to submit a revised MYTP. The Authority further suggested such revision in MYTP to factor in the impact of COVID-19 pandemic on the key elements forming part of the tariff determination process, including assumptions underlying traffic forecasts and capacity enhancements. Accordingly, AAI had submitted a revised MYTP to the Authority on June 1, 2020. The Authority has reviewed the revised submissions made by AAI with respect to various building blocks. The ensuing chapters in this Consultation Paper present the Authority's review of the revised MYTP submitted by AAI. The Authority's positions on various building blocks are based on the final submission made by AAI including their inputs on the queries raised by the Authority.

2. TARIFF SETTING PRINCIPLES

- 2.1 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 issued amendment in its guidelines vide its Order No. 14, 2016-17 dated January 12, 2017 to determine the future tariffs using Hybrid Till methodology.
- 2.2 The Authority had decided the First Control Period for the airport to be the five-year period from FY 2020-21 to FY 2024-25. The tariff determination process consists of determination of regulatory building blocks for the First Control Period under Hybrid Till.
- 2.3 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

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

Where,

t is the tariff year in the control period, ranging from 1 to 5

ARR_t is the Aggregate Revenue Requirement for tariff year ‘t’

FRoR is the Fair Rate of Return for the Control Period

RAB_t is the Aeronautical Regulatory Asset Base for tariff year ‘t’

D_t is the Depreciation corresponding to the Regulatory Asset Base for tariff year ‘t’

O_t is the Aeronautical Operation and Maintenance expenditure for the tariff year ‘t’

T_t is the Aeronautical taxation expense for the tariff year ‘t’

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

NAR_t is the Non-Aeronautical Revenue in tariff year ‘t’.

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

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

Where, PV (ARR_t) is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. 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, 2020.

VE_t is the passenger traffic in year ‘t’.

- 2.5 All the figures presented in this Consultation Paper, have been rounded off up to two decimals.

3. MULTI-YEAR TARIFF PROPOSAL ('MYTP') OF TRICHY AIRPORT

- 3.1 AAI submitted revised MYTP on June 1, 2020 (attached with this Consultation Paper) to the Authority for determination of tariffs for the First Control Period (April 1, 2020 to March 31, 2025) based on Hybrid Till.
- 3.2 AAI provides Air Navigation Services (ANS) in addition to landing, parking and other Aeronautical services at Trichy Airport. AAI has submitted that the tariff proposal does not consider revenues, expenditure, and assets on account of ANS. This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding ANS.
- 3.3 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned 100% subsidiary and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement.
- 3.4 This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding Cargo Operations. The tariffs for Cargo Operations shall be determined separately since the operations are carried out by a separate entity of AAI.
- 3.5 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only trial balance is available for Trichy Airport. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

4. **TRAFFIC FORECAST**

4.1 The historical traffic² at the airport has been shown in the table below:

Table 2: Historical passenger and ATM traffic at Trichy Airport

Year	Domestic Passengers	International Passengers	Domestic ATM	International ATM
2008-09	-	-	-	-
2009-10	98,312	5,94,087	1,433	5,792
2010-11	86,356	6,69,237	1,318	5,864
2011-12	1,22,927	7,85,844	2,968	6,615
2012-13	96,607	7,73,423	1,899	5,990
2013-14	1,19,513	8,96,312	2,806	7,030
2014-15	96,944	10,92,274	1,916	7,778
2015-16	1,47,437	11,49,775	2,168	8,262
2016-17	1,68,870	11,90,577	2,429	8,736
2017-18	1,37,019	13,76,254	2,728	10,073
2018-19	3,28,058	12,50,773	5,871	9,058
2019-20	2,96,073	13,16,419	5,364	8,896
Past 10 years CAGR	11.7%	8.3%	14.1%	4.4%
Past 5 years CAGR	25.0%	3.8%	22.9%	2.7%
Past 3 years CAGR	20.6%	3.4%	30.2%	0.6%

4.2 The traffic growth rates as submitted by AAI for the First Control Period are as follows:

Table 3: Traffic growth rates proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates						
2020-21	-32.45%	-62.02%	-56.59%	-25.43%	-56.77%	-44.98%
2021-22	20.00%	70.00%	55.71%	18.00%	65.00%	41.04%
2022-23	15.00%	25.00%	22.80%	12.00%	22.00%	17.73%
2023-24	15.00%	25.00%	22.94%	12.00%	22.00%	17.94%
2024-25	12.00%	15.00%	14.42%	10.00%	12.00%	11.23%
Traffic						
2020-21	2,00,000	5,00,000	7,00,000	4,000	3,846	7,846
2021-22	2,40,000	8,50,000	10,90,000	4,720	6,346	11,066
2022-23	2,76,000	10,62,500	13,38,500	5,286	7,742	13,028
2023-24	3,17,400	13,28,125	16,45,525	5,921	9,445	15,366
2024-25	3,55,488	15,27,344	18,82,832	6,513	10,579	17,092

² Source: Traffic News from AAI website

- 4.3 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. However, additionally, AAI has factored in expected disruption from COVID-19 pandemic in forecasting a de-growth in passenger traffic and ATM for FY 2020-21.

Authority’s examination:

- 4.4 The Authority has duly examined the submissions from AAI. As part of its examination of AAI’s forecast of traffic at Trichy Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2009-10 to FY 2019-20 (10-year CAGR), FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR). The details have been provided in the table below:

Table 4: CAGR for passenger and ATM

Particulars	10 year CAGR	5 year CAGR	3 year CAGR
Passengers:			
Domestic	11.7%	25.0%	20.6%
International	8.3%	3.8%	3.4%
Total Passenger Traffic	8.8%	6.3%	5.9%
ATM:			
Domestic	14.1%	22.9%	30.2%
International	4.4%	2.7%	0.6%
Total ATM	7.0%	8.0%	8.5%

- 4.5 The Authority has noted the wide variation in traffic in the recent past, which causes CAGR for 5-year period to be the highest for Domestic passenger profile and CAGR for 10-year period to be the highest for International passenger profile
- 4.6 AAI has submitted a de-growth of 32.45% and 62.02% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21, considering the adverse impact of COVID-19 pandemic on the domestic and international travels. Similarly, AAI has submitted a de-growth of 25.43% and 56.77% respectively in domestic ATM and international ATM for FY 2020-21.

AAI assumes the traffic volume to revive in FY 2021-22 and have projected a growth of 20% in domestic passenger traffic and of 70% in international passenger traffic. Likewise, AAI has projected a growth of 18% in domestic ATM and 65% in international ATM in FY 2021-22.

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

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

4.7.1 Airport International Council (ACI)

- *ACI in its latest report as on April 17, 2020 has projected a negative growth of 42.1% in passenger traffic for Asia Pacific airports in 2020.*
- *Further, the total revenues of the airports across the world is expected to drop by as much as 45 per cent, with the highest decline of 49 % likely to be reported in North America followed by 48% in Asia Pacific airports.*

4.7.2 International Air Transport Association (IATA)

- *IATA in its latest report as on April 14, 2020 has projected a decline of 55% in airline passenger revenues in 2020, as compared to 2019.*
- *Further, it has projected the full-year passenger demand (domestic and international) to be down by 48% compared to 2019 due to factors such as overall economic development (sharp fall in GDP growth) and travel restrictions.*
- *Also, it has projected the domestic flights to see an upturn in demand starting from Q3 of 2020. However, international markets/ flights will see a slow growth due to travel restrictions.*

4.7.3 CAPA India (as on April 6, 2020)

- *Traffic demand will be suppressed due to economic slowdown, lower/ negative GDP growth, broken supply chain and low customer confidence. Accordingly, traffic growth for first 2 quarters of FY 2021 appears to be weak. It is assumed that normalcy with respect to steady traffic growth may resume only from the second half of FY 2021.*
- *Domestic traffic is expected to decline from an estimated 140 million in FY 2019-20 to around 80-90 million in FY 2020-21.*
- *International traffic is expected to fall from approximately 70 million in FY 2019-20 to 35-40 million in FY 2020-21.*
- *Around 200-250 aircrafts, out of current fleet of 650 may remain idle for a period of 6 -12 months (around 40%).*

4.8 Conclusion on the above assumptions on revised traffic forecasts

- *Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecast/data published by CAPA, ACI and IATA cited in section 4.7 above for arriving at the revised traffic projections.*
- *In the Authority's opinion, the global aviation market is relatively saturated, and the growth of aviation industry has sharply slowed down due to COVID-19 effect, restriction in air travel by various countries and the slow-down of the economy. However with the gradual unlocking process in place, revival of the economy and the measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a faster pace in the next few years.*
- *By giving credence to the above factors, and, the actual figure for the first quarter of FY 2020-21, the Authority estimates the traffic volumes for the tariff year FY 2020-21 to be lower by 30% for domestic passenger traffic and ATM and lower by 50% for international passenger traffic and ATM, as compared to FY 2019-20. The Authority expects the economy to revive and the traffic volume to grow by 30% (domestic) and 50% (international) in FY 2021-22 and by 25% (domestic) and 20% (international) in FY 2022-23.*

- The traffic volume is expected to revert to FY 2019-20 levels (see Table 2), over the next 36 months, i.e. possibly by FY 2023-24 (see Table 3),
- The Authority proposes to use the 5-year CAGR for projecting domestic passenger traffic and ATM and 10-year CAGR for international passenger traffic and ATM for the last 2 tariff years (FY 2023-24 & FY 2024-25), as the Authority believes that the 5-year CAGR (for domestic) and 10-year CAGR (for international) represents normalized economic scenarios, weeding out short-term macro-economic fluctuations. Also, the Authority is of the view that the domestic aviation market will revive relatively sooner as compared to the international aviation market, hence it considers the 5-year CAGR to be an appropriate basis for estimating domestic passenger traffic and ATM for the last 2 years of the First Control Period (FY 2023-24 & FY 2024-25).

4.9 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the First Control Period has been given in the table below:

Table 5: Traffic forecast as considered by the Authority

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates						
2020-21	-30.00%	-50.00%	-46.33%	-30.00%	-50.00%	-42.48%
2021-22	30.00%	50.00%	45.21%	30.00%	50.00%	40.85%
2022-23	25.00%	20.00%	21.07%	25.00%	20.00%	22.11%
2023-24	25.00%	8.30%	12.00%	22.90%	4.40%	12.40%
2024-25	25.00%	8.30%	12.43%	22.90%	4.40%	13.15%
Traffic						
2020-21	2,07,251	6,58,210	8,65,461	3,755	4,448	8,203
2021-22	2,69,426	9,87,314	12,56,741	4,881	6,672	11,553
2022-23	3,36,783	11,84,777	15,21,560	6,102	8,006	14,108
2023-24	4,20,979	12,83,114	17,04,092	7,499	8,359	15,857
2024-25	5,26,223	13,89,612	19,15,836	9,216	8,726	17,942

4.10 The Authority proposes to true-up the traffic as per actual growth achieved during the First Control Period at the time of determination of tariff for the Second Control Period.

4.11 **Authority's proposal regarding traffic forecast for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to traffic forecast for the First Control Period:

4.11.1 The Authority proposes to consider the ATM and passenger traffic for the First Control Period for Trichy Airport as per Table 5.

4.11.2 The Authority proposes to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in the First Control Period while determining tariffs for the Second Control Period.

5. ALLOCATION OF ASSETS BETWEEN AERONAUTICAL AND NON-AERONAUTICAL

- 5.1 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 regarding only Aeronautical assets need to be considered as part of RAB.
- 5.2 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 Non-Aeronautical area to the total area of terminal building 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.
- 5.3 The table below provides the details of these ratios used for allocation:

Table 6: Ratios used by AAI for allocation of assets into Aeronautical and Non-Aeronautical

Particulars	Ratio (FY 2019-20)
Terminal Area Ratio	9.89% (Non-Aero to Total area)
Employee Ratio	3:99 (Non-Aero: Aero)
Quarter ratio	0:34 (Non-Aero: Aero)

- 5.4 The allocation of gross block of assets as on April 1, 2019 between Aeronautical and Non-Aeronautical services as submitted by AAI is given in the table below:

Table 7: Allocation of opening gross block of assets for April 1, 2019 between Aeronautical and Non-Aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS and Cargo Assets)	ANS Assets	Non-Aero Assets (Including Cargo)	Pure Aero Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runway, Taxi Way & Apron	45.99	-	-	45.99	-	-	-	45.99	100%
Road, Bridge & Culverts.	5.37	-	-	5.37	-	-	-	5.37	100%
Terminal Building	62.25	-	-	3.61	58.64*	52.79	5.80	56.40	91%
Temporary Building	0.25	-	-	0.25	-	-	-	0.25	100%
Building Residential	1.42	0.15	-	1.27	-	-	-	1.27	89%
Security Fencing	0.91	-	-	0.91	-	-	-	0.91	100%
Boundary Wall (Operational)	4.64	-	-	4.64	-	-	-	4.64	100%
Boundary Wall (Residential)	0.09	-	-	0.09	-	-	-	0.09	100%
Other Building	9.83	0.41	0.96	7.41	1.04	0.94	0.10	8.35	85%
Computers: End Users Devices	0.78	0.06	0.03	0.69	-	-	-	0.69	88%
Computers: Network & Servers	0.56	0.09	-	0.47	-	-	-	0.47	84%
Computers: Software	1.19	0.50	0.01	0.68	-	-	-	0.68	57%
Plant & Machinery	14.86	0.12	-	14.56	0.18	0.16	0.02	14.72	99%
Tool & Equipment	7.17	3.00	-	4.17	-	-	-	4.17	58%
Vehicles	1.12	-	-	1.12	-	-	-	1.12	100%
Electrical Installation	26.16	5.47	0.67	13.33	6.69	6.03	0.66	19.36	74%
Solar Plant	0.76	-	-	0.76	-	-	-	0.76	100%
Office Appliances	1.51	0.04	0.00	1.46	-	-	-	1.46	97%
Furniture & Fixtures: Other Than Trolley	4.79	0.08	0.02	4.70	-	-	-	4.70	98%
Furniture & Fixtures: Trolley	0.87	-	-	0.87	-	-	-	0.87	100%
X-Ray Baggage Inspection System – XIBS	2.93	-	-	2.93	-	-	-	2.93	100%
CFT & Fire Fighting Equipment	10.06	-	-	10.06	-	-	-	10.06	100%
Total	203.51	9.92	1.69	125.34	66.55	59.92	6.58	185.26	91%

* Assets worth ₹ 0.05 Crores related to the terminal building were omitted to be segregated into Aeronautical and Non-Aeronautical for purpose of Regulatory Asset Base, though the same were added to the Common Assets. Hence the total of Common Aeronautical and Common Non-Aeronautical do not tally with Total Common Assets under the asset category “Terminal Building”.

Authority's examination:

- 5.5 AAI has submitted the opening gross block as on April 1, 2019 which has been presented in the table above. Even though, the threshold for defining Major Airports was revised to 3.5 million passengers annually as per AERA (Amendment) Act, 2019 as discussed in Section 1, of this Consultation Paper, the MoCA has asked AERA to determine the Aeronautical tariffs for Trichy Airport by declaring it as "Major Airport". The reason attributed for this decision is that Trichy Airport is proposed to be privatized in next round of PPP leasing by AAI. The Authority has determined the initial RAB as on April 1, 2020, considering the First Control Period to be from FY 2020-21 to FY 2024-25 and including FY 2019-20 under the regulatory ambit.
- 5.6 AAI has submitted the details of common asset and its allocation between Aeronautical assets and Non-Aeronautical assets as on April 1, 2019. Further, AAI has submitted the details of additions to the Aeronautical assets and net depreciation for FY 2019-20 for arriving at the initial RAB as on April 1, 2020. The depreciation for FY 2018-19 has been computed considering the depreciation rates as per AAI's internal accounting policies and the depreciation from FY 2019-20 onwards have been computed in accordance with AERA guidelines (Amendment 1 to Order No. 35/2017-18 dated April 9, 2018).
- 5.7 The Authority noted a clerical error in the segregation of common assets submitted by AAI (presented in Table 7 above). Assets worth ₹ 0.05 Crores related to the terminal building were omitted to be segregated into Aeronautical and Non-Aeronautical for purpose of Regulatory Asset Base, though the same were added to the Common Assets. Hence the total of Common Aeronautical and Common Non-Aeronautical do not tally with Total Common Assets under the asset category "Terminal Building". Considering the eligibility of these assets, ₹ 0.045 Crores was apportioned to Aeronautical assets by the Authority in the ratio of the terminal building.
- 5.8 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 8: Terminal Area Ratio

S. No	Category	Total area (in sq.mt.)
1	Restaurant / Snack Bars	195.00
2	T.R. Stall	341.81
3	Duty Free Shop	75.00
4	Building Non-Residential	750.73
5	Admission Tickets	0
6	Offices of AAI commercial land & rest room	66.93
	Total Non-Aeronautical area (A)	1,429.47
	Total area integrated terminal building (B)	14,450.00
	% of Non-Aeronautical area to terminal building area (A/B)	9.89%
	% of Aeronautical area to terminal building area (= 100% - Non-Aeronautical%)	90.11%

- 5.9 The Authority observed that 2,461 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.

5.10 The Authority verified the above working, with details of exact area given to various entities – commercial, airlines, and regulatory & allied agencies. Considering the passenger profile at the Airport being dominated by tourists, the Authority considers the terminal building ratio (Non-Aeronautical area to total area) of 9.89% as reasonable, in line with the optimum terminal building ratio of 8%-12% as approved for similar airports.

5.11 The Authority observed the use of various ratios for segregation of common assets into Aeronautical and Non-Aeronautical by AAI and re-worked the same as explained in table 9 below:

Table 9: Allocation of Common assets as per Authority

(₹ Crores)

S. No	Asset	Value	Allocation by AAI	Remarks	ANS	Cargo	Common Airport Assets	Common Aero Assets	Common Non-Aero Assets
1	Residential Boundary Wall	0.09	100% Aero-nautical	Residential Colony is also used by the employees of ANS. Accordingly this asset is segregated in the ratio 4:34 (ANS Staff: Aeronautical Staff). The Aeronautical portion of the above asset amounts to 0.08 Crores.	0.01	NA	NA	0.08	NA
2	Computer Software	0.39	100% Aero-nautical	SAP financial module is utilised for payroll processing of ANS, Cargo Non-Aero and Aero employees. Hence, the same is treated as Common asset and segregated in the ratio of employees i.e. 48:3:3:99 (ANS staff: Cargo Staff: Non-Aeronautical Staff: Aeronautical Staff).	0.12	0.01	0.26	0.25	0.01
3	Terminal Building	0.05	NIL	AAI had omitted to segregate the said asset into Aeronautical and Non-Aeronautical. Hence, the same is apportioned in the ratio of terminal building (9.89 %).	NA	NA	0.05	0.045	0.005
	Total	0.53			0.13	0.01	0.31	0.38	0.015

5.12 Based on its observations, the Authority proposes the allocation of Opening Gross Block of Assets in accordance with the table below:

Table 10: Allocation of Opening Gross Block of Assets as on April 1, 2019 between Aeronautical and Non-Aeronautical proposed by the Authority

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS and Cargo Assets)	ANS Assets	Non-Aero Assets (Including Cargo)	Pure Aeronautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H= D+F	I=H/A
Runway, Taxi Way & Apron	45.99	-	-	45.99	-	-	-	45.99	100%
Road, Bridge & Culverts.	5.37	-	-	5.37	-	-	-	5.37	100%
Terminal Building	62.25	-	-	3.61	58.64	52.84	5.80	56.45	91%
Temporary Building	0.25	-	-	0.25	-	-	-	0.25	100%
Building Residential	1.42	0.15	-	1.27	-	-	-	1.27	89%
Security Fencing	0.91	-	-	0.91	-	-	-	0.91	100%
Boundary Wall (Operational)	4.64	-	-	4.64	-	-	-	4.64	100%
Boundary Wall (Residential)	0.09	0.01	-	0.08	-	-	-	0.08	89%
Other Building	9.83	0.41	0.96	7.42	1.04	0.94	0.10	8.36	85%
Computers: End Users Devices	0.78	0.06	0.03	0.69	-	-	-	0.69	88%
Computers: Network & Servers	0.56	0.09	-	0.47	-	-	-	0.47	84%
Computers: Software	1.19	0.62	0.03	0.54	-	-	-	0.54	45%
Plant & Machinery	14.86	0.12	-	14.56	0.18	0.16	0.02	14.72	99%
Tool & Equipment	7.17	3.00	-	4.17	-	-	-	4.17	58%
Vehicles	1.12	-	-	1.12	-	-	-	1.12	100%
Electrical Installation	26.16	5.47	0.67	13.33	6.69	6.03	0.66	19.36	74%
Solar Plant	0.76	-	-	0.76	-	-	-	0.76	100%
Office Appliances	1.51	0.04	0.00	1.47	-	-	-	1.46	97%
Furniture & Fixtures: Other Than Trolley	4.79	0.08	0.02	4.69	-	-	-	4.70	98%
Furniture & Fixtures: Trolley	0.87	-	-	0.87	-	-	-	0.87	100%
X-Ray Baggage Inspection System - XIBS	2.93	-	-	2.93	-	-	-	2.93	100%
CFT & Fire Fighting Equipment	10.06	-	-	10.06	-	-	-	10.06	100%
Total	203.51	10.05	1.71	125.20	66.55	59.97	6.58	185.17	91%

5.13 **Authority's proposal regarding allocation of assets between Aeronautical and Non-Aeronautical for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to allocation of assets between aeronautical and Non-aeronautical for the First Control Period.

5.13.1 The Authority proposes allocation of gross block of assets as on April 1, 2019 between Aeronautical and Non-Aeronautical assets as detailed in Table 10.

6. INITIAL REGULATORY ASSET BASE

6.1 As per AAI's submission, the RAB as on April 1, 2018 amounted to ₹ 24.57 Crores. AAI submitted the following workings for the computation of initial RAB.

Table 11: Opening Gross and Net Block of Assets as on April 1, 2018 as per AAI's submission

(₹ Crores)

Block of Assets	Opening Gross Block	Accumulated Depreciation	Opening Net Block
Runways, Taxiway & Aprons	45.75	44.78	0.97
Road, Bridge & Culvert	5.13	3.42	1.71
Terminal Building	55.43	44.71	10.72
Temporary Building	0.25	0.25	-
Building Residential	0.93	0.57	0.36
Security Fencing	0.91	0.91	-
Boundary Wall (Operational)	3.74	2.67	1.07
Boundary Wall (Residential)	0.09	0.06	0.03
Other Building	7.22	5.45	1.77
Computers: End Users Devices	0.69	0.45	0.24
Computers: Network & Servers	0.43	0.43	-
Computers: Software	0.68	0.68	-
Plant & Machinery	10.63	9.92	0.71
Tool & Equipment	3.53	3.32	0.21
Vehicles	0.59	0.32	0.27
Electrical Installation	18.58	14.56	4.02
Solar Plant	0.64	0.07	0.57
Office Appliances	1.39	0.53	0.86
Furniture & Fixtures: Other Than Trolley	3.84	3.69	0.15
Furniture & Fixtures: Trolley	0.64	0.64	-
X-Ray Baggage Inspection System – XIBS	2.93	2.21	0.72
CFT & Fire Fighting Equipment	10.06	9.87	0.19
Total	174.08	149.51	24.57

Authority's examination:

6.2 The initial RAB as on April 1, 2019 and April 1, 2020 has been computed by the Authority based on opening Aeronautical assets as on April 1, 2018/ April 1, 2019, addition to the assets and depreciation for FY 2018-19 and FY-2019-20, respectively. The same have been presented in Table 12 and Table 13 below:

Table 12: Initial RAB on April 1, 2019 as derived by the Authority

(₹ Crores)

Block of Assets	Opening Gross Block on April 1, 2018	Accumulated depreciation	Opening Net Block on April 1, 2018	Addition for FY 2018-19*	Depreciation FY 2018-19	Opening Net Block on April 1, 2019
Runways, Taxiway & Aprons	45.75	44.78	0.97	0.24	0.39	0.82
Road, Bridge & Culverts	5.13	3.42	1.71	0.24	0.36	1.59
Terminal Building	55.47	44.74	10.73	0.98	4.4	7.31
Temporary Building	0.25	0.25	0	0	0	0
Building Residential	0.93	0.57	0.36	0.34	0.06	0.64
Security Fencing	0.91	0.91	0	0	0	0
Boundary Wall (Operational)	3.74	2.67	1.07	0.90	0.28	1.69
Boundary Wall (Residential)	0.08	0.06	0.02	0	0	0.02
Other Building	7.22	5.45	1.77	1.14	0.51	2.40
Computers: End Users Devices	0.69	0.45	0.24	0	0.09	0.15
Computers: Network & Servers	0.43	0.43	0	0.04	0.01	0.03
Computers: Software	0.54	0.54	0	0	0	0
Plant & Machinery	10.63	9.92	0.71	4.1	0.68	4.13
Tool & Equipment	3.53	3.32	0.21	0.65	0.20	0.66
Vehicles	0.59	0.32	0.27	0.53	0.14	0.66
Electrical Installation	18.58	14.56	4.02	0.78	0.78	4.02
Solar Plant	0.64	0.07	0.57	0.12	0.08	0.61
Office Appliances	1.39	0.53	0.86	0.07	0.24	0.69
Furniture & Fixtures: Other Than Trolley	3.84	3.69	0.15	0.86	0.23	0.78
Furniture & Fixtures: Trolley	0.64	0.64	0	0.23	0.05	0.18
X-Ray Baggage Inspection System – XIBS	2.93	2.21	0.72	0	0.13	0.59
CFT & Fire Fighting Equipment	10.06	9.87	0.19	0	0.03	0.16
Total	173.97	149.40	24.57	11.22	8.66	27.13

* Addition to the assets for FY 2018-19 have been derived from the Fixed Assets Register (FAR) of AAI.

Table 13: Initial RAB on April 1, 2020 as proposed by the Authority

(₹ Crores)

Block of Assets	Opening Net Block on April 1, 2019	Addition for FY 2019-20*	Depreciation FY 2019-20	Opening Net Block on April 1, 2020
Runways, Taxiway & Aprons	0.82	0	0.10	0.72
Road, Bridge & Culverts	1.59	3.07	0.42	4.24
Terminal Building	7.31	0.59	1.84	6.06
Temporary Building	0	0	0	0

Block of Assets	Opening Net Block on April 1, 2019	Addition for FY 2019-20*	Depreciation FY 2019-20	Opening Net Block on April 1, 2020
Building Residential	0.64	0.09	0.04	0.69
Security Fencing	0	0	0	0
Boundary Wall (Operational)	1.69	0	0.33	1.36
Boundary Wall (Residential)	0.02	0	0	0.02
Other Building	2.40	0.65	0.20	2.85
Computers: End Users Devices	0.15	0	0.11	0.04
Computers: Network & Servers	0.03	0	0.01	0.02
Computers: Software	0	0	0	0
Plant & Machinery	4.13	0.09	0.33	3.89
Tool & Equipment	0.66	1.82	0.13	2.35
Vehicles	0.66	0	0.13	0.53
Electrical Installation	4.02	0.15	0.69	3.48
Solar Plant	0.61	0	0.03	0.58
Office Appliances	0.69	0	0.24	0.45
Furniture & Fixtures: Other Than Trolley	0.78	0	0.16	0.62
Furniture & Fixtures: Trolley	0.18	0	0.08	0.10
X-Ray Baggage Inspection System – XIBS	0.59	0	0.07	0.52
CFT & Fire Fighting Equipment	0.16	1.02	0.05	1.13
Total	27.13	7.48	4.96	29.65

* The Authority on its examination of segregation of assets noted that AAI has classified certain assets as 100% Aeronautical, such as Joggers Park (classified under Building-Residential) and Replacement of HVAC (classified under Plant & Machinery). The Authority has considered the above assets as Common (refer section 7.14 and 7.15 in this Consultation Paper for details) and segregated these assets in the ratio of employees / terminal building ratio etc. as appropriate. Hence, based on the above re-segregation, the total value of assets added during the FY 2019-20 have been reduced to ₹ 7.48 Crores, as against ₹ 7.50 Crores reported by AAI in the MYTP.

6.3 **Authority's proposal regarding Initial RAB for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Initial RAB for the First Control Period.

6.3.1 The Authority proposes to consider the Initial Regulatory Asset Base (RAB) for the First Control Period for Trichy Airport as ₹ 29.65 Crores, in accordance with Table 13.

7. CAPITAL EXPENDITURE FOR THE FIRST CONTROL PERIOD

7.1 AAI has proposed the total expenditure of ₹ 951.78 Crores (from FY 2020-21 to FY 2024-25) for the First Control Period. The item wise capital expenditure phasing as submitted by AAI has been shown in table below. Capex details for FY 2019-20 (being a regulated year) has also been included:

Table 14: Capital Expenditure as proposed by AAI for First Control Period

(₹ Crores)

Project Name	Aero Cost	Total Cost	Aero Portion	Proposed date of Capitalisation	Phasing of Capitalisation (FY)					
					2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Construction of 10 Nos. Parking Bays, Link Taxiways and GSE (Apron Area:1,30,693 sq.mt. and GSE area:13,086 sq.mt.) - Awarded Value	37.73	37.73	100%	October 30, 2020	-	37.73	-	-		
Runways, Taxiway & Aprons	37.73	37.73	100%		-	37.73	-	-	-	-
Construction of Perimeter Road	3.07	3.07	100%	October 31, 2019	3.07	-	-	-		
Road, Bridges & Culverts	3.07	3.07	100%		3.07	-	-	-		
Upgradation of Passenger Terminal Building and Airside Facilities at Trichy Airport (NITB) (Civil-65% Of 87250.77Lac)	523.29	567.13	92.27%	April 30, 2022	-	-	-	523.29		
Interest on Loan for NITB (4804.19*65% Elect.)	31.23	33.84	92.27%	April 30, 2022	-	-	-	31.23		
P/O Connecting Corridor Between SHA (Security Hold Area) and Ole Restaurant Area-1St F-NITB	0.32	0.32	100%	April 30, 2019	0.32	-	-	-	-	-
Replacement Of 3X400Tr Cooling Tower for Existing HVAC Plant (Civil)-Trichy	0.25	0.25	100%	March 31, 2020	0.25	-	-	-		
Modification of Facia Signage at Trichy	0.02	0.02	100%	March 31, 2020	0.02	-	-	-		
Terminal Building	555.11	601.57	92.28%		0.59	-	-	554.52		
Construction of New Residential Staff Quarters-126, CISF Barracks-1, Hostel-16 Dog Kennel & Community Hall at Old Wireless Station at	58.27	65.12	04:34:00 (ANS Staff: Aeronautical Staff)	January 8, 2022	-	-	58.27		-	-

Project Name	Aero Cost	Total Cost	Aero Portion	Proposed date of Capitalisation	Phasing of Capitalisation (FY)					
					2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Trichy Airport. (Existing Quarter R-4:34)										
P/O Jogging Track in Colony at Trichy Airport	0.11	0.11	100%	April 30, 2019	0.11	-	-	-	-	-
Building Residential	58.37	65.23	89.48%		0.11	-	58.27	-		
Construction and Raising of Operational B/W at Trichy	0.37	0.37	100%	June 30, 2020	-	0.37	-	-		
Boundary Wall - Operational	0.37	0.37	100%		-	0.37	-	-		
Modification of Conference Hall at OTB Trichy	0.34	0.34	100%	March 31, 2019	0.34	-	-	-		
Trans-Installation of NDB at Operational Area (Civil)-Trichy	0.18	0.18	100%	October 30, 2019	0.18	-	-	-		
Provision of Static Bollards at Kerb Area in Front of TB	0.12	0.12	100%	September 30, 2019	0.12	-	-	-		
Other Buildings-Unclassified	0.65	0.65	100%		0.65	-	-	-		
Provision of Additional 60Tr AHU for SHA-Trichy	0.10	0.10	100%	April 30, 2019	0.10	-	-	-	-	-
Replacement Of 3X400Tr Cooling Tower for Existing HVAC Plant (Elect)-Trichy	0.28	0.28	100%	March 31, 2021	-	0.28	-	-		
Plant & Machinery	0.38	0.38	100%		0.10	0.28	-	-		
Additional/Replacement Of 51Nos. SCCTV-Trichy	0.95	0.95	100%	October 05, 2019	0.95	-	-	-		
E-Gates-8 Nos.	0.42	0.42	100%	July 18, 2019	0.43	-	-	-		
SITC of FIDS Trichy	1.24	1.24	100%	June 30, 2020	-	1.24	-	-		
Dynamic Signage 8Nos.	0.43	0.43	100%	July 15, 2019	0.43	-	-	-		
Procurement of BR Helmets-35 no. @5884.75 each	0.02	0.02	100%	June 30, 2020	-	0.02	-	-		
Tools & Equipment	3.06	3.06	100%		1.81	1.26	-	-		
Upgradation of Passenger Terminal Building and Airside Facilities at Trichy Airport (NITB) (Elect-35% Of 87250.77Lac)-	281.77	305.38	92.27%	April 30, 2022	-	-	-	281.77		
Interest on Loan for NITB (4804.19*35%	16.81	18.22	92.27%	April 30,	-	-	-	16.81		

Project Name	Aero Cost	Total Cost	Aero Portion	Proposed date of Capitalisation	Phasing of Capitalisation (FY)					
					2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Elect.)				2022						
Extension of CCR Hall Including Repositioning of CCR and Ups at Trichy Apt	0.37	0.37	100%	April 30, 2020	-	0.37	-	-		
Provision of Air-Conditioning for Arrival Reserved Lounge-Trichy	0.06	0.06	100%	November 19, 2019	0.06	-	-	-		
Replacement of Air-Conditioning for SHA-Trichy	0.18	0.18	100%	April 30, 2020	-	0.18	-	-		
Const. Of Additional Watch Tower in Operation Area (Elect.)-Trichy	0.09	0.09	100%	April 30, 2019	0.09	-	-	-		
Trans-Installation of NDB at Operational Area (Elect)-Trichy	0.23	0.23	100%	April 30, 2020	-	0.23	-	-		
Electrical Installations	299.51	324.53	92.29%		0.15	0.78	-	298.59		
Victim Location Equipment Breaching System	0.05	0.05	100%	November 22, 2019	0.05	-	-	-		
Human Life Detector	0.33	0.33	100%	November 23, 2019	0.33	-	-	-		
Emergency Light	0.01	0.01	100%	November 23, 2019	0.01	-	-	-		
Replacement of Fire Hydrant System - Trichy	0.60	0.60	100%	March 31, 2020	0.60	-	-	-		
Replacement of Spare Parts for Fire Hydrant and Fire Alarm System -Trichy	0.04	0.04	100%	September 30, 2019	0.04	-	-	-		
Fire Fighting Equipment/ CFT	1.02	1.02	100%		1.02	-	-	-		
Grand Total	959.28	1,037.61	92.45%		7.50	40.41	58.27	853.10	-	-

Note: Total Aeronautical cost of ₹ 959.28 Crores represents the sum of ₹ 7.50 Crores for regulated year FY 2019-20 & ₹ 951.78 Crores for the First Control Period commencing from FY 2020-21 to FY 2024-25.

7.2 AAI has proposed Aeronautical capitalization expenditure of ₹ 959.28 Crores for the First Control Period. This has been grouped into relevant block of assets and shown in the table below:

Table 15: Aeronautical Capitalization (assets block level) proposed by AAI for the First Control Period

(₹ Crores)

Asset Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Runways, Taxiway & Aprons	-	37.73	-	-	-	-	37.73
Road, Bridge & Culvert	3.07	-	-	-	-	-	3.07
Terminal Building	0.59	-	-	554.52	-	-	555.11
Temporary Building	-	-	-	-	-	-	-
Building Residential	0.11	-	58.27	-	-	-	58.37
Security Fencing	-	-	-	-	-	-	-
Boundary Wall (Operational)	-	0.37	-	-	-	-	0.37
Boundary Wall (Residential)	-	-	-	-	-	-	-
Other Building	0.65	-	-	-	-	-	0.65
Computers: End Users Devices	-	-	-	-	-	-	-
Computers: Network & Servers	-	-	-	-	-	-	-
Computers: Software	-	-	-	-	-	-	-
Plant & Machinery	0.10	0.28	-	-	-	-	0.38
Tool & Equipment	1.81	1.26	-	-	-	-	3.06
Vehicles	-	-	-	-	-	-	-
Electrical Installation	0.15	0.78	-	298.58	-	-	299.51
Solar Plant	-	-	-	-	-	-	-
Office Appliances	-	-	-	-	-	-	-
Furniture & Fixtures: Other Than Trolley	-	-	-	-	-	-	-
Furniture & Fixtures: Trolley	-	-	-	-	-	-	-
X-Ray Baggage Inspection System – XIBS	-	-	-	-	-	-	-
CFT & Fire Fighting Equipment	1.02	-	-	-	-	-	1.02
Total (Additions/WIP Capitalisation)	7.50	40.41	58.27	853.10	-	-	959.28

7.3 The AAI has submitted that the existing capacity of the airport could not accommodate the increasing growth of passenger traffic in the recent years. The traffic handled by Trichy Airport for FY 2019-20 was 1.61 MPPA. Therefore, AAI proposes to build a new integrated passenger terminal building (PTB) of an area of 73,535 sq.mt. with a total project cost of ₹ 872.51 Crores.

7.4 The AAI has submitted proposal for Airside development with construction of 10 Parking Bays for Code ‘C’ type aircrafts with associated link taxiways, GSE area and vehicular lanes for a total project cost of ₹ 37.72 Crores.

7.5 The AAI has also proposed to build a new Residential Colony to accommodate the present and future requirement of staff quarters at Trichy airport for a total project cost of ₹ 65.12 Crores.

Authority's examination:

- 7.6 The Authority examined the rationale behind the proposed capital expenditure, along with its status. Further, the Authority sought and observed a detailed break-up of the expected costs for this capital expenditure.
- 7.7 The Authority analyzed the proposal for the new terminal building including the need and objectives, proposed capital expenditure and scope of work. The key takeaways are as below:
- 7.7.1 The new PTB would be a two-level integrated building with peak hour capacity of 2,700 passengers and it is projected to handle passenger capacity of 3.63 MPPA. The total project cost is estimated at ₹ 872.51 Crores for an area of 73,535 sq.mt (60,718 sq.mt. along with a basement for airside corridor for new contact stands and 12,817 sq.mt towards city side approach roads). The cost of civil and electrical works out of the above total construction costs, is for ₹ 695.05 Crores. Thus, the cost of construction of civil and electrical works amounts to ₹ 94,519 per sq.mt.
- 7.7.2 The Authority has adopted the normative approach towards determination of cost of terminal building and has considered a normative cost of up to ₹ 100,000 per sq.mt., based on its analysis of costs on a case-to-case basis, pertaining to airports such as Guwahati, Lucknow and Patna. The Authority has analyzed the cost of the terminal building as per the normative cost approach adopted by the authority. Accordingly, the Authority has agreed to the cost of construction at Trichy airport amounting to ₹ 695.05 Crores which is within the normative cost.
- 7.7.3 The Authority has considered AAI's proposed allocation of 65%-35% for apportioning the costs of Civil and Electrical works of the new PTB. Accordingly, the total cost of construction of ₹ 695.05 Crores is apportioned between Civil and Electrical works as ₹ 451.78 Crores and ₹ 243.27 Crores, respectively.
- 7.8 AAI has proposed a capital structure with debt to equity of 60%-40% for financing the new PTB and has proposed interest during construction ('IDC') costs of ₹ 48.04 Crores, to be capitalized in the FY 2022-23, along with the capitalisation of the new PTB.
- 7.9 In addition to the cost of Civil and Electrical structure at the PTB, the Authority sought the item wise cost breakup for the proposed new PTB from AAI. The Authority proposes the following additional costs to be allowed separately, as they were not the part of the study on normative costs:

Table 16: Total costs of terminal building including additional costs as proposed by Authority

(₹ Crores)

Description	Estimated Cost
Airport System and Equipment	60.28
Airport IT Network	21.73
Baggage Handling System	20.25
Passenger Boarding Bridge and VDGS Equipment	17.50
PMC Service (Awarded Cost)	32.28
Total Additional costs (A)	152.04
Cost of Civil & Electrical works (B)	695.05
Cost of the terminal building (A+B)	847.09
3% for Contingencies	25.42
Grand Total	872.51

7.10 The Authority has analyzed the physical and financial progress of the above capital expenditure pertaining to the construction of the new PTB at Trichy Airport. This construction project commenced on November 3, 2018 and is expected to be completed and commissioned during FY 2022-23, at a cost of ₹ 872.51 Crores (of this, ₹ 853.10 Crores is the cost of Aeronautical assets). Presently, passenger terminal building, elevated road, electromechanical systems and IT works contracts of ₹ 564.76 Crores (out of total sanctioned cost of ₹ 872.51 Crores) have been awarded. The project engineer has certified that as of May 31, 2020, 36.5% of this contract has been completed. Further, a contract for construction of Apron, taxi-side and associated projects for ₹ 37.73 Crores (out of total sanctioned cost of ₹ 63.32 Crores) has also been awarded, towards which the project engineer has certified that as of May 31, 2020, 59% of the work has been completed. Post-completion of this expansion, the passenger traffic capacity is expected to be enhanced from 0.5 MPPA to 3.63 MPPA.

7.11 The Authority estimates that the actual passenger traffic is expected to reach approximately 1.91 MPPA at the end of the First Control Period (as depicted in Table 5). The proposed new terminal building has a handling capacity of 3.63 MPPA, which means the capacity utilization of the new building will be only to the extent of 50% till the end of the First Control Period. The Authority had suggested to AAI to construct the terminal building in phases so that there may not be any excess capacity/ under-utilization. However, AAI has stated that the planning/ design of the building (which is integrated) has been completed and the construction has started. Hence, it would not be possible to build the terminal building in phases at this stage. The Authority is of the view that in case the construction of the building is completed, included in the RAB and 50% of the building remains unutilized, the Passengers and Airlines will have to bear the entire return on investment made in the building without any utilization of a portion of the building, which will not be fair and reasonable. The Authority is further of the view that the investment made on the portion of building which will be put to use/ utilized should be included in the RAB for tariff determination in this (current) Control Period. The balance portion of the cost of the building, not considered now, should be included in the RAB when it is utilized possibly in the next Control Period. However, in case the actual traffic flow is more than the projected figure of 1.91 MPPA at any time of the Control Period and the capacity utilization is more than 50%, the amount of the cost of the building(RAB) should be suitably adjusted at the time of true up in the tariff determination process of the next control period. In view of the above, the Authority has recommended the following formula for inclusion of the cost of terminal building in the RAB for the purpose of determination of tariff for the First Control Period:

Table 17: Reimbursement of capital expenditure of the New Passenger Terminal Building as proposed by the Authority

Planned Integrated Terminal Expansion – Trichy	Formula	Unit	Values
Estimated Aeronautical portion of Capital Expenditure	(a)	₹ Crores	853.10
Planned Passenger Capacity post-expansion	(b)	million	3.63
Authority's estimation of FY 2024-25 traffic	(c)	million	1.91
Multiple of First Control Period traffic permissible ¹	(d)	X	1.42
Recommended capacity expansion permissible	(e) = (c)x(d)	million	2.71
- as % of original planned capacity	(f)= (e)/(b)%	%	74.72
Capex reimbursement for tariff determination	(g) = (f)x(a)	₹ Crores	637.40
Difference to be adjusted by reducing RAB	(a) - (g)	₹ Crores	215.70

¹ Multiple is to provide a reasonable headroom for growth in traffic beyond First Control Period.

The above ₹ 215.70 Crores has been reduced from the cost of new terminal building (shown as

part of the RAB) in the ratio of 65%:35% (Civil costs and Electrical Installations costs). However as stated above, this balance portion of the cost of the building, not considered now, should be included in the RAB when it is utilized possibly in the next Control Period. Moreover, in case the actual traffic flow is more than the projected figure of 1.91 MPPA at any time of the Control Period and the capacity utilization is more than 50%, the amount of the cost of the building(RAB) would be suitably adjusted at the time of true up in the tariff determination process of the next Control Period.

7.12 The Authority noted that the net block of the existing terminal building (which is proposed to be converted into a Cargo Hub, post commissioning of the above new terminal building) have been excluded from RAB in the FY 2022-23.

7.13 The Authority's analysis of the proposal for the new parking bay and taxiway including the need and objectives, proposed capital expenditure and scope of work is captured below:

7.13.1 As per AAI submission, 10 Aprons with associated link taxiways, Ground Support Equipment (GSE) area and vehicular lane for Code A-320/A-321Type aircrafts was proposed to be constructed across a total area of 130,693 sq.mt. at an estimated cost of ₹ 63.32 Crores. As against the above estimated costs, the contract was awarded to the vendor at the cost of ₹ 37.73 Crores and the same has been considered for computation of RAB.

7.13.2 The Authority has adopted the normative approach towards determination of cost of apron and taxiway and has considered a normative cost of ₹ 4,700 per sq.mt. in line with previous Tariff Orders pertaining to other airports such as Guwahati, Lucknow and Patna. The Authority conducted a Study of few 'major' airports for determining the reasonableness of the capital expenditures. Accordingly, the Authority decides to adopt ₹ 4,700 per sq.mt. for construction of the aprons & taxiways.

7.13.3 Out of the total area of 130,693 sq.mt., the area demarcated for the GSE totaled to 13,086 sq.mt. Thus, the total area covered for the normative cost approach for the apron and taxiway works out to 117,607 sq.mt (excluding the area demarcated for GSE). For the construction of 117,607 sq.mt. at ₹ 4,700 per sq.mt. as per the above benchmarks under the normative cost approach adopted by the Authority, the allowable cost of the new apron and taxiway works out to be ₹ 55.28 Crores.

7.13.4 However, the cost of construction of the Apron and the Taxiway at Trichy Airport works out to ₹ 36.22 Crores and cost per sq.mt. is ₹ 3,079.75, which is within the normative cost standard suggested by the Authority. The item wise cost breakup of the above total costs (₹ 36.22 Crores) of construction of Apron and Taxiway are shown in the table below:

Table 18: Cost break up for construction of Apron

S. No	Particulars	Area (sq.mt.)	₹ Crores
A	Total Cost of Apron with Link Taxiway, Isolation Bay and GSE Area	130,693	37.73
B	Cost of construction of GSE Area	13,086	1.50
C	Cost of Apron with Link Taxiway and Isolation Bay (A- B)	117,607	36.22
D	Cost per sq.mt. of Construction	117,607	₹ 3,079.75 per sq.mt.

- 7.13.5 AAI has submitted that the total cost of ₹ 37.72 Crores would be considered as 100% Aeronautical. Based on the above analysis (detailed in section 7.13), the Authority is in agreement with the above normative cost of ₹ 37.72 Crores for the construction of Apron and Taxiway at Trichy Airport.
- 7.14 AAI has proposed the Joggers park at the residential colony of ₹ 0.11 Crores in the FY 2019-20 to be considered as 100% aeronautical. However, the Authority believes that the residential quarters are collectively occupied by Aeronautical and ANS staff and hence the Aeronautical costs should be segregated in the ratio of 4:34 (ANS staff: Aeronautical staff).
- 7.15 AAI has considered replacement cost of HVAC (capitalized under Plant & Machinery) for the entire terminal (of ₹ 0.38 Crores, out of which ₹ 0.10 Crores was capitalized in FY 2019-20 and ₹ 0.28 Crores pertains to FY 2020-21) as 100% aeronautical. However, the Authority proposes to segregate the above costs in the ratio of terminal building (9.89%).
- 7.16 AAI has apportioned the cost of construction of the new Residential Staff Quarters (of ₹ 65.12 Crores) in the FY 2021-22 between ANS staff and Aeronautical staff in the ratio of 4:34. The Authority noted that out of the above total costs, the cost of CISF Barracks, Hostel, Dog Kennel & Community Hall at Old Wireless Station amounted to ₹ 15.06 Crores. The above costs have been considered as 100% Aeronautical by the Authority. The remaining costs of ₹ 50.06 Crores (₹ 65.12 Crores less ₹ 15.06 Crores) have been apportioned in the ratio of 20: 80 (ANS staff: Aero staff), as the Authority is of the view that with the increase in the number of staff quarters, the ratio shall be revised to 20:80.
- 7.17 Authority has also examined the other capital expenditure proposed by AAI with the Administrative Approval, Expenditure Sanction, Letters of Award, as applicable. The specific observations are as follows:
- 7.18 AAI had conducted AUCC meeting on January 11, 2019. The Authority noted that in the above meeting, the growth rate in passenger traffic over the recent years had been discussed by AAI and the new PTB was proposed to be constructed to accommodate the increase in the passenger capacity. The new PTB was originally planned to be commissioned by November 2021. However, considering the impact arising out of COVID-19 pandemic, the above PTB has been proposed to be commissioned in the FY 2022-23.
- 7.19 In accordance with above, the Authority proposes the capital expenditure for the First Control Period as per the table below:

Table 19: Capital Expenditure as proposed by the Authority for First Control Period

(₹ Crores)

Project Name	Aero Cost	Total Cost	Aero portion	Proposed date of Capitalization	Phasing of Capitalisation (FY)				
					2020-21	2021-22	2022-23	2023-24	2024-25
Construction Of 10 Nos. Parking Bays, Link Taxiways and GSE (Apron Area-130693 sq.mt. & GSE area-13,086	37.73	37.73	100%	October 30, 2020	37.73	-	-	-	-

Project Name	Aero Cost	Total Cost	Aero portion	Proposed date of Capitalization	Phasing of Capitalisation (FY)				
					2020-21	2021-22	2022-23	2023-24	2024-25
sq.mt.)-Awarded Value									
Runways, Taxiway & Aprons	37.73	37.73	100%		37.73	-	-	-	-
Upgradation of Passenger Terminal Building and Airside Facilities at Trichy Airport (NITB) (Civil-65%)	383.08	415.64	92.27%	April 30, 2022	-	-	383.08	-	-
Interest on Loan for NITB (4804.19*65% Elect.)	31.23	33.84	92.27%	April 30, 2022	-	-	31.23	-	-
Terminal Building	414.31	449.48	92.18%		-	-	414.31	-	-
Construction of New Residential Staff Quarters-126, CISF Barracks-1, Hostel-16 Dog Kennel & Community Hall at Old Wireless Station at Trichy Airport.	55.11	65.12	20:80:00 (ANS Staff: Aero Staff)	January 8, 2022	-	55.11	-	-	-
Building Residential	55.11	65.12	85%		-	55.11	-	-	-
Construction and Raising of Operational B/W at Trichy	0.37	0.37	100%	June 30, 2020	0.37	-	-	-	-
Boundary Wall -Operational	0.37	0.37	100%		0.37	-	-	-	-
Replacement Of 3X400Tr Cooling Tower for Existing HVAC Plant (Elect)-Trichy	0.25	0.28	90.11%	March 31, 2021	0.25	-	-	-	-
Plant & Machinery	0.25	0.28	90.11%		0.25	-	-	-	-
SITC of FIDS Trichy	1.24	1.24	100%	June 30, 2020	1.24	-	-	-	-
Procurement of BR Helmets-35 no.@5884.75 each	0.02	0.02	100%	June 30, 2020	0.02	-	-	-	-
Tools & Equipment	1.26	1.26	100%		1.26	-	-	-	-
Upgradation of Passenger Terminal Building and Airside Facilities at Trichy Airport (NITB) (Elect-35%)	206.28	223.81	92.17%	April 30, 2022	-	-	206.28	-	-
Interest on Loan for NITB (4804.19*35% Elect.)	16.81	18.22	92.27%	April 30, 2022	-	-	16.81	-	-
Extension of CCR Hall Including Repositioning of CCR and Ups at Trichy Airport	0.37	0.37	100%	April 30, 2020	0.37	-	-	-	-
Replacement of Air-Conditioning for Trichy Airport	0.18	0.18	100%	April 30, 2020	0.18	-	-	-	-
Trans-Installation of NDB at Operational Area (Elect)-Trichy	0.23	0.23	100%	April 30, 2020	0.23	-	-	-	-
Electrical Installations	223.87	242.81	92.20%		0.78	-	223.09	-	-
Grand Total	732.90	797.05	91.95%		40.39	55.11	637.40	-	-

Table 20: Aeronautical Capitalization proposed by Authority

(₹ Crores)

Asset Category	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Runways, Taxiway & Aprons	37.73	-	-	-	-	37.73
Road, Bridge & Culvert	-	-	-	-	-	0
Terminal Building	-	-	414.31	-	-	414.31
Temporary Building	-	-	-	-	-	0
Building Residential	-	55.11	-	-	-	55.11
Boundary Wall (Operational)	0.37	-	-	-	-	0.37
Boundary Wall (Residential)	-	-	-	-	-	0
Other Building	-	-	-	-	-	0
Computers: End Users Devices	-	-	-	-	-	0
Computers: Network & Servers	-	-	-	-	-	0
Computers: Software	-	-	-	-	-	0
Plant & Machinery	0.25	-	-	-	-	0.25
Tool & Equipment	1.26	-	-	-	-	1.26
Vehicles	-	-	-	-	-	0
Electrical Installation	0.78	-	223.09	-	-	223.87
Solar Plant	-	-	-	-	-	0
Office Appliances	-	-	-	-	-	0
Furniture & Fixtures: Other Than Trolley	-	-	-	-	-	0
Furniture & Fixtures: Trolley	-	-	-	-	-	0
X-Ray Baggage Inspection System – XIBS	-	-	-	-	-	0
CFT & Fire Fighting Equipment	-	-	-	-	-	0
Total (Additions/WIP Capitalisation)	40.39	55.11	637.40	-	-	732.90

7.20 Authority's proposal regarding capitalization of Aeronautical Expenditure for the First Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Capitalisation of Aeronautical expenditure for the First Control Period:

- 7.20.1 The Authority proposes to adopt the Capitalisation of Aeronautical Expenditure for the First Control Period in accordance with Table 20.
- 7.20.2 To true-up the Capital expenditure on actuals at the time of determination of tariff for Second Control Period.
- 7.20.3 To impose a penalty of 1% of the terminal building expansion project cost, if AAI/ prospective PPP bidder fails to commission and capitalize the new terminal building by April 2022.

8. DEPRECIATION

- 8.1 AAI follows its approved rates of depreciation 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 (*Order No. 35 and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'*). Accordingly, AAI has proposed three different sets of rates. These are based on three different periods – up to FY 2005-06, from April 1, 2006 to March 31, 2019, and beyond April 1, 2019.
- 8.2 For the period, April 1, 2019 to March 31, 2020 AAI has proposed depreciation rates as per the Authority's notified rates of depreciation (*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*) considering Trichy Airport as a Major Airport. Further, the above notified depreciation rates have also been proposed by AAI for the First Control Period, i.e. from FY 2020-21 to FY 2024-25.
- 8.3 Depreciation has been computed separately on opening block of assets and on the proposed additions.
- 8.4 The depreciation rates proposed by AAI have been summarized in the table below:

Table 21: Depreciation rates proposed by AAI

Asset category	Up to FY 2005-06	For FY 2005-06 to FY 2018-19	Beyond FY 2018-19
Runway, Taxiway and Apron	12.17%	13%	3.33%
Road, Bridge and Culvert	12.17%	13%	10.00%
Terminal building	7.31%	8%	3.33%
Old terminal building	7.31%	8%	3.33%
Temporary building	100.00%	100%	33.33%
Residential building	4.00%	5%	3.33%
Security fencing	100.00%	100%	10.00%
Operational Boundary Wall	7.31%	8%	10.00%
Boundary Wall (Residential)	4.00%	5%	3.33%
Other Building	7.31%	8%	3.33%
Computers: End Users Devices	20.00%	20%	33.33%
Computers: Network & Servers	20.00%	20%	16.67%
Computer Software	12.17%	20%	20.00%
Plant & Machinery	12.17%	11%	6.67%
Tool & Equipment	12.17%	20%	6.67%
Vehicles	12.17%	14%	12.5%
Electrical Installation	12.17%	11%	10.00%
Offices Appliances	20.00%	18%	20.00%
Furniture & Fixtures: Other than trolley	12.17%	20%	14.29%
Furniture & Fixtures: trolley	12.17%	20%	33.33%
X-Ray Baggage Inspection System – XIBS	12.17%	11%	6.67%
CFT & Fire Fighting Equipment	19.19%	13%	6.67%

- 8.5 The depreciation amount proposed by AAI for the First Control Period has been presented in

the table below.

Table 22: Depreciation proposed by AAI

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Accumulated Depreciation on opening gross block	3.49	3.34	1.14	1.01	0.89
Depreciation on additions from FY 2020-21 to FY 2024-25	2.19	3.84	28.65	52.80	52.27
Total	5.68	7.18	29.79	53.81	53.16

Authority's examination:

- 8.6 The Authority has noted the submission of two different rates of depreciation by AAI for different periods under consideration and has duly examined these for consideration towards determination of Aeronautical tariff.
- 8.7 For period up to FY 2018-19, the Airport was not under the regulatory ambit of the Authority and AAI had computed depreciation according to its internal accounting policies. The Authority noted that the depreciation rates used by AAI for FY 2018-19 were in line with its accounting policies.
- 8.8 However, from April 1, 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 to be applied for computation of Aggregate Revenue Requirement (ARR).
- 8.9 These normative depreciation rates of airport assets as per the above-mentioned Order, relevant to Airport, have been presented in the table below:

Table 23: Depreciation rates as per Authority's Order No. 35/2017-18

Asset category	Beyond FY 2017-18
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%

Asset category	Beyond FY 2017-18
X Ray Baggage System	6.67%
CFT/Fire Fighting Equipment	6.67%

8.10 The Authority observed that the depreciation rates used by AAI for the period beyond April 1, 2019 are in line with the rates as per the above-mentioned order. Therefore, the Authority does not propose any change in the depreciation schedule.

8.11 On account of the above depreciation rates, and the changes in the proposed capital expenditure, the Authority proposes the following depreciation for the First Control Period.

Table 24: Depreciation proposed by the Authority

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Accumulated Depreciation on opening gross block	3.49	3.34	1.14	1.01	0.89
Depreciation on additions from FY 2020-21 to FY 2024-25	2.19	3.79	22.43	40.47	39.95
Total	5.68	7.13	23.57	41.48	40.84

8.12 Authority's proposal regarding depreciation for the First Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to depreciation for the First Control Period.

8.12.1 The Authority proposes to adopt depreciation rates for Trichy Airport as per Table 23 for the First Control Period.

8.12.2 The Authority proposes depreciation amounts as per Table 24 for the First Control Period.

9. REGULATORY ASSET BASE FOR THE FIRST CONTROL PERIOD

9.1 AAI has submitted RAB for the First Control Period as follows:

Table 25: RAB for the First Control Period as AAI's submission

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
Opening Balance	29.67	64.4	115.49	932.11	878.30	2,019.97
Additions/WIP Capitalisation	40.41	58.27	853.10	-	-	951.78
Disposal/Transfers	-	-	6.69	-	-	6.69
Depreciation	5.68	7.18	29.79	53.80	53.16	149.61
Closing Balance	64.40	115.49	932.11	878.30	825.14	2,815.44
Average RAB	47.04	89.94	523.80	905.21	851.72	2,417.71

Authority's examination:

9.2 The Authority has duly examined each element of RAB in the previous chapters. The Authority proposes to adopt the Initial RAB as per Table 13, the Aeronautical capitalization in accordance with Table 20 and the depreciation amounts in accordance with Table 24.

9.3 As per AAI's submission, with the commissioning of the new passenger terminal building in FY 2022-23, the existing terminal building shall be transferred to AAICLAS at the opening net book value. In consideration of this proposal, the Authority noted that the following two proposed additions to the existing Terminal building in FY 2020-21 (which has to be also transferred to AAICLAS in the FY 2022-23), had been excluded by AAI from the computation of the total disposable value.

Table 26: Assets not considered in the total disposable value by AAI

Description of Asset	Proposed Addition		Total Depreciation (₹ Crores)	Disposable Value (in FY 2022-23) (₹ Crores)
	Date	Amount (₹ Crores)		
Replacement of 3x400TR cooling tower for existing HVAC plan	March 31, 2020	0.25	0.02	0.23
Extension of CCR hall including repositioning of CCRs and UPS	April 30, 2020	0.37	0.06	0.31
Total				0.54

Upon considering the above disposal of assets, the total disposals for the First Control Period for Trichy Airport amounts to ₹ 7.23 Crores.

9.4 Combining all its propositions, RAB to be considered by the Authority for determination of Aeronautical tariff for the First Control Period in respect of Airport is as follows:

Table 27: RAB for the First Control Period after Authority's examination

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance (1)	29.65	64.36	112.34	718.94	677.46
Additions/WIP Capitalisation (2)	40.39	55.11	637.4	-	-
Disposal/Transfers (3)	-	-	7.23	-	-
Depreciation (4)	5.68	7.13	23.57	41.48	40.84
Closing Balance (5) = [(1) +(2) – (3) – (4)]	64.36	112.34	718.94	677.46	636.62
Average RAB [(1) + (5)]/2	47.01	88.35	415.64	698.20	657.04

9.5 **Authority's proposal regarding average RAB for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to RAB for the First Control Period.

9.5.1 The Authority proposes to consider average RAB for the First Control Period for Trichy Airport as per Table 27.

10. FAIR RATE OF RETURN (FROR)

- 10.1 AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority for other AAI airports, including Kolkata, Jaipur and Patna, among others.
- 10.2 AAI has submitted that all financing activities are undertaken centrally at the Corporate Office of AAI. It is also submitted that the proposed new terminal building, is expected to be 60% debt financed.
- 10.3 The Fair rate of return (FRoR) has been considered at 11.87% (from the FY 2022-23), assuming cost of debt as 8.03%. The workings for the same as submitted by AAI is shown in table below:

Table 28: Calculation of FRoR for FY 2022-23 as submitted by AAI

(₹ Crores)

S. No	Particulars	Formula	Value
	Assumptions:		
a.	Closing RAB (FY 2022-23)		932.11
b.	Additions made in FY 2022-23		805.06
c.	Portion of Debt		60%
d.	Portion of Equity		40%
e.	Cost of Debt		8.03%
f.	Cost of Equity		16%
	Calculation of FRoR:		
g.	Cost of Debt (b x c x e)	$805.06 * 60% * 8.03%$	38.79
h.	Cost of Equity on last year additions (b x d x f)	$805.06 * 40% * 16%$	51.52
j.	Cost of Equity on balance assets {(a - b) x f}	$(932.11 - 805.06) * 16%$	20.33
k.	Total Capital (a)		110.64
	FRoR-% (k/a)		11.87%

Authority's examination:

- 10.4 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. In this respect, AAI has proposed to finance the new terminal building with 60% debt. AAI has submitted that they are in the process of finalizing the loan conditions at the corporate level and shall be allotting the debt in respect of the new terminal building from the same. So far, AAI has not provided a schedule of drawdown of the above debts. Therefore, the Authority has assumed that the debt would be drawn at the time of capitalization of the new Terminal Building, which is proposed in the FY 2022-23.
- 10.5 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%. The Authority would like to highlight that it may also consider a normative capital structure to determine the FRoR at a later date.
- 10.6 The Authority recomputed the FRoR by considering the value of terminal building of ₹ 853.10 Crores, which is proposed to be capitalized by AAI during FY 2022-23. The Authority noted that AAI had considered only the principal cost of the construction of the new terminal building viz. ₹ 805.06 Crores and not the interest during construction (IDC) of ₹ 48.04 Crores, as the interest costs is proposed to be financed by AAI through its own funds (equity). However, the Authority is of the view that the IDC should also be considered as part of debt funds, as the interest cost is also

financed by the lender as part of the total financing of the project costs (as per generally accepted business practice). Accordingly, the Authority has recomputed FRoR as per Table 29 below:

Table 29: Calculation of FRoR for FY 2022-23 as per Authority

(₹ Crores)

S. No	Particulars	Formula	Value
	Assumptions:		
a.	Closing RAB (FY 2022-23) (Refer Note below)		928.53
b.	Additions proposed in FY 2022-23		853.10
c.	Portion of Debt		60%
d.	Portion of Equity		40%
e.	Cost of Debt		8.03%
f.	Cost of Equity		16%
	Calculation of FRoR:		
g.	Cost of Debt (b x c x e)	$853.10 * 60% * 8.03%$	41.10
h.	Cost of Equity on last year additions (b x d x f)	$853.10 * 40% * 16%$	54.60
j.	Cost of Equity on balance assets {(a -b) x f}	$(928.53 - 853.10) * 16%$	12.07
k.	Total Capital (a) = g.+ h. +j.		107.77
	FRoR-% (k/a)		11.61%

Note: The Authority has derived the closing RAB for the FY 2022-23 as ₹ 928.53 Crores, after considering the re-segregation of assets as proposed by the Authority under paras 7.14, 7.15, 7.16 and disposal of assets under para 9.3 in the earlier chapters. Further, for the FY2022-23 the Authority has considered the entire capitalization costs of the new PTB i.e., ₹ 853.10 Crores for arriving at the above closing RAB for FY 2022-23.

10.7 Based on the above, the Authority proposes to consider FRoR as per table below for Trichy Airport for the First Control Period:

Table 30: Fair Rate of Return as proposed by the Authority

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Fair Rate of Return	14.00%	14.00%	11.61 %	11.61%	11.61 %

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

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

10.8.1 The Authority proposes to consider FRoR for Trichy Airport for the First Control Period as per Table 30.

11. NON-AERONAUTICAL REVENUE

11.1 AAI has forecasted revenue from services other than Aeronautical services as below.

Table 31: Non-Aeronautical revenue projections as per AAI

(₹ Crores)

Particulars	FY 2019-20*	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
1. Trading concessions							
Restaurant / snack bars	5.00	2.5	3.5	5.5	6.05	6.66	24.21
T.R. stall	5.38	2.37	3.32	0.47	0.52	0.57	7.25
Hoarding & display	0.89	0.45	0.63	0.99	1.08	1.19	4.34
2. Rent and services							
Land leases	0.22	0.11	0.16	0.22	0.22	0.22	0.93
Building (residential)	0.01	0.02	0.02	0.02	0.02	0.02	0.1
Building (non-residential)	1.02	0.51	0.71	1.12	1.23	1.35	4.92
3. Miscellaneous							
Duty Free	9.53	4.77	6.67	10.49	11.54	12.69	46.16
Car rentals	0.18	0.09	0.12	0.19	0.21	0.23	0.84
Car parking	3.01	1.3	1.81	2.85	3.14	3.45	12.55
Admission tickets	1.58	0.79	1.11	1.74	1.91	2.1	7.65
Other income/ sale of scrap etc.	1.72	1.81	1.9	1.99	2.09	2.2	9.99
Total	26.84	12.9	18.06	23.6	25.93	28.5	108.99

*Data for FY 2019-20 has been furnished for reference purposes, as the projections for the First Control period (FY 2020-21 to FY 2024-25) have been done based on the revenues of FY 2019-20.

11.2 The growth rates assumed by AAI have been presented in the table below.

Table 32: Growth rates assumed by AAI for Non-Aeronautical revenue

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
1. Trading concessions					
Restaurant / snack bars	-50.00%	40.00%	57.14%	10.00%	10.00%
T.R. stall	-55.94%	40.00%	-85.71%	10.00%	10.00%
Hoarding & display	-50.00%	40.00%	57.14%	10.00%	10.00%
2. Rent and services					
Land leases*	-50.00%	40.00%	42.86%	0.00%	0.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	-50.00%	40.00%	57.14%	10.00%	10.00%
3. Miscellaneous					
Duty Free	-50.00%	40.00%	57.14%	10.00%	10.00%
Car rentals	-50.00%	40.00%	57.14%	10.00%	10.00%
Car parking	-56.99%	40.00%	57.14%	10.00%	10.00%

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Admission tickets	-50.00%	40.00%	57.14%	10.00%	10.00%
Other income/ sale of scrap etc.	5.00%	5.00%	5.00%	5.00%	5.00%

* There is no increase in land lease rentals projected for the last 2 tariff years (FY 2023-24 and FY 2024-25). Hence, the growth rate is shown as “zero.”

Authority’s examination:

- 11.3 The Authority has examined the Non-Aeronautical revenues for FY 2018-19 submitted by AAI and found the figures to be in line with the trial balances for FY 2018-19. The figures for FY 2019-20 are provisional and subject to actual audited financials.
- 11.4 AAI has proposed revenues from Concession Agreements for FY 2020-21 at the rate of 50% of FY 2019-20 and the revenues for FY 2021-22 and FY 2022-23 are proposed at the rate of 70% and 100% of FY 2019-20, respectively. Thereafter, an annual increase of 10% for revenues from Trading Concessions and Miscellaneous is proposed. The Authority noted that AAI vide its internal meeting of JVC/ Tariff cell on May 20, 2020 had decided to allow the above waiver in the contractual revenues from the Concessionaires, considering the impact of COVID-19 on the Aviation sector.
- 11.5 **T.R. Stall:** AAI has submitted that they terminated the Single Master Concessionaire Agreement in December 2019 due to which AAI has stepped into the Sub-Concession Agreements resulting in an additional reduction of 5.94% in FY 2020-21 over and above the 50% due to COVID-19 pandemic. The Authority noted a clerical error in the T.R. Stall Revenue computed by AAI for FY 2022-23 and has corrected the same in the Non- Aeronautical revenue proposed by the Authority in Table 33.
- 11.6 **Car Parking:** AAI has submitted that car parking contract of ₹ 21.60 lakhs per month has been awarded with effect from October 2019 replacing an earlier contract of ₹ 28.6 lakhs per month resulting in additional reduction of 6.99% in FY 2020-21 over and above the 50% due to COVID-19 pandemic.
- 11.7 **Advertisement & Hoarding:** AAI has submitted that contracts are valid for a period of 10 years with an annual 10% escalation clause.
- 11.8 The Authority noted a clerical error in the computation of total Non-Aeronautical revenue for each Financial Year in the tariff period, as the same did not include the Miscellaneous revenue such as other income / sale of scrap. This error has been rectified in the revenue proposed by the Authority in Table 33.
- 11.9 The Authority verified the above-mentioned concession agreements and found the projections to be in line with the same.
- 11.10 The Authority has revised the growth rates of revenues from Trading concessions, Duty free shops, Car Rentals, Car Parking and Admission tickets to 15% for FY 2023-24, as against 10% projected AAI. The Authority is of the view that with operationalization of the new terminal building and revival of economy, the growth rates can be revised to 15%.

11.11 The revised Non-Aeronautical revenues as per Authority's examination have been presented in the table below:

Table 33: Non-Aeronautical revenues proposed by the Authority

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
1. Trading concessions						
Restaurant / snack bars	2.5	3.5	5	5.75	6.33	23.08
T.R. stall	2.37	3.32	4.74	5.46	6	21.89
Hoarding & display	0.45	0.63	0.9	1.03	1.13	4.14
2. Rent and services						
Land leases	0.11	0.16	0.22	0.22	0.22	0.93
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.1
Building (non-residential)	0.51	0.71	1.02	1.12	1.23	4.59
3. Miscellaneous						
Duty Free	4.77	6.67	9.53	10.97	12.06	44
Car rentals	0.09	0.12	0.18	0.2	0.22	0.81
Car parking	1.3	1.81	2.59	2.98	3.28	11.96
Admission tickets	0.79	1.11	1.58	1.82	2	7.3
Other income/ sale of scrap etc.	1.81	1.9	1.99	2.09	2.2	9.99
Total	14.71	19.95	27.77	31.66	34.70	128.79

11.12 The revised growth rates as per Authority's examination have been presented in the table below.

Table 34: Growth rates in Non-Aeronautical Revenue considered by the Authority

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
1. Trading concessions						
Restaurant / snack bars	-50.00%	40.00%	42.86%	15.00%	10.00%	57.86%
T.R. stall	-55.94%	40.00%	42.86%	15.00%	10.00%	51.92%
Hoarding & display	-50.00%	40.00%	42.86%	15.00%	10.00%	57.86%
2. Rent and services						
Land leases	-50.00%	40.00%	42.86%	0.00%	0.00%	32.86%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%	25.00%
Building (non-residential)	-50.00%	40.00%	42.86%	10.00%	10.00%	52.86%
3. Miscellaneous						
Duty Free	-50.00%	40.00%	42.86%	15.00%	10.00%	57.86%

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
Car rentals	-50.00%	40.00%	42.86%	15.00%	10.00%	57.86%
Car parking	-56.99%	40.00%	42.86%	15.00%	10.00%	50.87%
Admission tickets	-50.00%	40.00%	42.86%	15.00%	10.00%	57.86%
Other income/ sale of scrap etc.	5.00%	5.00%	5.00%	5.00%	5.00%	25.00%

11.13 Authority's proposal regarding Non-Aeronautical revenues for the First Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Non –Aeronautical revenue for the First Control Period.

11.13.1 The Authority proposes to consider Non-Aeronautical Revenues for the First Control Period for Trichy Airport in accordance with Table 33.

12. OPERATION AND MAINTENANCE EXPENDITURE

12.1 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

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

12.3 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 based on the relevant Ratios.

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

12.5 The summary of Aeronautical expenses proposed by AAI for the First Control Period has been presented in the table below:

Table 35: Operation and Maintenance (O&M) expenditure as per AAI

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
Payroll Costs - Excluding CHQ/RHQ	16.72	17.89	21.09	19.24	22.54	97.48
Payroll Costs - CHQ/RHQ	5.26	5.62	6.58	7.04	7.53	32.03
Repair & Maintenance	12.63	13.32	51.92	52.9	53.92	184.69
Utilities & Outsourcing Expenses	4.58	5.18	9.91	9.97	10.03	39.67
Admin. & Other Expenses - Excluding CHQ/RHQ	3.8	4.15	10.31	11.31	12.41	41.98
Admin. & Other Expenses - CHQ/RHQ	21.91	23.01	24.16	25.36	26.63	121.07
Other Outflows	0.22	0.34	0.41	0.51	0.57	2.05
Total Operating Expenditure	65.12	69.51	124.38	126.33	133.63	518.97

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

Table 36: Growth rates in O&M expenditure as per AAI

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Payroll Costs- Including CHQ/RHQ	7%	7%	17%	7%	7%
Repair & Maintenance – Civil (Refer Note 1)	21%	10%	-75%	10%	10%
Repair & Maintenance - Electrical and IT	10%	10%	20%	10%	10%
Repair & Maintenance – Others	10%	10%	10%	10%	10%
Utilities (Refer Note 2)	-12%	12%	200%	NIL	NIL

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Outsourcing Charges and Consumption and Stores and Spares	10%	10%	10%	10%	10%
Upkeep Expenses	10%	10%	460%	10%	10%
Watch and Ward Expenses	10%	10%	20%	10%	10%
CHQ and RHQ Expenses	5%	5%	5%	5%	5%
Admin. & Other Expenses - Excluding Upkeep expenses, Watch and Ward expenses and CHQ/ RHQ expenses.	10%	10%	10%	10%	10%
Other Outflows	-56.59%	55.71%	22.80%	22.94%	12.00%

Notes:

1. Additional 11% of the projected expenses for FY 2020-21 are considered for sanitization/PPE Kit/temporary Partition etc. for maintaining social distancing due to COVID-19 pandemic as per discussion held in the meeting on May 20, 2020.
Further, since the new terminal building to be commissioned in FY 2022-23 will have minimal R&M Civil cost and the old terminal building are planned to be converted to a cargo terminal, 75% reduction in cost is proposed
2. 70% reduction is proposed in Electricity expenses for April 2020 and May 2020 due to lock down. Total electricity expenses for FY 2020-21 is 12% lesser than that of FY 2019-20. However, the expenses for FY 2021-22 is projected at the same level as of FY 2019-20.

12.7 Further, summary of allocation of expenses between Aeronautical and Non-Aeronautical as proposed by AAI is given in the table below:

Table 37: Allocation of O&M expenses as per AAI in FY 2017-18

Particulars	Aeronautical	Non-Aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.06%	2.94%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance – Civil	90.11%	9.89%
Repair & Maintenance – Electricity	100.00%	0.00%
Repair & Maintenance - IT	97.06%	2.94%
Utilities	99.99%	0.01%
Upkeep Expenses	90.11%	9.89%
Admin. & Other Expenses - Excluding CHQ/RHQ	99.99%	0.01%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

Authority’s examination:

- 12.8 The Authority examined the trial balance for FY 2018-19 and noted that the expense figures considered by AAI are accurate.
- 12.9 The Authority examined the allocation of expenses between Aeronautical and Non-Aeronautical. The Authority 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 38: Comparison of allocation of O&M expenses 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	99%	96%	88%
Administration and General expenses -	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%

12.10 The Authority examined the various components of CHQ/ RHQ expenses being allocated to Trichy Airport and noted that the methodology followed for allocation needs to be rationalized, taking into consideration the size of operations and the revenue generated by Trichy Airport. Accordingly, the Authority asked AAI to re-review the allocation of the said expenses and submit the revised allocation of CHQ/ RHQ expenses.

12.11 AAI had reviewed the Trial Balance of FY 2018-19 of CHQ/ RHQ and made the following revisions to the allocation of CHQ/ RHQ expenses:

12.11.1 Expenses such as Provision for Third Pension/ Gratuity/ Actuarial Valuation and payment for liveries, which were earlier booked under Airport Services incorrectly, have now been re-allocated to ANS/ Airport Services / Cargo on the basis of an appropriate driver (such as number of employees).

12.11.2 The following expenses have not been considered for allocation of CHQ/ RHQ expenses such as:

- Security expenses
- Provision of interest on Third Pension made in FY 2018-19 for the period Jan 2007 to March 2019
- Expenses/ Provision towards Cargo
- Payment of VRS in respect of DIAL/ MIAL
- Payment for Legal/ Arbitration expenses for DIAL/ MIAL cases
- CSR/ RCS expenses
- Collection charges (UDF) paid to DIAL

12.11.3 The basis for allocation of certain individual expenses such as Pay and Allowances, Advertisement expense, Electricity/ Oil for DG sets, Insurance and hire charges, Repairs and Maintenance expenses etc. had been revisited and the same have been re-allocated to ANS and Airport services on the basis of a reasonable driver (in the ratio of 50:50; 60:40 etc.).

The revised allocation of CHQ/ RHQ expenses submitted by AAI have been reviewed and considered by the Authority, in its computation of Operational and Maintenance expenses of the Trichy Airport and the same is shown in Table 41.

12.12 The Authority observes 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 for other AAI airports.

12.13 AAI has segregated the expenses towards utilities between Aeronautical and Non-Aeronautical after considering the recoveries made from the Concessionaires. The Authority noted that the Aeronautical proportion of 99.9% has been derived by considering the headcount of Commercial staff (Non-Aeronautical) within the Airport. Further, the upkeep expenses (included under

Administrative and General Expenses) have been apportioned in the ratio of terminal building. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

12.14 The Authority proposes the following allocation of O&M expenses into Aeronautical and Non-Aeronautical:

Table 39: Allocation of O&M expenses as per the Authority

Particulars	Aeronautical	Non-Aeronautical
Payroll Costs – Excluding CHQ/RHQ	97.06%	2.94%
Payroll Costs –CHQ/RHQ	95.00%	5.00%
Repair & Maintenance - Civil	90.11%	9.89%
Repair & Maintenance - Electricity	100.00%	0.00%
Repair & Maintenance - IT	97.06%	2.94%
Utilities	99.9%	0.01%
Upkeep Expenses	90.11%	9.89%
Admin. & Other Expenses - Excluding CHQ/RHQ	99.99%	0.01%
Admin. & Other Expenses - CHQ/RHQ	95.00%	5.00%
Other Outflows	100%	0.00%

12.15 AAI considered a growth rate of 7% in payroll expenses beyond FY 2018-19 and a growth rate of 17% in payroll expenses in FY 2022-23 due to operationalization of the new terminal building at Trichy Airport. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to consider a growth rate of 5% in payroll expenses for the First Control period beginning from FY 2020-21 and a growth rate of 15% for the FY 2022-23. The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalizing the costs of the Airport.

12.16 AAI has considered an additional increase of 100% in electricity charges in FY 2022-23 due to operationalization of new terminal building (73,535 sq.mt.), which is 5 times bigger in size as compared to the existing terminal building (14,450 sq.mt.). The Authority finds the above projected increase in electricity expenses to be reasonable, considering the five-fold increase in the size of the new terminal building.

12.17 As per Order no. 35 issued by AERA, any cost of resurfacing the runway, leading to restoration of original PCN value, would be amortized over 5 years for the purpose of Tariff computation. Thus, AAI has proposed “Resurfacing of the Runway” cost of ₹ 18.98 Crores to be amortized under Repair & Maintenance expenses for 5 years beginning with FY 2021-22. The Authority considers the same to be appropriate, in line with the aforesaid Order issued by AERA.

12.18 AAI has proposed an additional 10% increase in Watch & Ward charges and 460% increase in Upkeep charges in the FY 2022-23, due to operationalization of the New Terminal Building. AAI has clarified that there will be a composite maintenance contract for the entire NTB based on unit area. The Authority finds the same to be reasonable, considering the size of the New Terminal Building.

12.19 The Authority examined actual growth trend of expenses for the past few years at the Trichy 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 finds the assumed growth rates to be reasonable, in line with other comparable airports such as Varanasi, Amritsar, Patna, etc.

12.20 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 the same to be a reasonable driver.

12.21 AAI has proposed to charge off the interest on loans (of ₹ 38.78 Crores per annum) availed for construction of new terminal building (as detailed in para 10.6) under operational and maintenance expenses from the FY 2022-23 onwards, post capitalization of the new terminal building. The Authority noted that the above interest cost has been proposed by AAI to be charged off under the account head Repairs & Maintenance. The Authority is of the view that the said interest costs shall be accounted separately as financial costs.

12.22 The Authority noted a clerical error in the computation of Payroll expenses by AAI for the Tariff Year 4 (FY 2023-24) and Tariff Year 5 (FY 2024-25) resulting in an increase to the Payroll expenses by ₹ 4.92 Crores (₹ 3.32 Crores for FY 2023-24 and ₹ 1.60 Crores for FY 2024-25) respectively.

12.23 After incorporating the above observations by the Authority, the revised O&M expenses have been presented in the table below:

Table 40: Operation and maintenance (O&M) expenses as revised by the Authority

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
Payroll Costs - Excluding CHQ/RHQ	16.07	16.87	19.55	20.53	21.56	94.58
Payroll Costs - CHQ/RHQ	5.73	6.02	6.92	7.27	7.63	33.57
Repair & Maintenance	12.63	13.32	51.92	52.9	53.92	184.69
Utilities & Outsourcing Expenses	4.58	5.18	9.91	9.97	10.03	39.67
Admin. & Other Expenses - Excluding CHQ/RHQ	3.8	4.15	10.31	11.31	12.41	41.98
Admin. & Other Expenses - CHQ/RHQ	10.15	10.66	11.19	11.75	12.34	56.09
Other Outflows	0.27	0.39	0.47	0.52	0.64	2.29
Total Operating Expenditure	53.23	56.59	110.27	114.25	118.53	452.87

12.24 Based on above considerations, the Authority proposes the following growth rates in operation and maintenance expenses.

Table 41: Growth rates in O&M expenses considered by the Authority

Particulars	FY	FY	FY	FY	FY
	2020-21	2021-22	2022-23	2023-24	2024-25
Payroll Costs –Including CHQ/RHQ	5%	5%	15%	5%	5%
Repair & Maintenance – Civil	21%	10%	-75%	10%	10%
Repair & Maintenance - Electrical and IT	10%	10%	20%	10%	10%
Repair & Maintenance - Others	10%	10%	10%	10%	10%
Utilities	-12%	12%	200%	NIL	NIL
Outsourcing Charges and Consumption and Stores and Spares	10%	10%	10%	10%	10%
Upkeep Expenses	10%	10%	460%	10%	10%
Watch and Ward Expenses	10%	10%	20%	10%	10%
CHQ and RHQ Expenses	5%	5%	5%	5%	5%
Admin. & Other Expenses – Excluding Upkeep expenses, Watch and Ward expenses and CHQ/ RHQ expenses	10%	10%	10%	10%	10%
Other Outflows	-46.33%	45.21%	21.07%	12%	12.43%

12.25 **Authority's proposal regarding O&M expenses for the First Control Period**

Based on the material before it and based on its analysis, the Authority proposes the following with regard to O&M expenses for the First Control Period.

- 12.25.1 The Authority proposes to consider O&M expenses for the First Control Period for Trichy Airport as per Table 40.

13. AERONAUTICAL REVENUE

13.1 AAI has proposed to increase the Aeronautical tariffs as applicable from August 1, 2020 as per below schedule:

- Landing Charges- For domestic ATM, AAI has proposed to increase the existing charges by 65.1% for FY 2020-21 (from August 1, 2020 till March 31, 2021) and by 4% year on year thereafter. For international ATM, one-time hike of 38.19% is proposed for FY 2020-21(from August 1, 2020 till March 31, 2021) and 4% year on year thereafter.
- Parking and housing charges - For domestic ATM, AAI has proposed a one-time hike of 473% for FY 2020-21(from August 1, 2020 till March 31, 2021) and 4% year on year thereafter. For international ATM, one-time hike of 396% has been proposed for FY 2020-21 (from August 1, 2020 till March 31, 2021) 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 164% in domestic UDF charges and 58% of International UDF charges only to recover the shortfall in ARR.

13.2 As per the AAI submission, table below represents the Aeronautical revenue:

Table 42: Aeronautical revenue as proposed by the AAI

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Landing charges	8.22	14.49	18.26	23.01	26.77
Parking & Housing charges	0.06	0.12	0.15	0.19	0.22
UDF/ PSF (Facilitation)	22.99	41.20	50.78	62.65	71.76
Fuel Throughput Charges	0.00	0.00	0.00	0.00	0.00
Land Lease	0.15	0.21	0.30	0.30	0.30
Ground Handling charges	3.64	5.14	6.05	7.14	7.94
CUTE charges	0.38	0.59	0.73	0.89	1.03
Revenue Share from AAICLS	0.44	0.49	0.55	0.60	0.67
Total Revenue	35.88	62.24	76.82	94.78	108.69

Authority's examination:

13.3 AAI had submitted its Multi-Year Tariff Proposal ('MYTP') originally on March 19, 2020 to AERA ('the Authority') for determination of Aeronautical tariffs for the First Control Period. The Authority, upon consideration of the substantial deviations in business scenarios caused due to the outbreak of COVID-19 pandemic, had suggested to AAI on May 14, 2020 to submit a revised MYTP, factoring in the impact of the above pandemic on the key elements forming part of the tariff determination process, including assumptions underlying traffic forecasts and capacity enhancements. Accordingly, AAI had submitted a revised MYTP to the Authority on June 1, 2020, by building assumptions underlying de-growth in passenger traffic, due to the above pandemic.

13.4 Further, the Authority examined the various components of CHQ/ RHQ expenses being allocated to Trichy Airport and noted that the methodology followed for allocation needs to be rationalized, taking into consideration the size of operations and the revenue generated by the Trichy Airport.

Accordingly, the Authority asked AAI to re-review the allocation of the said expenses and submit the revised allocation of CHQ/ RHQ expenses. AAI had re-examined the allocation of the above expenses and submitted a revised methodology for allocation of the above expenses to Trichy Airport, to the Authority on August 11, 2020.

13.5 AAI has proposed that the new tariff will be implemented with effect from August 1, 2020. However, the Authority is of the view that considering the present scenario of the adverse effect of the COVID pandemic on the Aviation sector, the new tariffs should be implemented only from the FY 2021-22 (effective from April 1, 2021).

13.6 The Authority proposes to allow a one- time increase of 45% in the Domestic Landing, Parking charges in the FY 2021-22, an increase of 10% in the FY 2022-23 thereafter a 6% increase on a compounded basis each year up to FY 2024-25.

13.7 The Authority proposes to allow Domestic UDF of ₹ 600 and International UDF of ₹ 800, as proposed by AAI with effect from April 1, 2021.

13.8 The Authority noted that AAI receives royalty towards CUTE charges @ ₹ 10.89 per passenger from the Independent Service Provider (ISP), M/s SITA. The Authority is of the view that above ISP shall obtain approval from the Authority on the CUTE charges (currently ₹ 37 per passenger) levied by it on the Airlines.

13.9 The Authority has determined the Aeronautical revenue based on the revised traffic growth rates shown in Table 5 and the proposed tariff rates (as per section 13.6). The same has been depicted in the table below:

Table 43: Aeronautical revenue as proposed by the Authority

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Landing charges	7.04	15.14	20.04	22.48	25.25	89.95
Parking & Housing charges	0.016	0.035	0.047	0.057	0.06	0.215
UDF/ PSF (Facilitation)	14.97	47.58	57.49	63.95	71.37	255.36
Fuel Throughput Charges	0	0	0	0	0	0
Land Lease	0.15	0.21	0.30	0.30	0.30	1.26
Ground Handling charges	3.81	5.37	6.55	7.12	7.74	30.59
CUTE charges	0.47	0.68	0.83	0.93	1.04	3.95
Revenue share from AAICLS	0.44	0.49	0.55	0.61	0.67	2.76
Total Revenue	26.89	69.50	85.81	95.45	106.43	384.08

13.10 Authority's proposal regarding Aeronautical Revenue for the First Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Aeronautical Revenue for the First Control Period.

13.10.1 The Authority proposes to consider Aeronautical revenue for the First Control Period for Trichy Airport as per Table 43.

14. TAXATION

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

Table 44: Depreciation rates for tax purposes as per AAI

Asset category	IT Depreciation rate – up to FY 2017-18	IT Depreciation rate - from FY 2018-19
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%
Computer – Servers and Network	60%	40%
Intangible Assets – Software	60%	40%
Plant & Machinery	15%	15%
Tools & Equipment	15%	15%
Office Furniture	10%	10%
Furniture & Fixtures: other than trolley	10%	10%
Furniture & Fixtures: Trolley	10%	10%
Vehicles	15%	15%
Solar Plant	10%	10%
Electrical Installations	10%	10%
Other Office Equipment	15%	15%
X Ray Baggage System	15%	15%
CFT/Fire Fighting Equipment	15%	15%

14.2 The tax calculation as submitted by AAI has been presented in the table below:

Table 45: Taxation as per AAI

(₹ Crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Aeronautical Revenue with Revised Rates	35.89	62.25	76.83	94.80	108.69
O&M expenses	65.12	69.50	124.38	126.33	133.63
Depreciation	6.09	8.91	50.77	88.45	79.71
Profit Before Tax	-35.31	-16.16	-98.33	-119.98	-104.65

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Set-off of prior period tax losses	0.00	0.00	0.00	0.00	0.00
PBT after set-off of prior period tax losses	-35.31	-16.16	-98.33	-119.98	-104.65
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
Tax	0.00	0.00	0.00	0.00	0.00

Authority's examination:

- 14.3 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. The Authority proposes to consider Aeronautical revenues as per Table 43.
- 14.4 The Authority proposes to consider the O&M expenses in accordance with Table 40 for computation of tax expense.
- 14.5 After considering all the above observations, the Authority proposes the following tax expense during the First Control Period.

Table 46: Tax expense as per the Authority

(₹ Crores)

Particulars	FY	FY	FY	FY	FY
	2020-21	2021-22	2022-23	2023-24	2024-25
Aeronautical Revenue with Revised Rates	26.89	69.50	85.81	95.45	106.43
O&M expenses	53.23	56.59	110.27	114.25	118.53
Depreciation	6.08	8.75	39.68	67.67	60.99
Profit Before Tax	-32.42	4.16	-64.14	-86.47	-73.09
Set-off of prior period tax losses	0	-4.16	0	0	0
PBT after set-off of prior period tax losses	-32.42	0	-64.14	-86.47	-73.09
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
Tax	0	0	0	0	0

14.6 Authority's proposal regarding Tax Expense for the First Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Tax Expenses for the First Control Period.

- 14.6.1 The Authority proposes to consider the tax expense as 'Nil' for the First Control Period for Trichy Airport as per Table 46.

15. AGGREGATE REVENUE REQUIREMENT FOR THE FIRST CONTROL PERIOD

- 15.1 AAI has submitted Aggregate Revenue Requirement (ARR) and Yield Per Passenger (Y) for the First Control Period as per the regulatory building blocks discussed.
- 15.2 All cash flows are discounted based on current report date, hence, discount factor of 1 is assigned to FY 2020-21 cash flows and consequent discount factor for subsequent years are applied from FY 2021-22 onwards (refer Table 55).
- 15.3 The summary of ARR and Yield has been presented in the table below.

Table 47: ARR and Yield as per AAI

Particulars	FY	FY	FY	FY	FY	FY
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Average RAB (₹ Crores)	28.39	47.04	89.94	523.80	905.21	851.72
Fair Rate of Return	14.00%	14.00%	14.00%	11.87%	11.87%	11.87%
Return on average RAB (₹ Crores)	3.97	6.59	10.73	62.49	107.99	101.61
O&M expenses (₹ Crores)	58.31	65.12	69.50	124.38	126.33	133.63
Depreciation (₹ Crores)	4.94	5.68	7.18	29.79	53.80	53.16
Tax expense (₹ Crores)	0.00	0.00	0.00	0.00	0.00	0.00
Less: 30% NAR (₹ Crores)	8.05	3.87	5.42	7.08	7.78	8.55
ARR per year (₹ Crores)	59.17	73.51	82.00	209.59	280.35	279.86
Add: True up shortfall of FY 2019-2020, claimed by AAI		0.08				
Discount rate		14.00%	14.00%	11.87%	11.87%	11.87%
PV of ARR (₹ Crores)		73.59	71.93	164.34	196.50	175.34
Sum Present value of ARR (₹ Crores)		681.70				
Total Traffic (million passengers)		3.33				
Yield per passenger (YPP) (₹)		2,048.12				

Authority's examination:

- 15.4 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the Table 47 above, the Authority proposes as below:
- To consider the average RAB in accordance with Table 27.
 - To consider the FRoR in accordance with Table 30.

- To consider the Depreciation as per Table 24.
- To consider the O&M expenses as per Table 40.
- To consider the Tax expense as per Table 46.
- To consider the Non-Aeronautical Revenue as per Table 33.
- To consider the Total Traffic in accordance with Table 5.

15.5 The Authority has compounded the shortfall of the completed FY 2019-20 @7% in line with the annual 14% cost of capital applied by AAI and considering that the cash flows have accrued evenly through the 12-month period.

15.6 After considering the above, the Authority proposes the following ARR and Yield, as presented in the table below.

Table 48: ARR and Yield as proposed by the Authority

Particulars	FY	FY	FY	FY	FY	Total
	2020-21	2021-22	2022-23	2023-24	2024-25	
Average RAB (₹ Crores) – (A) (Refer Table 27)	47.01	88.35	415.64	698.20	657.04	1,906.24
Fair Rate of Return – (B) (Refer Table 30)	14.00%	14.00%	11.61%	11.61%	11.61%	12.55%
Return on average RAB - (C = A*B) (₹ Crores)	6.58	12.37	48.26	81.06	76.28	224.55
Depreciation (₹ Crores) - (D) (Refer Table 24)	5.68	7.13	23.57	41.48	40.84	118.7
O&M expenses (₹ Crores) - (E) (Refer Table 40)	53.23	56.59	110.27	114.25	118.53	452.87
Tax expense (₹ Crores) – (T) (Refer Table 46)	0	0	0	0	0	0
Less: 30% NAR (₹ Crores) (Refer Table 33)	4.41	5.99	8.33	9.50	10.41	38.64
ARR per year (₹ Crores) – (C+D+E+T – NAR)	61.08	70.10	173.77	227.29	225.24	757.48
Add: True up shortfall/(Surplus) of FY 2019-20	0.08					
Discount rate	14.00%	14.00%	11.61%	11.61%	11.61%	
Discount factor	1	0.8772	0.7859	0.7042	0.6309	
PV of ARR (₹ Crores)	61.16	61.49	136.57	160.06	142.11	561.39
Sum Present value of ARR (₹ Crores)	561.39					
Total traffic (million passengers)	3.63					
Yield per passenger (YPP) (₹)	1,546.53					

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

Based on the material before it and based on its analysis, the Authority proposes the following with regard to ARR for the First Control Period.

15.7.1 The Authority proposes to consider the ARR and Yield for the First Control Period for Trichy Airport in accordance with Table 48.

16. ANNUAL TARIFF PROPOSAL

- 16.1 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. 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.
- 16.2 AAI has proposed the date for implementation of new tariffs as August 1, 2020. The Authority has proposed to implement the revised tariff on Landing charges, Parking and Housing charges and the User Development Fees (UDF) with effect from **April 1, 2021**.
- 16.3 The tariff card proposed by AAI for the First Control Period has been reproduced here. For purposes of comparison, the existing aeronautical charges have been provided along with the charges proposed by AAI.

i) Landing charges

Table 49: Existing Landing charges

Weight of Aircraft	Domestic rate per landing
Up to 10,000 kgs	₹ 67.10 per 1,000 kgs
10,001 kgs to 20,000 kgs	₹ 671 plus ₹ 117.70 per 1,000 kgs in excess of 10,000 kgs
Over 20,000 kgs	₹ 1,848 plus ₹ 231 per 1,000 kgs in excess of 20,000 kgs

Table 50: Landing charges proposed by AAI for the First Control Period

Weight of the Aircraft	International rate per landing (₹)	Domestic rate per landing (₹)
Up to 25 MT	304 per MT	202 per MT
Above 25 MT up to 50 MT	7,600+569 per MT in excess of 25 MT	5,050+355 per MT in excess of 25 MT
Above 50 MT up to 100	21,825+658 per MT in excess of 50 MT	13,925+405 per MT in excess of 50 MT
Above 100 MT to 200 MT	54,725+759 per MT in excess of 100 MT	34,175+494 per MT in excess of 100 MT
Above 200 MT	130,625+911 per MT in excess of 200 MT	83,575+557 per MT in excess of 200 MT

Landing charges proposed by the Authority: The existing Landing charges (as per Table 49) are proposed to be increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and thereafter by 6% on a compounded basis up to FY 2024-25. Existing Landing charges as per Table 49 shall be applicable up to March 31, 2021.

- 16.4 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.
- 16.5 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.
- 16.6 Charges shall be calculated on the basis of nearest MT (i.e. 1,000 kg).
- 16.7 Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

ii) Parking and Housing Charges

Table 51: Existing Parking charges

Weight of Aircraft	Rate per hour
Up to 40,000 kgs	₹ 1.80 per hour per 1,000 kgs
40,001 to 100,000 kgs	₹ 72 + ₹ 3.40 per 1,000 kgs per hour in excess of 40,000 kgs
Above 100,000 kgs	₹ 276 + ₹ 5.20 per 1,000 kgs per hour in excess of 100,000 kgs

Table 52: Existing Housing charges

Weight of Aircraft	Rate per Hour
Up to 40,000 kgs	₹ 3.50 per hour per 1,000 kgs
40,001 kgs to 100,000 kgs	₹ 140 plus ₹ 6.80 per hour per 1,000 kgs in excess of 40,000 kgs
Over 100,000 kgs	₹ 548 plus ₹ 10.30 per hour per 1,000 kgs in excess of 100,000 kgs

Table 53: Parking charges proposed by AAI for the First Control Period

Weight of the Aircraft	Parking Charges Rates per Hour (₹) (up to two hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	10.11 per Hour per MT	20.22 per Hour per MT
Above 25 MT up to 50 MT	252.75+ 11.25 per Hour per MT in excess of 25 MT	505.50+22.50 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	534+ 22.50 per MT per Hour in excess of 50 MT	1,068+45 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	1,659+ 28.13 per MT per Hour in excess of 100 MT	3,318+56.26 per MT per Hour in excess of 100 MT
Above 200 MT	4,472+ 30.93 per 1 MT per Hour in excess of 200 MT	8,944+61.86 per MT per Hour in excess of 200 MT

Parking Charges proposed by the Authority: The existing Parking and Housing charges (as per Table 51 & Table 52) are proposed to be increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and thereafter by 6% on a compounded basis up to FY 2024-25. Existing Parking and Housing charges as per Table 51 & Table 52 shall be applicable up to March 31, 2021.

- 16.8 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.
- 16.9 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- 16.10 Charges shall be calculated on the basis of nearest MT.
- 16.11 Charges for each period parking shall be rounded off to nearest rupee.
- 16.12 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.

- 16.13 Night parking charges (between 2200 hours to 0600 hours) will be similar to the parking and housing charges as per table above. Night parking charges are waived off in principle for all domestic scheduled operators at Trichy Airport if the State Government has brought the rate of tax (VAT) on ATF <5%. The above waiver of night parking charges will be made applicable from the date of implementation of <5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.
- 16.14 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.
- 16.15 For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable as approved by Authority.

iii) User Development Fees (UDF)

Table 54: UDF Proposed by AAI and by the Authority (per embarking passenger)

Passenger	Existing UDF	UDF proposed by AAI and by the Authority on tickets issued on or after April 1, 2021
Domestic	₹ 227/-	₹ 600/-
International Passenger	₹ 505/-	₹ 800/-

PSF (F) is proposed to be subsumed in the UDF. Existing UDF as per Table 54 shall be applicable up to March 31, 2021.

Notes:

- Collection charges: if the payment is made in accordance with period prescribed under credit policy of AAI, then collection charges at ₹ 5.00 per departing passenger shall be paid by AAI. No collection charges shall be paid 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 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- Revised UDF charges will be applicable on tickets issued on or after April 1, 2021.
- No UDF/PSF (Facilitation) will be levied for Transit Passengers.

iv) Aviation Security Fee: Applicable as prescribed by MoCA

v) 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 November 30, 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

hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).

- g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

vi) 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 will be completely exempted from charges as per Order No.20/2016-17 dated March 31, 2017 of the Authority from the date the scheme is operationalized by GOI.

Authority’s examination:

Aeronautical revenue under the proposed tariff card (Annexure-I):

16.16 The Authority ensured that the proposed tariff card leads to projected revenues in line with the ARR. This has been further detailed in the table below:

Table 55: Computation of Shortfall from proposed Aeronautical charges by the Authority

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Total PV of ARR including true up (a)	561.39					
Landing charges:						
<i>Domestic (₹ in Crores)</i>	0.58	1.09	1.49	1.95	2.54	7.65
<i>International (₹ in Crores)</i>	6.46	14.05	18.55	20.53	22.71	82.30
Parking and housing charges:						
<i>Domestic (₹ in Crores)</i>	0.002	0.004	0.006	0.007	0.01	0.029
<i>International (₹ in Crores)</i>	0.014	0.031	0.041	0.05	0.05	0.186
Land Lease - Oil Companies (₹ in Crores)	0.15	0.21	0.30	0.30	0.30	1.26
Ground handling charges (₹ in Crores)	3.81	5.37	6.55	7.12	7.74	30.59
CUTE charges (₹ in Crores)	0.47	0.68	0.83	0.93	1.04	3.95
Cargo Revenue (₹ in Crores)	0.44	0.49	0.55	0.61	0.67	2.76
Total Aeronautical Revenue, before UDF (₹ in Crores)	11.93	21.93	28.32	31.50	35.06	128.73
PV factor	1	0.8772	0.7860	0.7042	0.6309	
PV of Aeronautical revenue (before UDF) (₹ in Crores)	11.93	19.23	22.26	22.18	22.12	97.72
∑ PV Aero Revenue (before UDF) (b)	97.72					
Shortfall before UDF (a)-(b)=(c)	-463.67					

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
UDF/ PSF (F)						
<i>Domestic (₹ in Crores)</i>	1.61	8.08	10.10	12.63	15.79	48.21
<i>International (₹ in Crores)</i>	13.36	39.49	47.39	51.32	55.58	207.14
Total UDF	14.97	47.57	57.49	63.95	71.37	255.35
PV of UDF	14.97	41.73	45.18	45.03	45.03	191.95
∑ PV of UDF (d)	191.95					
∑ PV Projected Aero Revenue including UDF (b) + (d) = (e)	289.67					
Surplus/ (Shortfall) Proposed to be carried forward for Next Control Period (a) - (e)	-271.72					

16.17 As can be observed from the above table, as per the Authority's proposals, AAI is entitled to recover an ARR of ₹ 561.39 Crores. The present value of total projected aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 289.67 Crores, thus resulting in a net shortfall of ₹ 271.72 Crores that shall be carried forward to the next Control Period.

17. SUMMARY OF PROPOSALS

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18. STAKEHOLDERS' CONSULTATION TIMELINE

- 18.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 17 – Summary of proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.
- 18.2 For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the Stakeholders in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.
- 18.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 17 above, latest by **13/11/2020**.

**Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport New Delhi -110003
Tel: 011-24695044-47, Fax: 011-24695048**

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(Chairperson)

Annexure-I**AERA PROPOSED TARIFF CARD FOR AAI TRICHY AIRPORT(TRZ)****FOR AERONAUTICAL SERVICES FOR THE
FIRST CONTROL PERIOD (F.Y. 2020-21 to FY 2024-25)****The Existing tariffs shall continue up to 31st March 2021****PROPOSED TARIFF EFFECTIVE FROM 1st April 2021 to 31 March 2022****(I) (a) Landing Charges - International flights**

Landing changes (International) – (FY 2021-22)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	304.50 Per MT
Above 25 MT up to 50 MT	7,612.50 + 616.80 per MT in excess of 25 MT
Above 50 MT up to 100 MT	23,032.50 + 689.80 per MT in excess of 50 MT
Above 100 MT to 200 MT	57,522.50 + 785 per MT in excess of 100 MT
Above 200 MT	1,36,022.50 + 810 per MT in excess of 200 MT

Landing changes (International) – (FY 2022-23)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	335 Per MT
Above 25 MT up to 50 MT	8,375+678.50 per MT in excess of 25 MT
Above 50 MT up to 100 MT	25,337.50+758.80 per MT in excess of 50 MT
Above 100 MT to 200 MT	63,277.50+863.50 per MT in excess of 100 MT
Above 200 MT	1,49,627.5+891.10 per MT in excess of 200 MT

Landing changes (International) – (FY 2023-24)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	355.10 Per MT
Above 25 MT up to 50 MT	8,877.50+ 719.20 per MT in excess of 25 MT
Above 50 MT up to 100 MT	26,857.50+ 804.30 per MT in excess of 50 MT
Above 100 MT to 200 MT	67,072.50+ 915.30 per MT in excess of 100 MT
Above 200 MT	1,58,602.50+ 944.60 per MT in excess of 200 MT

Landing changes (International) – (FY 2024-25)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	376.40 Per MT
Above 25 MT up to 50 MT	9,410 + 762.40 per MT in excess of 25 MT
Above 50 MT up to 100 MT	28,470 + 852.60 per MT in excess of 50 MT
Above 100 MT to 200 MT	71,100 + 970.20 per MT in excess of 100 MT
Above 200 MT	1,68,120+ 1,001.30 per MT in excess of 200 MT

(I) (b) Landing Charges – Domestic flights

Landing Charges (Domestic) - (FY 2021-2022)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	181.10 Per MT
Above 25 MT up to 50 MT	4,527.50 + 326.00 per MT in excess of 25 MT
Above 50 MT up to 100 MT	12,677.50 +336.10 per MT in excess of 50 MT
Above 100 MT to 200 MT	29,482.50+340.00 per MT in excess of 100 MT
Above 200 MT	63,482.50+328.10 per MT in excess of 200 MT

Landing Charges (Domestic) - (FY 2022-2023)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	199.20 Per MT
Above 25 MT up to 50 MT	4,980 + 358.60 per MT in excess of 25 MT
Above 50 MT up to 100 MT	13,945 +369.70 per MT in excess of 50 MT
Above 100 MT to 200 MT	32,430 + 374.00 per MT in excess of 100 MT
Above 200 MT	69,830 +360.90 per MT in excess of 200 MT

Landing Charges (Domestic)- (FY 2023-2024)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	211.20 Per MT
Above 25 MT up to 50 MT	5,280 +380.10 per MT in excess of 25 MT
Above 50 MT up to 100 MT	14,782.5 +391.90 per MT in excess of 50 MT
Above 100 MT to 200 MT	34,377.5 + 396.40 per MT in excess of 100 MT
Above 200 MT	74,017.5 + 382.60 per MT in excess of 200 MT

Landing Charges (Domestic)- (FY 2024-2025)	
Weight of the Aircraft	Proposed Rate Per Landing (In INR)
Up to 25 MT	223.90 Per MT
Above 25 MT up to 50 MT	5,597.5 + 402.90 per MT in excess of 25 MT
Above 50 MT up to 100 MT	15,670 + 415.40 per MT in excess of 50 MT
Above 100 MT to 200 MT	36,440 + 420.20 per MT in excess of 100 MT
Above 200 MT	78, 460 + 405.60 per MT in excess of 200 MT

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

II) PARKING CHARGES

II A) Parking charges – International flights

Parking charges (International) – (FY 2021-2022) (in INR)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond four hours)
Up to 25 MT	2.60 Per Hour Per MT	5.20 Per Hour Per MT
Above 25 MT up to 50 MT	65 + 4.50 per MT per Hour in excess of 25 MT	130 + 9.00 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	177.50 + 5.70 per MT per Hour in excess of 50 MT	355 +11.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	462.50 + 8.70 per MT per Hours in excess of 100 MT	925 + 17.40 per MT per Hours in excess of 100 MT
Above 200 MT	1,332.50 + 8.80 per MT per Hours in excess of 200 MT	2,665 + 17.60 per MT per Hours in excess of 200 MT

Parking charges (International) – (FY 2022-2023) (in INR)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond four hours)
Up to 25 MT	2.90 Per Hour Per MT	5.80 Per Hour Per MT
Above 25 MT up to 50 MT	72.50 + 5.00 per MT per Hour in excess of 25 MT	145 + 10 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	197.50 + 6.30 per MT per Hour in excess of 50 MT	395 + 12.60 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	512.50 + 9.60 per MT per Hours in excess of 100 MT	1,025 +19.20 per MT per Hours in excess of 100 MT
Above 200 MT	1,472.50+ 9.70 per MT per Hours in excess of 200 MT	2,945+ 19.40 per MT per Hours in excess of 200 MT

Parking charges (International) – (FY 2023-2024) (in INR)		
Weight of the Aircraft	Parking Charges per Hour (First two hours after free parking period)	Parking Charges per Hour(beyond 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 MT per Hour in excess of 25 MT	155 + 10.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	210 + 6.70 per MT per Hour in excess of 50 MT	420 + 13.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	545 + 10.20 per MT per Hours in excess of 100 MT	1,090 + 20.40 per MT per Hours in excess of 100 MT
Above 200 MT	1,565 + 10.30 per MT per Hours in excess of 200 MT	3,130 + 20.60 per MT per Hours in excess of 200 MT

Parking charges (International) – (FY 2024-2025) (in INR)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond 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 MT per Hour in excess of 25 MT	165 + 11.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	222.50 + 7.10 per MT per Hour in excess of 50 MT	445 + 14.20 per MT per Hour in excess of 50 MT

Above 100 MT to 200 MT	577.50 + 10.80 per MT per Hours in excess of 100 MT	1,155 + 21.60 per MT per Hours in excess of 100 MT
Above 200 MT	1657.50 + 10.90 per MT per Hours in excess of 200 MT	3,315 + 21.80 per MT per Hours in excess of 200 MT

II B) Parking charges – Domestic flights

Parking charges (Domestic) – (In INR) (FY 2021-22)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond 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 MT per Hour in excess of 25 MT	125.00 + 7.80 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	160.00 + 4.70 per MT per Hour in excess of 50 MT	320.00 + 9.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	395.00 + 7.50 per MT per Hours in excess of 100 MT	790.00 + 15.00 per MT per Hours in excess of 100 MT
Above 200 MT	1145.00 + 7.70 per MT per Hours in excess of 200 MT	2290 + 15.40 per MT per Hours in excess of 200 MT

Parking charges (Domestic) – (In INR) (FY 2022-23)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond four hours)
Up to 25 MT	2.8 Per Hour Per MT	5.60 Per Hour Per MT
Above 25 MT up to 50 MT	70 + 4.30 per MT per Hour in excess of 25 MT	140.00 + 8.60 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	177.5 + 5.20 per MT per Hour in excess of 50 MT	355.00 + 10.40 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	437.50 + 8.30 per MT per Hours in excess of 100 MT	875.00 + 16.60 per MT per Hours in excess of 100 MT
Above 200 MT	1,267.5 + 8.50 per MT per Hours in excess of 200 MT	2,535 + 17.00 per MT per Hours in excess of 200 MT

Parking charges (Domestic) – (In INR) (FY 2023-24)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond 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 + 4.60 per MT per Hour in excess of 25 MT	150.00 + 9.20 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	190 + 5.50 per MT per Hour in excess of 50 MT	380 + 11 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	465 + 8.80 per MT per Hours in excess of 100 MT	930.00 + 17.60 per MT per Hours in excess of 100 MT
Above 200 MT	1,345 + 9.00 per MT per Hours in excess of 200 MT	2,690 + 18.00 per MT per Hours in excess of 200 MT

Parking charges (Domestic) – (In INR) (FY 2024-25)		
Weight of the Aircraft	Parking Charges per Hour(First two hours after free parking period)	Parking Charges per Hour(beyond four hours)
Up to 25 MT	3.20 Per Hour Per MT	6.40 Per Hour Per MT
Above 25 MT up to 50 MT	80 + 4.90 per MT per Hour in excess of 25 MT	160.00 + 9.80 per MT per Hour in excess of 25 MT
Above 50 MT up to 100 MT	202.50 + 5.80 per MT per Hour in excess of 50 MT	405 + 11.60 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	492.50 + 9.30 per MT per Hours in excess of 100 MT	985.00 + 18.60 per MT per Hours in excess of 100 MT
Above 200 MT	1,422.50 + 9.50 per MT per Hours in excess of 200 MT	2,845 + 19.00 per MT per Hours in excess of 200 MT

Notes-

- 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.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each period parking shall be rounded off to nearest rupee.
- At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.

6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Trichy Airport if the State Government has brought the rate of tax (VAT) on ATF \leq 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of \leq 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
8. For unauthorized overstay of aircraft an additional charge of Rs. 20.00 per hour per MT beyond 24 hours is to be payable.

III) USER DEVELOPMENT FEES (UDF)

Passenger	UDF proposed by AAI and by the Authority on tickets issued on or after April 1, 2021 (per embarking passenger)
Domestic	Rs. 600/-
International Passenger	Rs. 800/-

PSF (FC) is proposed to be subsumed in the UDF;

Notes:-

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

IV) Aviation Security Fee : Applicable as prescribed by MoCA.

V 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.

- (a) Children (under age of 2 years),
- (b) Holders of Diplomatic Passport,

- (c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. “A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger”).
- (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 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.



FNO- No. AAI/CHQ/AERA/MYTP-Trichy/2019

dated:01/06/2020

The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safderjung Airport
New Delhi-110003

Sub:- Submission of Revised Multi Year Tariff proposal (MYTP) in respect of Trichy Airport for the control period (01/04/2020 to 31/03/2025) due to impact of Covid-19 on Aviation Sector

Sir/Madam,

Reference is invited this office letter dated 20/03/2020 wherein the tariff proposal in respect Trichy airport was submitted to AERA for determination of Aeronautical Tariff.

AERA vide mail dated 14th May 2020 had advised AAI to review the Tariff proposal considering the impact of Covid-19 on aviation sector and accordingly advised AAI that AAI may resubmit the proposal, failure if any; AERA may examine/release the consultation paper based on the existing MYTP submission of AAI.

Accordingly, AAI has decided to review the Tariff proposal and following changes have been incorporated in the proposal considering the impact of Covid-19 on Aviation Sector.

1. (A) Capex

Trichy for control period(01/04/2020 to 31/03/2025)		
Project name	PDC taken in Tariff Proposal	Revised PDC .
Construction of New integrated Terminal Building - Rs. 805.06 crs (Total cost Rs. 872.51 crs. Aero portion is 92.27%)	PDC, 2021-2022, Nov 2021	18.04.2022 (RPDC)
Construction of Residential Qtrs; Rs. 58.27crs, (Total cost Rs. 65.12 crs. Aero portion is 34/38 Qtr Ratio)	PDC, 2021-2022, July 2021	08.01.2022 (RPDC)

Construction of 10 nos. Parking Bays: Rs. 37.72 crs.	PDC 2021-22	31.10.2020 (RPDC)
Construction of perimeter Road: Rs. 3.07 Crores	PDC 2019-20.	Work completed on 20.08.2019 .
Replacement of 51nos. SCCTV: Rs.0.95 cr.	PDC 2019-20	Installation of 51 cameras completed on 05.10.2019
SITC of FIDS: Rs1.24 crs.,	PDC 2019-20	Installation to be completed in June 2020 due covid delay PDC (2020-21)
Construction of and raising of operational B/wall: Rs. 0.37 crs,	PDC 2019-20	30.06.2020 (RPDC)
E-gates 8Nos.Rs.0.43 crs	PDC 2019-20	Completed on 18.07.2019
Dynamic signage's Rs.0.43 crs	PDC 2019-20	Completed o 15.07.2019
Total cost of Runway resurfacing of Rs.18.97 cr has been charged off in 5 equal installments of Rs.3.79 cr.	In FY 19-20 to FY 22-23 as per AERA guidelines.	06.07.2021 PDC)

(B) Growth

The Revised Traffic growth has been projected on actual up to Mar 2020 as given by Dte. Of CPMS which is as under:

	Dom. Passenger	Intl. Passenger	Dom. ATM	Intl. ATM	Dom. Freight (in Tonnes)	Intl. Freight (in Tonnes)
2019-20 (in no.)	296073	1316419	5364	8896	2	8112
2020-21 (%)	-32.4%	-62%	-25.4%	-56.8%	-100%	-44.5%
2021-22(%)	20.0%	70.0%	18.0%	65.0%	0%	80%
2022-23(%)	15.0%	25.0%	12.0%	22.0%	0%	12.0%
2023-24(%)	15.0%	25.0%	12.0%	22.0%	0%	12.0%
2024-25(%)	12.0%	15.0%	10.0%	12.0%	0%	10.0%

(C) Operating Expenditure:-

- 10% additional expenditure (R&M-Civil) is proposed for FY2020-21 for sanitization/PPE Kit/temporary Partition etc. for maintaining social distancing due to Covid-19.
- 70% reduction is proposed in Electricity for April20 & May 20 due to lock down.

(D) Revenue from Land Lease/Commercial Contracts:

Revenue from land lease and commercial contracts are proposed in FY 2020-21 @ 50% of FY19-20. Further 70% and 100% of revenue of FY 2019-20 have been proposed in FY 2021-22 and in FY2022-23 respectively. Thereafter 10% annual escalation is proposed for FY 2023-24 and FY 2024-25.

2. Fair Rate of Return (FRoR)

FRoR has been taken 14% for FY 2019-20 to FY2021-22 and 11.87%(Debt equity ratio) for FY 22-23 to FY 23-24 as per AERA guidelines. Debt equity ratio has been worked out by taking leverage of cost of debt @8.03% and cost of equity @ 16%.

AERA has considered the cost of equity@16% and cost of debt @8.03% in r/o Patna airport whose tariff order has already been issued.

3. Debts

AAI proposes to take debt 60% of project cost as per Project infrastructure board (PIB) approval. AAI will take debt in FY20-21 for Rs.115.24cr and Rs 367.80 cr in FY21-22 as per Phasing of expenditure (60% of Aeronautical portion i.e.Rs.805.06).

Accordingly, Interest during construction (IDC) @8.03% p.a. on Debts for FY20-21 for Rs.9.25cr. and Rs.38.78 cr for FY21-22 are proposed to be capitalized with Terminal building in FY22-23. Interest on debts for post construction period for Rs. 38.79 cr.p.a. for FY22-23 to FY 24-25 are proposed to be charged off.

4. Proposed Date of implementation of new Tariff

Earlier the date of implement of new tariff was proposed 1st April 2020.The revised proposed date of implementation of new tariff is 1st August 2020.

5. Aggregate Revenue Requirement (ARR)

As per the MYTP, Aggregate Revenue Requirement (ARR) for the first control period on Hybrid Till basis (FY 2020-21 to FY 2024-25) has been worked out to Rs.925.78 crores and PV of ARR(Target Revenue) is Rs. 682.41 cr including short recovery of Rs.0.10 cr. For FY 2019-20. The total projected revenue at the proposed rate is 280.43 Cr. against the PV of ARR of Rs.682.41 Cr. The shortfall for the FY 19-20 works out to Rs.0.10 crs. which is to be adjusted in the first control period. The short recovery of ARR Rs. 401.97 Cr. is to be adjusted in the next control period to avoid very steep increase in the tariffs. For short recovery, a suitable Clause would be incorporated in the draft concession agreement by AAI during the next round of PPP transaction.

6. Revenue Stream to recover ARR

The following revenue streams are available to recover the ARR:

(a). Landing Charges: - Landing charges have been increase based on the average landing charges of the aircraft and is proposed to increase by 65.1% for Domestic landing and by 38.19 International landing from the existing charges w.e.f. 01.08.2020 till 31.03.2021. An increase of 4% thereafter on year on year basis from FY 2021-22 onward s is proposed. Existing and Proposed Landing charges are as under:

Landing Average	Existing (Rs.)	Proposed Earlier(Rs.)	Proposed Now (Rs.)	Increase (%) on existing charges
Average Revenue per ATM (Dom)	3070.65	4504.64	5069.64	65.1
Average Revenue per ATM (INTL)	29049.95	35731.44	40144.13	38.19

(b). Parking Charges: -Parking Charges are proposed to increases in Domestic Parking by 473% and International parking charges by 396% from the existing charges w.e.f. 01.08.2020 till 31.03.2021. An increase of 4% thereafter on year on year basis from FY 2021-22 onwards. Existing and Proposed Landing charges are as under:

Parking & Housing Average	Existing(Rs.)	Proposed Earlier(Rs.)	Proposed Now (Rs.)	Increase (%) on existing charges
Average Revenue per ATM (Dom)	11.64	26.66	66.62	473
Average Revenue per ATM (INTL)	64.25	127.22	318.70	396

(c) UDF: - The above charges have been proposed to recover ARR and balance is proposed to recover from the UDF. The revised UDF for both Domestic and International are proposed w.e.f 01.08.2020:-

Per departing passenger	UDF (INR)				
	Existing			Proposed	Increase (%) on existing charges
	PSF (F) Rates	UDF Rates	Total(UD F/PSF)	Proposed Rates (01.08.2020 To 31.03.2025)	
Domestic (PAX)	77/-	150/-	227/-	600/-	164%
International (PAX)	89/-	416/-	505/-	800/-	58%

PSF(F) is proposed to be subsumed with UDF.

(8) Aviation Security Fee (ASF) will continue to be charged as rate prescribed by MoCA.

The up-dated MYTP along with the Annual Tariff Proposals is enclosed for your consideration and approval.

This issues with the approval of Competent Authority.

Yours faithfully,

(Signature)
1/6/2020
(Pradeep Kumar)

Executive Director(JVC/Tariff)

Encl:- As above