

**File No. AERA/20010/MYTP/AAI/Varanasi/CP-II/2016-17**

**Addendum to Consultation Paper No. 05/2020-21**



**Airports Economic Regulatory Authority of India  
In the matter of determination of aeronautical tariffs in respect of  
Lal Bahadur Shastri International Airport (VNS), Varanasi for the  
First Control Period (01.04.2019 to 31.03.2024)**

**24<sup>th</sup> November 2020**

AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi – 110003

## **STAKEHOLDER COMMENTS**

The Authority issued Consultation Paper No. 05/2020-21 for the Varanasi Airport on June 1, 2020, post which a Stakeholder Consultation Meeting was convened by the Authority on June 30, 2020 to invite the views of the Stakeholders on the Consultation Paper in which the proposals have been put forward based on Authority's analysis and observations on the original Multi Year Tariff Proposal (MYTP) submitted by the airport operator. Further, AAI presented the revised proposal considering the impact of ongoing COVID19 pandemic on traffic projections and capex plan during the Stakeholders' Consultation meeting. During the meeting some of the Stakeholders wish to understand the Authority's views on the revised proposal and requested the Authority to come up with the revised Consultation Paper or an Addendum to the Consultation Paper in order to gauge the impact on the aeronautical tariffs. The Authority has released this Addendum to the Consultation Paper, after examining the impact of COVID-19 pandemic on the various assumptions stipulated in the revised 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 Addendum to the Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Addendum to the Consultation Paper No. 05/2020-21 dated 24/11/2020 are 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](mailto:gita.sahu@era.gov.in) and copy to [director-ps@era.gov.in](mailto:director-ps@era.gov.in)

**Last Date for submission of comments: 09/12/2020**

**Last Date for submission of counter comments: 17/12/2020**

**Comments and counter comments will be posted on AERA's website [www.era.gov.in](http://www.era.gov.in)**

For any clarification/information, Director (P&S, Tariff) may be contacted at Tel. No. +91-11-24695048

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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
ALCMS	Airfield Lighting Control & Monitoring System
ANS	Air Navigation Services
ARR	Annual Revenue Requirement
ATM	Aircraft Traffic Movement
ATRS	Automated Tray Retrieval System
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
C&AG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CFT	Crash Fire Tender
CHQ	Central Headquarter
CISF	Central Industrial Security Force
DGCA	Directorate General of Civil Aviation
DLP	Defect Liability Period
E&M	Electrical & Mechanical
EB	Electricity Board
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 Passenger per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
PBB	Passenger Boarding Bridge
PIB	Project Investment Board
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
RAB	Regulatory Asset Base
RHQ	Regional Headquarter
SITC	Supply, Installation, Testing & Commissioning
UDF	User Development Fees
YPP	Yield Per Passenger

## **1. Introduction**

- 1.1 The Authority vide Consultation Paper No. 05/2020-21 dated June 1, 2020 proposed to determine aeronautical tariffs in respect of Varanasi Airport for the 1st Control Period (01/04/2019 to 31/03/2024). The Authority had invited comments from Stakeholders for the proposed tariffs.
- 1.2 A Stakeholder Consultation Meeting was convened by the Authority on June 30, 2020 to invite the views of the Stakeholders on the Consultation Paper and to discuss the impact of ongoing COVID19 pandemic.
- 1.3 AAI presented the Multi Year Tariff Proposal to AERA for determination of tariffs for the 1st Control Period covering the features of the existing airport, historical data and projections for passenger traffic and ATM movements. Subsequently, AAI revised the projections of passenger traffic and ATM movements, and the revised date of capitalization for proposed capital expenditure during the Control Period in the light of COVID19 pandemic.
- 1.4 Some of the Stakeholders raised the issues of impact of revised submission on the aeronautical tariffs and requested the Authority to come up with a fresh consultation paper or issue an addendum to the existing Consultation Paper.
- 1.5 The Authority has carefully read and analyzed these comments. After a thoughtful consideration of these comments in the light of discussions with Stakeholders, the Authority, has concluded that the impact of new proposals and revised numbers submitted by AAI, was material in terms of their impact on aeronautical tariffs.
- 1.6 In view of the same, the Authority decided to issue an Addendum to the Consultation Paper 05/2020-21, for inviting fresh comments from the Stakeholders.
- 1.7 This Addendum has been issued to present the Stakeholders with the new information received by the Authority since the publication of the Consultation Paper 05/2020-21 and their impact on the tariff determination as well as to discuss the comments received from the Stakeholders and Authority's position on these comments.
- 1.8 The Chapters below are structured to present the comments from the Stakeholders followed by Authority's position. In case there are no comments pertaining to a Chapter and there are no revised numbers on the concerned building block, the same has not been presented in this Addendum.
- 1.9 For better understanding and to get a complete background, the Authority requests the Stakeholders to read this Addendum along with the Consultation Paper No. 05/2020-21.
- 1.10 Further, the Authority proposes to revise the date of implementation of the proposed aeronautical tariffs including User Development Fees from April 1, 2021.

## **2. Methodology for Tariff Determination**

The Authority received comments from Indigo regarding the methodology for aeronautical tariff determination. Comments submitted by Indigo, AAI's responses, Authority's examination of these comments and impact on tariff determination have been discussed in the paragraphs below.

### **2.1 Comments from Indigo Airlines**

Indigo submitted that AERA has proposed to determine the tariff based on the Hybrid Till Approach. However, Indigo has stated that it has always advocated for the application of the Single Till approach for tariff determination across airports in India. Further, Indigo stated that AERA in its Single Till order has favored the application of Single Till approach in Indian context while evaluating various economic models for tariff determination. As per Clause 4.3 of AERA guidelines, AERA has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services.

### **2.2 AAI's Response to Stakeholders' comments**

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

### **2.3 Authority's evaluation of Stakeholders' comments and AAI's response**

The Authority, as per the recommendations of the National Civil Aviation Policy 2016 (NCAP 2016), has amended tariff guidelines vide its Order No. 14/2016-17 dated January 12, 2017 to determine the future tariffs using Hybrid Till. Therefore, the Hybrid Till approach shall be followed to determine the aeronautical tariffs.

### **2.4 Authority's final evaluation and revised proposal**

As discussed in the above paragraphs of this chapter, the Authority proposes to determine tariffs based on Hybrid Till Approach.

## **4. Traffic Forecast**

The Authority received comments from Indigo regarding the traffic forecast. The issues raised by Indigo were on the details of traffic forecast including the comparison with the any traffic forecast suggested by industry forums and rationale behind considering different CAGR periods for domestic and international passenger and ATM by the Authority. The comments raised by Indigo, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **4.1 Comments from Indigo Airlines**

#### **a. Revised Traffic Forecast**

Indigo submitted that AAI has not disclosed the details of traffic forecast including comparison with any other forecast with industry forums like IATA etc. in accordance with the Clause A5.6 of AERA (Terms and Conditions for Airport Operators) Guidelines, 2011 (AERA Guidelines). Further, Indigo has requested the Authority to conduct an independent study for the traffic projections, particularly due to the ongoing COVID19 pandemic.

#### **b. Rationale behind adopting different CAGR periods**

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

### **4.2 AAI's Response to Stakeholders' Comments and Revised Submission**

AAI has proposed the revised traffic projections as the aviation sector is going through a turbulent phase due to ongoing COVID19 pandemic. The revised traffic growth rates as submitted by AAI for the 1<sup>st</sup> Control Period are as follows:

**Table 1: Revised Traffic forecast as proposed by the AAI**

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	7.45%	16.62%	8.10%	10.02%	12.81%	10.26%
2020-21	-35.23%	-61.16%	-37.22%	-31.78%	-56.50%	-33.90%
2021-22	20.00%	80.00%	22.86%	18.00%	75.00%	21.23%
2022-23	15.00%	25.00%	15.70%	14.00%	22.00%	14.65%
2023-24	15.00%	25.00%	15.75%	14.00%	22.00%	14.70%
<b>Traffic</b>						
2019-20	2,778,972	231,730	3,010,702	21,987	2,069	24,056
2020-21	1,800,000	90,000	1,890,000	15,000	900	15,900
2021-22	2,160,000	162,000	2,322,000	17,700	1,575	19,275
2022-23	2,484,000	202,500	2,686,500	20,178	1,922	22,100
2023-24	2,856,600	253,125	3,109,725	23,003	2,344	25,347

Further, in response to Indigo's comments, AAI has requested the Authority to offer its views on the traffic projections.

### **4.3 Authority's evaluation of Stakeholders' Comments and AAI's response**

The Authority has carefully analyzed the submissions from Indigo and AAI, and presented its  
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views, as below:

**a. Revised Traffic Forecast**

The Authority has sought the views of various stakeholders at the time of Stakeholder’s Consultation meeting. Based on the suggestions received, the Authority has considered the CAPA estimates, ICAO study, IATA survey, and sector updates for the traffic projections for the Control Period. The traffic decline is proposed to be in the range of 40%-50% in the first year and 20%-30% in the second year while regaining the existing levels of FY 2019-20 by the end of FY 2022-23. For FY 2023-24, the hike of 20% has been considered in line with the recovery observed in other countries. Since the traffic projections proposed by AAI in revised submission is in the suggested range, we have proposed to consider the passenger traffic and ATM movement as per AAI’s projections for FY 2020-21 and FY 2021-22. Further, the passenger traffic and ATM movement have been considered at par with FY 2019-20 for FY 2022-23, and a 20% hike has been proposed on it for FY 2023-24. However, the Authority proposes to consider the passenger traffic as per actuals at the time of true-up.

**b. Rationale behind adopting different CAGR periods**

The Authority considered the balanced view while proposing the traffic growth rates and proposed the median growth rates among the 3-year CAGR, 5-year CAGR and 10-year CAGR for domestic and international passenger projections over the Control Period. However, the Authority now proposes to revise the traffic projections considering the impact of COVID19, which will subsequently be trueed up as per actuals at the time of true-up in the next Control Period.

**4.4 Authority’s final evaluation and revised proposal**

As discussed in the above paragraphs of this chapter, the Authority proposes revised traffic projections as shown in table below:

**Table 2: Revised Traffic forecast as proposed by the Authority**

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2019-20	7.45%	16.62%	8.10%	10.02%	12.81%	10.26%
2020-21	-35.23%	-61.16%	-37.22%	-31.78%	-56.50%	-33.90%
2021-22	20.00%	80.00%	22.86%	18.00%	75.00%	21.23%
2022-23	28.66%	43.04%	29.66%	24.22%	31.37%	24.80%
2023-24	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
<b>Traffic in numbers</b>						
2019-20	2,778,972	231,730	3,010,702	21,987	2,069	24,056
2020-21	1,800,000	90,000	1,890,000	15,000	900	15,900
2021-22	2,160,000	162,000	2,322,000	17,700	1,575	19,275
2022-23	2,778,972	231,730	3,010,702	21,987	2,069	24,056
2023-24	3,334,766	278,076	3,612,842	26,384	2,483	28,867

## **5. Allocation of Assets between Aeronautical and Non-Aeronautical**

The Authority received comments from Indigo and DIAL regarding the allocation of assets between the aeronautical and non-aeronautical services. The issue raised by Indigo was regarding the allocation of assets based on an independent study; while DIAL raised the issue of considering asset allocation based on actual usage. The comments raised by Indigo and DIAL, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **5.1 Comments from Indigo Airlines**

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

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

### **5.2 Comments from DIAL**

DIAL submitted that the terminal area allocation must depend on the specific characteristics of the airport terminal. DIAL suggested that the terminal area allocation should be based on actual area utilization, rather than on normative percentages.

### **5.3 AAI's Revised Submission and Response to Stakeholders' comments**

In its revised submission, AAI has requested to consider the following allocation ratios:

**Table 3: Revised Allocation Ratios proposed by AAI**

<b>Particulars</b>	<b>Ratio (FY 2017-18)</b>
Terminal Building Ratio	5.93%
Employee Ratio	3:91
Quarter Ratio	1:73

For Terminal Building ratio, AAI has submitted that the proposed allocation ratio of 5.93% as the terminal building has already saturated in FY 2018-19 and has no additional space to award for the Concessionaires. Therefore, AAI has requested to consider the terminal building ratio of 5.93%.

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

In response to the Stakeholders' comments, AAI has submitted that the allocation of assets between Aeronautical and Non-aeronautical have been done on the actual usage of the facility for aeronautical and non-aeronautical purposes. Further, AAI has submitted that split ratio of 65% for

Civil works and 35% for Electrical Installations has been considered based on a reasonable estimate.

## 5.4 Authority's evaluation of Stakeholders' comments and AAI's response

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

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

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

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

## 5.5 Authority's final evaluation and revised proposal

As discussed in the above paragraphs of this chapter, the Authority proposes revised allocation ratio as shown in table below:

**Table 4: Revised Allocation Ratios proposed by the Authority**

Particulars	Ratio (FY 2017-18)
Terminal Area Ratio	10%
Employee Ratio	3:86
Quarter ratio	1:73

On the basis of above observations, the Authority proposes the allocation of gross block of assets in accordance with the table below:

**Table 5: Allocation of assets proposed by the Authority (Gross Block as on 1<sup>st</sup> April 2017)**

S. No.	Asset category	Total assets	Pure Aero assets	Common Assets	Common Assets		Total Aero Assets	% Aero
					Aero	Non-Aero		
1.	Leasehold Land	0.31	0.31	0.00	0.00	0.00	0.31	100.0%
2.	Runways, Aprons and	44.74	44.74	0.00	0.00	0.00	44.74	100.0%
3.	Road, Bridges & Culverts	2.69	2.69	0.00	0.00	0.00	2.69	100.0%
4.	Building-Others	3.51	3.05	0.47	0.46	0.01	3.51	99.82%
5.	Building – Terminal	88.28	0.00	88.28	79.45	8.83	79.45	90.00%
6.	Building – Temporary	1.18	1.18	0.00	0.00	0.00	1.18	100.0%
7.	Building- Residential	0.46	0.11	0.36	0.35	0.01	0.46	98.95%
8.	Security Fencing-Temp	0.11	0.11	0.00	0.00	0.00	0.11	100.0%
9.	Boundary Wall – Operational	2.21	2.21	0.00	0.00	0.00	2.21	100.0%

S. No.	Asset category	Total assets	Pure Aero assets	Common Assets	Common Assets		Total Aero Assets	% Aero
					Aero	Non-Aero		
10.	Boundary Wall – Residential	0.09	0.00	0.09	0.08	0.01	0.08	98.63%
11.	Computer - End user	1.03	1.03	0.00	0.00	0.00	1.03	100.0%
12.	Intangible Assets – Software	1.02	1.01	0.01	0.01	0.0	1.01	99.79%
13.	Plant & Machinery	23.57	23.35	0.22	0.20	0.02	23.55	98.34%
14.	Tools & Equipment	4.00	3.22	0.78	0.70	0.08	3.92	98.05%
15.	Furniture & Fixtures: Other Than Trolley	1.74	1.73	0.01	0.01	0.00	1.74	99.99%
16.	Furniture & Fixtures: Trolley	0.36	0.36	0.00	0.00	0.00	0.36	100.0%
17.	Vehicles	1.15	1.15	0.00	0.00	0.00	1.15	100.0%
18.	Electrical Installations	43.46	7.91	35.55	32.00	3.55	39.90	91.82%
19.	Other Office Equipment	0.48	0.00	0.48	0.46	0.02	0.46	96.51%
20.	X Ray Baggage System	5.62	5.62	0.00	0.00	0.00	5.62	100.0%
21.	CFT/Fire Fighting Equipment	19.06	19.06	0.00	0.00	0.00	19.06	100.0%
	<b>Total</b>	<b>245.07*</b>	<b>118.84*</b>	<b>126.25*</b>	<b>113.72</b>	<b>12.53</b>	<b>232.54</b>	<b>94.89%</b>

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

Accordingly, the Initial RAB has been revised as presented in the following table:

**Table 6: Initial RAB on 1<sup>st</sup> April 2019 as proposed by Authority (figures in INR crores)**

Asset category	Opening gross block on Apr' 17	Accumulated depreciation	Opening net block on Apr'17	Addition for FY 2017-18	Net Depreciation FY 2017-18	Addition for FY 2018-19	Net Depreciated on FY 2018-19	Opening net block on Apr'19
Leasehold Land	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Runways, Aprons	44.74	42.80	1.94	0.00	1.94	0.57	0.04	0.53
Road, Bridges & Culverts	2.69	2.13	0.56	0.00	0.23	0.00	0.07	0.26
Building-Others	3.51	1.59	1.92	2.79	0.37	0.63	0.50	4.47
Building – Terminal	79.45	44.32	35.13	2.08	6.42	0.26	6.52	24.53
Building – Temporary	1.18	1.18	0.00	0.00	0.00	0.00	0.00	0.00
Building-Residential	0.46	0.37	0.09	0.00	0.02	0.00	0.02	0.05
Security Fencing-	0.11	0.11	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall – Operational	2.21	2.03	0.19	0.00	0.05	0.00	0.05	0.09
Boundary Wall – Residential	0.08	0.05	0.03	0.00	0.00	0.63	0.00	0.02
Computer - End	1.03	1.02	0.00	0.22	0.02	0.09	0.05	0.23
Intangible Assets	1.01	1.01	0.01	0.00	0.00	0.00	0.00	0.00
Plant &	23.55	19.63	3.92	1.94	1.85	8.07	2.40	9.68
Tools & Equipment	3.92	2.14	1.78	1.58	0.90	9.06	1.95	9.58

Asset category	Opening gross block on Apr' 17	Accumulated depreciation	Opening net block on Apr'17	Addition for FY 2017-18	Net Depreciation FY 2017-18	Addition for FY 2018-19	Net Depreciated on FY 2018-19	Opening net block on Apr'19
Furniture & Fixtures: Other Than Trolley	1.74	1.72	0.03	0.18	0.02	0.09	0.04	0.25
Furniture & Fixtures: Trolley	0.36	0.22	0.14	0.01	0.02	0.41	0.08	0.46
Vehicles	1.15	0.90	0.25	0.42	0.10	0.00	0.09	0.49
Electrical	39.90	28.68	11.23	1.22	3.49	2.69	4.22	7.43
Other Office	0.46	0.38	0.09	0.00	0.06	0.03	0.03	0.03
X Ray Baggage	5.62	3.24	2.38	0.00	0.19	0.04	0.31	1.92
CFT/Fire Fighting	19.06	6.38	12.68	0.00	0.97	5.30	2.24	14.77
<b>Total</b>	<b>232.23</b>	<b>159.89</b>	<b>72.36*</b>	<b>10.45</b>	<b>16.64</b>	<b>27.24</b>	<b>18.61</b>	<b>74.80</b>

\* Opening net block on April 2017 is at variance from the actual difference between Opening gross block on April 2017 and Accumulated Depreciation due to rounding off;

## **7. Capital Expenditure for the 1st Control Period**

The Authority received comments from Indigo and DIAL regarding the capital expenditure. The issues raised by Indigo and DIAL were regarding the consideration of normative capital cost and the need for the new terminal building. The comments raised by Indigo and DIAL, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **7.1 Comments from Indigo Airlines**

Indigo requested the Authority to review the need for new terminal building in light of COVID19 and proposed privatization of the airport, which may entail fresh assessment, capex requirements and consequent impact on tariff.

Further, Indigo has highlighted that the Authority has considered the normative cost of INR 100,000 per sq. meter for the terminal building in line with the consideration of normative cost for Lucknow, Guwahati, Chennai, Patna etc., however, the Authority as per Order No. 07/2016-17 dated June 13, 2016 has set the ceiling cost per sq. meter as INR 65,000.00. Indigo further highlighted that for Vishakhapatnam, the normative cost per sq. meter works out as INR 58,546.60 and since, the regional dynamics for Varanasi airport is not similar to Lucknow, Guwahati, Chennai and Patna, therefore considering the cost escalations for Varanasi will not be appropriate and the same must be considered within the normative norms prescribed in the Normative Order.

### **7.2 Comments from DIAL**

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

### **7.3 AAI's Revised Submission and Response to Stakeholders' comments**

#### **a) Response to Stakeholders'**

In response to Indigo's comments, AAI has submitted that the terminal building is planned to cater to the passenger growth for next 10-15 years and it takes 30 to 36 months to construct a new terminal building with all the facilities. Further, the capacity of existing terminal is 2.5 MPPA, however, the terminal had already handled the passenger traffic of 2.78 MPPA in FY 2019-20 which indicates that the terminal building is already saturated.

Regarding privatization of the airport, AAI has submitted that the whole process will take some time to complete, and, up to the handing over of the airport to the Concessionaire, AAI will have to facilitate the passengers, and, therefore, will need more space for smooth operations at the airport.

Further, AAI has supported DIAL's views in this regard.

**b) Revised Submission**

In its revised submission, AAI has proposed to revise the proposed date of capitalization of some of the capital expenditure considering the impact of the ongoing COVID19 pandemic. Further, AAI has requested to consider the cost of New Terminal Building and Apron as per original tariff proposal giving the account of the additional cost to be allowed over and above the Authority's proposed capital cost as per Consultation Paper.

AAI has proposed the revised capitalization of INR 1183.20 crore (excluding IDC of new Terminal Building) for the 1<sup>st</sup> Control Period. The item wise revised capitalization and proposed date of capitalization as submitted by AAI has been shown in table below:

**Table 7: Revised Capitalization as proposed by AAI for 1<sup>st</sup> Control Period (INR crore)**

Sr. No	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
a)	Construction of new integrated Terminal Building [Assumption: 65% civil and 35% electrical]	830.14	947.65	87.60%	November 2023
b)	Construction of Residential Quarters	32.03	74.00	58/134	June 2022
c)	Modification of Terminal Building (Existing Building)	23.52	25.00	94.07%	June 2022
d)	Surface of Grading, RCC drainage & rainwater harvesting	14.60	14.60	100.00%	June 2021
e)	Construction of New Fire Station & Medical Centre	11.85	11.85	100.00%	June 2021
f)	Provision of 2 nos. PBB	2.23	2.23	100.00%	July 2020
g)	Expansion of apron for 2 nos. code 4 C type aircraft	7.57	7.57	100.00%	July 2020
h)	Construction of Additional Parking Bays	9.50	9.50	100.00%	June 2023
i)	Renovation of Washroom & construction of New Toilets	4.50	4.50	100.00%	January 2021
j)	Cons. Of RESA both end	1.81	1.81	100.00%	December 2020
k)	CFT 1 no.	4.50	4.50	100.00%	March 2022
l)	Vertical Extension of CISF barrack	2.20	2.20	100.00%	June 2020
m)	Construction of Admin Block	9.62	25.41	95/251	June 2023
n)	S/o Passenger Baggage Trolley	2.02	2.02	100.00%	December 2022
o)	Construction of localizer and glide path building hut and antenna platform	3.67	3.67	100.00%	2020-21
p)	Extension of existing 2nos arrival carousal	1.31	1.31	100.00%	2020-21
q)	Provision of one no. additional arrival carousal	3.71	3.71	100.00%	2021-22
r)	Runway Mechanical Sweeper	7.30	7.30	100.00%	2021-22
s)	Purchase of PBB and AVDGS (2 nos)	4.08	4.08	100.00%	2020-21

Sr. No	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion (%)	Proposed Date of Capitalization
t)	Provision of way finding signages	1.49	1.49	100.00%	2019-20
u)	Provision of UPS and GLF System	1.08	1.08	100.00%	2020-21
v)	Modification of domestic BHS system for inline X-BIS	3.35	3.35	100.00%	2019-20
w)	Provision of Inline X-BIS	19.00	19.00	100.00%	2020-21
x)	Others	5.37	5.37	100.00%	
	<b>Total</b>	<b>1006.45</b>	<b>1183.20</b>		

#### 7.4 Authority's evaluation of Stakeholders' comments and AAI's response

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

The Authority has noted the concerns of Indigo regarding the need of the new terminal building considering the ongoing COVID19 pandemic. Under normal conditions, the approach followed by AAI for planning of new terminal building can be accepted. However, in light of COVID19, the same needs to be revisited considering the need for the capital expenditure while balancing the consumers' and airport operators' interest. As per the AAI's revised submission, the traffic projections are proposed at the significant lower level vis-à-vis the terminal capacity at present, however, the traffic projections are bound to cross the capacity of the terminal building by the end of the Control Period.

The Authority also enquired about the tendering status of the proposed terminal building from AAI. As per AAI, the Board's approval has already been accorded for forwarding the case to PIB and the project is likely to be awarded by May 2021. Further, AAI has submitted that the construction of new terminal building takes around 30-36 months to complete and therefore, going by the proposed timelines, the Authority believes that AAI may not achieve their proposed date of completion for the construction of new terminal building. Therefore, the Authority vide letter dated October 10, 2020 advised AAI to re-consider the decision for construction of new terminal building, considering the prevailing COVID19 situation which may impact the completion of the project. AAI vide letter dated October 22, 2020 submitted that the airport building is likely to saturate by the year 2023 considering revised traffic projections, therefore, there is a need to take up the project immediately as planning and execution will take around 3 years. Further, in case of privatization, all the contracts will be transferred to PPP Operator and accordingly such conditions will be incorporated in all new contracts. ***Therefore, considering AAI's proposal regarding the need of new terminal building and justification thereon that the existing terminal building will saturate by 2023 taking into account the revised traffic projections, the Authority, proposes to consider the construction of new terminal building in the first Control Period.***

AAI has proposed to revise the capital cost of new terminal building to INR 947.65 crore detailing the difference between the capital cost proposed by AAI in original tariff proposal and the capital cost as proposed by the Authority in the Consultation Paper. The Authority, after analyzing the detailed breakup of the capital cost for the new terminal building as per AAI's revised proposal, proposes to allow the following cost in addition to the cost proposed



in the Consultation Paper:

**Table 8: Additional cost proposed by Authority for new terminal building (INR crore)**

Sr. No	Particulars	Value
1.	Change in tax regime	38.10
2.	Body Scanner	27.69
3.	Canopy	11.04
<b>4.</b>	<b>Total</b>	<b>76.83</b>
5.	Capital Cost proposed in the Consultation Paper	736.06
<b>6.</b>	<b>Proposed Capital cost for new Terminal Building</b>	<b>812.89</b>

The Authority has considered AAI's original allocation of 65% for Civil and 35% for E&M works for working out the breakup of Passenger Terminal Building (PTB) cost. Accordingly, the breakup cost of new terminal building would be INR 528.38 crore for civil works and INR 284.51 crore for E&M installations/works. Further, the Authority proposes the TB ratio of 12.40% for new terminal building as proposed in the Consultation Paper. Accordingly, the aero portion of new PTB capital expenditure works out to INR 712.09 crore.

The Authority has considered the debt-equity ratio of 60%:40% and interest on loan (debt rate) as 8.03% as per AAI's original proposal. AAI has submitted that the construction of new terminal building will likely be awarded by May 2021 with the Proposed Date of Capitalization (PDC) of November 2023, however, the Authority has not received any capex phasing plan from AAI in the revised tariff proposal. Further, AAI shared the PMC consultancy award letter as part of original tariff proposal, which highlighted that the DLP of the PTB shall be for 24 months, accordingly, 10% of the total cost shall be withheld for a period of 24 months post the proposed COD in November 2023. Therefore, the Authority proposes the following capex expenditure phasing for new terminal building:

**Table 9: Capital Expenditure phasing for new Terminal building as proposed by Authority (INR Crore)**

Asset category	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total – Control Period	FY ending March 31, 2026	Total
Building – Terminal (%)	30%	30%	30%	90%	10%	100%

Considering the above capex expenditure plan and debt-equity of 60%-40%, the IDC up to the revised PDC has been computed as below:

Particulars	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	FY ending March 31, 2026
<b>Total Capex Phasing</b>	220.82	220.82	110.41	73.61
Debt – Opening	243.87	243.87	243.87	81.29
Addition during the year	0.00	146.32	292.64	438.96
Debt – Closing	146.32	146.32	146.32	48.77
Average Debt	146.32	292.64	438.96	487.73

Rate of Interest	8.03%	8.03%	8.03%	8.03%
Interest During Construction – Total Capex	5.87	17.62	17.13*	NIL
Interest During Construction – Aero Portion	5.15	15.44	15.01	

\*IDC for FY 2023-24 is for 7 months as PDC for new terminal building is considered as November 1, 2023

Based on the benchmark capital expenditure, revised capital expenditure phasing and IDC calculations, the new PTB aeronautical capital expenditure and capitalization are proposed to be as follows:

**Table 10: Capitalization for New Terminal Building including IDC (INR crore)**

Asset category	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total – Control Period	FY ending March 31, 2026	Total
New PTB - Total (including IDC)	249.74	261.49	261.00	772.23	81.29	853.52
New PTB – Capex (Aero, including IDC)	218.77	229.07	228.64	676.48	71.21	747.69
<b>New PTB – Capitalization (Aero, including IDC)</b>			<b>676.48</b>		<b>71.21</b>	

The Authority, based on its review of the passenger traffic growth for the airport expects that it would take a long time, beyond the First Control Period to reach the expanded rated capacity of 7.0 MPPA. The Authority, expects that the Varanasi Passenger Terminal Building (PTB) would handle only around half of its completed capacity at the end of the First Control Period.

Accordingly, as depicted in Table 2 in earlier chapter, the Authority, estimates that the actual passenger traffic may reach approximately 3.61 MPPA at the end of the First Control Period. The proposed new terminal building will enhance the handling capacity of Varanasi Airport to 7.00 MPPA (Existing Terminal - 2.5 MPPA and Proposed New Terminal Building – 4.5 MPPA), which means the capacity utilization of the airport will be only to the extent of 51.57% by the end of the First Control Period.

The Authority is of the view that in case the construction of the building is completed, included in the RAB and ~48% of the building remains unutilized, the Passengers and Airlines will have to bear the return on the entire investment made without any utilization of a portion of the building, which will not be fair and reasonable.

However, to take an objective view, the reimbursement of PTB capital expenditure must be based on a principle that accommodates the capital commitments made by AAI (the Operator), while also not unduly burdening the relatively lesser number of passengers with the full cost of capital spend.

In this regard, it can be reasonably expected that any construction project, such as that of the PTB, is intended to not only serve the prevalent operations but to also create headroom for future growth of capacity utilization, beyond the immediate short-term period. Therefore, the Authority decided that a headroom may be provided as allowance for accommodation of such expansion.

In view of the above stated facts and objectives, considering the ongoing progress of passenger terminal building (PTB) construction as well as the unanticipated disruption in

passenger traffic growth caused by the Covid-19 pandemic, the Authority, proposes that a reimbursement of capital expenditure equal to 75% of the aeronautical component of PTB project cost (reflecting a headroom of up to 75% addressable passenger traffic capacity utilization) would be justifiable for the purposes of tariff determination.

Accordingly, the multiple of 1.45 times the expected passenger traffic, at the end of the First Control Period, is derived such that the airport achieves the proposed capacity utilization equal to approximately 75% of the 7.0 MPPA which the PTB expansion is being built to serve. The reimbursed aeronautical PTB capital expenditure project cost is accordingly computed as given in Table 11.

Therefore, keeping all of the above factors in view, the Authority proposes that the investment made on the portion of building which will be put to use/ utilized should only be included in the RAB for tariff determination in this (current) Control Period. The Authority has adopted 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 11: Reimbursement of capital expenditure of the New Passenger Terminal Building as proposed by the Authority**

Planned Integrated Terminal Expansion	Formula	Unit	Values
Estimated Aeronautical portion of Capital Expenditure	(a)	₹ Crores	676.48
Planned Passenger Capacity post-expansion	(b)	million	7.00
Authority's estimation of FY 2023-24 traffic	(c)	million	3.61
Multiple of First Control Period traffic permissible <sup>1</sup>	(d)	X	1.45
Recommended capacity expansion permissible	(e) = (c)x(d)	million	5.25
- as % of original planned capacity	(f)= (e)/(b)%	%	0.75
Capex reimbursement for tariff determination	(g) = (f)x(a)	₹ Crores	507.36
Difference to be adjusted by reducing RAB	(a) - (g)	₹ Crores	169.12

<sup>1</sup>Multiple is to provide a reasonable headroom for growth in traffic for the First Control Period and beyond.

Thus, the Authority, proposes to exclude/reduce from the RAB, an amount of INR 169.12 Crore, which is equivalent to the cost of unutilized portion of the building (computed using ratio of 65%:35% that is Civil costs and Electrical Installations costs). However, this balance portion of the RAB, not considered now, should be included in the RAB as and when it is utilized, possibly in the next Control Period. Moreover, in case the actual traffic flow is more than the projected figure of 3.61 MPPA at any time during the Control Period, and, the capacity utilization is more than 51.57%, then the RAB would be suitably adjusted (by considering such proportionate cost of PTB) at the time of true up in the tariff determination process of the next Control Period.

Further, AAI has requested to revise the capital cost for Apron to INR 7.57 crore due to increase in proposed area for Apron and expenditure pertaining to GSE area as it is not included in the proposed area utilized for normative cost determination. Therefore, the Authority proposes to revise the capital cost for Apron as below:

**Table 12: Cost of Apron as approved by the Authority (INR Crore)**

Particulars	Value
Area (sqm)	10971.44
Cost per Sqm as on 1st April 2016(INR)	4700
Inflation % assumed	5%
Number of years of inflation	5

Particulars	Value
Inflation factor	1.28
Normative cost (Without demolition) (INR Crore)	6.58
Cost of Demolition and Earth work (INR Crore)	0.24
Cost of GSE Area (1608 sqm/2840.65 act. area) (INR Crore)	0.75
<b>Total cost of Apron inc, GSE area (INR Crore)</b>	<b>7.57</b>
<b>Cost Proposed by AAI (INR Crore)</b>	<b>7.57</b>

The Authority has considered AAI's proposal for revision of PDC of other capital expenditure.

## 7.5 Authority's final evaluation and revised proposal

As discussed in the above paragraphs of this chapter, the Authority proposes the revised capital expenditure for the 1<sup>st</sup> Control Period as shown in table below:

**Table 13: Capital Expenditure as proposed by the Authority for 1st Control Period (INR crore)**

Sr. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion	PDC
a)	Construction of New Terminal Building (including IDC & amount that shall be capitalized in 1 <sup>st</sup> Control Period)	507.36	579.18	87.60%	Nov-23
b)	Modification of Existing Terminal Building including consultancy work	22.50	25.00	90.00%	June-22
c)	Construction of Residential Quarters	32.03	74.00	58/134	June-22
d)	Construction of Additional Parking Bays	9.50	9.50	100.00%	June-23
e)	Surface Grading of entire operational area, construction of drainage system and construction of rainwater harvesting system	14.60	14.60	100.00%	2021-22
f)	Provision of 2 nos of Passenger Boarding Bridge (PBB)	2.23	2.23	100.00%	2020-21
g)	Renovation of washrooms and construction of New toilets in International Arrival before Immigration including Electrical PA system i/c renovation of VIP lounge (both)	4.50	4.50	100.00%	2020-21
h)	Construction of New Fire Station & Medical Centre	11.85	11.85	100.00%	2021-22
i)	Construction of localizer and glide path building hut and antenna platform	3.67	3.67	100.00%	2020-21
j)	Extension of existing 2nos arrival carousal	1.31	1.31	100.00%	2020-21
k)	Provision of one no. additional arrival carousal	3.71	3.71	100.00%	2021-22
l)	Runway Mechanical Sweeper	7.30	7.30	100.00%	2021-22
m)	CFT 1 nos	4.50	4.50	100.00%	March-22
n)	Construction of R/way End Safety Area (RESA) at both ends of Runway	1.81	1.81	100.00%	2020-21

Sr. No.	Component	Aero Cost (INR Cr)	Total Cost (INR Cr)	Aero Portion	PDC
o)	Expansion of Apron for 2 nos .4C type of aircraft	7.57	7.57	100.00%	2020-21
p)	Vertical Extension of CISF Barrack i/c Quarter Guard	2.20	2.20	100.00%	2020-21
q)	Construction of Administrative Block for AAI Staff	9.62	25.41	95/251	June-23
r)	Purchase of PBB and AVDGS (2 nos)	4.08	4.08	100.00%	2020-21
s)	Provision of way finding signages	1.49	1.49	100.00%	2019-20
t)	Supply of Passenger Baggage Trolley	2.02	2.02	100.00%	Dec-22
u)	Provision of UPS and GLF System	1.08	1.08	100.00%	2020-21
v)	Modification of domestic BHS system for inline X-BIS	3.35	3.35	100.00%	2019-20
w)	Provision of Inline X-BIS	19.00	19.00	100.00%	2020-21
x)	Others	5.37	5.37	100.00%	
	<b>Total</b>	<b>682.66</b>	<b>814.73</b>		

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

**Table 14: Revised Aeronautical Capitalization as proposed by the Authority (INR crores)**

Asset category	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Runways, Aprons and Taxiways	0.25	9.38	14.60	0.00	9.50	33.73
Road, Bridges & Culverts	0.82	1.74	0.00	0.00	0.00	2.56
Building – Terminal	0.85	2.92	0.00	22.50	329.78	356.06
Building- Residential	0.00	0.00	0.00	20.82	0.00	20.82
Boundary Wall - Operational	0.52	0.00	0.00	0.00	0.00	0.52
Other Building – Unclassified	0.81	4.58	10.39	0.00	9.62	25.40
Plant & Machinery	1.42	5.39	11.01	0.00	0.00	17.83
Tools & Equipment	1.49	0.00	0.00	0.00	0.00	1.49
Office Furniture	0.00	0.00	0.00	0.00	0.00	0.00
Vehicles	0.00	0.00	0.00	0.00	0.00	0.00
Electrical Installations	0.64	4.43	1.45	11.21	177.58	195.31
Furniture & Fixtures-Other than Trolley	0.05	0.00	0.00	0.00	0.00	0.05
furniture & Fixtures- Trolley	0.00	0.00	0.00	2.02	0.00	2.02
X Ray Baggage System	3.35	19.00	0.00	0.00	0.00	22.35
CFT/Fire Fighting Equipment	0.02	0.00	4.50	0.00	0.00	4.52
<b>Total</b>	<b>10.24</b>	<b>47.44</b>	<b>41.95</b>	<b>56.55</b>	<b>526.48</b>	<b>682.66</b>

## **8. Depreciation**

The Authority received comments from Indigo regarding the useful life of terminal building and residential buildings. The comments raised by Indigo, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **8.1 Comments from Indigo Airlines**

Indigo has submitted that review of useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicates that terminal buildings have useful life of as long as 60 years and aprons have it for as long as 99 years. Similarly, the useful life of terminal building for Kannur and Cochin airports has been considered as 60 years by the Authority and accordingly, the useful life for terminal building must be considered as 60 years. Indigo also submitted that the option for choosing 30 years or 60 years as useful life for residential buildings should not rest with the airport operator. Indigo submitted that the Authority should consider the useful life of Residential buildings and terminal building as 60 years as envisaged in Order No. 35/2017-18 read with Schedule II of Companies Act 2013 and revise the depreciation accordingly.

### **8.2 AAI's Revised Submission and Response to Stakeholders' comments**

AAI has submitted that they have adopted the Useful Life Policy issued by AERA while preparing proposal for all AAI major airports. In its revised submission, AAI has requested to consider the depreciation rate of 18% for "Other Office Equipment's" for FY 2017-18 and FY 2018-19 as against the depreciation rate of 20% considered by the Authority.

### **8.3 Authority's evaluation of Stakeholders' comments and AAI's response**

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

AAI has considered the useful life in accordance with the Useful Life Policy issued by AERA. Since, the policy allows the airport operators to choose the useful life of terminal buildings, therefore we are bound to accept their proposal. Further, the Authority has already considered the depreciation rate of 18% for "Other Office Equipments" for FY 2017-18 and FY 2018-19 in the Consultation Paper.

### **8.4 Authority's final evaluation and revised proposal**

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

**Table 15: Revised Depreciation proposed by the Authority (figures in INR crores)**

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>	<b>Total</b>
Depreciation	8.69	9.55	11.68	13.66	29.63	73.20

## **9. Regulatory Asset Base (RAB) for the 1st Control Period**

### **9.1 Authority's final evaluation and revised proposal**

Combining all its propositions, revised RAB to be considered by the Authority for determination of aeronautical tariff for the 1<sup>st</sup> Control Period in respect of Varanasi Airport is as follows:

**Table 16: Revised RAB for the 1st Control Period after Authority's examination (figures in INR crores)**

<b>S.No.</b>	<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>
1.	Opening RAB	74.80	76.35	114.25	144.49	187.38
2.	Capitalizations	10.24	47.44	41.95	56.55	526.48
3.	Disposals	0.00	0.00	0.04	0.00	0.00
4.	Depreciation	8.69	9.55	11.68	13.66	29.63
5.	Closing RAB	76.35	114.25	144.48	187.38	684.22
<b>6.</b>	<b>Average RAB</b>	<b>75.58</b>	<b>95.30</b>	<b>129.36</b>	<b>165.93</b>	<b>435.80</b>

## **10. Fair Rate of Return (FRoR)**

### **10.1 Authority's final evaluation and revised proposal**

The Authority proposes to consider the Fair rate of return at 14% for FY 2019-20 to FY 2022-23 as per Consultation Paper. However, based on the revised capital expenditure plan and proposed change in PDC of new terminal building, the Authority has computed the Fair rate of return for FY 2023-24 as below:

**Table 17: Calculation of FRoR for FY 2023-24 as per Authority (INR Crore)**

Sr. No	Particulars	Formula	Value
	<b>Assumptions:</b>		
a.	Opening RAB for FY 2023-24		187.38
b.	Additions made in FY 2023-24 for New Terminal Building (Refer S. No. (a) in Table 13)		507.36
c.	Additions made in FY 2023-24 for Other Capex (Refer S. No. (d) & (q) in Table 13)		19.12
d.	Portion of Debt		60%
e.	Portion of Equity		40%
f.	Cost of Debt		8.03%
g.	Cost of Equity (Additions)		16%
h.	Cost of Equity (Initial RAB)		14%
	<b>Calculation of FRoR:</b>		
i.	Cost of Debt	$b*d*f$	24.44
j.	Cost of Equity on TB additions in FY 2023-24	$b*e*g$	32.47
k.	Cost of Equity on balance assets	$(a+c)*h$	28.91
l.	Total Capital	$a+b+c$	713.85
m.	<b>FRoR (for period Nov 2023 – Mar 2024)*</b>	$(i+j+k)/l$	<b>12.02%</b>
n.	<b>FRoR (for period Apr 2023 – Oct 2023)</b>	<b>h</b>	<b>14.00%</b>
o.	<b>Weighted Average FRoR</b>	$(n*7+m*5)/12$	<b>13.18%</b>

\* Since the proposed PDC for new PTB is November 2023, therefore FRoR of 14% will be applicable up to October 2023.

Based on the above, the Authority proposes to consider FRoR as per table below for Varanasi Airport for the 1<sup>st</sup> Control Period:

**Table 18: Fair Rate of Return (FRoR) as proposed by the Authority**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Fair Rate of Return (FRoR)	14%	14%	14%	14%	13.18%



## **11. Non-aeronautical revenue**

The Authority received comments from Indigo and DIAL regarding the non-aeronautical revenue. The issue raised by Indigo was regarding the allocation of assets based on an independent study; while DIAL raised the issue of considering asset allocation based on actual usage. The comments raised by Indigo and DIAL, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **11.1 Comments from Indigo Airlines**

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

- Proposed increase in non-aeronautical revenue is not commensurate with the proposed area of new terminal building
- Reason behind decline in car parking revenue
- Whether annual escalations as agreed under related contracts have been considered or not for the Land lease/commercial contracts/building?

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

### **11.2 Comments from DIAL**

DIAL has submitted that given the present situation of COVID19, there is a high degree of uncertainty on the traffic figures and a dip in Non-Aero revenues to the tune of 50% has been estimated by various air traffic agencies. DIAL has requested the Authority to rationalize the non-aeronautical revenues in-line with the Authority's viewpoint for rationalization of passenger traffic.

### **11.3 AAI's Revised Submission and Response to Stakeholders' comments**

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

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

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

AAI has proposed the revised non-aeronautical revenue as below.

**Table 19: Revised Non-aeronautical revenue projections as per AAI (figures in INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
<b>Trading concessions</b>						
Restaurant / snack bars	3.89	1.95	2.73	3.89	4.67	17.14
T.R. stall	5.68	2.84	3.98	5.68	6.81	24.99
Hoarding & display	3.77	1.89	2.64	3.77	4.53	16.60
<b>Rent and services</b>						
Land leases	0.04	0.04	0.04	0.04	0.04	0.21
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.10
Building (non-residential)	1.75	0.88	1.23	1.75	2.10	7.71
<b>Miscellaneous</b>						
Car rentals	0.77	0.38	0.54	0.77	0.92	3.38
Car parking	2.34	0.90	1.26	1.80	2.16	8.46
Admission tickets	0.31	0.16	0.22	0.31	0.37	1.37
Other income/ sale of scrap	2.96	3.10	3.26	3.42	3.59	16.34
<b>Total</b>	<b>21.54</b>	<b>12.16</b>	<b>15.91</b>	<b>21.46</b>	<b>25.23</b>	<b>96.29</b>

#### 11.4 Authority's evaluation of Stakeholders' comments and AAI's response

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

The Authority has assessed the projections made by AAI. The Authority understands that currently there are restrictions imposed by GoI on aircraft movements in view of the ongoing COVID19 pandemic. At this moment it is difficult to gauge the actual impact on the passenger traffic including passengers' buying behavior. The Authority, therefore, proposes to consider the non-aeronautical revenue as proposed by AAI and the same shall be trued-up as per actuals at the time of tariff determination for the next Control Period.

#### 11.5 Authority's final evaluation and revised proposal

As discussed in the above paragraphs of this chapter, the Authority proposes to consider the non-aeronautical revenue as per AAI's revised submission. The table below provides the non-aeronautical revenue as considered by the Authority for the 1<sup>st</sup> Control Period:

**Table 20: Non-aeronautical revenues proposed by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
<b>Trading concessions</b>						
Restaurant / snack bars	3.89	1.95	2.73	3.89	4.67	17.14
T.R. stall	5.68	2.84	3.98	5.68	6.81	24.99
Hoarding & display	3.77	1.89	2.64	3.77	4.53	16.60
<b>Rent and services</b>						
Land leases	0.04	0.04	0.04	0.04	0.04	0.21
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.10

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>	<b>Total</b>
Building (non-residential)	1.75	0.88	1.23	1.75	2.10	7.71
<b>Miscellaneous</b>						
Car rentals	0.77	0.38	0.54	0.77	0.92	3.38
Car parking	2.34	0.90	1.26	1.80	2.16	8.46
Admission tickets	0.31	0.16	0.22	0.31	0.37	1.37
Other income/ sale of scrap	2.96	3.10	3.26	3.42	3.59	16.34
<b>Total</b>	<b>21.54</b>	<b>12.16</b>	<b>15.91</b>	<b>21.46</b>	<b>25.23</b>	<b>96.29</b>

## **12. Operation and Maintenance expenditure (O&M Expenses)**

The Authority received comments from Indigo regarding the standardization of operations & maintenance expenditure. The comments raised by Indigo, AAI's responses to these, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **12.1 Comments from Indigo Airlines**

Indigo has requested the Authority to determine the baseline operational expenditure and suggest efficiency improvement based on trends in operating costs, productivity improvements, cost drivers and other factors as considered appropriate as per clause 5.4.2 of AERA guidelines. Further, Indigo has requested to conduct an independent study to assess efficient operating expenditure and has suggested to consider the normative approach of 80% in line with CP no. 5/2014-15 for operating expenditure till then.

### **12.2 AAI's Revised Submission and Response to Stakeholders' comments**

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

In its revised submission, AAI has proposed an additional 10% R&M expenses for sanitization and other expenses due to ongoing COVID19 pandemic. For the month of April 2020 and May 2020, electricity charges have been considered as 35% of the existing expenditure. AAI has also clarified that the electricity charges were proposed after the adjustment of recoveries against the electricity charges from various concessionaires and accordingly, AAI has requested to consider the electricity charges as proposed in revised submissions.

Further, AAI has clarified that the consumption of stores & spares which includes consumption of paper glass for the passengers are 100% aeronautical expenditure; and consumption of stores & spares and POL have been considered on actual basis.

For various expenses deducted by the Authority as per trial balance, AAI has clarified that these expenses have been booked wrongly under ANS and AAICLAS and pertains to the airport operations only. AAI has further requested the Authority to consider the Terminal Building ratio and employee ratio as per the revised submissions.

AAI has submitted that the CHQ/RHQ expenses and retirement benefits were projected on provisional basis for FY 2018-19 and the same has been proposed based on actuals in revised submissions.

The revised O&M expenditure proposed by AAI is shown in table below:

**Table 21: Revised O&M expenses as proposed by AAI (INR crores)**

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>	<b>Total</b>
Payroll expenses - non CHQ/RHQ	13.93	14.90	15.94	17.06	19.96	81.79
Payroll expenses - CHQ/RHQ	4.66	4.99	5.34	5.71	6.68	27.38
Administration and General expenses - non CHQ/RHQ	3.55	3.88	4.27	4.69	8.48	24.86
Administration and General expenses - CHQ/RHQ	39.35	41.32	43.38	45.55	47.83	217.44
Repairs and maintenance	15.40	16.35	17.40	13.16	41.94	104.25
Utilities and outsourcing expenses	4.88	5.97	6.74	6.80	10.97	35.35
Other outflows - Collection Charges on UDF	0.76	0.48	0.59	0.68	0.79	3.29
<b>Total</b>	<b>82.53</b>	<b>87.89</b>	<b>93.66</b>	<b>93.65</b>	<b>136.65</b>	<b>494.36</b>

### **12.3 Authority's evaluation of Stakeholders' comments and AAI's response**

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

The Authority has considered AAI's submission regarding the additional expenses for sanitization, proposed electricity charges and consideration of wrongly booked entries while proposing the O&M expenses for the Control Period. However, the allocation ratios have been considered as proposed in Chapter 5.

The Authority observed that AAI has proposed an excessive hike in the CHQ/RHQ allocation of Administrative & General expenses and Employee expenses vis-à-vis AAI's submission in the original tariff proposal. Further, AAI has not clarified or explained the reason behind such increase in these expenses. Therefore, the Authority proposes to consider these expenses as per original tariff proposal and the same shall be revisited at the time of true-up.

AAI has proposed to consider the IDC for new terminal building as part R&M expenses, however IDC is a capital expense and has been allowed along with the capital cost of the new terminal building.

The Authority believes that since the traffic projections for the Control Period have been rationalized due to the ongoing COVID19 pandemic and expected to reach the existing levels of FY 2019-20 by the end of FY 2022-23, therefore, AAI should not increase the number of employee deputed to the airport. Hence, the y-o-y increase in the employee expenses has been proposed as 5%.

## 12.4 Authority's final evaluation and revised proposal

As discussed in the above paragraphs of this chapter, the Authority proposes the following growth rates in operation and maintenance expenses.

**Table 22: Growth rates in O&M expenses considered by the Authority**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
Payroll expenses - non CHQ/RHQ	5%	5%	5%	5%	15%
Payroll expenses - CHQ/RHQ	5%	5%	5%	5%	15%
Administration and General expenses - non CHQ/RHQ	10%	10%	10%	10%	10%
Administration and General expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Repairs and maintenance	16.37%	6.21%	6.40%	-24.39%	16.10%
Utilities and outsourcing expenses	2.54%	22.32%	12.92%	0.86%	61.35%
Other outflows - Collection Charges on UDF	8.10%	-37.22%	22.86%	29.66%	20.00%
<b>Overall Growth Rate</b>	<b>8.89%</b>	<b>6.58%</b>	<b>6.64%</b>	<b>-2.92%</b>	<b>16.98%</b>

The revised O&M expenses proposed by Authority are given in the table below.

**Table 23: Revised O&M expenses as proposed by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
Payroll expenses - non CHQ/RHQ	13.44	14.12	14.82	15.56	17.90	75.84
Payroll expenses - CHQ/RHQ	1.83	1.92	2.02	2.12	2.43	10.31
Administration and General expenses - non CHQ/RHQ	3.44	3.78	4.16	4.58	5.04	21.00
Administration and General expenses - CHQ/RHQ	16.23	17.05	17.90	18.79	19.73	89.70
Repairs and maintenance	15.39	16.35	17.39	13.15	15.27	77.54
Utilities and outsourcing expenses	4.88	5.97	6.74	6.80	10.97	35.35
Other outflows - Collection Charges on UDF	0.76	0.48	0.59	0.76	0.91	3.50
<b>Total</b>	<b>55.98</b>	<b>59.66</b>	<b>63.62</b>	<b>61.76</b>	<b>72.25</b>	<b>313.26</b>

## **13. Aeronautical Revenue**

The Authority received comments from Indigo for reduction of the proposed aeronautical tariffs. The comments raised by Indigo, AAI's responses, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **13.1 Comments from Indigo Airlines**

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

### **13.2 AAI's Revised Submission and Response to Stakeholders' comments**

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

In its revised submission, AAI has proposed to increase the aeronautical tariffs as applicable from August 1, 2020 as per below schedule:

- Landing Charges- For Domestic ATM, one-time hike of 46.7% and 4% year on year thereafter. For International ATM, one-time hike of 23% and 4% year on year thereafter;
- Parking and housing charges - For Domestic ATM, one-time hike of 129% and 4% year on year thereafter. For International ATM, one-time hike of 98% and 4% year on year thereafter;
- User Development Fee – AAI has proposed the UDF charges of INR 700 for domestic passenger and INR 1300 crore for international passenger.

### **13.3 Authority's evaluation of Stakeholders' comments and AAI's response**

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

The Authority understand the concerns of the airlines and airport operators, however, deferring the tariff hikes for the Control Period may result in the unwarranted burden on the consumers in second Control Period and financial hardship to the airport operator. Therefore, the Authority has proposed the aeronautical tariffs while balancing the interests of the passengers, airlines and airport operators in order to promote the growth in passenger traffic.

### **13.4 Authority's final evaluation and revised proposal**

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

aeronautical charges with effect from April 1, 2021.

The Authority proposes to allow a one-time increase of 45% in Domestic and International landing charges for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.

The Authority proposes to increase Domestic and International parking and housing charges by 45% for FY 2021-22 and thereafter 10% increase in FY 2022-23 and 6% increase in FY 2023-24.

The Authority has determined the aeronautical revenue with the proposed aeronautical revenue as follows:

**Table 24: Revised Aeronautical revenue as proposed by the Authority (INR crore)**

S. No.	Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	Total
1.	Landing charges	16.29	10.51	18.86	25.98	33.04	104.67
2.	Parking & Housing charges	0.08	0.04	0.09	0.12	0.16	0.49
3.	UDF/PSF	44.85	25.90	53.73	70.64	84.77	279.89
4.	Fuel Throughput Charges	1.57	0.00	0.00	0.00	0.00	1.57
5.	Land Lease	0.61	0.61	0.61	0.61	0.61	3.05
6.	Ground Handling Charges	1.21	0.80	0.97	1.21	1.46	5.65
7.	Cute Charges	2.16	1.36	1.67	2.16	2.59	9.94
8.	Revenue share from AAICLS	0.12	0.10	0.11	0.12	0.12	0.57
<b>9.</b>	<b>Total Revenue</b>	<b>66.88</b>	<b>39.32</b>	<b>76.03</b>	<b>100.84</b>	<b>122.75</b>	<b>405.83</b>



## **14. Taxation**

The Authority received comments from Indigo and DIAL regarding the proposed income tax. The comments raised by Indigo, AAI's responses to these, Authority's examination of these comments and the impact on tariff determination have been discussed in the paragraphs below.

### **14.1 Comments from Indigo Airlines**

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

### **14.2 Comments from DIAL**

DIAL has agreed on the AERA's approach for adopting methodology for assessment of aero tax on a standalone aeronautical P&L drawn based on various building blocks used for tariff determination.

### **14.3 AAI's Revised Submission and Response to Stakeholders' comments**

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

### **14.4 Authority's evaluation of Stakeholders' comments and AAI's response**

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

Since the first Control Period has been considered from FY2019-20, therefore the loss of previous periods cannot be utilized to set-off the gains in the first Control Period as the true up of loss/gain for the period prior to the Control Period has not been considered for the determination of annual revenue requirement. Accordingly, the Authority proposes to consider taxation only for those years during the current control period in which there is a taxable income.

### **14.5 Authority's final evaluation and revised proposal**

As discussed in the above paragraphs of this chapter, the Authority proposes to consider the taxation for the first Control Period as under:

**Table 25: Tax expense as per Authority (INR crores)**

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>
Aero revenue with proposed rates	66.88	39.32	76.03	100.84	122.75

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>
O&M expenses	55.98	59.66	63.62	61.76	72.25
Depreciation	8.69	9.55	11.68	13.66	29.63
<b>Profit before tax</b>	<b>2.22</b>	<b>-29.89</b>	<b>0.74</b>	<b>25.43</b>	<b>20.87</b>
Set-off of loss	0.00	0.00	-0.74	-25.43	-3.72
<b>Profit before tax after set-off of loss</b>	<b>2.22</b>	<b>-29.89</b>	<b>0.00</b>	<b>0.00</b>	<b>17.15</b>
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%
<b>Taxes</b>	<b>0.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.32</b>

## **15. Aggregate Revenue Requirement (ARR) for the 1st Control Period**

### **15.1 Authority's final evaluation and revised proposal**

Based on the revised propositions on various building blocks of ARR as discussed in previous sections, the Authority proposes the revised ARR and Yield per passenger as below:

**Table 26: ARR and YPP as per Authority**

<b>Particulars</b>	<b>FY ending March 31, 2020</b>	<b>FY ending March 31, 2021</b>	<b>FY ending March 31, 2022</b>	<b>FY ending March 31, 2023</b>	<b>FY ending March 31, 2024</b>
Average RAB (INR crores) (Refer Table 16)	75.58	95.30	129.36	165.93	435.80
Fair Rate of Return (in %)	14.00%	14.00%	14.00%	14.00%	13.18%
Return on average RAB (INR crores)	10.58	13.34	18.11	23.23	57.42
O&M expenses (INR crores)	55.98	59.66	63.62	61.76	72.25
Depreciation (INR crores)	8.69	9.55	11.68	13.66	29.63
Tax expense (INR crores)	0.56	0.00	0.00	0.00	4.32
Less: 30% NAR (INR crores)	6.46	3.65	4.77	6.44	7.57
<b>ARR per year (INR crores)</b>	<b>69.34</b>	<b>78.90</b>	<b>88.63</b>	<b>92.21</b>	<b>156.05</b>
Add: True up Shortfall/(Surplus)	0.00				
PV of ARR based on FRoR (INR crores)	<b>69.34</b>	<b>69.21</b>	<b>68.20</b>	<b>62.24</b>	<b>95.11</b>
Sum Present value of ARR (INR crores)	364.10				
Total traffic for the Control Period (million passengers)	6.92				
<b>Yield Per Passenger (YPP) (INR)</b>	<b>525.93</b>				

## **16. Annual Tariff Proposal**

- 16.1 AAI has proposed the implementation date of tariffs from 01/08/2020. The Authority has proposed to revise the aeronautical charges with effect from April 1, 2021.
- 16.2 The tariff card proposed by the Authority for the first Control Period has been reproduced here. For purposes of comparison, the existing aeronautical charges, aeronautical charges proposed by AAI and the aeronautical charges now proposed by Authority have been provided in the following tables.

### **I) LANDING CHARGES**

**Table 27: Existing International landing charges at Varanasi Airport**

<b>Weight of the Aircraft</b>	<b>International rate per landing (INR)</b>
Up to 10 MT	141 Per 1MT
Above 10 MT up to 20 MT	1410+ 207.10 per 1MT in excess of 10 MT
Above 20 MT up to 50 MT	3,481 + 409.10 per 1MT in excess of 20 MT
Above 50 MT to 100 MT	15,754 + 477.80 per 1MT in excess of 50 MT
Above 100 MT	39,644+ 545.10 per 1MT in excess of 100 MT

**Table 28: Existing Domestic landing charges at Varanasi Airport**

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

**Table 29: Revised Landing charges proposed by AAI with effect from 01/08/2020**

<b>Weight of the Aircraft</b>	<b>International rate per landing (INR)</b>	<b>Domestic rate per landing (INR)</b>
Up to 25 MT	270 Per 1MT	180 Per 1MT
Above 25 MT up to 50 MT	6,750+ 506 per 1MT in excess of 25 MT	4,500+ 315 per 1MT in excess of 25 MT
Above 50 MT up to 100	19,400+ 586 per 1MT in excess of 50 MT	12,375 + 360 per 1MT in excess of 50 MT
Above 100 MT to 200 MT	48,700+ 675 per 1MT in excess of 100 MT	30,375+ 439 per 1MT in excess of 100 MT
Above 200 MT	116,200+ 810 per 1MT in excess of 200 MT	74,275+ 495 per 1MT in excess of 200 MT

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

**Table 30: Landing Charges proposed by Authority for Domestic ATM\* (INR)**

<b>Weight of the Aircraft</b>	<b>01.04.2021 to 31.03.2022</b>	<b>01.04.2022 to 31.03.2023</b>	<b>01.04.2023 to 31.03.2024</b>
Up to 25 MT	208 per 1MT	229 per 1MT	243 per 1MT
Above 25 MT up to 50 MT	5200 + 302 per 1MT in excess of 25 MT	5720 + 332 per 1MT in excess of 25 MT	6063 + 352 per 1MT in excess of 25 MT
Above 50 MT up to 100	12750 + 335 per 1MT in excess of 50 MT	14025 + 369 per 1MT in excess of 50 MT	14867 + 391 per 1MT in excess of 50 MT
Above 100 MT to 200 MT	29500 + 370 per 1MT in excess of 100 MT	32450 + 407 per 1MT in excess of 100 MT	34397 + 431 per 1MT in excess of 100 MT
Above 200 MT	66500 + 390 per 1MT in excess of 200 MT	73150 + 429 per 1MT in excess of 200 MT	77539 + 455 per 1MT in excess of 200 MT

*\* The existing Landing charges are proposed to be increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and by 6% for FY 2023-24. Existing Landing charges as per Table 28 shall be applicable up to March 31, 2021*

**Table 31: Landing Charges proposed by Authority for International ATM\* (INR)**

<b>Weight of the Aircraft</b>	<b>01.04.2021 to 31.03.2022</b>	<b>01.04.2022 to 31.03.2023</b>	<b>01.04.2023 to 31.03.2024</b>
Up to 25 MT	350 per 1MT	385 per 1MT	408 per 1MT
Above 25 MT up to 50 MT	8750 + 585 per 1MT in excess of 25 MT	9625 + 644 per 1MT in excess of 25 MT	10203 + 682 per 1MT in excess of 25 MT
Above 50 MT up to 100	23375 + 680 per 1MT in excess of 50 MT	25713 + 748 per 1MT in excess of 50 MT	27255 + 793 per 1MT in excess of 50 MT
Above 100 MT to 200 MT	57375 + 765 per 1MT in excess of 100 MT	63113 + 842 per 1MT in excess of 100 MT	66899 + 892 per 1MT in excess of 100 MT
Above 200 MT	133875 + 850 per 1MT in excess of 200 MT	147263 + 935 per 1MT in excess of 200 MT	156098 + 991 per 1MT in excess of 200 MT

*\* The existing Landing charges are proposed to be increased by 45% in the FY 2021-22, by 10% in the FY 2022-23 and by 6% for FY 2023-24. Existing Landing charges as per Table 27 shall be applicable up to March 31, 2021*

16.3 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.

16.4 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.

16.5 Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).

16.6 Flight operating under Regional Connectivity Scheme will be completely exempted from Landing charges from the date of the scheme is operationalization by GOI.

**II) PARKING AND HOUSING CHARGES**

**Table 32: Existing Parking, Housing and Night Parking Charges for International ATM**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)</b>	<b>Parking Charges Rates per Hour (INR) (beyond first four hours)</b>
Up to 40 MT	2.10 Per Hour Per 1MT	4.10 Per Hour Per MT
Above 40 MT up to 100 MT	84+3.90 per Hour per MT in excess of 40 MT	164+7.90 per MT per Hour in excess of 40 MT
Above 100 MT	318+6.00 per 1 MT per Hours in excess of 100 MT	638+11.90 per MT per Hour in excess of 100 MT

**Table 33: Existing Parking, Housing and Night Parking Charges for Domestic ATM**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)</b>	<b>Parking Charges Rates per Hour (INR) (beyond first four hours)</b>
Up to 40 MT	1.80 Per Hour Per 1MT	3.50 Per Hour Per MT
Above 40 MT up to 100 MT	72+3.40 per Hour per MT in excess of 40 MT	140+6.80 per MT per Hour in excess of 40 MT
Above 100 MT	276+5.20 per 1 MT per Hours in excess of 100 MT	548+10.30 per MT per Hour in excess of 100 MT

**Table 34: Parking and housing charges proposed by AAI w.e.f. 01/08/2020**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)</b>	<b>Parking Charges Rates per Hour (INR) (beyond first four hours)</b>
Up to 25 MT	3.51 Per Hour Per 1MT	7.02 Per Hour Per MT
Above 25 MT up to 50 MT	87.74+4.68 per Hour per MT in excess of 25 MT	175.48+9.36 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	204.73+9.36 per 1MT per Hour in excess of 50 MT	409.45+18.72 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	672.67+11.70 per 1MT per Hours in excess of 100 MT	1345.34+23.40 per MT per Hours in excess of 100 MT

Weight of the Aircraft	Parking Charges Rates per Hour (INR) (up to two hours after first two free hours)	Parking Charges Rates per Hour (INR) (beyond first four hours)
Above 200 MT	1842.53+12.87 per1 MT per Hours in excess of 200 MT	3685.05+ 25.74 per MT per Hours in excess of 200 MT

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

**Parking Charges proposed by the Authority:** The Authority proposes to allow a one-time increase of 45% in Domestic and International Parking and Housing charges for FY 2021-22 and thereafter a 10% increase in FY 2022-23 and a 6% increase in FY 2023-24. Existing Parking and housing charges as per *Table 32* and *Table 33* shall be applicable up to March 31, 2021.

- 16.7 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.
- 16.8 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- 16.9 Charges shall be calculated on the basis of nearest MT.
- 16.10 Charges for each period parking shall be rounded off to nearest rupee.
- 16.11 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.
- 16.12 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 Varanasi Airport if the State Government reduces the rate of tax (VAT) on ATF less than 5%. The above waiver of night parking charges will be made applicable from the date of implementation of less than 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.
- 16.13 Flight operating under Regional Connectivity Scheme (RCS) shall be completely governed by AIC Sl. No. 19/2017 dated August 30, 2017 issued by DGCA.
- 16.14 For unauthorized overstay of aircraft on ground, an additional charge of Rs. 20.00 per hour per MT beyond 24 hours will be payable.

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

The Ministry of Civil Aviation has discontinued the levy of Fuel Throughput Charges (FTC) from all airports w.ef. 15<sup>th</sup> January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2)

dated 8<sup>th</sup> January 2020. Accordingly, the Authority has not proposed any Fuel Throughput Charges.

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

**Table 35: Existing UDF, UDF Proposed by AAI and Authority (per embarking passenger)**

<b>Passenger</b>	<b>Existing UDF*</b>	<b>UDF proposed by AAI</b>	<b>UDF proposed by Authority</b>
Domestic	INR 227/-	INR 400/-	INR 400/-
International	INR 1216/-	INR 1250/-	INR 1300/-

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

#### **Notes:-**

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

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

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

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 (RCS) will be completely exempted from charges as per Order No.20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

**Aeronautical revenue under the proposed tariff card:**

16.15 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 36: Computation of shortfall/surplus from proposed aeronautical charges by the Authority (INR crores)**

Particulars	FY ending March 31, 2020	FY ending March 31, 2021	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024
<b>Total PV of ARR including true up</b>	<b>364.10</b>				
<b>Landing charges:</b>					
Domestic	13.86	9.45	16.17	22.10	28.11
International	2.43	1.06	2.68	3.88	4.93
<b>Parking and housing charges:</b>					
Domestic	0.04	0.03	0.05	0.06	0.08
International	0.04	0.02	0.04	0.06	0.08
Fuel Throughput charges	1.57	0.00	0.00	0.00	0.00
Ground handling charges	1.21	0.80	0.97	1.21	1.46
Land lease - Oil companies & Ground Handling	0.61	0.61	0.61	0.61	0.61
CUTE charges	2.16	1.36	1.67	2.16	2.59
Cargo Revenue	0.12	0.10	0.11	0.12	0.12
<b>Total - before UDF</b>	<b>22.04</b>	<b>13.42</b>	<b>22.30</b>	<b>30.20</b>	<b>37.98</b>
PV factor	1.0000	0.8772	0.7695	0.6750	0.6108
PV of above	22.04	11.77	17.16	20.39	23.15
<b>Σ PV of above</b>	<b>94.50</b>				
<b>Shortfall before UDF</b>	<b>269.60</b>				
<b>User Development Fees:</b>					
Domestic	31.37	20.43	43.20	55.58	66.70
International	13.47	5.47	10.53	15.06	18.07
PV of UDF	44.85	22.72	41.34	47.68	51.67
<b>Σ PV of UDF</b>	<b>208.26</b>				
<b>Surplus/ (Shortfall)</b>	<b>(61.34)</b>				

16.16 As can be observed from the **Table 36** above, AAI is entitled to recover an ARR of INR 364.10

crores from the Tariff Card proposed. Out of the Authority's Proposed Tariff Card, the Present Value of total projected aeronautical revenues based on the Authority's proposed aeronautical charges and UDF charge is INR 94.50 crore and INR 208.26 crore respectively, thus resulting in a net shortfall of INR 61.34 crores that shall be carried forward to the next Control Period.

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