फा. सं. ऐरा/20010/एमवाईटीपी/जीआईएएल/सीपी-III/2022-27

F. No. AERA/20010/MYTP/GIAL/CP-III/2022-27

परामर्श पत्र संख्या 01/2024-25

Consultation Paper No. 01/2024-25

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

लोकप्रिय गोपीनाथ बारदोलाई अंतरराष्ट्रीय हवाईअड्डा (एलजीबीआईए) के लिए तृतीय नियंत्रण अवधि (01.04.2022–31.03.2027) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR LOKPRIYA GOPINATH BORDOLOI INTERNATIONAL AIRPORT, GUWAHATI (LGBIA) FOR THE THIRD CONTROL PERIOD

(01.04.2022 - 31.03.2027)

जारी करने की तारीख : 06 जून, 2024

Date of Issue: 06 June, 2024

उड़ान भवन/ Udaan Bhawan, तृतीय तल/ 3rd Floor
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STAKEHOLDERS' COMMENTS

Lokpriya Gopinath Bordoloi International Airport (LGBIA) is a Major Airport as per the definition outlined in Section 2 (i) of the AERA Act 2008 read with AERA (Amendment) Acts of 2019 and 2021, based on annual passenger throughput volume. It had passenger throughput of about 5.45 MPPA in the FY 2019-20 (being the pre-pandemic year). The Airport witnessed a steady recovery in the passenger traffic from FY 2021-22, in the aftermath of COVID-19 pandemic and has handled 5.05 million passengers in FY'23[1]

LGBIA was operated by Airports Authority of India (AAI), which had entered into a Concession Agreement with the current Airport Operator (Guwahati International Airport Limited) on January 19, 2021, for the Operation, Management and Development of LGBIA for a period of 50 years from the Commercial Operation Date (COD). The COD was achieved on October 8, 2021. The period from FY'17 to FY'21 was Second Control Period, the period starting from 1st April'2021 to October 7, 2021 has been considered as pre-COD period and the period from COD till March 31, 2022, has been considered as post-COD period. In this tariff determination exercise, as two airport operators are involved i.e., Airports Authority of India (Second Control Period and pre-COD) and Guwahati International Airport Limited (post-COD and third control period). For the sake of clarity in this Consultation Paper, the Authority has used AAI for Airports Authority of India for prior to COD and GIAL for Guwahati International Airport Limited after the COD including third control period.

GIAL, on 15th April 2022 sought clarification from the Authority related to control period for LGBIA. The Authority vide its Public Notice No. 05/2022-23 dated 20th June 2022 decided the following:

- *"To shift the Control Period for Guwahati Airport from 01.04.2021-31.03.2026 to 01.04.2022-31.03.2027. The periodicity of the Control Period will be five years only.*
- *To consider the true up for 01.04.2021 to 31.03.2022 at the time of determination of tariff for the Third Control Period as per AERA policy*."

As per the provisions of the Concession Agreement, AAI and the GIAL have submitted their Multi Year Tariff Proposal (MYTP) as follows:

- True up submission of AAI for the Second Control Period and for the period from April 01, 2021 up to COD
- True up submission of GIAL for the post-COD period from the COD up to March 31, 2022
- MYTP for the Third Control Period from April 1, 2022 to March 31, 2027 submitted by GIAL.

For this Consultation Paper, the Authority has considered the audited figures submitted by AAI for LGBIA for the Second Control Period and for the period from April 01, 2021 up to COD (FY 2016-17 to COD) and the audited financials submitted by GIAL from COD till March 31, 2022 and from April 1, 2022 till March 31,2023.

The Authority has released this Consultation Paper putting forward its proposals in the background of involvement of two airport operators in the tariff determination process.

The Authority shall consider written evidence-based feedback, comments, and suggestions from all the stakeholders on the proposals made in the Consultation Paper and pass suitable Order determining the tariff for aeronautical services taking on board the feedback from the stakeholders, on merit. The Authority would like to emphasize that the timelines for consultation process are sacrosanct and hereby requests the stakeholders to provide their comments/ inputs within the timelines specified in this Consultation Paper, beyond which the same will not be considered by the Authority.

[1] AAI.aero https://www.aai.aero/sites/default/files/traffic-news/rev_Mar2k23Annex3.pdf

As per the provisions of Section 13(2) of the AERA Act 2008, the tariff so determined under the Tariff Order can be reviewed and revised.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 01/2024-25 dated 06th June 2024, are invited from the stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)
Udaan Bhawan, 3rd Floor
D Block, Rajiv Gandhi Bhawan
Safdarjung Airport
New Delhi – 110003

Email: director-ps@aera.gov.in, rajan.gupta1@aera.gov.in, inderpal.s@aera.gov.in copy to secretary@aera.gov.in

Stakeholders' Consultation Meeting	21st June 2024
Last Date for submission of comments	06th July 2024
Last Date for submission of counter comments	16th July 2024

Comments and Counter Comments will be posted on AERA's website: www.aera.gov.in.

For any clarification/ information, Director (P&S, Tariff) may be contacted at Telephone Number: Tel: 011-24695048.

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GLOSSARY

Abbreviation	Full Form
A&G	Administrative & General
AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACI	Airports Council International
ADP	Automatic Data Processing
AERA / The Authority	Airports Economic Regulatory Authority of India
AERA Act	Airports Economic Regulatory Authority of India Act, 2008
AEL	Adani Enterprises Limited
AFS	Air Freight Station
AIC	Aeronautical Information Circulars
ANS	Air Navigation Services
AO	Airport Operator
AOCC	Airport Operations Control Centre
ARFF	Aircraft Rescue and Fire Fighting
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
Asset Allocation Study Report	Study on allocation of assets between Aeronautical and Non-aeronautical assets for Lokpriya Gopinath Bordoloi International Airport, Guwahati
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BOQ	Bill of Quantities
BPCL	Bharat Petroleum Corporation Limited
Cr.	crores
CA	Concession Agreement
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAO	Chief Airport Officer
CAPEX	Capital Expenditure
CAR	Civil Aviation Regulations
CBR	California Bearing Ratio
CFT	Crash Fire Tender

Abbreviation	Full Form
CGF	Cargo Facility, Ground Handling and Supply of Fuel to Aircraft
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
COD	Commercial Operation Date
CP	Consultation Paper
CPWD	Central Public Works Department
CSR	Corporate Social Responsibility
CUSS	Common User Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Works in Progress
DG Sets	Diesel Generator Sets
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
DSR	Delhi Schedule of Rates
DVOR	Doppler Very High Frequency Omni Range
EHCR	Employee Head Count Ratio
e-PoS	Electronic Point of Sale
ESS	Environmental Support Services
ETD	Explosive Trace Detectors
FA	Financing Allowance
FAR	Fixed Asset Register
FCP	First Control Period
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FOD	Foreign Object Debris
FRoR	Fair Rate of Return
FTC	Fuel Throughput Charge
FY	Financial Year
GA	General Aviation
GBR	Gross Block Ratio
GDP	Gross Domestic Product
GHA	Ground Handling Agent
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GSE	Ground Support Equipment
GST	Goods and Services Tax
GIAL	Guwahati International Airport Limited

Abbreviation	Full Form
HIAL	Hyderabad International Airport Limited
HPCL	Hindustan Petroleum Corporation Limited
HR	Human Resources
HVAC	Heat Ventilation and Air Conditioning
IAF	Indian Air Force
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICD	Inland Container Depot
ICT	Integrated Cargo Terminal
IDC	Interest During Construction
ILHBS	Inline Hold Baggage Screening
ILS	Instrument Landing System
IMG	Inter-Ministerial Group
IOCL	Indian Oil Corporation Limited
IT	Information Technology
JARS	Joint Asset Reconciliation Statement
KL	Kilo Litres
KLD	Kilo Litres per day
LED	Light Emitting Diode
LGBIA	Lokpriya Gopinath Bordoloi International Airport
LOA	Letter of Award
MESS	Mechanized Environmental Support Services
MoCA	Ministry of Civil Aviation
MoU	Memorandum of Understanding
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
MIAL	Mumbai International Airport Limited
MT	Metric Tonne
NAR	Non-aeronautical revenue
NITB	New Integrated Terminal Building
O&M	Operation and Maintenance
O&M study report	Study on Efficient Operations & Maintenance expenses for Lokpriya Gopinath Bordoloi International Airport, Guwahati
OMCs	Oil Marketing Companies
OPEX	Operating Expenditure
ORAT	Operational Readiness and Airport Transfer
OWS	Oil Water Separator
PAX	Passenger
PBB	Passenger Boarding Bridge

Abbreviation	Full Form
PBG	Performance Bank Guarantee
PBT	Profit Before Tax
PCN	Pavement Classification Number
PHP	Peak Hour Passenger
PIDS	Perimeter Intrusion Detection System
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
PV	Present Value
QSD	Quality and Service Delivery
QTR	Quarters Ratio
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCS	Regional Connectivity Scheme
RESA	Runway End Safety Area
RFP	Request for Proposal
RHQ	Regional Headquarters
RIL	Reliance Industries Limited
Sq.m.	Square Metre
SCP	Second Control Period
SITC	Supply, Installation, Testing & Commissioning
SPV	Special Purpose Vehicle
STP	Sewage Treatment Plant
TB	Terminal Building
TB Ratio	Terminal Building Ratio
TCP	Third Control Period
UDF	User Development Fees
VDGS	Visual Docking Guidance System
WDV	Written Down Value
WIP	Work In Progress
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection System
YPP	Yield per Passenger
Y-o-Y	Year on Year
YTD	Year to Date

1 INTRODUCTION

1.1 Background

1.1.1 Lokpriya Gopinath Bordoloi International Airport (LGBIA) (IATA: GAU, ICAO: VEGT), situated about 20 km west of Guwahati City, is an International Airport serving the economic capital of Assam. It is the gateway airport to the state of Assam and the wider North-East Region of India.

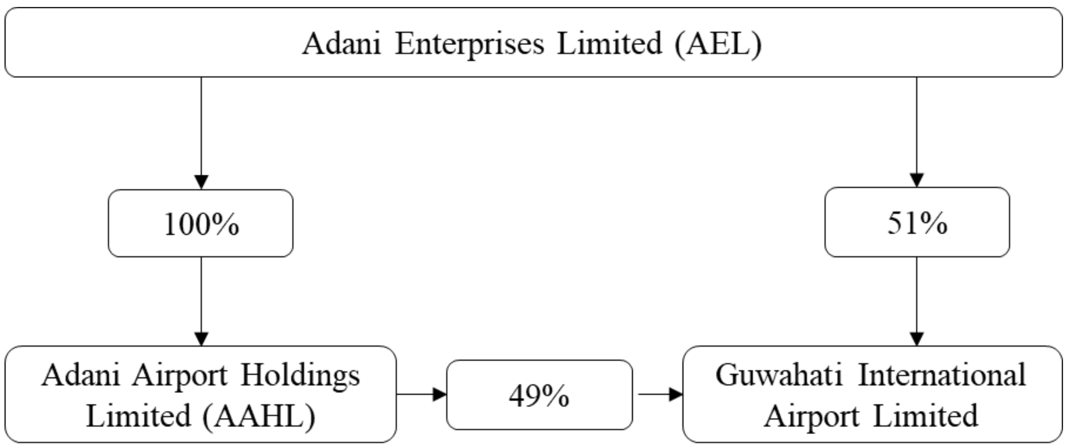
1.1.2 LGBIA has a single runway measuring 3103 meters. It is designated to handle aircraft up to Category 4D but can accommodate aircraft up to Category 4E with prior intimation under load penalty. The airport is connected by direct flights to Bhutan and South-East Asia, apart from multiple daily flights to all major cities in India.

1.1.3 LGBIA is currently operated and managed by Guwahati International Airport Limited (GIAL) (Airport Operator), a Special Purpose Vehicle (SPV), promoted and incorporated by Adani Enterprises Limited (AEL). AEL has incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on date, AEL holds 100% shareholders equity in GIAL, directly or indirectly through AAHL. The current shareholding pattern of GIAL is shown in the table below:

Table 1: Shareholding pattern of GIAL

S.no.	Name of Shareholder	% Shareholding
1	Adani Enterprises Limited (AEL)	51%
2	Adani Airport Holdings Limited (AAHL)	49%
	TOTAL	**100%**

Figure 1: Ownership Structure



1.2 Profile of LGBIA

1.2.1 Lokpriya Gopinath Bordoloi International Airport, Guwahati (LGBIA) is a major airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 read with AERA Amendment Act, 2019 and AERA Amendment Act, 2021.

1.2.2 Technical and Terminal Building details of LGBIA submitted by GIAL are provided in the table below:

Table 2: Technical and Terminal Building details of LGBIA as submitted by GIAL

Particulars	Details
Total airport area	826.243 acres Carved Out approx. 28.4 Acres Demised approx. 797.843 Acres
Total covered area of Terminal Building (TB)	Terminal I - 20,300 Sq.m.
Designated Capacity	Existing 2 MPPA
Main Runway orientation and length	Runway 02/20, dimension 3103m x 45m
Apron	Apron 1: 09 Code C Stands Apron 2: 11 Code C Stands

1.2.3 LGBIA handled 5.05 MPPA in FY 2022-23[2] and 5.96 MPPA in FY2023-24[3]. As per the passenger mix, the domestic passengers handled during FY 2022-23 were 5.04 MPPA (99.8% of total passenger traffic) and international passengers handled during FY 2022-23 were 0.01 MPPA (0.2% of total passenger traffic).

1.3 Development of LGBIA through PPP mode

1.3.1 LGBIA was operated by the Airports Authority of India (AAI) which had entered into a Concession Agreement with Guwahati International Airport Limited (Airport Operator) on January 19, 2021, for the Operation, Management and Development of LGBIA for a period of 50 years from the Commercial Operation Date (COD). The COD was achieved on October 8, 2021, in accordance with the terms and conditions mentioned in the Concession Agreement. In consideration for the grant of such concession, the Airport Operator shall pay the AAI a monthly concession fee during the concession period, namely, specified amount of 'Per Passenger' fee for both domestic and international passengers (refer to Para 17.3.2 of Annexure 3 in Chapter 17 for the relevant clause of the Concession Agreement).

1.3.2 However, as per the relevant provisions of the Concession Agreement and MoU dated August 25, 2021, only the AAI and other designated GoI agencies, shall be authorized to undertake the 'reserved services' at the airport, namely, CNS/ATM services, Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine services and any other services as may be notified by GoI (refer to Para 17.3.2 of Annexure 3 of Chapter 17 for the relevant clause of the Concession Agreement).

1.4 Cargo Facility

1.4.1 Currently, the domestic and international air cargo is handled by AAI Cargo Logistics and Allied Services (AAICLAS) through a carved-out facility as per the Concession Agreement, hence, same is retained by AAI.

1.4.2 In accordance with the terms of the Concession Agreement GIAL is required to upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of the Concession Agreement (refer to Para 17.3.5 of Annexure 3 of Chapter 17).

1.4.3 GIAL has commenced domestic cargo operations from an interim facility having annual handling capacity of 2,750 MT. Pursuant to the terms of the Concession Agreement and in order to cater to the

[2] *As per aai.aero https://www.aai.aero/sites/default/files/traffic-news/rev_Mar2k23Annex3.pdf*
[3] *As per aai.aero https://www.aai.aero/sites/default/files/traffic-news/Mar2k24Annex3.pdf*

growing cargo demand at the LGBIA, GIAL has planned to develop a new Integrated Cargo Terminal (ICT) with a handling capacity of 43,260 MT p.a., by refurbishing/retrofitting the existing passenger Terminal I post the commissioning of the NITB. The ICT is proposed to be made operational in FY25-26.

1.4.4 The Authority vide interim Tariff Order No. 41/2023-24 dated March 15, 2024 extended the prevailing tariffs for Guwahati International Airport Limited and AAICLAS till September 30, 2024.

1.5 Ground handling operations

1.5.1 The Clause 19.2 of the Concession Agreement mentions GIAL's obligations towards provision of infrastructure required for ground handling services at the LGBIA and the extract of the relevant Clause has been provided in Para 17.3.6 of Annexure 3 of Chapter 17.

1.5.2 Further, subject to the provisions of the Concession Agreement GIAL has the right to grant License to any entity for providing Ground Handling Services at LGBIA on such terms and conditions as mentioned in the License Agreement between GIAL and the potential service providers.

1.5.3 Pursuant to above terms of the Concession Agreement GIAL has engaged two ground handling agencies for providing ground handling services at the Airport. (1) Indo Thai Airport Management Services Private Limited, (2) AI Airport Services Limited (AIASL).

The revenue share/royalty from both the agencies has been set at 45% on gross revenue from ground handling services. Revenue shall mean and include all revenue, consideration, benefit and amount earned and/or accrued at the Airport, whether invoiced or not.

1.5.4 The Authority vide Tariff Order No. 22/2023-24 dated November 14, 2023 determined the tariffs for Indo Thai Airport Management Services Private Limited till March 31, 2027.

1.5.5 The Authority vide interim Tariff Order No. 41/2023-24 dated March 15, 2024 extended the prevailing tariffs for AI Airport Services Limited (AIASL) till September 30, 2024.

1.6 Fuel Facility Operations

1.6.1 The Clause 19.3. of the Concession Agreement mentions the GIAL's obligations towards providing aircraft fueling services, which has been provided in Para 17.3.7 of Annexure 3 of Chapter 17.

1.6.2 At present, the fuel facilities are being managed by the Oil Marketing Companies (OMCs) such as, IOCL, RIL, BPCL and HPCL. These OMCs have their own respective fuel tanks and refueling facilities with capacities 800KL, 140KL, 800KL and 200KL respectively. OMCs manage the operations on their own, and currently operating expenditure and other charges are embedded in Aviation Turbine Fuel (ATF) fuel price. Therefore, as on date there is no concept of open access facility at the Airport.

1.6.3 GIAL has proposed to initially purchase the existing assets of IOCL and RIL having fuel storage capacity of 940 KL, and subsequently convert it into Open Access facility by building a new facility of approx. 4,000 KL with hydrant system.

2 TARIFF DETERMINATION OF LGBIA

2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated May 12, 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

a) To determine the tariff for Aeronautical services taking into consideration –

i. the capital expenditure incurred and timely investment in the improvement of airport facilities.

ii. the service provided, its quality and other relevant factors.

iii. the cost for improving efficiency.

iv. economic and viable operation of Major Airports.

v. revenue received from services other than the Aeronautical services.

vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and

vii. any other factor which may be relevant for the purpose of the Act.

b) To determine the amount of the development fees in respect of Major Airports.

c) To determine the amount of the passengers' service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.

d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.

e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and

f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act, 2008.

2.1.2 As per the AERA Act, 2008, the following are the Aeronautical services for which tariff is determined by the Authority:

i. Aeronautical services provided by the Airport Operators.

ii. Cargo Facility, Ground Handling and Fuel Supply Services; and

iii. Air Navigation Services.

2.1.3 AAI shall be handling the Air Navigation Systems (ANS) at LGBIA. Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses, and revenues from ANS.

2.2 Authority's orders applied in tariff proposals in this Consultation Paper

2.2.1 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have been issued by the Authority. The details of Orders and Guidelines issued in this regard are as under:

i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and

ii. Order No. 05 dated 02.08.2010 ((Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).

iii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).

iv. Order No. 14/2016-17 dated 12.01.2017 (Aligning certain aspects of AERA's regulatory approach with the provisions of the National Civil Aviation Policy – 2016).

v. Order No. 20/2016-17 dated 31.03.2017 (Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)).

vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 (In the matter of determination of useful life of Airport assets).

vii. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.3 Background to tariff determination process of LGBIA

2.3.1 LGBIA is a Major Airport as per the definition of Major Airport under section 2(i) of the Airports Economic Regulatory Authority of India Act, 2008 read with AERA Amendment Act, 2019 and AERA Amendment Act, 2021.

2.3.2 With respect to the First Control Period of LGBIA commencing from FY 2011-12 to FY 2015-16, the Authority had determined the Aeronautical tariff vide its Order No. 34/2013-14, dated November 18, 2013.

2.3.3 With respect to the Second Control Period of LGBIA commencing from FY 2016-17 to FY 2020-21, the Authority had determined the Aeronautical tariff vide its Order No. 38/2017-18, dated February 16, 2018. Also, the Authority had issued Order No. 20/ 2020-21 dated July 1, 2020, with respect to provision of compensation in lieu of discontinuation of Fuel throughput charges at LGBIA.

2.3.4 AAI and Guwahati International Airport Limited (GIAL) entered into a Concession agreement on January 19, 2021 for exclusive right of Operation, Management and Development of LGBIA, for a period of 50 (fifty) years from the Commercial Operations Date (COD). GIAL achieved Commercial Operations Date (COD) on October 8, 2021.

2.3.5 GIAL has been provided an exclusive right to demand, collect and appropriate fees from COD onwards at the rates determined by AERA. As an interim measure, GIAL applied to AERA vide letter with reference no. AGIAL/CO/AERA-IT/2021/1 dated 27th August, 2021 to allow the existing tariff rates at LGBIA from COD till March 31, 2022. Accordingly, AERA from time to time issued multiple orders extending the existing tariff rates:

Table 3: Chronology of AERA orders with regard to extension of tariff at LGBIA

GIAL application letter and Date	AERA Order and Date	Rates Extended up to
AGIAL/CO/AERA-IT/2021/1 dated 27th August, 2021	22/2021-22 dated 6th October 2021	31st March 2022
GIAL/CO/AERA-IT/2022/1 dated 23rd February 2022	42/2021-22 dated 14th March 2022	30th September 2022
GIAL/CO/AERA-IT/2022/3 dated 1st September 2022	22/2022-23 dated 20th September 2022	31st March 2023
GIAL/CO/AERA-IT/2023/1 dated 2nd March 2023	41/2022-23 dated 22nd March 2023	30th September 2023
GIAL/CO/AERA-IT/2023/4 dated 5th September 2023	19/2023-24 dated 20th September 2023	31st March 2024
GIAL/CO/AERA-IT/2024/1 dated 28th February 2024	40/2023-24 dated 15th March 2024	30th September 2024 or till determination of regular tariffs for the Control Period, whichever is earlier.

Control Period

2.3.6 It is to be noted that as per Order no. 38/2017-18 the second control period starts from 1st April 2016 and ends on 31st March 2021. AERA considering the transition phase had vide public notice no. 05/2022-23 dated 20th June 2022, decided to shift the third control period of LGBIA from 1st April 2021 – 31st March 2026 to 1st April 2022 – 31st March 2027.

2.4 Multi Year Tariff Proposal submission

2.4.1 As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the Estimated Deemed Initial RAB as on March 31, 2018, was ₹ 69 crores. Further, it is stated in the Concession Agreement that the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA. *The extract of the relevant clauses 28.11.3, 28.11.4 and 28.11.5 from the Concession Agreement have been provided in Para 17.3.8 of Annexure 3 under Chapter 17.*

2.4.2 In compliance with the above terms of the Concession Agreement, AAI and GIAL have submitted MYTP to the Authority for the following period:

- Submission made by AAI for true up of the period from FY 2016-17 up to COD.
- Submission made by GIAL for true up of the period from COD up to March 31, 2022
- Submission made by GIAL for MYTP for the Third Control Period.

Tariff determination for Pre- COD and Post-COD period

i. Pre-COD period

2.4.3 AAI had submitted initial true up for the Pre-COD period from FY 2016-17 up to COD vide letter dated July 6, 2023. The document is available on the AERA's website. The Authority based on its preliminary scrutiny of the true up figures submitted by AAI, observed various discrepancies and upon enquiry, AAI provided information from time to time till April 2024. To ensure clarity and understanding, a chronological timeline was established to represent the sequence of events leading up to the issue of

Consultation Paper. The timeline captures key milestones such as the submission of the proposal, the preliminary scrutiny, the identification of discrepancies, the commencement of the inquiry, and the subsequent provision of information by AAI which has been presented in the table below:

Table 4: Sequence of events regarding true up submissions by AAI

S. No.	Event	Date
1	Submission of original true up proposal of AAI	July 6, 2023
2	Review of true-up submission and documentation provided by AAI	July 2023 to September 2023
3	Additional information on CAPEX and OPEX	October 2023
4	Additional information on O&M expenses	December 2023
5	Additional information on Capital Expenditure	December 2023
6	Additional information on Fixed Asset Register	January 2024
7	Additional information on Fixed Asset Register	February 2024
8	Additional information on left out assets	February 2024
9	Clarification on R&M expenses	April 2024
10	Additional information on Capital Expenditure	April 2024
11	Additional clarification on space rentals from airlines	April 2024

ii. Post COD period

2.4.4 The tariff determination for the post-COD period has been considered for GIAL under the following categories:

- True up of the period from COD till March 31, 2022
- Tariff determination for the Third Control Period i.e. from April 1, 2022 to March 31, 2027.

2.4.5 GIAL submitted its MYTP for true up of Post COD period and determination of aeronautical tariff for Third Control Period on July 28, 2023. The document is available on the AERA's website.

Table 5: Sequence of events regarding true up and MYTP submissions by GIAL

S. No.	Events	Date
1	Submission of MYTP by GIAL	July 28 2023
2	Review of true-up submission and documentation provided by GIAL	August – October 2023
3	Additional information on CAPEX and OPEX	October 2023
4	Additional information on NITB	December 2023
5	Additional information on Fixed Asset Register	January 2024
6	Additional information on JARS	March 2024
7	Clarification on Cargo and Fuel O&M expenses	April 2024
8	Additional information on traffic	April 2024
9	Additional information on NAR	April 2024
10	Additional information on Utility expenses	April 2024
11	Additional information on CAPEX, CWIP	April 2024

2.4.6 As the LGBIA was taken over and operated by GIAL from the COD i.e. October 8, 2021, the Authority has considered to true up the necessary building blocks of GIAL for the six month period commencing from October 8, 2021 up to March 31, 2022.

2.4.7 The Authority has appointed an Independent Consultant, M/s Deloitte Touche Tohmatsu India LLP to assess the MYTP submitted by GIAL for the Third Control period. Accordingly, M/s Deloitte Touche Tohmatsu India LLP has assisted the Authority in examining true up submission of AAI and GIAL for the pre and post COD period respectively, the MYTP of GIAL, including verifying the data from various supporting documents such as audited financials, Fixed Asset Register (FAR) submitted by

GIAL, examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology and approach.

2.4.8 The Authority vide its letter dated July 7, 2023 requested the Airport Operator to undertake a proper due diligence in respect of CAPEX plan and other regulatory building blocks in the MYTP to be submitted in the respect of LGBIA. Further, the Authority has, in this Consultation Paper, assessed the Capital Expenditure based on site visit, available capacities, future traffic estimates, normative and the need to ensure modular development of infrastructure at the Airport, with a view to ensure determination of optimal Aeronautical charges to be levied on the airport users.

2.4.9 In carrying out the analysis of MYTP submitted by GIAL, the Authority, through it's independent consultant, has carried out review of all details, break up of cost items etc. provided by GIAL together with considering the financials of FY 2022-23 and status of projects as of march 2024. Wherever details have not been provided/ not completely provided, the Authority has carried out appropriate rationalisation of such costs. The Authority also has, in its analysis, indicated certain activities where the costs are proposed to be considered on incurrence basis. These have been elaborated in the relevant paragraphs.

2.4.10 The Authority relies on the information available in the audited financial statements and Fixed Asset Register (FAR) for its analysis. The Authority expects that the Airport Operator would ensure accuracy of the information captured in its Books of Accounts and FAR and that there are no duplication of expenses. It is the sole responsibility of the Airport Operator to maintain proper Books of Accounts and FAR diligently and present accurate information in its submission.

2.4.11 The Authority notes that clause 5.7.1 of Direction 5/ 2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operators Guidelines, 2011 states that *" For any service provided by the Airport Operator for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as mentioned in the Direction No. 4/ 2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines, 2011".*

Further, clause 1.2 of the Direction No.4/ 2010-11 states that *"these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a major airport and for (iii) supplying fuel to the aircraft at a major airport: Provided that Airport Operator providing the Regulated Service(s) as defined herein shall be excluded from the application of these Guidelines.*

Taking cognizance of the above provisions laid out under Direction 5/ 2010-11 and Direction 4/ 2010-11 and the fact that the Airport Operator is providing the services on cargo facility and fuel supply to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and Fuel farm of GIAL separately under the relevant chapters in this Consultation Paper, for the purpose of determining Aggregate Revenue Requirement of GIAL.

Related Party Transactions

The Authority, through its Independent Consultant, got details regarding the tendering procedures implemented by GIAL and has examined the associated contract agreements concerning operating expenses and revenues entered into with related parties.

The Authority, on a sample review of contracts, notes that GIAL has involved certain Related Parties as detailed hereunder:

Table 6: Services provided to GIAL by related parties

S. No.	Nature of Services	Name of Related Party	Description of Relationship
1	Master Service Agreement to operate and manage Non-Aeronautical Facilities	Adani Airport Holdings Limited	Company holding 49% shareholding in GIAL
2	Corporate Support Service	Adani Airport Holdings Limited	Company holding 49% shareholding in GIAL
3	Corporate Support Service	Adani Enterprises Limited	Holding Company
4	Borrowing	Adani Airport Holdings Limited	Company holding 49% shareholding in GIAL

The Authority also notes the following from the Concession Agreement signed between GIAL and AAI:

"5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the operations, management and development of the airport in a fair, transparent and efficient manner and without any undue favour or discrimination in this behalf. In pursuance hereof, it shall, within six (6) months from the COD, frame policy specifying the principles and procedures that it shall follow in awarding for supply of goods and services, and shall place the policy on its website for the information of general public and all interested parties, The policy shall:

(a) include the principles and procedures followed for sub-leasing, sub-licensing or grant or allocation of any space, building, rights or privileges to private entities in the Airport

(b) be approved by the Board of Directors of the Concessionaire

5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s) or any other rights or previleges where the consideration (including deposits in any form or respect thereof) exceeds Rs. 25,00,00,000/- (Rupees Twenty Five Crore) in any accounting year (collectively, the ***contracts****) the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under clause 5.6.1*

5.6.3 The Parties agree that the Concessionaire should pre-quality and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length basis in a manner that is commercially prudent and protects interest of users."

5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.

AERA expects that GIAL and the AAI, (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has relevant experience of providing similar service to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

2.5 Construct of this Consultation Paper

This Consultation paper has been developed in the order of the events as explained above. Chapter-wise details have been summarized as follows:

i. The background of the Authority's tariff determination process is explained in this Chapter and in Chapter 3, the framework for determination of tariff is discussed.

ii. Chapter 4 lists out the submissions of AAI for true up of the Pre- COD period which is from FY 2016-17 to October 7, 2021. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the Period FY 2016-17 till COD. This chapter also discusses the assessment and the outcome of the studies commissioned by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Consultation Paper and the reports have been appended separately to the Consultation Paper.

iii. Chapter 5 lists out submission of GIAL for true up of the period from October 8, 2021 (COD) up to March 31, 2022. This is followed by the Authority's examination and proposals on the specific issues regarding the true up for the said post-COD period. This chapter also discusses the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is given under Annexures to this Consultation Paper and the reports have been appended separately to the Consultation Paper.

iv. Chapter 6 presents the submissions of GIAL regarding Traffic Projections and the Authority's proposals on the same.

v. Chapter 7 includes the submissions of GIAL regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure, depreciation, and RAB for the Third Control Period.

vi. Chapter 8-13 includes the submissions of GIAL regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Inflation, Operating Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter.

vii. Chapter 14 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the Third Control Period.

viii. Chapter 15 summarizes the Authority's proposals put forward for consultation.

ix. In Chapter 16 the Authority invites views of all the stakeholders regarding proposals put forward for tariff determination for the Third Control Period in the Consultation Paper.

x. Chapter 17 contains Annexures:

- Annexure 1 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets
- Annexure 2 – Summary of study on efficient Operation and Maintenance expenses
- Annexure 3 – Clauses of the Concession Agreement entered between AAI and GIAL

xi. Chapter 18 contains the list of Appendices.

2.6 Studies commissioned by the Authority

2.6.1 The Authority commissioned the following studies through its Independent Consultant for the purpose of tariff determination and the resultant recommendations have been used in this Consultation paper**:**

a) **Study on allocation of Assets between Aeronautical and Non-Aeronautical Assets:** The Study has carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and GIAL. The study has developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the Common assets based on appropriate ratios. Further, the Study has also examined the assets transferred from AAI to GIAL (as on COD) and determined the Deemed Initial RAB as on COD.

b) **Study on efficient Operation and Maintenance Expenses:** The Study examined the historical trends in the O&M expenses of LGBIA and assessed how the Airport has been performing in comparison to the select peers in the industry. The Study verified the classification of the various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned based on appropriate ratios. Further, the Study ascertained the expenses that were unreasonably high and rationalized them based on suitable benchmarks.

2.6.2 The recommendations of these studies have been used in this Consultation Paper. The summary of the Study on Allocation of Assets is given in Annexure 1 of this Consultation Paper and the study is attached as Appendix 1 of this Consultation Paper. The summary of the Study on Efficient Operation and Maintenance Expenses is given in Annexure 2 of this Consultation Paper and the study is attached as Appendix 2 of this Consultation Paper.

3 FRAMEWORK FOR TARIFF DETERMINATION OF LGBIA FOR THE THIRD CONTROL PERIOD

3.1 Methodology

3.1.1 The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act, 2019 and AERA Amendment Act, 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.

3.1.2 As per the guidelines, the Authority has adopted the Hybrid-Till mechanism for tariff determination for the Third Control Period wherein, 30% of the Non-aeronautical revenues is to be used for cross-subsidizing the Aeronautical charges. The Authority has considered the same methodology in the analysis of true up submission for Second Control Period, pre-COD and post-COD Period.

3.1.3 The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

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’.

3.1.4 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. The Authority has considered discounting cash flows, one year from the start of the Control Period.
- VE_t is the passenger traffic in year ‘t’.

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

3.1.6 As per the provisions of Section 13(2) of the AERA Act 2008, the tariff so determined under the Tariff Order can be reviewed and revised.

3.2 Revenues from Air Navigation Services (ANS)

3.2.1 GIAL shall be performing Aeronautical services like landing, parking, ground handling, cargo and fuel supply to aircraft services at LGBIA and has submitted revenue projections for the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at LGBIA and hence the MYTP submitted by GIAL does not consider revenues, expenditure, and assets on account of ANS.

3.2.2 Tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

4 TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD AND PRE-COD PERIOD

4.1 Background

4.1.1 AAI had entered into a Concession Agreement dated January 19, 2021, with Guwahati International Airport Limited (the 'Concessionaire') for the operations, management, and development of LGBIA for a period of 50 years from the COD, i.e., October 8, 2021.

4.1.2 As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

4.1.3 Pursuant to the above Concession Agreement, AAI has submitted True up workings for the period April 1, 2016 up to October 7, 2021

4.1.4 The true up workings submitted by AAI covers the following building blocks:

i. Traffic
ii. Capital Expenditure
iii. Aeronautical Depreciation
iv. Regulatory Asset Base
v. Fair Rate of Return
vi. Aeronautical Operation and Maintenance Expenses
vii. Non-aeronautical Revenue
viii. Aeronautical Taxes
ix. Aggregate Revenue Requirement

4.1.5 The Authority has analyzed the AAI's true up submission in detail. The analysis by the Authority, has been organized as follows:

i. Recorded AAI's submissions for true up under different Regulatory building blocks.
ii. Recapped the decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 38/ 2017-18 dated February 16, 2018)
iii. Provided Authority's examination through its Independent Consultant on each regulatory building block and put forth its proposals.
iv. Authority also examined Pre COD period (1st April'2021 to 7th Oct'2021) and considered amount against each regulatory building block in true up exercise.

4.1.6 The Authority has considered the following documents for determining true up for the Second Control Period and Pre-COD Period:

i. Tariff Order for LGBIA (Order No. 38/ 2017-18) dated February 16, 2018.
ii. Trial balance figures of AAI for the Second Control Period and Pre-COD Period.
iii. AERA Guidelines and Orders.
iv. Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.

4.2 AAI's submission regarding True up for SCP and period from 1st Apr'21 to 7th Oct'21

4.2.1 As mentioned in Para No. 2.4.3 of this Consultation Paper, AAI has submitted its True Up submission dated 6th July 2023. The details of the same have been provided below:

Table 7: Submission of True up by AAI for the SCP and Pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY '21	Total till FY'21	FY'22 up to COD	Total till COD
Opening RAB	84.00	78.85	80.44	154.28	172.29		163.26	
Closing RAB	78.85	80.44	154.28	172.29	163.26		166.21	
Average RAB	81.43	79.65	117.36	163.29	167.78	**609.49**	164.74	**774.22**
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%		14%	
Return on Average RAB	11.40	11.15	16.43	22.86	23.49	**85.32**	12.01	**97.33**
Depreciation	7.00	7.17	9.93	13.32	13.84	**51.27**	7.31	**58.58**
Operating Expenditure	43.50	80.96	94.70	113.17	93.98	**426.31**	73.89	**500.19**
Opening RAB - Financing Allowance	-	0.002	0.02	1.11	2.10		2.75	
Additions - Financing Allowance	0.002	0.02	1.10	1.06	0.75	**2.94**	0.10	**3.04**
Depreciation - Financing Allowance	0.00	0.001	0.01	0.07	0.10	**0.19**	0.07	**0.26**
Closing RAB - Financing Allowance	0.002	0.02	1.11	2.10	2.75		2.78	
Average RAB - Financing Allowance	0.001	0.01	0.56	1.60	2.42	**4.61**	2.76	**7.37**
Return on Average RAB - Financing Allowance	0.0001	0.002	0.08	0.22	0.34	**0.65**	0.20	**0.85**
Interest on Working Capital	-	-	-	-	-	**-**	0.51	**0.51**
Corporate Tax	15.66	10.16	17.99	6.44	-	**50.24**	-	**50.24**
Corporate Tax on shortfall (under recovery) to be collected from Concessionaire							26.95	**26.95**
Shortfall in 1st Control Period as on 01.04.2016	107.70	-	-	-	-	**107.70**	-	**107.70**
Less: Deductions for Non-aeronautical Revenues	8.23	4.69	9.70	15.09	7.26	**44.97**	3.09	**48.06**
Total Gross ARR	177.02	104.76	129.43	140.99	124.50	**676.71**	117.83	**794.54**
Revenue earned from Aeronautical Services	97.05	118.91	158.14	156.04	73.65	**603.79**	41.73	**645.52**
(Excess) / Shortfall	79.97	(14.15)	(28.70)	(15.05)	50.85	**72.92**	76.11	**149.02**
PV Factor	1.81	1.59	1.39	1.22	1.07		1.00	
PV of (Excess) / Shortfall on COD*	**144.60**	**(22.44)**	**(39.94)**	**(18.36)**	**54.44**	**118.29**	**76.11**	**194.40**

*COD 8th October 2021

4.3 Authority's examination of True up submitted by AAI for Second Control Period and pre-COD period

The Authority has taken cognizance of the decisions taken at the time of determination of tariff for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the current Control Period.

The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 38/2017-18 dated February 16, 2018, have been reproduced below:

- ***Decision No.1 – True Up for the 1st Control Period***

  1.a. *The Authority decides to true-up the 1st Control Period on the basis of Single Till*

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

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

  1.d. *The Authority decides the following depreciation rates.*

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

    ii. *For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 30.*

  1.e. *The Authority decides to consider short fall of ₹ 107.7 crores in the 1st control period to be added to ARR for the 2nd Control Period.*

- ***Decision No. 2 – Traffic Forecast***

  2.a. *The Authority decides to consider the ATM and passenger traffic as per Table 20.*

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

- ***Decision No. 3 – Allocation of assets between Aeronautical and Non-Aeronautical services***

  3.a. *The Authority decides to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 24.*

- ***Decision No. 4 – Opening Regulatory Asset Base for the 2nd control period***

  4.a. *The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 65.5 crores.*

- ***Decision No. 5 – Capital Expenditure***

  5.a. *The Authority decides to consider allowable project cost of ₹ 261.9 crores and accordingly reckon the amount of ₹ 261.9 crores as additions to total assets during the 2nd control period.*

  5.b. *The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.*

  5.c. *The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.*

- ***Decision No. 6 – Treatment of Depreciation***

  6.a. *The Authority decides to adopt depreciation rates as per Table 30 and depreciation for the 2nd control period as per Table 31.*

6.b. *The Authority decides to consider the deprecation rates as per the order No. 35/2017 18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period. It shall make necessary adjustments in RAB accordingly.*

- ***Decision No. 7 – RAB for 2nd control period***

7.a. *The Authority decides to consider RAB for 2nd control period as given in Table 33.*

7.b. *The Authority decides to true up the RAB of 2nd control period based on actual asset addition and consider the depreciation rates as per the order no. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period.*

Decision No. 8 – FRoR

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

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

- ***Decision No. 9 – Non-Aeronautical Revenues***

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

9.b. *The Authority decides to consider the Non-Aeronautical revenue as per Table 37.*

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

- ***Decision No. 10 – Operation and Maintenance Expenditure***

10.a. *The Authority decides to consider the operational and maintenance expenditure as given in Table 44 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.*

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

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

10.d. *The Authority decides the following factors for corrections while determining tariffs for the next control period:*

(i) *Mandated cost incurred due to directions issued by regulatory agencies like DGCA;*

(ii) *Cost of actual operating expenses including electricity;*

(iii) *All statutory levies in the nature of fees, levies, taxes, and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines, and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same may not be trued up.*

- ***Decision No. 11 – Taxation***

  11.a. The Authority decides the corporate tax for aeronautical activities as per Table 45 for the 2nd control period.

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

- ***Decision No. 12 – Tariff rate card***

  12.a. The Authority decides to accept Annual Tariff Proposal as given in Table 49 (and Annexure) for the 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority. The Authority decides to accept the increase in tariffs for subsequent years of the second control period as below:

  i. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger
  ii. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) on landing charges
  iii. Yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges

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

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

  12.d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.03.2018.

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

4.4 True up of Traffic

4.4.1 The actual passenger and ATM traffic of LGBIA for the Second Control Period submitted by AAI is as follows:

Table 8: AAI's submission for True up of traffic for the Second Control Period for LGBIA

(in Nos.)

Financial Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
FY'17	3,759,494	30,162	3,789,656	37,383	490	37,873
FY'18	4,636,604	31,449	4,668,053	40,668	504	41,172
FY'19	5,714,561	31,067	5,745,628	49,845	643	50,488
FY'20	5,422,289	35,160	5,457,449	44,539	1,000	45,539
FY'21	2,188,767	368	2,189,135	23,422	20	23,442

Financial Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
Total	**21,721,715**	**128,206**	**21,849,921**	**195,857**	**2,657**	**198,514**
FY'22 (till COD)	1,163,923	16	1,163,939	14,388	5	14,393
Total (till COD)	**22,885,638**	**128,222**	**23,013,860**	**210,245**	**2,662**	**212,907**

4.4.2 The Authority verified the actual Passenger traffic and ATM (as per Table 8) for the Second Control Period based on the details available on AAI's website and noted no variances.

4.4.3 The Authority examined the actual passenger traffic and ATM of LGBIA with the traffic projections approved by the Authority in the Tariff Order No. 38/2017-18 dated 16 February 2018, for the Second Control Period, which is as follows:

Table 9: Passenger traffic and ATM approved by the Authority for the Second Control Period

(in Nos.)

Financial Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
FY'17	3,759,494	30,162	3,789,656	37,383	490	37,873
FY'18	4,622,417	30,775	4,653,192	41,688	502	42,190
FY'19	5,084,659	33,852	5,118,511	44,641	548	45,189
FY'20	5,593,125	37,237	5,630,362	47,803	597	48,400
FY'21	6,152,437	40,961	6,193,398	51,189	651	51,840
Total	**25,212,132**	**172,987**	**25,385,119**	**222,704**	**2,788**	**225,492**

4.4.4 The Authority notes from the above table that the actual Passenger and ATM traffic for the first three tariff years of the Second Control Period (as per Table 8) is same or near to what was approved by the Authority in the Tariff Order for the Second Control Period.

4.4.5 The Authority notes that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20 (pre-COVID year), due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic in the last quarter of the FY 2019-20.

4.4.6 The actual traffic for the 5th tariff year viz., FY 2020-21 is significantly lower than the projections in Tariff order for the Second Control Period, due to the adverse impact of the ongoing COVID-19 pandemic.

4.4.7 Based on the above facts, the Authority proposes to consider the actual passenger and ATM traffic as submitted by AAI (Table 8) for true up of the Second Control Period (up to COD), in line with its decision no. 2.b. of the Tariff Order No. 38/ 2017-18 dated February 16, 2018, which states "The Authority decides to true up the traffic volume (ATM *and passengers) based on actual traffic in 2nd Control period while determining tariffs for the 3rd control period."*

4.5 True up of Capital Expenditure (CAPEX)

AAI's submission for true up of RAB for the Second Control Period and Pre-COD Period:

4.5.1 AAI has submitted the details of RAB during the Second Control Period and Pre-COD period as follows:

Table 10: RAB for Second Control Period and pre COD period as per AAI's Submission

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22 till COD	Total
Opening RAB (A)	84.00*	78.85	80.44	154.28	172.29	163.26	
Additions to RAB during the year (B)	9.77#	8.84	83.77	31.33	4.82	10.26	**148.79**
Deletions from RAB during the year (C)	7.92	0.08					**8.00**
Depreciation for the year (D)	7.00	7.17	9.93	13.32	13.84	7.31	**58.57**
Closing RAB for the year (E=A+B-C-D)	**78.85**	**80.44**	**154.28**	**172.29**	**163.27**	**166.21**	

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

 # excludes left out asset and cost apportionment as the same has been included in Opening RAB

4.5.2 AAI has classified the above capital additions into Aeronautical, Non-aeronautical, Common and ANS as shown below:

Table 11: Allocation of assets as per AAI's submission

Asset Category	Asset Sub-Category / Description	Asset Classification
Boundary	Boundary in CPWD Quarters	Aeronautical
	Operational boundary walls	Aeronautical
Building	Expansion and modification of existing Term. Bldg. (Misc. works)	Aeronautical
	Construction of E&M Workshop	Aeronautical
	Tensile Fabric Canopy for Terminal building	Aeronautical
	Civil and Electrical works for Air link corridors	Aeronautical
	Construction of Dog kennel and associated works at CISF complex	Aeronautical
	Construction of Fire pit and approach road	Aeronautical
	Supply and installation of public toilet	Aeronautical
	Frangible security w/towers	Aeronautical
	Portable shelters	Aeronautical
	SITC of Smoke Cabin indoor type	Aeronautical
	Construction of Child Care room and facelift works	Aeronautical
	Construction of LLZ/ILS Hut	ANS
	Surface Movement Radar Tower and ASMGCS room	ANS
Furniture & Fixtures	3-seater Airport Terminal chairs	Aeronautical
	Furniture & Fixtures at administrative offices	Aeronautical
	Iron beds	Aeronautical
	Ladies Frisking booth	Aeronautical
	Standing Platform	Aeronautical
	Immigration Counters	Aeronautical
	Rifle racks	Aeronautical
	Furniture and Fixtures for ANS use	ANS
Office appliances	IT assets and other office equipment at the airport, BCAS and CISF offices	Aeronautical
	IT assets and other office equipment at ANS offices	ANS

Asset Category	Asset Sub-Category / Description	Asset Classification
Plant & Equipment	FIDS, CUTE, CUSS	Aeronautical
	CCTV and Access Control System	Aeronautical
	Perimeter Lighting System	Aeronautical
	Escalators and Elevators	Aeronautical
	Passenger boarding bridges and AVDGS	Aeronautical
	Rubber Removal Machine	Aeronautical
	Bomb Suits	Aeronautical
	Hand-Held Metal Detectors and DFMDs	Aeronautical
	Explosive vapour Detector	Aeronautical
	Passenger Baggage Trolleys	Aeronautical
	Signages	Aeronautical
	Equipment at CISF Barracks	Aeronautical
	X-ray Baggage Inspection System	Aeronautical
	SITC of video conferencing system	Aeronautical
	Mini Remote Operating Vehicle	Aeronautical
	SITC for E-Gates for Immigration	Aeronautical
	Human Life Detector	Aeronautical
	SITC of SCCTV system	Aeronautical
	SITC of drinking water fountains	Aeronautical
	Public Address Sound Management System	Aeronautical
	Aadhar based Biometric Machines	Aeronautical
	SITC of Biometric Access Control System	Aeronautical
	Firefighting and protection equipment	Aeronautical
	Air Conditioning at terminal building	Aeronautical
	SITC of sub-station equipment and associated work	Common
	SITC of ground mounted solar plant	Common
	Equipment related to ANS/CNS facilities	ANS
Runways, Taxiways and Apron	Strengthening of Existing Runway 02/20	Aeronautical
	Construction and strengthening of internal and access roads	Aeronautical
	Car park in front of Cargo and RHQ building	Non-Aero
Vehicles	Fire trucks, ambulances, tractors, SUVs, and other vehicles for airside operations	Aeronautical
	Vehicles for ANS operations	ANS
Computer Software	Software for airport operations	Aeronautical
	Software licences	Common

4.5.3 Further, AAI has submitted the following ratios:

Table 12: Allocation ratios as per AAI's submission

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 till COD
Employee Ratio (Aeronautical : Non-aeronautical)	98.65:1.35	98.08:1.92	98.84:1.16	98.10:1.90	98.03:1.97	98.60:1.40
Terminal Building ratio (Aeronautical : Non-aeronautical)	89.67:10.33	90.50:9.50	90.60:9.40	92.32:7.68	92.81:7.19	92.58:7.42

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 till COD
Electricity ratio (Aeronautical : ANS : Non-aeronautical)	84.79: 15.00: 0.21	84.76: 15.05: 0.19	84.74: 15.08: 0.18	84.77: 15.08: 0.16	84.75: 15.05: 0.20	84.52: 15.19: 0.29
Staff Quarters ratio (Aeronautical : ANS)	49.11:50.89	52.94:46.08	60.83:38.33	65.81:33.33	64.85:35.42	59.21:40.79
Vehicle Ratio (Aeronautical : ANS : Non-aeronautical)	74.07: 18.52: 7.41	75.86: 17.24: 6.90	77.14: 17.14: 5.71	82.61: 13.04: 4.35	83.33: 12.50: 4.17	80.00: 15.00: 5.00

Recap of decision taken by the Authority for RAB at the time of tariff determination for the Second Control Period

4.5.4 The Authority vide its decision no. 4, 5 and 7 of Order no. 38/2017-2018 dated February 16, 2018 decided the following with respect to Opening Aeronautical RAB, Additions and RAB for Second Control Period:

- *Decision no. 4.a. The Authority decides to consider the opening regulatory base for the 2^nd^ control period under Hybrid Till as ₹ 65.5 crores.*
- *Decision no. 5.a. The Authority decides to consider allowable project cost of ₹ 261.9 crores and accordingly reckon the amount of ₹ 261.9 crores as additions to total assets during the 2^nd^ control period.*
- *Decision no. 5.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.*
- *Decision no. 5.c. The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.*
- *Decision no. 7.a. The Authority decides to consider RAB for 2nd control period as given in Table 33.*
- *Decision no. 7.b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and consider the depreciation rates as per the order no. 35/2017-18 dated 12.01.2018 issued by the Authority, at the time of determination of tariff for the 3rd control period.*

Table 13: RAB as approved by Authority in the Tariff Order for Second Control Period (Table 33 of the Order)

(₹ crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB (A)	65.50	66.30	71.20	102.00	269.70	
Addition (B)	6.90	11.20	37.80	178.00	28.00	**261.90**
Sales/Disposals/Transfers (C)	-	-	-	-	-	**-**
Depreciation (D)	6.10	6.30	7.00	10.30	13.30	**43.00**
Closing RAB (E = A + B – C – D)	66.30	71.20	102.00	269.70	284.40	
Average RAB [(A + E) ÷ 2]	**65.90**	**68.80**	**86.60**	**185.90**	**277.10**	

Authority's examination regarding CAPEX, Depreciation and RAB as part of tariff determination for the Second Control Period and Pre-COD Period:

4.5.5 The Authority had undertaken the "Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets" to carry out a detailed analysis of the Regulatory Assets, apportion the common assets based on appropriate ratios, and examine the assets transferred from AAI to GIAL.

4.5.6 **Allocation Ratios**

a. **Terminal Building ratio:** It was observed that as per AAI's True up submission for the period up to October 8, 2021, LGBIA had an average terminal building ratio of 91.41:8.59 based on actual utilization. The Authority in its order 38/2017-18 for SCP of LGBIA, had decided to adopt 89.02% as aeronautical area based on terminal area ratio calculations submitted by AAI for FY 2015-16.

This is also consistent with the IMG norms, which has recommended the Non-Aeronautical area within the terminal building for airports having passenger traffic less than 10 MPPA to be in the range of 8% to 12% of the total terminal area and for airports having passenger traffic greater than 10 MPPA to be up to 20%.

The Authority had commissioned an independent study on the Allocation of Assets (summary of the study is given in Annexure 1 and the study is attached as Appendix 1 of this Consultation Paper). Based the outcome of the study, the Authority proposes to consider the Terminal Building ratio of 89.02:10.98 (Aeronautical: Non-Aeronautical) as was approved by the Authority in the Tariff Order for the Second Control Period. The same has been explained in para 4.3.1 of the Asset Allocation study report.

b. **Staff Quarters ratio:** The Authoirty proposes to consider staff quarters ratio as submitted by AAI.

c. **Employee Headcount ratio:** The Authority proposes to consider the five-year average Employee Head Count Ratio of AAI, i.e. 90.45:9.55 (Aeronautical: Non-aeronautical) for the purpose of allocation of assets during the period from FY 2016-17 up to COD, as the Authority considers the same to be a reasonable basis for allocation of assets. The same has been explained in para 4.4.3 of the *O&M Study report* and the same is presented in the table below:

Table 14: Allocation Ratios proposed by the Authority

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	FY22 till COD	Average Ratio
Employee Ratio (Aero : Non-Aero)	90.35:9.65	89.53:10.47	91.56: 8.44	90.59: 9.41	90.59: 9.41	90.10: 9.90	90.45:9.55
Terminal Building Ratio (Aero : Non-Aero)	89.02% : 10.98%						
Staff Quarters Ratio (Aeronautical : ANS: Non Aeronautical)	49.11: 50.89: 0	52.94: 46.08: 0.98	60.83: 38.33: 0.83	65.81: 33.33: 0.85	64.58: 35.42: 0	59.21: 40.79: 0	

4.5.7 The Authority notes the following while comparing the RAB as submitted by AAI for true up (Table 10) and that approved in Second Control Period tariff order (Table 13):

- There is a difference between Opening RAB as on 1st April 2016 as submitted by AAI and that approved by AERA in the Second Control Period Order. This variation has been discussed in para 4.5.9.
- The capital expenditure incurred by AAI vis a vis approved by the Authority for the Second Control Period is lower by ₹ 123.37 crores. Additionally, AAI has incurred ₹ 10.26 crores during FY'22 till COD i.e. 8th October, 2021. The same has been discussed in para 4.5.14.

4.5.8 The Authority notes that at the time of determination of tariff for the Second Control Period, in the Tariff Order, the Opening RAB for FY 2016-17 was determined to be ₹ 65.50 crores (Decision No. 4a, Tariff Order No. 38/2017-18 dated February 16, 2018). The details are as follows:

Table 15: Opening RAB approved by the Authority in the Second Control Period Tariff Order

(₹ crores)

Particulars	Ref.	Amount
Original Cost of Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	A	162.0
Aeronautical asset addition during the First Control Period	B	21.5
Cost of Aeronautical Assets as on 31.03.2016	**C = A + B**	**183.5**
Accumulated Depreciation as on 31.03.2016	D	117.9
Closing RAB as on 31.03.2016	**E = C – D**	**65.5**
Opening RAB as on 01.04.2016	**F = E**	**65.5**

4.5.9 For true-up, AAI has considered an amount of ₹ 84.00 crores for Opening RAB for FY 2016-17 which is at variance from what was approved by the Authority in the Tariff Order for LGBIA for the Second Control Period. The opening RAB submitted by AAI as part of the true up proposal submission is ₹ 84.00 crores which includes left out assets of ₹ 16.59 crores at the time of finalization of Tariff for the Second Control Period and hence, these assets have been added to the True up of Second Control Period. Further, AAI has added an amount of ₹ 1.90 crores shown as 'Cost Apportionment' or Improvement cost to the Opening RAB of Second Control Period.

4.5.10 Based on the information/details provided by AAI and the comparison of the left-out assets and Cost Apportionment (the list of left out assets and improvements are detailed in Annexure II of Asset Allocation Study Report) with the fixed asset register, it is noted that these assets exclusively belong to LGBIA. Hence, the Authority proposes to include these assets as part of the Opening RAB for FY 2016-17 of the Second Control Period.

4.5.11 The Authority, based on the above facts, proposes to consider the opening RAB for true-up of the Second Control Period as submitted by AAI i.e., ₹ 84.00 crores (₹ 65.5 crores + ₹ 16.59 crores + ₹ 1.90 crores).

Capital additions submitted by AAI for Second Control Period and Pre-COD Period

4.5.12 The Authority notes variance between the approved CAPEX in the Tariff Order for the Second Control Period and the actual capitalization of aeronautical assets. The Tariff Order for the Second Control period had projected a capitalization of aeronautical assets amounting to ₹ 261.9 crores for SCP, but as per AAI's submission, ₹ 148.78 crores of aeronautical assets have been capitalized (56.8% of approved CAPEX) (refer Table 18) until the COD (Commercial Operation Date).

4.5.13 The Authority reviewed the actual capital additions to RAB during the Second Control Period, which is explained as follows:

Table 16: Capital additions submitted by AAI for the SCP and Pre-COD Period for LGBIA

(₹ crores)

S. No	Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
1	Runway	0.00	1.08	49.71	1.78	0.38	**52.94**	0.00	**52.94**
3	Roads Bridges &Culverts	0.61	0.00	0.00	0.00	0.00	**0.61**	0.00	**0.61**
4	Terminal Building	0.00	2.76	11.96	5.14	0.00	**19.86**	1.82	**21.68**
5	Temp. Building	0.00	0.09	0.05	0.18	0.18	**0.50**	0.00	**0.50**
6	Residential Building	0.00	0.00	0.30	0.00	0.00	**0.30**	1.10	**1.40**
7	Operational B/Wall	0.00	0.00	7.07	0.00	0.15	**7.22**	6.05	**13.26**
8	Residential Security Fencing	0.00	0.00	0.00	0.00	0.22	**0.22**	0.00	**0.22**

S. No	Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
9	Computer & Peripherals	0.04	0.03	0.17	0.09	0.40	**0.73**	0.00	**0.73**
10	Software	0.02	0.01	0.00	0.00	0.00	**0.03**	0.00	**0.03**
11	Plant & Machinery	7.29	2.68	9.50	8.23	2.68	**30.38**	1.23	**31.61**
12	Tools & Equipment	1.73	1.20	4.23	6.01	0.60	**13.77**	0.06	**13.83**
13	Furniture-Office	0.01	0.62	0.47	1.41	0.08	**2.58**	0.00	**2.58**
14	Vehicles	0.05	0.38	0.22	0.73	0.00	**1.38**	0.00	**1.38**
15	Office Eqpt	0.01	0.00	0.10	0.10	0.13	**0.33**	0.00	**0.33**
16	X-Ray	0.00	0.00	0.00	2.38	0.00	**2.38**	0.00	**2.38**
17	CFT/Fire Fighting Equipments	0.00	0.00	0.00	5.29	0.00	**5.29**	0.00	**5.29**
Total		**9.77**	**8.84**	**83.77**	**31.33**	**4.82**	**138.53**	**10.26**	**148.78**

4.5.14 The Authority compared the total capital additions provided by AAI with the capital additions approved in the Second Control Period order as detailed below:

Table 17: Reconciliation of Additions considered in the Second Control Period Order and Actuals incurred by AAI

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total up to FY21	FY22 till COD*	Total
Amount approved as per Tariff Order (A)	6.90	11.20	37.80	178.00	28.00	**261.90**	**-**	**261.90**
Actual additions to RAB (B)	9.77	8.84	83.77	31.33	4.82	**138.53**	10.26	**148.79**
Difference (B-A)	**2.87**	**(2.36)**	**45.97**	**(146.67)**	**(23.18)**	**(123.37)**	**10.26**	**-**

* up to October 8, 2021

4.5.15 The Authority has analyzed the reasons for such differences which are detailed below as mentioned in Table 18:

- Out of the total CAPEX of ₹ 261.90 crores approved in SCP, ₹ 177.56 crores CAPEX was deferred due to the anticipated concessioning out of LGBIA to GIAL.
- The cost of assets commissioned by AAI as compared to the approved amount in SCP order resulted in a cost overrun of ₹ 10.29 crores due to actual tendered costs being marginally higher than the estimates.
- AAI capitalized assets worth ₹ 54.16 crores, which were not approved in the SCP Order. These assets were commissioned mainly for enhancing passenger facilitation (such as installation of air conditioners, passenger chairs etc.), improving security (procurement of bomb suit, X ray machines, dog squad vehicles, mobile command post, SCCTV systems etc.), and maintaining the overall operational efficiency of the airport like provision of additional PBB, provision of CUTE, CUSS and scanner, procurement of rubber removal vehicles, various electrical works, PA System etc.

Table 18: Reconciliation of Additions allowed in Second Control Period Order and Actuals incurred by AAI

Particulars	Reference	Amount
Additions as per SCP Tariff Order	A	261.90
Capital Expenditure proposed in SCP but later deferred due to consideration for handing over of LGBI Airport, Guwahati under PPP	B	177.56
Variance in cost between additions approved and incurred due to cost overun	C	10.29
Capital additions capitalized in the SCP but not approved in SCP Tariff Order	D	54.16
Total additions proposed by AAI in its True-up of SCP	**E=A-B+C+D**	**148.79**

4.5.16 Based on the above analysis, the Authority proposes to allow the actual capital expenditure submitted by AAI till COD as per Table 18.

Reclassification and Reallocation of assets submitted by AAI for the Second Control Period and Pre-COD Period

4.5.17 The Authority has commissioned an independent study through the Consultant appointed by AERA on allocation of assets between Aeronautical and Non-aeronautical services for LGBIA for the Second Control Period and FY 2021-22 (Pre and Post COD of AAI and GIAL respectively) (summary of the study is given in Annexure 1 and the Study is attached as Appendix 1) and used the recommendation of the study, while truing up the RAB till COD for AAI.

4.5.18 The Authority notes that the Independent Study has provided a broad framework for allocation of various classes of airport assets into Aeronautical, Non-aeronautical and Common. The process followed by the Study is as follows:

- The assets responsible for/ used exclusively for the provision of aeronautical (as defined in section 2 (a) of the AERA Act, 2008) services have been classified as 'Aeronautical' for the purposes of Study. Additionally, the decisions of AERA on allocation of certain assets in the previous control periods and in the case of other airports have also been taken into consideration for this exercise.
- Assets which are solely used for the provision of services other than aeronautical services are classified as 'Non-Aeronautical'.
- If any asset is not exclusively used for the provision of either Aeronautical service or Non-Aeronautical service, it has been classified as 'Common'.
- Apart from being an airport operator, AAI is also responsible for the provision of Air Navigation Services (ANS) over the Indian airspace. Therefore, certain ANS assets also form part of the books of AAI. However, since this service is managed separately by AAI and the tariff for the same are presently regulated by Ministry of Civil Aviation (MoCA), the assets related to the same are not considered under the RAB of AAI. Therefore, such assets have been excluded from the Aeronautical Gross Block of AAI.
- However, certain ANS related assets were also transferred to GIAL as on COD. As per the terms of the Concession Agreement, AAI would continue to provide ANS services at LGBIA. As mentioned in Schedule Q of Clause 20.2.1 of the Concession Agreement, GIAL is required to make available all necessary civil infrastructure and necessary support to AAI for providing ANS services. Therefore, the ANS related assets, when transferred to the books of the GIAL, would be considered as aeronautical in nature considering that GIAL is not providing or charging for ANS services at LGBIA whereas it is required to provide the supporting infrastructure.
- Aeronautical assets (e.g. aerobridges, runway, apron etc.) are directly added to RAB and assets identified to be Non-Aeronautical (e.g. commercial complex) are excluded from it. The assets that have been classified as Common assets need to be further bifurcated into aeronautical and non-

aeronautical based on a suitable ratio. This ratio has been determined based on the underlying proportion of their expected utilization for Aeronautical and Non-aeronautical services and activities at the Airport.

- Assets have been analysed on a case-to-case basis and in case of any misclassification identified in allocation, appropriate reclassification has been made for such assets.

4.5.19 **Reclassification of assets transferred by AAI to GIAL**

The Authority has conducted an independent study on allocation of assets for the period FY 2016-17 till COD and used the outcome of the study to true up the RAB as on COD for AAI.

The Authority has considered the opening RAB submitted by AAI, Capital additions and corresponding depreciation based on the results of the Asset Allocation Study report (refer Annexure 1 for the Summary of the report and Appendix 1 for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for Guwahti International Airport*.)

The asset allocation study report reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common. Based on the same, the Authority has reclassified some portion of assets submitted by AAI for true up of the Pre-COD Period.

(i) Terminal building:

Details of Asset: Expansion and Modification of Existing Terminal Building

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to development of terminal building have been considered as Aeronautical assets by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same is reclassified as Common asset and segregated in the Terminal Building ratio (89.02:10.98).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the Capital Additions to the extent of ₹ 0.91 crores.

(ii) Plant & Machinery:

Details of Asset: VRV System, Solar plant, AC plant, Water Softening plant,

Allocation proposed by AAI: Aeronautical

Observation: The assets pertain to various machinery at several locations in the airport terminal have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.57 crores.

(iii) Furniture & Fixtures:

Details of Asset: Furniture and Fixtures at Administrative offices

Allocation proposed by AAI: Aeronautical

Observation: The furniture at the administrative offices in the terminal building have been classified as Aeronautical assets by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.09 crores.

(iv) Tools and Equipment:

Details of Asset: Sub-station equipment, DG set, Split AC, Lights, Fan, Baggage disinfectant system, Radio communication equipment, Breath analyzer.

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to the various equipment at several locations in the airport have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

Radio communication equipment and Breath analyzer equipment at ATC Building have been classified as Aeronautical asset by AAI. However, since these assets are for ANS staff use, they have been reclassified as ANS assets.

Allocation proposed by the Authority: Common / ANS

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.10 crores.

(v) Office Appliances:

Details of Asset: Computer, Printer, Scanner, DVD, Fox screen, DSLR Camera, Xerox machine, Handheld Multimeter

Allocation proposed by AAI: Aeronautical

Observation: Computers, Laptop, Printers, and DVD used in the terminal building have been classified as Aeronautical asset by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

Computers, Scanner, Fox screen, Xerox machine, DSLR Camera, DVD, and Handheld multimeter at the ATC tower and CNS section have been classified as Aeronautical assets by AAI. As these assets are for CNS use, the assets have been reclassified as ANS assets.

Allocation proposed by the Authority: Common, ANS

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.05 crores.

The following table presents the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of AAI for the period April 1, 2016 to COD.

Table 19: Impact due to reclassification of AAI assets proposed by the Authority

(₹ crores)

Additions - WIP Capitalization	FY17	FY18	FY19	FY20	FY21	FY22 till COD	Total
Terminal Building	-	-	(0.91)	-	-	-	(0.91)

Additions - WIP Capitalization	FY17	FY18	FY19	FY20	FY21	FY22 till COD	Total
Computers	(0.01)	-	-	(0.03)	-	-	(0.04)
Machinery	(0.03)	(0.03)	(0.05)	(0.03)	(0.43)	-	(0.57)
Tools & Equipment	-	-	(0.06)	-	(0.03)	-	(0.10)
Furniture-Office	-	(0.08)	(0.01)	-	-	-	(0.09)
Office Equipment	-	-	-	-	(0.01)	-	(0.01)
Total Impact on Additions	**(0.04)**	**(0.11)**	**(1.03)**	**(0.07)**	**(0.47)**	**-**	**(1.71)**

Table 20: Reclassification of assets capitalized in the Second Control Period and Pre-COD Period proposed by the Authority

(₹)

Asset No.	Asset Description	Classification as per Study	Revised Aero Value	Impact on Aero Value
50011157	Modification & Expansion of Existing TB (Alluminium & misc work)	Common TB	73,461,474.11	(9,060,963.67)
150010556	L/OP HP-440(i5/4GB/500GB/14 INCH/DVD RW/WIN8.1)	ANS	-	(55,125.00)
150010562	DESKTOP COMPUTER HP406G1 (i3/4GB/500GB/18.5TFT/DVD	Common ER	36,776.78	(3,927.22)
150010563	DESKTOP COMPUTER HP406G1 (i3/4GB/500GB/18.5TFT/DVD	Common ER	36,776.78	(3,927.22)
150012891	Printer Epson LX-310 dotmatrix impact printer 04 n	Common ER	22,012.19	(2,574.57)
150014097	Proc of IT Item. Multifunctional Machines 17 nos.	Common ER	178,283.57	(16,438.46)
150014098	Note Book Computer Laptop 2 nos.	Common ER	85,296.36	(7,864.66)
150015980	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,822.88)
150015981	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,822.88)
150015982	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,822.88)
150015983	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,822.88)
150015984	All in One PC-VERITON Z4660G 01 no.	ANS	-	(40,630.00)
150015985	All in One PC-VERITON Z4660G 01 no.	ANS	-	(40,630.00)
150015986	All in One PC-VERITON Z4660G 01 no.	ANS	-	(40,630.00)
150015987	All in One PC-VERITON Z4660G 01 no.	ANS	-	(39,858.54)
150015988	All in One PC-VERITON Z4660G 01 no.	ANS	-	(39,858.54)
150015989	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,051.42)
150015990	All in One PC-VERITON Z4660G 01 no.	Common ER	36,807.12	(3,051.42)
150016019	HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No.	ANS	-	(20,701.03)
150016022	HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No.	ANS	-	(21,101.70)
150016023	HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No.	ANS	-	(21,101.70)
150016033	HP ScanJet Pro 3000 s3 Sheet-feed Scanner 01 No.	ANS	-	(20,701.03)
90033679	SITC of 250 KW Ground mounted solar plant	Common TB	13,149,700.69	(95,346.33)
90033597	REPLACEMENT OF 8X10TR A/C PLANT AT SHA AT LGBI AIR	Common TB	4,168,889.98	(30,227.94)
90040146	PROVISION OF VRV/VRF AC SYSTEM FOR PROPOSED EXTENS	Common TB	18,088,242.89	(131,154.89)
90035062	SITC of LED Luminaries & allied works at TB	Common TB	3,148,913.36	(22,832.26)
90034972	PROVISION OF WATER SOFTENING PLANT FOR 3X225TR AC	Common TB	528,778.80	(3,834.09)

Asset No.	Asset Description	Classification as per Study	Revised Aero Value	Impact on Aero Value
90034870	PROVISION OF COMPOUND LIGHTING FOR 250 KWP SOLAR	Common TB	846,188.03	(6,135.57)
90036286	Provision of Air Conditioners and Water Coolers at	Common ER	1,098,449.87	(104,881.40)
90037005	Terminal Expansion Internal Electrification Interi	Common TB	893,235.58	(14,849.45)
90040027	SITC OF 8.5TR AIR COOLED DUCTABLE SPLIT UNIT.	Common TB	973,170.71	(120,033.86)
90036984	SITC OF SPLIT AC UNIT AT FIRST FLOOR AT TB	Common TB	1,118,484.73	(18,594.07)
90038012	Provision of HVLS fan, 03 nos	Common TB	2,323,664.06	(38,629.38)
90039608	SITC of sub station Eqpt and associated work.	Common TB	13,748,741.50	(244,103.64)
90040833	IMPROVEMENT OF EXISTING CENTRAL AC SYSTEM AT LGBI	Common TB	4,153,074.10	(73,736.24)
90039841	Provision of 750KVA DG Set and LT Panel at LGBI Ai	Common TB	8,040,374.14	(142,753.76)
90040774	SUPPLY LAYING STANDBY 33KV HT CABLE AT GUWAHTI AIR	Common TB	2,113,981.91	(37,532.94)
90042644	Wall mounted split AC 1.5TR 5 star 25 nos.	Common TB	855,614.42	(31,748.46)
90042645	Wall mounted split AC 2.00TR Inverter ty 2 nos.	Common TB	78,157.09	(2,900.10)
90042646	Floor mounted 3.00 ty Interter Type 1 nos.	Common TB	62,352.47	(2,313.65)
90042649	Replacement of Old AC, Ater Cooler (Installation)	Common TB	397,496.98	(14,749.54)
90045216	R/o existng panels, cables & AHU of central AC sys	Common TB	2,607,730.52	(96,762.54)
90043436	PROV OF 25 KVA TROLLEY MOUNTED DG SET AT LGBI AIRP	Common TB	363,246.87	(13,478.65)
90045724	S/o 15 nos wall mounted split AC 1.5 TR 3star	Common TB	738,540.19	(91,093.81)
90045725	S/o 02 nos wall mounted split AC 3TR 5star	Common TB	150,586.23	(18,573.77)
90045272	SITC 08 nos 1.5 Tr (4500 K Cal/hr) s/type AC 5star	Common TB	313,350.40	(38,649.60)
90047968	Capacity 2 x 20000 BTU/hr A/Cool Refr. 02 units	Cargo	-	(1,330,628.00)
90048239	Capacity 2 x 10000 BTU/hr A/Cool Refr. 01 unit	Cargo	-	(650,372.00)
90047039	Standalone Type UV Based Baggage Disinfectant Sys.	Common TB	617,798.80	(26,311.92)
90049569	RADIO COMMUNICATION TEST SET - 1173.2000K18-102497	ANS	-	(2,290,188.92)
90039840	SITC OF WALK IN COLD ROOM BEHIND OLD RED BLDG.	ANS	-	(627,119.00)
90045208	BREATH ALCOHOL ANALIZER 01 NO	ANS	-	(48,000.00)
90047150	Touch Screen Kiosk & Network items for FB/LB Proj.	Common TB	379,336.34	(16,155.85)
90047538	10 PAIR PIJF CABLE - FIBRE CABLE FOR NETWORKING	ANS	-	(288,374.65)
90049831	PROCUREMENT OF SCANNER CANON DR- F120 3 NOS	Common ER	55,030.95	(5,719.05)
110012784	Chair PCH 7001D	Common ER	15,060.74	(1,608.26)
110012785	Chair PCH 7001D	Common ER	15,060.74	(1,608.26)
110012781	TableT104	Common ER	21,107.98	(2,254.02)
110012782	TableT104	Common ER	21,107.98	(2,254.02)
110012783	TableT104	Common ER	21,107.98	(2,254.02)
110014798	Storewell minor plain 3 nos	Common ER	34,531.19	(4,038.81)
110014799	Executive Table 2 nos	Common ER	32,258.06	(3,772.94)
110014800	High Back Chair PCH-7001D 2 NOS	Common ER	23,009.75	(2,691.25)
110014801	SOFA SET PARTO SOFA 1 SET	Common ER	39,463.32	(4,615.68)
110014802	STEEL ALMIRAH STOREWEL PLAIN 2 NOS	Common ER	25,376.89	(2,968.11)
110014792	PROC. OF EGRESS TABLE & OTHER ACESSORIES	Common ER	1,614,021.00	(188,778.00)
110014813	Workstation for ASMGCS	ANS	-	(176,573.40)
110014772	Supply of Furniture Sofa 6nos, Centre Table 3 nos	Common ER	358,114.46	(41,885.54)

Asset No.	Asset Description	Classification as per Study	Revised Aero Value	Impact on Aero Value
110014640	SUPPLY OF 3 SEATER CHAIRS 124 NOS	Common ER	3,214,763.07	(376,002.89)
110015460	PLU 4D PRE GREY METAL 5 NOS	Common TB	45,608.51	(809.76)
110015505	Executive Table 1 nos.	Common ER	31,028.09	(2,860.91)
110015506	Ex Chair 6 nos.	Common ER	76,910.54	(7,091.46)
110015507	Visitor Chair 12 Nos.	Common ER	84,294.69	(7,772.31)
110015508	Computer Table.	Common ER	48,740.89	(4,494.11)
110015509	Ex Table T-3 nos.	Common ER	41,462.03	(3,822.97)
110015511	ALMIRAH BIG STOREWEL PLAIN. 4 NOS	Common ER	59,375.36	(5,474.64)
110015512	STEEL RACK 6 PANEL 9 NOS.	Common ER	83,624.49	(7,710.51)
110015513	4DR FILLING CABINET.	Common ER	57,066.26	(5,261.74)
110015514	EXECUTIVE TABLE T-8.	Common ER	26,259.75	(2,421.25)
110015515	PERSONEL LOCKER 4DR 5 NOS.	Common ER	50,219.56	(4,630.44)
110015516	ALMIRAH SMALL 1 NOS.	Common ER	12,199.19	(1,124.81)
110015517	NON-EX CHAIR 3 NOS.	Common ER	32,411.53	(2,988.47)
110015518	COMPUTER CHAIR 3 NOS.	Common ER	11,632.76	(1,072.59)
110015519	SOFA PARTO SOFA. 2 NOS	Common ER	85,237.74	(7,859.26)
110016936	COMPANION C 11 COMPUTER TABLE. 1 NO	Common ER	7,139.52	(741.53)
110016937	REGENCY HIGH BACK 700 1 D 2 NOS.	Common ER	25,027.68	(2,599.44)
110016938	PARTO 2 SEATER SOFA 2 NOS.	Common ER	40,067.33	(4,161.49)
110016939	GODREJ MINOR PLAIN ALMIRAH 1 NOS.	Common ER	11,277.81	(1,171.34)
110016940	PARTO 1 SEATER 4 NOS.	Common ER	24,563.96	(2,551.28)
110016941	GODREJ STOREWEL PLAIN 11 NOS.	Common ER	159,735.71	(16,590.55)
110016942	GODREJ T-8 TABLE 9 NOS.	Common ER	76,280.67	(7,922.70)
110016943	GODREJ 4 DRAWER VERTIFAL FILING CABINET. 1 NOS.	Common ER	14,640.43	(1,520.59)
150013808	Fox screen 8 feet*6 feet. 2 nos	ANS	-	(14,152.54)
150016046	DSLR Camera Model-D-3500-18-55PVR	ANS	-	(30,504.00)
150016148	SUPPLY OF KYOCERA MFPS Xerox Machine at Ghy	ANS	-	(42,500.00)
150016879	FLUKE HAND HELD DIGITAL MULTIMETER	ANS	-	(9,048.27)
	Total			**(17,145,377.25)**

4.5.20 Based on the revision of asset allocation methodology adopted for assets of LGBIA as discussed above, a revision in the Aeronautical Gross block has been proposed. The year-wise revised value of assets from FY 2016-17 to FY 2020-21 has been summarized in the tables below:

Table 21: Gross Block proposed by the Authority for Second Control Period and Pre COD period

(₹ crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	FY22 till COD
As per AAI Submission						
Aeronautical Gross Block (A)	273.23	281.99	365.76	397.09	401.91	412.17
Non-Aeronautical Gross Block (B)	25.35	23.97	24.51	25.08	25.08	25.47
Total Gross Block (C = A + B)	298.58	305.96	390.27	422.17	426.99	437.64
Percentage Aeronautical (D = A ÷ C)	91.51%	92.17%	93.72%	94.06%	94.13%	94.18%
Proposed by the Authority as per the Independent Study						
Aeronautical Gross Block (E)	273.19	281.84	364.58	395.84	400.19	410.44
Non-Aeronautical Gross Block (F)	25.39	25.53	27.04	27.64	27.65	28.04

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	FY22 till COD
Total Gross Block (G = E + F)	298.58	307.37	391.61	423.48	427.84	438.48
Percentage Aeronautical (H = (E/G)*100)	91.50%	91.70%	93.10%	93.47%	93.54%	93.61%

4.5.21 **Financing Allowance**

The Authority notes that AAI has claimed financing allowance amounting to ₹ 84.66 lakhs, as part of RAB. The Authority has the following views on the aspect of Financing Allowance:

a. Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.

b. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

c. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The airport operator is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

d. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, financing allowance was provisioned in the initial stages to such airports. It may be further noted that financing allowance was never provided in the case of brownfield airports like MIAL, DIAL and other AAI airports. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

e. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where Airport Operator brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and Airport Operator keeps on enjoying the charges from the users. In the case of LGBIA, the Airport is a brownfield airport, which would not be eligible for an allowance on the equity portion of newly funded capital projects.

f. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.

g. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) of the AERA Act states that *"different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)".*

In view of above, the Authority proposes not to consider any expense related to financing allowance as a part of ARR.

4.6 True up of Depreciation

4.6.1 The Authority notes that while submitting the True up for the Pre-COD period for LGBIA, AAI has taken cognizance of the rates of depreciation approved by the Authority in its order (Order No. 35/2017-18 dated January 12, 2018 and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the depreciation order has been applied by AAI for LGBIA from FY 2018-19 onwards. For the FY 2016-17 and FY 2017-18, AAI has computed depreciation as per its Accounting Policy.

4.6.2 For the additions to RAB, AAI has calculated the depreciation during year of capitalization based on number of days, the asset was put to use. The Authority proposes to consider the same.

4.6.3 Accordingly, the year-wise impact on depreciation on asset additions as determined by the independent study conducted by the Authority (due to reclassification and other adjustments) is summarized in the table below:

Table 22: Impact on depreciation due to reclassification of AAI assets for the SCP and pre-COD period

(₹ crores)

Depreciation on Additions during the Year	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY22 till COD**	**Total**
Terminal Building	-	-	-	(0.03)	(0.03)	(0.02)	(0.08)
Computers	(0.001)	(0.001)	(0.002)	(0.004)	(0.011)	(0.006)	(0.03)
Machinery	(0.001)	(0.003)	(0.006)	(0.008)	(0.022)	(0.020)	(0.06)
Tools & Equipment	-	-	(0.004)	(0.004)	(0.005)	(0.003)	(0.02)
Furniture-Office	-	(0.001)	(0.012)	(0.013)	(0.013)	(0.007)	(0.05)
Office Equipment	-	-	-	-	(0.002)	(0.001)	(0.003)
Total Impact of Adjustments on Depreciation on Additions	**(0.002)**	**(0.005)**	**(0.025)**	**(0.060)**	**(0.083)**	**(0.052)**	**(0.23)**

4.6.4 The Authority has computed depreciation for the Second Control Period and Pre-COD period, after making necessary adjustments to the assets excluded from RAB and the same is presented as below:

Table 23: Depreciation considered by the Authority for True up of the SCP and Pre-COD Period

(₹ crores)

Particulars	**FY'17**	**FY'18**	**FY'19**	**FY'20**	**FY'21**	**Total till FY'21**	**FY'22 till COD**	**Total till COD**
Depreciation as per AAI (A)	7.00	7.17	9.93	13.32	13.84	51.27	7.31	58.57
Depreciation impact on reclassification (B)	(0.002)	(0.005)	(0.025)	(0.060)	(0.083)	(0.175)	(0.052)	(0.23)
Depreciation as per the independent study conducted by the Authority (C=A-B)	7.00	7.17	9.90	13.26	13.76	51.09	7.26	58.34

Reference: Table 11 of the Study on Allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA

The Authority, based on this examination and recommendation of the independent study on asset allocation proposes to consider depreciation as per Table **23** for true up of the pre-COD period.

4.7 True up of RAB

4.7.1 The Authority compared the year-wise additions to RAB submitted by AAI to the Aeronautical capital expenditure approved by it in the Tariff Order for the Second Control period and the same is summarized in Table 17.

4.7.2 Subsequent to the reclassifications and revisions in asset allocation ratios, the adjusted RAB has been derived by the Authority as under:

Table 24: Adjusted RAB submitted by AAI and proposed by the Authority post re-classification for SCP and pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22 till COD	Total
As per AAI							
Opening RAB (A)	84.00*	78.85	80.44	154.28	172.29	163.26	
Additions to RAB during the year (B)	9.77#	8.84	83.77	31.33	4.82	10.26	**148.79**
Deletions from RAB during the year (C)	7.92	0.08					**8.00**
Depreciation for the year (D)	7.00	7.17	9.93	13.32	13.84	7.31	**58.57**
Closing RAB for the year (E=A+B-C-D)	**78.85**	**80.44**	**154.28**	**172.29**	**163.27**	**166.21**	
As per Authority							
Opening RAB (F)	84.00*	78.81	80.30	153.13	171.13	161.73	
Reclassification adjustments							
- Reclassification impact (other than depreciation) (G)	(0.04)	(0.11)	(1.03)	(0.07)	(0.47)		**(1.71)**
- Depreciation impact on reclassification (H)	(0.00)	(0.01)	(0.03)	(0.06)	(0.08)	(0.05)	**(0.23)**
Total reclassification impact (I=G+H)	(0.04)	(0.12)	(1.06)	(0.13)	(0.55)	(0.05)	**(1.95)**
Additions as per Study^ (J=B+G)	9.73	8.73	82.74	31.26	4.35	10.26	**147.07**
Deletions as per Study (K=C)	7.92	0.08	0.00	0.00	0.00	0.00	**8.00**
Depreciation as per Study^ (L=D+H)	7.00	7.17	9.91	13.26	13.76	7.26	**58.34**
Closing RAB (M=F+J-K-L)	78.81	80.30	153.13	171.13	161.73	164.73	
Average RAB (N=(F+M)/2	**81.41**	**79.55**	**116.71**	**162.13**	**166.43**	**163.23**	

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

 # excludes left out asset and cost apportionment as the same has been included in Opening RAB

^As per the independent asset allocation study conducted by the Authority

4.7.3 Deemed Initial RAB

a. The extract of the Concession Agreement with respect to determination of "Deemed Initial RAB" has been provided hereunder:

Clause 28.11.3 states that:

i. *"It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***

ii. *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is ₹ 69,00,00,000 (Rupees Sixty Nine crores) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed*

Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD."

Clause 28.11.4 states that:

"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a). any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB'"):

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

Clause 28.11.5 states that:

"Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.

(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.

(b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc."

Joint Asset Reconciliation Statement (JARS)

b. The Authority notes that in June 2023, both the AAI and GIAL had collaborated to conduct a physical verification of the assets. Following this verification, they jointly signed the joint asset reconciliation statement (JARS) to confirm the assets transferred as on COD. GIAL has accepted that the value of aeronautical assets transferred by AAI as on COD was ₹ 156.60 crores and that the value of ANS related assets transferred was ₹ 3.16 crores as detailed in Joint Asset Reconciliation Statement.

Table 25: Assets transferred by AAI to GIAL as per JARS as on COD

(₹ crores)

S. No.	Particulars	No. of Assets	Net Asset Value as on COD*
A1	Aeronautical assets handed over to GIAL	957	156.60
A2	Non-Aeronautical assets handed over to GIAL	132	6.74
A3	ANS assets handed over to GIAL	52	3.16
	Total (A1 + A2 + A3)	**1141**	**166.50**

*8th October 2021

c. Taking cognizance of the above clauses in the Concession Agreement and adjustments & reclassification proposed by the Authority based on the outcome of the independent study conducted by the Independent Consultant appointed by AERA on allocation of assets for LGBIA, including disallowance of Financing Allowance, inclusion of IDC and the left out assets, reclassification of assets and the resulting change in depreciation, the Authority has determined the Deemed Initial RAB as on COD, as follows:

Table 26: Determination of Deemed Initial RAB by the Authority

(₹ crores)

Particulars	Aeronautical assets (A)	Non-aeronautical assets (B)	ANS assets (C)	Total D = (A + B + C)
Net block value of assets handed over by AAI on COD as per JARS	156.60	6.74	3.16	166.50
Impact due to reclassification of RAB on transferred assets*	(0.96)	0.96	-	
Net assets transferred by AAI to GIAL as on COD*	**155.64**	**7.70**	**3.16**	**166.50**
Deemed Initial RAB as on COD for GIAL (Aero + ANS)				**158.80**

* *Refer Annexure III of Study on Allocation of assets between Aeronautical and Non-aeronautical for LGBIA*

d. The Authority examined that GIAL in their submission has considered all assets including non-aeronautical, as part of Deemed Initial RAB. However, as per the allocation methodology adopted as part of the independent study commissioned by the Authority, the Deemed Initial RAB considers only Aeronautical and ANS assets.

e. The deemed initial RAB as on COD is thus subsequently determined by including only Net Aeronautical (₹ 155.64 Cr.) and ANS assets (₹ 3.16 Cr.) transferred by AAI to GIAL as on COD; and derived to be ₹ 158.80 crores.

4.8 True up of Fair Rate of Return

4.8.1 AAI had considered the FRoR at 14% in line with the decision taken by the Authority for Chennai, Kolkata, Guwahati and Lucknow airports for the First Control Period.

4.8.2 The Authority notes that AAI had not availed any debt during second control period till COD.

4.8.3 At the time of determination of tariff for the Second Control Period, the Authority had decided to consider FRoR for LGBIA as 14%. In line with its decision of second control period order no. 10/2017-18, the Authority proposes to consider the FRoR at 14% for true up of second control period till COD.

4.8.4 However, it is to be noted that AAI has operated the Airport in FY 2021-22 only till October 7, 2021. Therefore, AAI is eligible to claim return on RAB only till COD. Hence, for FY 2021-22, the Authority proposes to pro-rate the FRoR for 190 days during which AAI operated the Airport. The pro-rated FRoR for FY 2021-22 (till COD-190 days) has been computed as follows:

$$FRoR_{COD} = FRoR * n / 365$$

Where, FRoR is the fair rate of return for entire FY 2021-22, $FRoR_{COD}$ is the pro-rated FRoR for the period till COD and n is the number of days in operation in FY 2021-22.

Based on the above approach the pro-rated FRoR for FY 2021-22 has been computed as follows:

Table 27: Pro-rated FRoR for FY'22 considered by the Authority for true up of pre-COD period

Particulars	Value (%)
FRoR for FY'22 (A)	14%
Number of days of operations in FY'22 (B)	190
Pro-rated FRoR for FY'22 (till COD) (A*B/365)	7.29%

4.8.5 Based on the above analysis, the Authority proposes to consider FRoR as 14% for the FYs 2016-17 to 2020-21 and as 7.29% for FY 2021-22 (up 7th Oct'2021) for true up of the pre-COD period.

4.9 True up of Aeronautical Operation and Maintenance (O&M) expenses

4.9.1 The component wise break up of Aeronautical Operation and Maintenance expenses submitted by AAI for the Second Control Period and Pre-COD period is as follows:

Table 28: O&M expenses submitted by AAI for True up of the SCP and Pre-COD Period

(₹ crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total up to FY21	FY 2021-22*	Total for SCP till COD
Employee benefit expenses	16.64	24.02	32.05	32.41	26.70	**131.82**	14.80	**146.62**
Administrative and other expenses	13.95	35.44	42.92	59.69	49.82	**201.82**	48.43	**250.25**
Repairs & Maintenance expenses	7.72	15.56	12.90	13.97	12.26	**62.42**	7.57	**69.98**
Utilities and Outsourcing expenses	4.46	5.03	6.05	6.16	5.12	**26.81**	3.00	**29.81**
Other Outflows	0.73	0.91	0.78	0.94	0.09	**3.44**	0.08	**3.53**
Total	**43.50**	**80.96**	**94.70**	**113.17**	**93.98**	**426.31**	**73.89**	**500.19**

**Up to COD (Date- 08th October 2021)*

4.9.2 The Authority notes that in the Tariff Order of the Second Control Period vide Order No. 38/2017-18, it had approved the O&M expenses of ₹ 363.80 crores for LGBIA, which is as follows:

Table 29: Aeronautical O&M expenses approved by the Authority for Second Control Period

(₹ crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Employee benefit expenses	21.00	28.60	35.20	36.90	38.80	**160.50**
Administrative & Other expenses	15.70	16.40	18.20	19.30	20.50	**90.10**
Repairs & Maintenance expenses	6.00	19.00	20.50	21.30	22.20	**89.00**
Utility and Outsourcing expenses	3.80	3.90	4.70	4.80	4.80	**22.00**
Other outflows	0.30	0.40	0.40	0.40	0.50	**2.00**
TOTAL	**46.90**	**68.30**	**79.00**	**82.80**	**86.80**	**363.80**

4.9.3 On comparing the actual expenses incurred by AAI for the second control period till FY2020-21, with the expenses approved in the Tariff Order for the Second Control Period, the Authority observed the following:

a. **Payroll Expenditure:** For FY 2017-18 - there was an increase of 44% as against 36.19% approved in the tariff order of Second Control Period. The Authority further noted that for FY 2018-19 – there was an increase of 33% as against 23% Y-o-Y approved in the tariff order of Second Control Period. The Authority sought clarification from AAI in this regard. AAI clarified that the variance is due to pay revision as per 7th Pay Commission Report which was implemented from Jan 2017 and payment of arrears were paid to Executives in December 2017 (FY'18) and to Non-Executives in FY'19. The Authority also noted that the total Employee benefit expenses of ₹ 131.82 crores incurred by AAI is lower than the approved amount of ₹ 160.50 crores for the Second Control period. Based on the above factors, the Authority considers the payroll expenditure of LGBIA, as submitted by AAI for the Second Control Period to be reasonable and allow the same.

b. **Administrative and General Expenses:** The Authority notes that the Administrative and General expenses of ₹ 201.82 crores claimed by AAI for Second Control Period are significantly higher than the amount approved by the Authority for the Second Control Period. The Authority on analysis observed that variance is mainly on account of the increase in CHQ & RHQ expenses. The amount of CHQ & RHQ expenses as per the Tariff Order of Second Control Period was ₹ 67.90 crores whereas the actual expenses allocated by AAI up to FY21 was ₹ 172.90. Based on the above factors, the Authority is of the view that the CHQ/ RHQ expenses need to be rationalized and the same is explained in para 4.9.5 of this Consultation Paper.

c. **Repairs and Maintenance (R&M):** The Authority notes that the total Repairs & Maintenance expenses of ₹ 62.42 crores claimed by AAI for the Second Control Period (till FY21) is significantly lower than the amount approved in the tariff order for the Second Control Period and hence considered reasonable.

d. **Utilities and Outsourcing Expenses**: The Authority notes that the Utility and Outsourcing expenses of ₹ 26.81 crores claimed by AAI is higher than the approved expenses of ₹ 22.00 crores as per the Tariff Order for the Second Control Period. The overall variation works out to 22 % on the total Utility expenses. It is also observed that the actual electricity expenses of ₹ 23.86 crores incurred till FY21, is higher than the approved amount of ₹ 19.1 crores (i.e., an increase of approx. 25%). The Authority sought clarification from AAI in this regard. AAI as part of its response submitted that the increase in electricity expenses is attributed to the increased load due to addition of new facilities at the airport and due to the increase in per unit cost of power supplied by third party utility vendors.

   Considering the same, the Authority proposes to consider the actual expense towards Utility and Outsourcing expenses for true up of the pre-COD period.

e. **Other Outflows:** Expenses related to Other Outflows comprises of collection charges on UDF, PSF(F), and charges paid to IATA. The Authority in its order for Second Control Period approved ₹ 2.00 crores for other outflows mainly towards collection charges on UDF. AAI as part of its true up submission stated that the actual expense incurred was ₹ 3.44 crores under this head. This comprised of ₹ 3.32 crores towards collection charges on PSF(F) (till FY20), and UDF. The remaining ₹ 0.12 crores was on account of collection charges paid to IATA (facilitating collection of airline charges on behalf of AAI). The Authority notes that prior to Second Control Period IATA Collection Charges were included as part of CHQ/RHQ expense allocation. However, Second Control Period onwards, expenses related to IATA collection charges have been allocated as per actuals to LGBIA. Since these expenses were not included in "Other Outflows" prior to SCP, the same was not envisaged as part of Tariff Order for SCP and thus correspondingly the projections were lower. Accordingly, basis the aforementioned reasons, the higher expense on account of

"Other Outflows" found in order and has been considered by the Authority.

4.9.4 **Reallocation of Common O&M expenses by the Authority**

The Authority has commissioned an independent study through the Consultant appointed by AERA to determine efficient Aeronautical Operation and Maintenance costs for the Second Control Period and FY2021-22. The Authority used the outcome of the study to true up the O&M expenses for the pre-COD period for AAI.

The common O&M expenses have been segregated by AAI between Aeronautical and Non-aeronautical expenses based on a suitable ratio. This ratio has been determined based on the underlying proportion of their expected utilisation for Aeronautical and Non-aeronautical services and activities at the Airport.

The Authority has analyzed the submission made by AAI on allocation of Common expenses into Aeronautical and Non-aeronautical on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by AAI *(refer Table 13 for Allocation of O&M expenses of AAI as per the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport)*. Accordingly, the following common expenses have been re-allocated by the Authority by using appropriate ratios such as Employee Head Count ratio, Terminal Building ratio, Gross Fixed Assets ratio and Electricity ratio *(Refer para 4.5 to of the Study report on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport regarding the ratios used by the Authority for allocation of common expenses.)*

a) Employee benefit/Payroll expenses

b) Administrative and General expenses

c) Utility expenses

d) Repairs and Maintenance expenses

The total impact on re-allocation of each of the above expenses and other adjustments have been summarised in the following paragraphs.

a) Employee Benefit expenses

Observation: The Authority noted that in the case of AAI, the costs directly pertaining to ANS employees have been excluded from the O&M expenses, but the cost for ANS employees involved in support services have not been excluded from Common expenses. Accordingly, the Authority has considered the common expenses allocated to ANS employees as deemed Non-aeronautical employees and has re-worked the Employee Head Count ratio. The Authority further noted that for non-aeronautical allocation of 'Retirement benefits of Guwahati Employees (Provisions made at CHQ)', AAI has not provided any direct bifurcation as part of its submission for payroll expenditure and provisions. However, AAI has considered the applicable employee ratios for all years in their calculations. Also, for the year FY2021-22 up to COD, AAI had not segregated non-aeronautical portion and assumed full amount as aeronautical. This expense was eventually segregated into Aeronautical: Non-Aeronautical basis the ratio of 95:5, as per clause 14.8 of Order No. 38/2017-18 in respect of LGBIA for Second Control Period, by the Authority.

Impact: The impact of the reallocation of Employee Benefit expenses based on revised Employee Headcount ratio and based on other adjustment described above, results in reduction of the aforementioned expenses by ₹ 0.18 crores for the Second Control Period till COD.

Reference: Para 4.6.1 and Table 25 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

b) **Administrative and General expenses**

Observation: The submissions by AAI have been analyzed and it has been observed that the Administrative and General expenses include certain expenses such as tender, rent and rates and taxes, which directly relate to the Aeronautical activity and certain expenses such as insurance of vehicles, manpower hiring, printing & stationery, conveyance, employee training etc., which are linked to Common expense. Therefore, each component of the Administrative and General expenses has been examined and subsequently allocated as per suitable ratio.

Impact: The impact of the reallocation results in reduction of Administrative and other expenses by ₹ 1.35 crores for the Pre- COD period.

Reference: Para 4.6.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

c) **Utility expenses**

Observation: AAI's submission has been analyzed for expenses related to electricity and water charges. It was noted that AAI had made recoveries from concessionaires and the same had been netted off from the total expenses. Expenses under the head of 'Consumption of Stores and Spares' included petrol for vehicles and other usage, tyres, paper glass, m-fold papers, cuss roll papers, fire foam, PPE items, electrical spares, and other consumable items. Certain expenses among them directly relate to Aeronautical activities while some are linked to Common expense. Therefore, each component of these expenses have been examined and subsequently allocated as per suitable ratio.

Impact: The impact of the reallocation results in reduction of Utility expenses by ₹ 0.11 crores for the Pre- COD period.

Reference: Para 4.6.3 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

d) **Repairs and Maintenance expenses**

Observation: AAI's true up submission was analyzed, and it was observed that certain Repair & Maintenance expenses such as repair of runway and maintenance of AOCC pertain only to Aeronautical activity, while some such as repair of furniture for terminal building and maintenance of IT hardware are related to the terminal building and airport employees respectively. Hence, a detailed scrutiny of all expenses was undertaken, and as per norms allocation of such expenses was done in the ratio of Gross Fixed Assets/ Terminal Building/ revised Employee ratio depending on the nature of each ledger. Further, it was observed that the expense related to Furniture & Fixtures for Terminal Building was allocated as 100% Aeronautical. Since the furniture and fixtures are primarily used within the terminal building, this expense has been revised by the Authority basis the Terminal Building ratio.

Impact: The impact of the reallocation results in reduction of Repairs and Maintenance expenses by ₹ 0.99 crores for the period FY 2016-17 till COD.

Reference: Para 4.6.4 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

4.9.5 Rationalization of Aeronautical O&M expenses

a. Based on the Internal benchmarking analysis performed for O&M expenses through the *Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport*, the Authority proposes to rationalize the CHQ/ RHQ expense allocation (included under Administrative and General expenses) as below:

CHQ/ RHQ expense allocation (included under Administrative and General expenses)

The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to LGBIA and other airports and noted the following:

- All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) are allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
- Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these have been allocated to the common pool and apportioned to all the AAI airports.

The Authority is of the view that the above process followed by AAI for allocating the expenses is not correct and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective, the Authority has examined the major expense components of CHQ and RHQ for the FY'17 to FY'21 submitted by AAI and has proposed the following views on allocation of CHQ/ RHQ expenses:

i. Pay and Allowances of CHQ and RHQ:

- AAI has considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.
- AAI has excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion has been done for support services of the departments relating to HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority is of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:

- Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports
- Officials of Directorate and Commercial

Balance 80% of pay and allowances of CHQ and RHQ can be allocated to Airports.

ii. Administration & General Expenses of CHQ and RHQ:

- AAI has incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details have not been provided by AAI, the same has not been allocated to the stations.
- AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport

Operator. Hence such expenses have not been allocated to the airports.

Additionally, it was observed that the CHQ/RHQ overhead expense for FY21-22 was determined through escalation of 5% over the previous year value and the same was considered for full year. The CHQ/RHQ overhead expense for FY21-22 up to COD was thus recomputed through suitable ratio determined as per the actual number of days.

Based on the above methodology, the Authority has derived the revised CHQ and RHQ expenses for the Second Control Period and Pre-COD period, which is proposed to be allocated to LGBIA, as part of True up of the Second Control Period and Pre-COD period.

Table 30: CHQ/ RHQ expenses proposed by the Authority as part of True up of O&M expenses for the Second Control Period and pre-COD period

(₹ crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total till FY21	FY 2021-22*	Total till COD
As per AAI								
CHQ/RHQ Overhead expenses as per AAI (A)	11.13	32.28	40.22	55.83	42.54	**182.00**	44.67	**226.67**
Aeronautical component as per AAI (95%) (B)	10.57	30.67	38.21	53.04	40.41	**172.90**	42.43	**215.33**
As per Study								
Total CHQ/RHQ Overhead expenses after rationalisation as per Study (C)	20.31	25.23	30.83	45.73	34.86	**156.96**	19.15	**176.11**
Total Impact (D = C – B)	**9.74**	**(5.43)**	**(7.38)**	**(7.31)**	**(5.55)**	**(15.94)**	**(23.28)**	**(39.22)**

* Up to COD (8th OCtober 2021)

Reference: Para 4.6.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority has rationalized the CHQ/ RHQ expenses being allocated to Lokpriya Gopinath Bordoloi International Airport. The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is high, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore, expects AAI to examine these issues in detail and devise an effective and efficient method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority feels that AAI should exploit the potential of its non-aeronautical avenues fully so that 30% of the same, by cross subsidisation can be used to cover Aeronautical expenses.

4.9.6 The total year-wise adjustment of AAI's Aeronautical O&M expenses as a result of the adjustments and reallocations proposed by the Authority in previous sections have been summarized below:

Table 31: Impact of proposed reallocation of AAI's Aeronautical O&M expenses as per the independent study conducted by the Authority

(₹ crores)

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total till FY21	FY 2021-22*	Total till COD
Employee benefit / Payroll	(0.02)	(0.02)	(0.00)	(0.05)	(0.07)	**(0.16)**	(0.02)	**(0.18)**
Administrative and General	9.60	(5.73)	(7.56)	(7.64)	(5.79)	**(17.12)**	(23.45)	**(40.57)**
Repairs & Maintenance	(0.09)	(0.20)	(0.09)	(0.16)	(0.23)	**(0.76)**	(0.23)	**(0.99)**
Utilities & Outsourcing	(0.01)	(0.01)	(0.02)	(0.04)	(0.02)	**(0.09)**	(0.01)	**(0.10)**
Other Outflows	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	**0.00**
Total	**9.48**	**(5.96)**	**(7.67)**	**(7.89)**	**(6.11)**	**(18.13)**	**(23.71)**	**(41.84)**

* Up to COD (October 8, 2021)

4.9.7 Based on the recommendations, with respect to reclassification and changes in allocation ratio, of the independent study commissioned by the Authority through Independent Consultant, the proposed Aeronautical O&M expenses for the period FY 2016-17 up to COD is summarized in the table below:

Table 32: Aeronautical O&M expenses considered by the Authority for True up of the Second Control Period and Pre-COD period

(₹ crores)

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total till FY21	FY 2021-22*	Total till COD
O&M Expenses as per AAI								
Employee benefit / Payroll	16.64	24.02	32.05	32.42	26.69	**131.82**	14.80	**146.62**
Administrative and General	13.95	35.45	42.92	59.68	49.81	**201.82**	48.43	**250.25**
Repairs & Maintenance	7.72	15.56	12.90	13.97	12.26	**62.42**	7.57	**69.98**
Utilities & Outsourcing	4.46	5.03	6.05	6.16	5.12	**26.81**	3.00	**29.81**
Other Outflows	0.73	0.91	0.78	0.94	0.09	**3.44**	0.08	**3.52**
Total	**43.49**	**80.97**	**94.70**	**113.17**	**93.97**	**426.29**	**73.88**	**500.19**
O&M Expenses as per Study								
Employee benefit / Payroll	16.62	24.00	32.05	32.37	26.62	**131.66**	14.78	**146.44**
Administrative and General	23.56	29.71	35.36	52.05	44.03	**184.70**	24.99	**209.69**
Repairs & Maintenance	7.63	15.37	12.82	13.81	12.03	**61.66**	7.33	**68.99**
Utilities & Outsourcing	4.45	5.02	6.03	6.12	5.10	**26.72**	2.99	**29.71**
Other Outflows	0.73	0.91	0.78	0.94	0.09	**3.44**	0.08	**3.52**
Total	**52.97**	**75.01**	**87.03**	**105.28**	**87.86**	**408.16**	**50.17**	**458.34**
Impact	**9.48**	**(5.96)**	**(7.67)**	**(7.89)**	**(6.11)**	**(18.13)**	**(23.71)**	**(41.84)**

* Up to COD (October 8, 2021)

4.10 True up of Non-aeronautical revenue

4.10.1 AAI as part of true up submission vide letter dated 6th July'2023 submitted actual Non-aeronautical revenue earned by LGBIA for the Second Control Period and Pre-COD period. The details of head wise Non Aeronautical Revenue achieved are as follows:

Table 33: Non-aeronautical revenue submitted by AAI for SCP and up to Pre-COD period

(₹ crores)

Particular	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Trading Concessions								
Restaurant/Snack Bar	1.22	1.17	7.14	16.47	4.41	**30.41**	0.49	**30.89**
TR Stalls	2.05	2.96	5.48	10.98	3.23	**24.70**	0.93	**25.63**
Hoarding & Displays	2.08	2.75	3.49	4.93	1.50	**14.75**	0.93	**15.68**
Sub Total	5.35	6.89	16.11	32.38	9.13	**69.86**	2.35	**72.21**
Rent & Services								
Building Residential	0.02	0.02	0.04	0.08	0.03	**0.19**	0.01	**0.21**
Building Non-Residential	8.08	(3.06)	7.13	7.73	6.80	**26.67**	5.27	**31.94**
Hanger Rent	8.74	5.81	1.48	2.39	1.83	**20.26**	0.62	**20.88**
Land Lease	0.03	0.04	0.01	0.01	0.01	**0.10**	0.02	**0.22**
Sub Total	16.87	2.82	8.66	10.20	8.67	**47.22**	5.92	**53.15**
Miscellaneous								
Car Parking	2.27	3.98	5.03	5.27	0.79	**17.35**	0.60	**17.95**
Admission ticket	0.32	0.59	0.33	0.16	0.08	**1.49**	0.07	**1.56**
Flight Catering	0.33	0.49	0.80	0.51	0.23	**2.36**	0.07	**2.43**
Interest Income	0.12	0.15	0.19	0.22	0.16	**0.84**	0.10	**0.94**
Other Misc Receipts	1.88	0.63	0.94	1.08	4.84	**9.36**	0.82	**10.19**
Sale of Scrap	0.31	0.08	0.26	0.49	0.29	**1.42**	0.38	**1.81**
Sub Total	2.96	1.94	2.53	2.46	5.59	**15.48**	1.44	**16.92**
Total	**27.45**	**15.63**	**32.33**	**50.31**	**24.19**	**149.91**	**10.31**	**160.21**

4.10.2 The Authority compared the actual Non-aeronautical revenue submitted by AAI as per Table ***33*** with the projections given in the Tariff Order for the Second Control Period and the same is as follows:

Table 34: Comparison of Actual NAR with Projections submitted by AAI for the Second Control Period and Pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
NAR Projections as per Tariff Order for the Second Control Period (A)	12.20	13.30	14.50	15.80	17.30	**73.10**	-	**73.10**
Actual NAR as per AAI's submission (B)	27.45	15.63	32.33	50.31	24.19	**149.91**	10.31	**160.21**
Variance (B-A)	**15.25**	**2.33**	**17.83**	**34.51**	**6.89**	**76.81**	**-**	**-**

4.10.3 The Authority notes that the Non-Aero Revenue in Second Control Period is 105.10% higher than the

Non-Aero Revenue approved by the Authority as part of Second Control Period Order. In this respect, the Authority recalls its decision no. 9.c vide Tariff No. 38/ 2017-18 which states as follows: *"The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues".*

4.10.4 The Authority vide email dated April 10, 2024, requested AAI to share the details regarding "Space rentals collected from Airlines". AAI, in its response dated April 22, 2024, has provided the following details:

Table 35: "Space rentals collected from Airlines" as submitted by AAI

(₹ crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Space Rent from Airlines	0.79	1.28	1.39	1.41	1.01	**5.89**	0.29	**6.18**

4.10.5 The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as Aeronautical Revenue. Hence, the Authority proposes to consider "Space rentals collected from Airlines" amounting to ₹ 6.18 crores as Aeronautical Revenue.

4.10.6 Based on its analysis, the Authority proposes to consider the actual Non-aeronautical Revenue as given in the table below for true up of AAI for the Second Control Period and Pre-COD period.

Table 36: Total Non-Aeronautical revenue as per Authority for the Second Control Period and Pre-COD period

(₹ crores)

Particular	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Actual NAR as per AAI submission	27.45	15.63	32.33	50.31	24.19	**149.91**	10.31	**160.21**
Less Space Rentals collected from Airlines (B) (refer Para 4.11.5)	0.79	1.28	1.39	1.41	1.01	**5.89**	0.29	**6.18**
Total Non-Aero Revenue (A-B)	**26.66**	**14.35**	**30.94**	**48.90**	**23.18**	**144.02**	**10.02**	**154.03**

4.11 True up of Aeronautical Revenue

4.11.1 AAI as part of true up submission vide letter dated 6th July'2023 submitted actual Aeronautical revenue earned by LGBIA for Second Control Period and the Pre-COD period, following are the details of actual Aeronautical Revenue as per AAI for true up period:

Table 37: Aeronautical revenue as per AAI for the Second Control Period and Pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Landing Charges -Domestic (A1)	30.30	36.56	40.74	37.88	21.56	**167.05**	12.73	**179.78**
Landing Charges- Intl. (A2)	0.60	0.40	0.55	0.63	0.02	**2.20**	(0.01)	**2.20**
Total Landing Charges (A=A1+A2)	30.90	36.97	41.29	38.52	21.58	**169.25**	12.72	**181.97**
Housing & Parking Charges (B)	0.12	0.28	0.57	0.60	1.56	**3.14**	0.56	**3.69**

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
PSF-Domestic (C1)	0.06	0.00	0.00	0.00	0.00	**0.06**	0.00	**0.06**
PSF-Intl.(C2)	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00	**0.00**
Total PSF (C=C1+C2)	0.06	0.00	0.00	0.00	0.00	**0.06**	0.00	**0.06**
Fuel Throughput (D)	1.17	1.22	1.68	1.23	0.00	**5.30**	0.00	**5.30**
Extn. Of Service Hours (E)	0.11	0.10	0.00	0.00	0.12	**0.32**	0.10	**0.42**
Ground Handling Services (F)	1.47	1.60	1.89	1.54	2.64	**9.14**	0.60	**9.74**
UDF-Domestic (G1)	59.29	74.98	106.40	107.32	44.15	**392.14**	25.16	**417.30**
UDF-Intl. (G2)	0.39	0.26	0.47	0.31	0.07	**1.50**	0.04	**1.55**
Revenue from AAICLAS (H)	0.00	0.18	0.52	0.61	0.51	**1.81**	0.40	**2.21**
Cargo Revenue (I)	0.29	0.00	0.00	0.00	0.00	**0.29**	0.00	**0.29**
Land Lease from Oil Companies (J1)	1.02	1.02	1.02	1.02	1.02	**5.11**	1.03	**6.14**
Land Lease from GHA (J2)	0.12	0.07	0.01	0.25	0.17	**0.62**	0.13	**0.75**
Cute Charges (K)	2.11	2.23	4.29	4.65	1.83	**15.10**	0.99	**16.10**
Total Revenue	**97.05**	**118.91**	**158.14**	**156.04**	**73.65**	**603.79**	**41.73**	**645.52**

4.11.2 Table **37** is compared with the Aeronautical revenue considered in the Tariff Order for the Second Control Period and the same is as follows:

Table 38: Comparison of Actual Aeronautical revenue and Projections submitted by AAI for the Second Control Period and Pre-COD Period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Aeronautical revenue Projections as per Tariff Order for the Second Control Period (A)	96.00	122.80	140.70	161.30	184.80	**705.60**	-	-
Actual Aeronautical revenue (B)	**97.05**	**118.91**	**158.14**	**156.04**	**73.65**	**603.79**	**41.73**	**645.52**
Variance (B-A)	**1.05**	**(3.89)**	**17.44**	**(5.26)**	**(111.15)**	**(101.81)**	**-**	**-**

4.11.3 The Authority notes that the Actual Aeronautical revenue in FY 2020-21 is at a significant variance from the projected Aeronautical revenue, which is attributable to lower passenger traffic and ATM due to the adverse impact of the COVID-19 pandemic on the Aviation sector.

4.11.4 Further, the Authority recalls its decision no. 12.e in the Tariff Order No. 38/ 2017-18, which states that "*The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.*"

4.11.5 As observed in para 4.10.5, the Authority proposes to make certain adjustments to the aeronautical revenue by reclassifying "Space rentals collected from Airlines" as aeronautical revenue. Hence, the Authority proposes to recompute and consider the Aeronautical Revenue for true up of AAI for the Second Control Period and Pre COD period as shown in the following table.

Table 39: Total Aeronautical revenue as per Authority for the Second Control Period and Pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Actual Aeronautical Revenue (A)	97.05	118.91	158.14	156.04	73.65	**603.79**	41.73	**645.52**
Add: Space Rentals collected from Airlines (B)	0.79	1.28	1.39	1.41	1.01	**5.89**	0.29	**6.18**
Total Aeronautical revenue (A+B)	**97.84**	**120.19**	**159.53**	**157.45**	**74.66**	**609.68**	**42.02**	**651.70**

4.11.6 Based on the above, the Authority proposes to consider Aeronautical revenue inclusive of space rentals collected from airlines for true up of the Second Control Period and pre-COD period.

4.12 True up of Taxation

4.12.1 AAI as part of true up submission submitted detail of aeronautical taxation for the Second Control Period and Pre-COD period, same is as follows:

Table 40: Taxation submitted by AAI for the Second Control Period and Pre-COD period

(₹ crores)

Particular	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 till COD	Total till COD
Aeronautical Revenues	97.84	120.19	159.53	157.45	74.66	**609.69**	42.02	**651.70**
O&M	52.97	75.01	87.03	105.28	87.86	**408.16**	50.17	**458.34**
Interest on Working Capital	-	-	-	-	-	**-**	0.51	**0.51**
Depreciation as per IT Act	8.32	8.59	11.95	17.30	17.85	**64.01**	16.50	**80.51**
PBT	45.24	29.35	51.49	25.57	(38.17)	**113.48**	145.23	**258.71**
Tax for Aeronautical Services	**15.66**	**10.16**	**17.99**	**6.44**	**0.00**	**50.24**	**0.00**	**50.24**
Corporate Tax on shortfall (under recovery) to be collected from Concessionaire	-	-	-	-	-	**-**	26.95	**26.95**
Total Tax								**77.19**

a. The Authority notes that AAI claimed tax of ₹ 26.95 crores on the shortfall amount of ₹ 194.40 crores which is the present value of difference between Target Revenue and Actual Aeronautical revenue i.e. under recovery for Second Control Period and Pre-COD period (refer Table 7). Further,in case of Jaipur International Airport, the Authority sought clarification from AAI relating to the basis of consideration of such tax liability, AAI has provided following clarification in this regard:

Under recovery of ARR till COD approved by AERA and thereafter recoverable from Concessionaire will be treated as Revenue receipts and will be liable to income tax.

Jaipur Airport is one of the unit/station of AAI (Airports across India). Since AAI is dealt with single PAN No., the tax liability of Jaipur Airport will be merged in common pool of AAI as whole and thereafter tax liability will be paid by AAI as whole considering Income and expenses of Airports across India including Jaipur Airport. Tax liability / tax paid computed for AAI as a whole are not allocated to Airports.

In view of the above, the Authority observed that the AAI will be liable to pay income tax over the under recovery reimbursed by GIAL. Since, the recovery will be of aeronautical nature, Authority considers the same as part of ARR calculation for the true up exercise undertaken for Second Control Period and Pre-Control Period. In corollary, the Authority also proposes to consider the reimbursement of under recovery by the GIAL as revenue expenditure while calculating tax liability for GIAL for the Third Control Period.

4.12.2 The Authority vide order no. 38/2017-18 dated February 16, 2018 had decided the following for taxation in second control period:

Decision no 11.a. The Authority decides to consider the corporate tax for aeronautical activities as per Table 45 for the 2nd Control Period.

Decision no 11.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.

4.12.3 In view of above, the Authority re-computed taxation amount and the same is presented in the table below:

Table 41: Taxation proposed by the Authority for the Second Control Period and Pre-COD period

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 up to COD	Total till COD
Revenue (A)								
Aeronautical Revenue (refer Table 39)	97.84	120.19	159.53	157.45	74.66	**609.68**	42.02	651.70
Total (A)	97.84	120.19	159.53	157.45	74.66	**609.68**	42.02	651.70
Shortfall (B)								
Shortfall/ under recovery proposed to be collected as on COD (B) - (refer Table 41)							144.31	144.31
Expenses (C)								
O&M expenses (refer Table 32)	52.97	75.01	87.03	105.28	87.86	**408.16**	50.17	**458.34**
Depreciation (as per Income Tax Act, 1961)	8.31	8.58	11.88	17.17	17.69	**63.64**	16.33	**79.97**
Total (C)	61.28	83.59	98.91	122.45	105.55	**471.79**	66.50	**538.29**
Profit /Loss D= (A+B-C)	36.56	36.60	60.62	35.00	(30.89)	**137.88**	119.83	**257.71**
Carry forward of prior period loss (E)							(30.89)	**(30.89)**
Net loss/profit after setting off prior period losses* (D+E)	36.56	36.60	60.62	35.00	(30.89)	**137.88**	**88.94**	**226.82**
Tax Rates	34.61%	34.61%	34.94%	25.17%	25.17%		25.17%	
Tax	12.65	12.67	21.18	8.81	0.00	**55.31**	22.39	**77.70**

** The set off of prior period loss has been computed only for the purpose of determining taxes.*

4.12.4 As per table above the unadjusted losses of FY'21 is adjusted while arriving taxable profit for FY'22. The Authority proposes to consider tax as per Table 41 for True up of Second Control Period and Pre-COD period.

4.13 True up of Aggregate Revenue Requirement (ARR) for Second Control Period and the Pre-COD period

4.13.1 Based on its analysis of the various building blocks, the Authority has revised the Aggregate Revenue Requirement (ARR) of LGBIA for Second Control Period and Pre-Control Period and eventually arrived at under recovery/over recovery for LGBIA for the same period. The detailed ARR calculation is presented in the table below:

Table 42: ARR proposed by the Authority for Second Control Period and Pre-COD Period

(₹ crores)

Particulars	Ref	FY'17	FY'18	FY'19	FY'20	FY'21	Total till FY'21	FY'22 up to COD	Total till COD
Average RAB (Refer Table 24)		81.41	79.55	116.71	162.13	166.43		163.23	
Fair Rate of Return (FRoR)		14%	14%	14%	14%	14%		7.29%#	
Return on Average RAB @14%	A	11.40	11.14	16.34	22.70	23.30	**84.87**	11.90	**96.77**
Depreciation (refer Table 24)	B	7.00	7.17	9.91	13.26	13.76	**51.08**	7.26	**58.34**
Operating Expenditure (Table *32*)	C	52.97	75.01	87.03	105.28	87.86	**408.16**	50.17	**458.34**
Taxation (Refer Table 41)	D	12.65	12.67	21.18	8.81	0.00	**55.31**	22.39	**77.70**
Carry forward of shortfall of First Control Period**	E	107.7					**107.70**		**107.70**
ARR (Sum A: E)	F	191.72	105.98	134.46	150.05	124.92	**707.13**	91.71	**798.84**
Non-aeronautical revenue (NAR) (Refer Table 36)	G	26.66	14.35	30.94	48.90	23.18	**144.02**	10.02	**154.03**
Less: 30% of NAR	H	8.00	4.31	9.28	14.67	6.95	**43.21**	3.01	**46.22**
Net ARR (F-H)	I	183.72	101.68	125.18	135.38	117.97	**663.92**	88.71	**752.63**
Revenue from Aeronautical Services (refer Table 39)	J	97.84	120.19	159.53	157.45	74.66	**609.68**	42.02	**651.70**
(Over recovery) / Under recovery (I-J)	K	85.88	(18.51)	(34.35)	(22.07)	43.31	**54.25**	46.69	**100.94**
Discount factor (@ 14%) as on October 7, 2021	L	1.81	1.59	1.39	1.22	1.07		1	
PV of (Over recovery) / Under recovery as on October 7, 2021* (K*L)	M	155.40	(29.38)	(47.83)	(26.96)	46.40	**97.63**	46.69	**144.31**
Discount factor @ 14% as on March 31, 2022	N								**1.067**
PV of (Over recovery) / Under recovery as on March 31, 2022 (M*N)	O								**154.00**
Discount factor @ 12.21% as on March 31, 2023*	P								**1.122**
PV of (Over recovery) / Under recovery as on March 31, 2023 (O*P)	Q								**172.80**

** PV factor has been derived for the FYs from FY 2016-17 till COD, by assuming the discount factor as 1 on COD*

 # FRoR for FY 2021-22 has been computed as 7.29% for the period up to COD

*** Shortfall obtained from Tariff Order of the Second Control Period.*

4.13.2 The ARR proposed by the Authority is ₹ 752.63 crores (refer Table 42), as against Rs. 794.54 crores submitted by AAI. The variance is on account of the following:

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.

ii. Rationalization of O&M expenses, based on O&M Study report.

iii. Non-consideration of financing allowance in RAB and depreciation on financing allowance

4.14 Adjusted Deemed Initial RAB

Clause 28.11.4 of the CA states the following with respect to Adjusted Deemed Initial RAB:

"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB'"):

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

The Authority has derived the Adjusted Deemed Initial RAB as on COD which is as follows:

Table 43: Determination of Adjusted Deemed Initial RAB as on COD by the Authority

(₹ crores)

Particulars	Ref.	Amount
A. Deemed Initial RAB as on COD	Table 26	158.80
B. Estimated Deemed Initial RAB	Clause 28.11.3 (b) of CA	(69.00)
C. Difference (C=A-B)		89.80
D. PV of Under-recovery of AAI as on COD	Table 42	144.31
E. **Adjusted Deemed Initial RAB as on COD E= (C+D)**		**234.11**

COD – 8th Oct'2021

4.14.1 In accordance with the provisions of clause 28.11.4 of the CA, AERA has computed the Adjusted Deemed Initial RAB as on COD i.e. ₹ 234.11 crores (shown in Table **43**) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (GIAL) to the Airports Authority of India as follows:

i. The Authority has assumed future expected date of payment of Adjusted Deemed Initial RAB as August 31, 2024, based on the assumption that the Tariff Order for LGBIA (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before August 20, 2024.

ii. The Authority has applied a compounding factor to determine future value of the Under-recovery as on COD by applying:

- FRoR @ 14% from COD up to March 31, 2022 and
- FRoR @ 12.21% from April 1, 2022 up to July 31, 2024 (based on the FRoR determined by AERA for the Third Control Period for LGBIA, as discussed under Chapter 8 of this Consultation Paper).

iii. The Adjusted Deemed Initial RAB computed as on COD, March 31, 2022, March 31, 2023, March 31, 2024 and August 31, 2024 has been presented in the table below:

Table 44: Determination of Adjusted Deemed Initial RAB as on Specified and Future Payment Dates

(₹ crores)

Particulars	As on COD	Mar 31, 2022*	Mar 31, 2023#	Mar 31, 2024#	August 31, 2024#
Adjusted Deemed Initial RAB	234.11	249.82	280.33	314.56	330.66

* *Compounding for the period from COD up to March 31, 2022 has been done using FRoR of 14%.*

\# *Compounding for period beyond March 31, 2022 has been done using FRoR of 12.21%, determined by AERA for LGBIA for the First Control Period.*

4.14.2 It is likely that the actual date of payment is different from August 31, 2024 as presented in the above table. In that scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\boldsymbol{Adjusted\ Deemed\ Initial\ RAB = A \times (1 + r \times \frac{t}{365})}$$

where, A = Adjusted Deemed Initial RAB computed as on March 31, 2024

r = FRoR for First Control Period, computed as 12.21% (refer Chapter 8).

t = Number of days elapsed between actual date of payment and March 31, 2024

The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example:

Assuming that the actual date of payment is September 10, 2024, then

A = ₹ 314.56 crores

r = 12.21% or 0.1221

t = 163 days (Number of days between March 31, 2024 and September 10, 2024)

The Adjusted Deemed Initial RAB based on the above example is:

₹ 314.56 x (1+0.1221*163/ 365) = ₹ 331.71 crores.

4.14.3 The Authority has proposed the Adjusted Deemed Initial RAB as explained above and requests the Stakeholders to provide their comments on the same.

4.14.4 The Authority proposes to consider Under recovery of ₹ 172.80 crores as on 31st March 2023 (as per Table 41) for True up of AAI for the Pre-COD period and readjust the same in the ARR computation of LGBIA for the Third Control Period. The under-recovery has arisen mainly on account of reduction in aeronautical revenue resulted on account of lesser traffic due to COVID-19 pandemic in FY 2020-21 and higher allocation of CHQ/RHQ cost.

4.15 Authority's proposals regarding true up for SCP and pre-COD period (FY17 up to COD)

Based on the material before it and its examination, the Authority proposes the following with respect to True up of the Pre-COD period for LGBIA:

4.15.1 To consider Deemed Initial RAB as ₹ 158.80 crores on October 8, 2021, as per Table 26

4.15.2 To consider true up of RAB for the pre-COD period as per Table 24.

4.15.3 To consider true up of depreciation for the pre-COD period as per Table 23.

4.15.4 To consider true up of FRoR for the pre-COD period as per para 4.8.

4.15.5 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 32.

4.15.6 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 36.

4.15.7 To consider true up of Aeronautical revenue for the pre-COD period as per Table 39.

4.15.8 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 41.

4.15.9 To consider true up of ARR for the pre-COD period as per Table 42.

4.15.10 To consider the present value of under recovery of ₹ 172.80 crores for True up of AAI for the Pre-COD period as per Table 42 and readjust the same in the ARR for the Third Control Period.

4.15.11 To consider Adjusted Deemed Initial RAB as per Table 44 or based on formula provided in paragraph 4.14.2 as appropriate for actual date of payment.

5 TRUE UP OF GIAL FOR THE PERIOD FROM COD TILL MARCH 31, 2022

5.1 Background

5.1.1 AAI had entered into a Concession Agreement dated January 19, 2021, with Guwahati International Airport Limited (the 'Concessionaire') for the Operations, Management and Development of LGBIA for a period of 50 years from the COD, i.e. October 8, 2021. As per the Concession Agreement between AAI and GIAL (clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

5.1.2 Pursuant to the above Concession Agreement, GIAL has submitted True up workings for the period from COD up to March 31, 2022.

5.1.3 The true up workings submitted by GIAL covers the following building blocks:

i. Traffic
ii. Capital Expenditure
iii. Aeronautical Depreciation
iv. Regulatory Asset Base
v. Fair Rate of Return
vi. Aeronautical Operation and Maintenance Expenses
vii. Non-aeronautical Revenue
viii. Aeronautical Taxes
ix. Aggregate Revenue Requirement

5.1.4 The Authority has examined GIAL's true up submission in detail and has performed the following analysis:

i. Recorded GIAL's submissions for True up under different Regulatory building blocks.
ii. Provided the Authority's examination and proposals regarding the True up calculation of each building block of GIAL.

5.2 GIAL's submission regarding True up for the period from COD till March 31, 2022

5.2.1 GIAL has submitted true up for the period from COD till March 31, 2022 as follows:

Table 45: True Up submitted by GIAL from COD till March 31, 2022

(₹ crores)

Particulars	Amount
Opening RAB	154.77
Addition During the year	2.33
Financing Allowance	-
Depreciation during the year	(16.81)
Closing RAB	140.28
Average RAB	147.52
FRoR on Average RAB (@ 14% for 6 months) (A)	9.90
Operating expenses (B)	47.87
Depreciation (C)	16.81
Bank and Finance Charges (D)	0.50
Working Capital Loan Interest (E)	0.26
Independent Engineer Fee (F)	-
Pre-COD Expenses (G)	9.85
Tax (H)	1.32

Particulars	Amount
Gross ARR (Sum A:H) = (I)	86.51
Non-aeronautical Revenue	9.96
Less: 30% of Non-aeronautical revenue (J)	(2.99)
Net ARR (I-J) = K	83.53
Actual Aero Revenues earned (L)	59.95
Shortfall/ under-recovery (K-L) = M	**23.57**
PV of Under-recovery	**28.81**

5.3 Authority's examination of the true up submitted by GIAL for the period from COD till March 31, 2022

The Authority has examined the true up submitted by GIAL for the period from COD till March 31, 2022 as part of the tariff determination for the current Control Period.

5.4 True up of Capital Expenditure (CAPEX)

5.4.1 As part of the Concession Agreement, the Regulatory Asset Base held by AAI as on COD were transferred to GIAL. The Authority proposes to consider the value of RAB in the hands of AAI as on COD as Opening RAB for GIAL as per the outcome of the asset allocation study undertaken by the Authority for Second Control Period and Pre-COD period.

5.4.2 The Authority has derived the deemed initial RAB of GIAL as on COD as ₹ 158.80 crores (refer Table **26**).

5.4.3 The Authority notes that GIAL has added following additional items in RAB amounting to ₹ 2.33 crores during the period COD till March 31, 2022:

Table 46: Additional items included in RAB by GIAL from COD till March 31, 2022

(₹ crores)

Details	Amount
Software	-
IT equipment	1.78
Plant and Machinery	-
Furniture & fixtures	0.04
Vehicles	-
Office Equipment	0.51
Total	**2.33**

5.4.4 **Reclassification of assets of GIAL**

The Authority has conducted an independent study on allocation of assets for the Second Control Period and FY2022, and used the outcome of the study to true up the RAB for the post COD period i.e. as on March 31, 2022 for GIAL.

The Authority has considered the adjusted RAB of GIAL as on COD (which is ₹ 158.80 crores), Capital additions and corresponding depreciation based on the results of the Asset Allocation Study report (refer Appendix 1 for *Study on allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA)*.

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Authority noted that GIAL also procured employee related asset which needs to be allocated as per Employee Ratio. The Authority considers the employee ratio derived as part of the *Study on Efficient Operation and Maintenance*

Expenses for LGBIA. As per para 5.2.3. of the said study the Employee Head Count Ratio for GIAL is 95:5 (Aeronautical: Non-aeronautical).

The Authority has reclassified assets addition made by GIAL for the period from COD till March 31, 2022, based on applicable allocation ratio. The allocation basis is detailed hereunder:

i. **Furniture**

Details of Asset: MS Framework and Flax

Allocation proposed by GIAL: Aeronautical

Observation: The assets such as MS Framework and Flax, have been classified as Aeronautical assets by GIAL. However, since these assets are for the use of employees of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.002 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

ii. **IT Equipment**

Details of Asset: Laptop, Desktop, Printer, Display, Server and Storage data center, other IT equipment, Software license and support, SITA license and project implementation

Allocation proposed by GIAL: Aeronautical

Observation: The assets such as laptops, desktops, printers, servers and storage, software license, have been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5). In addition, SITA License and Project Implementation which was classified as Aeronautical by GIAL is allowed to be considered as Aeronautical asset.

Allocation proposed by the Authority: Employee Head Count Ratio / Aeronautical

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.05 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

iii. **Office Equipment**

Details of Asset: Video Controller, Telephone, IP Phone, Mobile, Security and Safety related equipment and accessories, Document Tray, and other Office equipment.

Allocation proposed by GIAL: Aeronautical

Observation: All office equipment has been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.03 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

The following table illustrates the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of GIAL between COD and March 31, 2022.

Table 47: Impact of Reclassification of Asset Additions by GIAL from COD till March 31, 2022

(₹ crores)

Asset Category as per MYTP	Reclassification Impact
Furniture & fixtures	(0.002)
IT equipment	(0.05)
Office equipment	(0.03)
Software	-
Grand Total	**(0.08)**

5.5 True up of Depreciation

5.5.1 For the purposes of True up submission, GIAL had calculated depreciation for the period from COD up to March 31, 2022, based on their determination of remaining useful life.

5.5.2 The Authority has proposed to consider the same rates of depreciation as applied by AAI for the period up to COD, on the assets transferred by AAI to GIAL for the period from COD to March 31, 2022. Further, the assets added by GIAL have been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated January 12, 2018, of AERA. The Authority has proposed the useful life for all the assets of LGBIA post COD as per Table ***114***

5.5.3 Depreciation has not been computed on the Intangible asset and Notional Lease Asset as the same is excluded from the RAB.

5.5.4 Accordingly, the depreciation on Aeronautical assets of ₹ 0.33 crores as submitted by GIAL has been revised (post reclassification) to ₹ 0.32 crores, thereby resulting a reduction in depreciation of ₹ 0.01 crores. The following table illustrates the impact on depreciation due to reclassification adjustments in Asset Addition/WIP Capitalization values of GIAL between COD and March 31, 2022.

Table 48: Impact on Depreciation post reclassification and revised useful life by the Authority

(₹ crores)

Asset Category as per MYTP	Reclassification Impact (Period: COD till March 31, 2022)
Furniture & fixtures	(0.0001)
IT equipment	(0.008)
Office equipment	(0.002)
Grand Total	**(0.010)**

5.5.5 Adjustments were also made in the depreciation of the assets handed over to GIAL by AAI for the post COD period, as per the asset reclassification carried out in the independent study conducted by the Authority and the revised useful life as per Table ***114***. The total impact on depreciation in post COD period due to reclassification of assets has been summarized in the table below.

Table 49: Depreciation impact due to Reclassification of Asset Additions (Post-COD Period)

(₹ crores)

Particulars	Values	Impact
Depreciation on pre-COD assets as per GIAL	16.48*	
Depreciation on pre-COD assets after reclassification and revised useful life as per the independent study conducted by the Authority	8.83	

Particulars	Values	Impact
Impact on Depreciation for pre-COD Assets due to reclassification		(7.65)
Depreciation on post-COD assets as per GIAL	0.33*	
Depreciation on post-COD assets after reclassification	0.32	
Impact on Depreciation for post-COD Assets due to reclassification and revised useful life as per the independent study conducted by the Authority (Table **48**)		(0.01)
Total Impact on Depreciation for all Assets in post-COD period		**(7.66)**

**Total Depreciation of ₹ 16.81 crores split between pre-COD and post-COD assets (₹ 16.48 crores + ₹ 0.33 crores respectively)*

5.5.6 The Adjusted RAB and Depreciation determined by the Authority for the period from COD till March 31, 2022, post reclassifications and other adjustments are as follows:

Table 50: Average RAB considered by the Authority from COD till March 31, 2022

(₹ crores)

Particulars	Amount
Adjusted RAB as on COD, transferred to Guwahati International Airport Limited (A) (refer Table **26**)	158.80
Additions to RAB from COD to March 31, 2022, proposed by GIAL (Refer Table **46**)	2.33
Sub-total (C = A + B)	161.13
Reclassifications on asset additions	
Furniture & fixtures (D)	(0.002)
IT equipment (E)	(0.05)
Office equipment (F)	(0.03)
Software (G)	-
Total reclassifications (H) Sum (D : G)	(0.08)
Adjusted RAB (I = C + H)	**161.05**
Depreciation on RAB from COD to March 31, 2022, proposed by GIAL (J)	16.81
Adjustment in Depreciation for the period from COD to March 31, 2022 (K) (Table **49**)	(7.66)
Total Adjusted Depreciation for the period from COD to March 31, 2022 (L=J+K)	9.15
Opening RAB as on 1st April'2022 for Third Control Period M=I –L	**151.90**
Average RAB M=(A+M)/2	**155.35**

Based on its analysis, the Authority proposes to consider CAPEX, depreciation and RAB as per Table **50** for true up of the period from COD till March 31, 2022.

5.6 True up of FRoR

5.6.1 GIAL has submitted FRoR @14% p.a. for true up of the period from COD till March 31, 2022. The Authority proposes to consider the same, in line with the Authority's proposal for true up of AAI from FY 2017 to FY 2022 (up to COD) and also as approved for other similar airports. From the next Control Period for GIAL, AERA will consider FRoR, in line with other PPP airports.

5.6.2 However, it is to be noted that GIAL has operated the Airport in FY 2021-22 only for the period from COD till March 31, 2022. Therefore, GIAL is eligible to claim return on RAB only for the period from COD till March 31, 2022. Hence, for FY 2021-22, the Authority proposes to pro-rate the FRoR for 175 days during which GIAL operated the Airport. The pro-rated FRoR for FY 2021-22 has been computed as follows:

$$\text{FRoR}_{\text{post COD}} = \text{FRoR} * n / 365$$

Where, FRoR is the fair rate of return for the entire FY 2021-22, FRoR $_{post\ COD}$ is the pro-rated FRoR for the period from COD till March 31, 2022 and *n* is the number of days in operation in FY 2021-22.

Based on the above approach the pro-rated FRoR for FY 2021-22 has been computed as follows:

Table 51: FRoR proposed by the Authority from COD to March 31, 2022

Particulars	Value (%)
FRoR for FY'22 (A)	14%
Number of days of operations in FY'22 (B)	175
Pro-rated FRoR for FY'22 (from COD till March 31, 2022) (A*B/365)	6.71%

5.6.3 The Authority proposes to consider FRoR for true up of the period from COD till March 31, 2022 as 6.71%, as shown in Table **51**.

5.7 True up of Aeronautical O&M expenses

5.7.1 The component-wise break up of Aeronautical Operation and Maintenance expenses submitted by GIAL for the period from COD till March 31, 2022 is as follows:

Table 52: O&M expenses submitted by GIAL for the period from COD till March 31, 2022

(₹ crores)

Expense Category	Amount
Manpower expenses - AAI employees	14.19
Manpower expenses - GIAL employees	4.72
Utility expenses	2.62
IT expenses	1.49
Rates & taxes	0.32
Security expenses	1.37
Corporate Allocation	4.24
Administrative Expenses - Collection Charges on UDF	0.09
Administrative Expenses - Others	3.60
Insurance	0.99
R&M	9.71
Others	2.83
Independent Engineer Fees	1.69
Total	**47.86**

5.7.2 **True up of Bank and Finance Charges**

It is observed that GIAL has considered Bank charges as entirely Aeronautical. However, the Authority proposes to consider the same as Common and reallocate it on Gross Fixed Assets ratio of 95.39:4.61 (*Table 23 of Asset Allocation Study Report*) based on the nature of expense and in line with other similar airports. The impact of such difference is downward adjustment of ₹ 0.02 crores.

Table 53: Bank & Finance Charges considered by the Authority for Post COD Period

(₹ crores)

Particular	Aero Expense
Bank and Finance Charges considered by GIAL (A)	0.50
Bank and Finance Charges considered by Authority (B)	0.48
Impact (B-A)	**(0.02)**

5.7.3 True up of Working Capital Loan Interest

It is observed that GIAL has included Working Capital Loan Interest amount of ₹ 0.26 crores for ARR computation as Aeronautical. As per GIAL, the working capital interest has been calculated on best estimation basis since the ICD loan is a mix of working capital and other debt. Since, GIAL has not provided calculations for the working capital interest, the Authority therefore proposes that cost towards working capital loan interest cannot be considered at this stage.

5.7.4 True up of pre-COD Expenses

The Authority notes that GIAL has submitted pre-COD expenses amounting to ₹ 9.85 crores for true-up of the post-COD period. This expense included ₹ 1.08 crores related to payroll costs.

The Authority takes cognizance of the fact that AAI deputed its staff and management personnel to the Airport which was already in operation (being a brownfield airport) during the transition period, including prior to the COD to ensure that the relevant knowledge and experience of the operation and management of LGBIA is transferred to GIAL. Therefore, the deputation of such staff is relevant towards the objective of smooth transition of the airport from AAI to GIAL, and fulfilment of the terms of the CA.

Furthermore, the Authority also notes that as per Clause 15.1.2 of the Concession Agreement, the Concessionaire is mandated to achieve COD within 180 days from the date of the Concession Agreement.

Further, the Authority notes that as per clause 16.5 of the Concession Agreement, the Concessionaire team had to work in tandem for a period of sixty (60) days prior to COD with AAI’s team to understand the airport operations.

Based on the above factors, the Authority notes that AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD and the cost of such personnel was paid by the Airport Operator. Additionally, Adani Group also deputed its own manpower from other group entities. The Authority has accordingly decided to consider salary expenses pertaining to such Adani Group entities for the period of six months prior to COD, i.e., from 8th April 2021 to 7th October 2021. Further, the salary costs of GIAL’s employees for the period 8th August 2021 to 7th October 2021 has been considered for the purpose of tariff determination.

The Authority proposes to consider only this manpower cost for true-up based on the following:

- The Authority, after making a detailed study on the provisions of the Concession Agreement, decided that there is no provision in the Concession Agreement to include in the true up, the remaining costs incurred by GIAL prior to Letter of Award (LoA). It is to be noted that the bid expenses incurred prior to the date of LoA cannot be considered as pass-through expense by the Authoirty.
- The Authority proposes that the bid expenses incurred prior to the date of Letter of Award of GIAL, and expenses incurred between the date of Concession Agreement and COD (other than as specifically considered above), as submitted by GIAL are not considered for tariff determination.

Based on the above considerations, the total costs pertaining to manpower cost prior to COD, as allowed for the purpose of true-up of LGBIA is as follows:

Table 54: Pre-COD expenses proposed by the Authority for the Third Control Period

(₹ crores)

Particular	Nature of expense	Total	% Allowable	Proposed Pre-COD Expense
Expense till Letter of Award-setting up Airport business	Corporate Cost Allocation	1.72	NIL	-
Project Cost for setup for Airport Business - Allocation by parent companies	Corporate Cost Allocation	1.86	NIL	-
Other Preliminary expense prior to COD	Incurred by GIAL	5.19	NIL	-
Pre-COD Payroll Cost	On roll employee cost	1.08	100%	1.08
Total		**9.85**		**1.08**

5.7.5 **Reallocation of O&M expenses**

The Authority has conducted an independent study to determine efficient Aeronautical Operation and Maintenance costs for the period FY 2016-17 till FY 2021-22 and used the outcome of the study to true up the O&M expenses for the period from COD till March 31, 2022 for GIAL.

All O&M expenses have been allocated as Aeronautical by GIAL. The Authority has analyzed the submission made by GIAL on a case-to-case basis and applied appropriate re-classification and re-allocation of the expenses, wherever it noted any discrepancies in the allocation of expenses by GIAL *(refer Table 41 for Allocation of O&M expenses of Airport Operator as per the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport)*. Accordingly, the following expenses have been re-allocated by the Authority by using appropriate ratios such as Terminal Building ratio, Gross Fixed Assets ratio, Employee Head Count ratio and Electricity ratio *(Refer para 5.3 of the Study report on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport* regarding the ratios used by the Authority for allocation of common expenses.*)*

i. **Manpower expenses**

<u>Manpower expenses – AAI employees</u>

Observation: The Authority notes that pursuant to Clause 6.5 of the Concession Agreement read with Clause 28.4.3 entered into between AAI and Guwahati International Airport Limited, the cost of AAI employees deputed at LGBIA shall be eligible for pass-through in the determination of Aeronautical charges. The Authority notes that GIAL has considered the Manpower expenses as 100% Aeronautical. However, the Authority proposes to re-allocate the same in the ratio of Employee Head Count of AAI employees (99.19:0.81), resulting in a downward adjustment of ₹ 0.11 crores.

Impact: The impact of the re-allocation results in reduction of Manpower expenses by ₹ 0.11 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.1 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

<u>Manpower expenses – GIAL employees</u>

Observation: It is observed that the total manpower expenses of the employees of GIAL have been considered as 100% Aeronautical. However, the Authority proposes to allocate the total manpower expenses of GIAL based on GIAL's Employee Ratio of 95:5. The impact of such difference is downward adjustment of ₹ 0.24 crores.

Impact: The impact of the re-allocation results in reduction of Manpower expenses by ₹ 0.24 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.1 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

ii. **Corporate Allocation Cost**

Observation: It is observed that the Aeronautical Corporate Allocation Cost of ₹ 4.24 crores had been incurred by GIAL towards Corporate Support Services received from the Companies, namely, Adani Enterprises Limited (AEL) and Adani Airports Holding Limited (AAHL) for the period from Post-COD till March 31, 2022. This cost includes ₹ 2.07 crores from AAHL and ₹ 2.17 Crore from AEL.

AAHL has been referred as one of the Concessionaire for all NAR activites and the services provided by AAHL & AEL are mainly in the nature of provided specialised resources and knowledge which benefits the whole airport ecosystem, therefore the cost needs to be allocated in the same ratio as the employee cost of GIAL manpower cost has been allocated. The impact of such difference is a decrease of ₹ 0.21 crores

Further, it is noted that the Corporate Allocation Cost claimed by GIAL includes an amount of ₹ 0.03 crores allocated towards In-house Legal department, which is in addition to the cost of one (01) employee of Legal department, already considered under the manpower expenses of GIAL and is not justified. Hence, the Study proposes to exclude this ₹ 0.03 crores from the Corporate Allocation cost submitted by GIAL.

Impact: The impact of the reallocation results in reduction of Corporate Allocation expenses by ₹ 0.24 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.2 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

iii. **Administrative Expenses - Others**

Observation: GIAL has submitted administrative expenses of ₹ 3.58 crores incurred towards Professional & Consultancy, Travelling & Conveyance, Auditing and Miscellaneous expenses and has considered these expenses as 100% Aeronautical. The Authority proposes to reallocate these expenses based on Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses and also consider AOCC services as Aeronautical, in line with the ratio allocation followed for AAI up to COD.

Impact: The impact of such reallocation is a decrease of ₹ 0.16 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.3 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

iv. **Repair and Maintenance Expenses**

Observation: GIAL has incurred an amount of ₹ 9.71 crores towards Repairs & Maintenance which includes maintenance of various assets and has considered these expenses as 100% Aeronautical. The Authority proposes to reallocate these expenses based on Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses.

Impact: The impact of such reallocation is a decrease of ₹ 0.42 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.4 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

v. **Other Operating Expenses such as IT, Rates & Taxes, Insurance etc.**

Observation: It is observed that the Other Operating expenses totalling to ₹ 7.59 crores includes amount incurred towards IT expenses, Rates & Taxes, Security expenses, Collection Charges, Insurance, Outsource manpower, Housekeeping, Bank & Finance Charges. GIAL has considered Other Operating expense as 100% Aeronautical. The Authority proposes to reallocate these expenses based on the Gross Fixed Asset ratio (95.39:4.61) / revised Employee Head Count Ratio (95:5) / revised Terminal Building ratio (89.02:10.98) depending upon the nature of expenses.

Impact: The impact of the reallocation results in reduction of Other Operating Expenses by ₹ 0.45 crores for the period from COD till March 31, 2022.

Reference: Para 5.4.5 of the Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport.

vi. The impact on the Aeronautical O&M expenses of GIAL on account of the proposed reallocation of expenses is as follows:

Table 55: Impact of proposed reallocation of GIAL's Aeronautical O&M expenses

(₹ crores)

Particular	Net Impact
Manpower expenses - AAI employees	(0.11)
Manpower expenses - GIAL employees	(0.24)
Corporate Allocation	(0.24)
Administrative Expenses – Others	(0.16)
R&M	(0.42)
Other Operating Expenses	(0.45)
Total	**(1.65)**

5.7.6 Based on the above adjustments and reclassification, the revised Aeronautical O&M expenses considered by the Authority for the period from COD to March 31, 2022 is summarized in the table below:

Table 56: Reallocated Aeronautical O&M expenses of GIAL from COD to March 31, 2022

(₹ crores)

Particular	Aero Expense
Manpower expenses - AAI employees	14.08
Manpower expenses - GIAL employees	4.48
Utility expenses	2.62

Particular	Aero Expense
IT expenses	1.41
Rates & taxes	0.31
Security expenses	1.37
Corporate Allocation	4.00
Administrative Expenses - Collection Charges on UDF	0.09
Administrative Expenses - Others	3.42
Insurance	0.94
R&M	9.29
Others	2.52
Independent Engineer Fees	1.69
Total	**46.22**

5.8 True up of Non-aeronautical revenue (NAR)

5.8.1 GIAL has submitted the following components of NAR for the period from COD till March 31, 2022, which the Authority has verified with the Books of Account of GIAL.

Table 57: NAR submitted by GIAL for True up from COD till March 31, 2022

(₹ crores)

Particulars	Revenue
Car parking	0.34
Lounge	-
Building rent	1.99
Other Income	0.63
Revenue from other than master concessionaire	-
Master Concessioner	7.00
Total Non-aero revenue	**9.96**

5.8.2 The Authority, on verification of the NAR of GIAL, notes that ₹ 0.16 crores relate to space rentals from airlines. The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. The authority, therefore, proposes to exclude Space Rentals from airlines providing aeronautical services from the NAR for the post-COD period.

5.8.3 The Authority proposes to consider NAR for the period from COD till March 31, 2022 as per table below:

Table 58: NAR proposed by the Authority for True up from COD till March 31, 2022

(₹ crores)

Particulars	Amount
Actual Non-Aeronautical Revenue as submitted by GIAL (A)	9.96
Less: Revenue from space rentals from airlines (B)	0.16
Non-Aeronautical Revenue as per the Authority (A-B)	**9.80**

5.9 True up of Aeronautical Revenue

5.9.1 GIAL has submitted the following components of Aeronautical Revenue for the period from COD till March 31, 2022, which the Authority through its independent consultant has verified with the Books of

Account of GIAL and noted the same to be in order. The same is presented in the Table below:

Table 59*: Aeronautical Revenue submitted by GIAL for True up from COD till March 31, 2022*

(₹ crores)

Particulars	Revenue
Landing revenue	16.49
Parking & housing revenue	0.28
Ground handling charges	0.78
Passenger UDF revenue	40.17
CUTE Revenue	1.71
CGF rentals	0.52
Cargo/Fuel/Other	-
Total Aero revenues	**59.95**

5.9.2 The Authority proposes to include space rental from airlines amounting to ₹ 0.16 crores as aeronautical revenue. (refer para 5.8.2).

5.9.3 The Authority proposes to consider revised Aeronautical Revenue for the period from COD till 31st March 2022 as per table given below:

Table 60: Aeronautical Revenue proposed by the Authority for True up from COD till March 31, 2022

(₹ crores)

Particulars	Amount
Actual Aeronautical Revenue as submitted by GIAL (A)	59.95
Add: Revenue from space rentals from airlines (B)	0.16
Aeronautical Revenue as per the Authority (A+B)	**60.11**

5.10 True up of Taxation

GIAL has submitted Aeronautical Tax of ₹ 1.32 crores for the period from COD till March 31, 2022. Based on the proposals on various building blocks, revised calculation of taxation is presented in the table below:

Table 61: Taxation proposed by the Authority for true up (COD till 31st March 2022)

(₹ crores)

Particulars	Ref.	Amount
Aero Revenues (refer Table *60*)	A	60.11
Aero O&M Expenses (refer Table *56*)	B	46.22
Bank & Finance Charges (refer Table *53*)	C	0.48
Interest Expense	D	2.55
Depreciation as per IT Act	E	9.25
Aero Profit Before Tax	G=A-(B+C+D+E)	1.61
Previous loss adjustment	H	-
Taxable Profit	I=MAX (0, (G-H))	1.61
Tax rate (%)	J	25.17%
Aeronautical Tax	K=I*J	**0.41**

5.11 True up of Aggregate Revenue Requirement (ARR) for period from COD till March 31, 2022

5.11.1 Based on its analysis of the various building blocks, the Authority has determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period and same is presented in the table below:

Table 62: ARR and Shortfall proposed by the Authority (COD till March 31, 2022)

(₹ crores)

Particulars	Ref.	Amount
Average RAB (refer Table 50)		155.35
FRoR on Average RAB (@ 14% for 175 days)	A	10.43
Operating expenses (Refer Table 56)	B	46.22
Bank and Finance Charges (refer Table 53)	C	0.48
Pre COD Expenses (refer Table 54)	D	1.08
Depreciation (refer Table 50)	E	9.15
Tax	F	0.41
ARR (Sum (A:F))	G	67.76
Non-aeronautical revenue (refer Table 58)	H	9.80
Less: 30% of Non-aeronautical revenue	I	2.94
Net ARR (G-I)	J	64.82
Actual Aeronautical Revenue (refer Table 60)	K	60.11
Shortfall/ under-recovery (J-K)	L	4.71
Discount factor as on March 31, 2022	M	1
PV of (Under) / Over recovery as on March 31, 2022 (L*M)	N	**4.71**
Discount factor (@ 12.21%) as on March 31, 2023	O	1.122
PV of (Under)/Over recovery as on March 31, 2023= O*N	P	**5.29**

5.11.2 The Authority proposes to consider under recovery of ₹ 5.29 crores for the post-COD period. The Authority also proposes to consider the same as a post-COD true up while calculating ARR of LGBIA for the Third Control Period.

5.11.3 The net ARR proposed by the Authority is ₹ 64.82 crores (refer Table 62), as against ₹ 83.53 crores (refer Table 45) submitted by GIAL. The variance is on account of the following

i. Re-classification of assets, due to which there is reduction in the Return on RAB and Depreciation derived by the Authority.
ii. Revision in Useful Life of Assets considered by the Authority,
iii. Rationalization of O&M expenses claimed by GIAL,
iv. Exclusion of certain expenses such as working capital loan interest and Pre-COD expenses

5.12 Authority's proposal regarding True up for the period from COD till March 31, 2022

Based on the material before it and its examination, the Authority proposes the following with respect to True up of the period from COD till March 31, 2022 for LGBIA:

5.12.1 To consider true up of CAPEX, depreciation and RAB for the period from COD till March 31, 2022 as per Table 50.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2022 as per Table 51.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2022 as per Table 56.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2022 as per Table 58.

5.12.5 To consider true up of Taxation for the period from COD till March 31, 2022 as per Table 61.

5.12.6 To consider true up of Aeronautical revenue for the period from COD till March 31, 2022 as per Table 60.

5.12.7 To consider under recovery of ₹ 5.29 crores as per Table 62 for Post-COD period to be considered while calculating the ARR for the Third Control Period.

6 TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

6.1 GIAL's submission regarding Traffic projections for the Third Control Period

6.1.1 The historical passenger traffic[4] and ATM at the Airport has been shown in the table below:

Table 63: Historical passenger, ATM and Cargo traffic at LGBIA

Year	Passenger (in Nos.)			ATM (in Nos.)			Cargo (in MT)		
	Domestic	International	Combined	Domestic	International	Combined	Domestic	International	Combined
Traffic									
2010-11	1,920,227	14,523	**1,934,750**	26,715	226	**26,941**	8,520	-	**8,520**
2011-12	2,217,820	26,864	**2,244,684**	27,636	452	**28,088**	7,761	-	**7,761**
2012-13	2,055,128	21,810	**2,076,938**	26,522	416	**26,938**	5,919	94	**6,013**
2013-14	2,171,912	25,721	**2,197,633**	26,604	494	**27,098**	7,871	36	**7,907**
2014-15	2,206,037	27,564	**2,233,601**	26,397	474	**26,871**	10,445	15	**10,460**
2015-16	2,752,418	31,897	**2,784,315**	28,913	512	**29,425**	15,617	11	**15,628**
2016-17	3,759,494	30,162	**3,789,656**	37,383	490	**37,873**	17,283	3	**17,286**
2017-18	4,636,604	31,449	**4,668,053**	40,668	504	**41,172**	22,343	2	**22,345**
2018-19	5,714,561	31,067	**5,745,628**	49,845	643	**50,488**	23,813	27	**23,840**
2019-20	5,422,289	35,160	**5,457,449**	44,539	1,000	**45,539**	21,267	3	**21,270**
2020-21	2,188,767	368	**2,189,135**	23,422	20	**23,442**	15,933	18	**15,951**
2021-22	3,148,940	16	**3,148,956**	33,564	8	**33,572**	21,814	44	**21,858**
2022-23	5,039,315	12,165	**5,051,480**	45,701	208	**45,909**	22,823	-	**22,823**

6.1.2 The passenger traffic, ATM and cargo traffic along with their expected annual growth rates, as submitted by GIAL for the Third Control Period are as given in the table below: follows:

Table 64: Traffic and growth (%) Y-o-Y proposed by GIAL

Year	Passenger (in Nos.)			ATM (in Nos.)			Cargo (in MT)		
	Domestic	International	Combined	Domestic	International	Combined	Domestic	International	Combined
Traffic									
2022-23	5,039,315	12,165	**5,051,480**	45,701	208	**45,909**	22,823	0	**22,823**
2023-24	6,473,222	69,797	**6,543,019**	58,773	1,197	**59,970**	24,293	3	**24,296**
2024-25	6,596,891	67,022	**6,663,913**	59,356	1,171	**60,527**	23,699	1,300	**24,999**
2025-26	7,430,971	113,091	**7,544,062**	66,498	1,552	**68,050**	27,126	1,400	**28,526**
2026-27	8,958,026	136,180	**9,094,207**	80,216	1,893	**82,109**	33,301	1,500	**34,801**
Total	**34,498,425**	**398,255**	**34,896,681**	**310,544**	**6,021**	**316,565**	**131,242**	**4,203**	**135,445**
Growth rates									
2022-23	-	-	-	-	-	-	-	-	-
2023-24	28.45%	473.75%	**29.53%**	28.60%	475.48%	**30.63%**	6.44%	-	**6.45%**
2024-25	1.91%	-3.98%	**1.85%**	0.99%	-2.17%	**0.93%**	-2.44%	-	**2.89%**
2025-26	12.64%	68.74%	**13.21%**	12.03%	32.54%	**12.43%**	14.46%	7.69%	**14.11%**
2026-27	20.55%	20.42%	**20.55%**	20.63%	21.97%	**20.66%**	22.76%	7.14%	**22.00%**

6.1.3 GIAL has also submitted that it expected to process certain cargo volumes out of the total volume at its own cargo facility. The following table summarizes the total cargo volumes proposed to be handled by GIAL out of the total cargo traffic at LGBIA during the Third Control Period.

[4] Source: Traffic News from AAI website

Table 65: Cargo volumes to be handled by GIAL out of the total cargo traffic during the Third Control Period

Particulars (in MT)	FY 23	FY 24	FY 25	FY 26	FY 27
Domestic - Interim Facility	-	3,500	4,500	5,500	-
International – Interim Facility	-	-	-	-	-
New Integrated Cargo Terminal	-	-	-	-	30,000
Total by GIAL (A)	-	**3,500**	**4,500**	**5,500**	**30,000**
Total Cargo Traffic at LGBIA (B)	-	**24,296**	**24,999**	**28,526**	**34,801**
% Share (A/B)*100	-	**14%**	**18%**	**19%**	**86%**

6.1.4 GIAL had engaged an independent agency – M/s Mott Macdonald for assessing passenger traffic, aircraft movement and cargo traffic for LGBIA. Based on its analysis, Mott Macdonald has provided high, base, and low estimate scenarios of projected traffic for the Third Control Period. The traffic projections submitted by GIAL in Table 64 is adopted from Mott Macdonald's 'base case scenario'.

6.1.5 The Passenger traffic and ATM projected above has been adjusted by GIAL to account for billable passenger traffic (excluding certain categories of passengers such as Transit/transfer passengers, Children below 2 years, Diplomatic passport holders, Airline Crew etc. for whom UDF charges are not leviable) and billable domestic ATMs (other than ATMs pertaining to less than 80-seater capacity flights, and flights operating under Regional Connectivity Scheme (RCS); that are exempted from landing charges). Based on the historical trends, the exempt traffic has been submitted by GIAL as 10% of the total passengers, and 18% of total ATMs for the Third Control Period, as shown in the table below.

Table 66: Traffic growth rates (Y-o-Y) submitted by GIAL, after adjustment of exempt traffic

Year	Passenger (in Nos.)			ATM (in Nos.)		
	Domestic	International	Combined	Domestic	International	Combined
Traffic						
2022-23	4,535,384	7,907	**4,543,291**	37,475	208	**37,683**
2023-24	5,825,900	45,368	**5,871,268**	48,194	1,197	**49,391**
2024-25	5,937,202	43,564	**5,980,766**	48,672	1,171	**49,843**
2025-26	6,687,874	73,509	**6,761,383**	54,528	1,552	**56,080**
2026-27	8,062,224	88,517	**8,150,741**	65,777	1,893	**67,670**
Total	**31,048,583**	**258,866**	**31,307,449**	**254,646**	**6,021**	**260,667**
Growth rates						
2022-23	-	-	-	-	-	-
2023-24	28.45%	473.75%	29.23%	28.60%	475.48%	31.07%
2024-25	1.91%	-3.98%	1.86%	0.99%	-2.17%	0.92%
2025-26	12.64%	68.74%	13.05%	12.03%	32.54%	12.51%
2026-27	20.55%	20.42%	20.55%	20.63%	21.97%	20.67%

6.2 Authority's examination regarding Traffic projections for the Third Control Period

6.2.1 The Authority notes that GIAL appointed Mott Macdonald as its Consultant who has derived traffic forecast based on Regression forecast methodology, developed through econometric analysis of historical data combined with projections of key demand drivers as given below:

- Passenger forecasts were derived basis Gross Domestic Product (GDP) growth forecasts from the International Monetary Fund (IMF) World Economic Outlook April 2021, as well as the US Department of Agriculture (USDA) and the Organization for Economic Co-Operation and Development (OECD).

- The aircraft movement forecasts for the Airport were derived based on the historical development of both domestic and international average passengers per ATM.
- For cargo forecasts, the historical development of both domestic and international average cargo per ATM metrics, along with the potential cargo-carrying capacity of aircraft using the airports were considered.

6.2.2 The Authority notes that GIAL has assumed the 'base case scenario' estimates of traffic forecasts submitted by Mott Macdonald for forecasting passenger traffic, ATM and cargo (both domestic and international).

6.2.3 The Authority notes that GIAL has considered only billable ATM, after excluding ATM traffic that are exempted from landing charges. However, the Authority is of the view that RCS scheme is promoted by the GoI with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircrafts, therefore the flights operating under this scheme are not eligible to be claimed as a passthrough/ exemption. The Authority notes that, as per GIAL's submission, out of 23% of less than 80-seater capacity category ATMs handled in FY23, approximately 8% of them falls under RCS category. Based on the above fact, the Authority has estimated traffic projections after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category and being exempted from landing charges. The Authority further notes GIAL's submission that Guwahati as capital city airport and gateway to North East states. It acts as a hub to destinations like Pasighat (IXT), Shillong (SHL), Rupsi (RUP), Tezpur (TEI) and other small sized airports in the vicinity. This regional connectivity model helps boost demand in the aforementioned destinations, which have restrictions for larger aircraft to operate. Further, limited traffic demand from regional cities restricts the seat loads on these routes and thus do not permit airlines to operate bigger aircraft.

6.2.4 The Authority, after rationalization has derived the exempted traffic as 15% for each tariff year and has considered the same for determining the billable domestic ATM. Based on the above factors, the exempt traffic considered by the Authority (after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category) for determining billable domestic ATM for the Third Control Period for LGBIA is as follows:

Table 67: Exempt traffic considered by the Authority for the Third Control Period

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27
Exempt Domestic ATM considered by the Authority	15%	15%	15%	15%	15%

Similarly, Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. GIAL cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports.

6.2.5 As part of its examination of traffic forecast submitted by GIAL, the Authority has calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic, ATM, and Cargo from, FY 2017-18 to FY 2019-20 (3-year CAGR), FY 2015-16 to FY 2019-20 (5-year CAGR), FY 2010-11 to FY 2018-19 (9-year CAGR), and FY 2010-11 to FY 2019-20 (10-year CAGR)

6.2.6 The 3-year, 5-year and 10-year CAGRs have been computed for the respective periods up to FY 2019-20, as FY 2020-21 being an exceptional event year, may not provide an appropriate basis for arriving at CAGR. However, the computation of 9-year CAGR is based on the periods FY 2010-11 to FY 2018-19, in order to remove certain extraneous events of FY 2019-20 as detailed in para 6.2.8 below. The table below provides the details of the CAGR for passenger traffic, ATM, and Cargo:

Table 68: CAGR for passenger traffic, ATM, and Cargo

Year	Passenger			ATM			Cargo		
	Domestic	International	Combined	Domestic	International	Combined	Domestic	International	Combined
3 year CAGR	8.14%	5.74%	**8.13%**	4.65%	40.86%	**5.17%**	-2.44%	22.47%	**-2.44%**
5 year CAGR	18.47%	2.46%	**18.32%**	11.41%	18.22%	**11.54%**	8.03%	-27.73%	**8.01%**
9 year CAGR	14.61%	9.97%	**14.57%**	8.11%	13.96%	**8.17%**	13.71%	NA*	**13.73%**
10 year CAGR	12.23%	10.32%	**12.21%**	5.84%	17.97%	**6.01%**	10.70%	NA*	**10.70%**

* *Nil international cargo in FY2010-11*

6.2.7 The Authority has noted that there is a variation in traffic and volatility in data, which causes the CAGR for 5-year and 3-year period to be inappropriate for future traffic projections.

6.2.8 The Authority notes that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20, which is a pre-COVID year, mainly due to the closure of operations by Jet Airways with no replacement for those vacant slots and the impact of COVID pandemic towards the end of the FY 2019-20.

6.2.9 It was observed that there was a de-growth of 59.63% and 98.95% in domestic passenger traffic and international passenger traffic respectively for FY 2020-21 (compared to FY 2019-20), due to the adverse impact of COVID-19 pandemic on the domestic and international travels (Refer Table 63). Similarly, it was observed that there was a de-growth of 47.41% and 98.00%, respectively in domestic ATM and international ATM for FY 2020-21 (compared to FY 2019-20) as well as a de-growth of 25.08% in domestic Cargo for FY 2020-21 (compared to FY 2019-20). (Refer Table 63)

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

The traffic forecasts have been computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by Mott Macdonald for LGBIA.

6.2.10 **Airports Council International (ACI)**

ACI in its latest report available has projected the following air passenger traffic outlook:

- *Prior to the COVID-19 pandemic, the global passenger volume was estimated to reach 10.5 billion passengers in 2023. However, the current projection of global passenger volume in 2023 is approximately 8.6 billion passengers, which is 94.2% of the 2019 level.*
- *The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level). Compared to the pre-COVID forecast that predicted 10.9 billion passengers in 2024, the effects of the pandemic represent a potential loss of 13.9%.*
- *While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. By the end of the year, the region is expected to reach 2.9 billion passengers, or 87.3% of the 2019 level. With the uncertainty from both upside and downside factors, the region is expected to reach approximately 3.4 billion passengers, or 99.5% of the 2019 level, in 2024.*

6.2.11 **International Air Transport Association (IATA)**

IATA in its latest market analysis report has reported the following:

- *Industry-wide revenue passenger-kilometers (RPKs) increased 29.7% year-on-year (YoY) in November and closed the gap to 2019 levels to within 1%.*
- *Available seat-kilometers (ASKs) rose by 28.6% YoY, recovering to 98.2% of pre-pandemic capacity. Global passenger load factor increased over the year and compared to 2019, now standing at 81.8%.*
- *Domestic RPKs grew 6.7% over pre-pandemic levels with an annual growth rate of 34.8%. International RPKs 94.5% of pre-pandemic levels and increased 26.4% YoY.*
- *Air passenger traffic, measured in revenue passenger-kilometers (RPKs), continued to grow in November with a 29.7% increase over the year. Global RPKs are now just 0.9% lower than pre-pandemic levels. In seasonally adjusted terms, growth continued although at a slightly slower pace compared to the previous months with 0.6% month-on-month (MoM) growth.*

Conclusion on traffic forecasts based on the above assumptions

6.2.12 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.10 and 6.2.11 for arriving at the revised traffic projections.

6.2.13 The Authority has reviewed the actual Passenger traffic, ATM and Cargo traffic data for FY 2022-23 (from AAI website) and has considered the same for estimating traffic for the Third Control Period:

Table 69: Comparison of Passenger, ATM and Cargo traffic at LGBIA of FY2019-20 vs FY 2022-23

Traffic	FY'20			FY'23			Traffic of FY'23 as a % of FY'20 traffic		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Passenger (in Nos.)	5,422,289	35,160	**5,457,449**	5,039,315	12,165	**5,051,480**	92.94%	34.60%	**92.56%**
ATM (in Nos.)	44,539	1,000	**45,539**	45,701	208	**45,909**	102.61%	20.80%	**100.81%**
Cargo (in MT)	21,267	3	**21,270**	22,823	-	**22,823**	107.32%	0.00%	**107.30%**

6.2.14 The Authority notes that GIAL has considered the actual passenger traffic and ATM data for FY 2022-23 available on AAI's website (as shown in the table above). The Authority vide email dated April 20, 2024 to provide actual traffic of FY2023-24 and the same was provided by GIAL vide email dated April 20,2024. The Authority compared the same with the data available on AAI website and proposes to consider actual traffic for FY2023-24 as per Table 70.

Table 70: Forecasted and Actual Passenger, ATM, Cargo traffic submitted by GIAL for FY'24

Year	Passenger (in Nos.)			ATM (in Nos.)			Cargo (in MT)		
	Domestic	International	Combined	Domestic	International	Combined	Domestic	International	Combined
FY24									
Forecasted by GIAL till Mar'24	6473222	69797	**6543019**	58773	1197	**59970**	24293	3	**24296**
Actuals till Mar '24	5927288	30321	**5957609**	45578	570	**46148**	18851	0	**18851**

6.2.15 The Authority reviewed the CAGR (3-year, 5-year, 9-year and10-year) derived by it as per Table **68**, and considering the positive outlook provided by the Expert Agencies, the Authority proposes to consider the passenger, ATM, and cargo traffic proposed by GIAL for the last three (3) tariff years (FY 2025-26 till FY 2026-27).

6.2.16 The Authority notes that due to comissioning and operationalization of NITB in first quarter of FY2025-26, the terminal building area shall increase by 621% from the existing terminal area. Due to increase in area it is expected that traffic will pick up from FY2025-26 onwards and GIAL will be able to achieve the forecasted traffic.

6.2.17 Based on the above analysis, the Authority thus proposes to consider actual passenger traffic, ATMs, and cargo for FY2022-23 and FY2023-24 as per Table 69 and Table 70 respectively; and GIAL's submission with respect to the traffic in each category, for the remaining three tariff years of the Third Control Period. The ratio of domestic exempted and billable ATMs considered by the Authority is as per Table **67**.

6.2.18 GIAL has metioned in its MYTP submission that commisioning of new Integrated Cargo Terminal (ICT) shall be done in FY2024-25 while operationalization shall happen in FY2025-26, and has considered handling of cargo from the new ICT, from FY2026-27 onwards. The Authority proposes to consider the same. The Authority also proposes to consider volumes for FY25 and FY26 as submitted by GIAL.

The Authority has assumed the same volumes for FY24, FY25 and FY26 due to cargo being handled from interim facility in absence of ICT. The Authority further proposes to consider 50% of the total cargo volumes forecasted to be handled by GIAL in FY 2026-27.

6.2.19 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period are given in the table below:

Table 71: Traffic proposed to be considered by the Authority for the Third Control Period

Domestic Passengers (Lacs)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Domestic PAX submitted by GIAL	54.22	50.39	64.73	65.97	74.31	89.58	**344.98**
Domestic PAX proposed by the Authority		50.39	59.27	65.97	74.31	89.58	**339.52**
GIAL's submission as a % of FY 2019-20 traffic		92.94%	119.38%	121.66%	137.04%	165.21%	
Proposed traffic as per the Authority as a % of FY 2019-20 traffic		92.94%	109.31%	121.66%	137.04%	165.21%	
International Passengers (Lacs)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
International PAX submitted by GIAL	0.35	0.12	0.70	0.67	1.13	1.36	**3.98**
International PAX proposed by the Authority		0.12	0.30	0.67	1.13	1.36	**3.59**
GIAL's submission as a % of FY 2019-20 traffic		34.60%	198.51%	190.62%	321.65%	387.32%	
Proposed traffic as per the Authority as a % of FY 2019-20 traffic		34.60%	86.24%	190.62%	321.65%	387.32%	
Total passengers (Lacs)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Total PAX as per GIAL's submission	54.57	50.51	65.43	66.64	75.44	90.94	**348.97**
Total PAX (Domestic and International) proposed by the Authority		50.51	59.58	66.64	75.44	90.94	**343.11**
Proposed total PAX as per GIAL's submission as a % of FY 2019-20 traffic		92.56%	119.89%	122.11%	138.23%	166.64%	

Proposed total PAX as per the Authority as a % of FY 2019-20 traffic		92.56%	109.16%	122.11%	138.23%	166.64%	
Domestic ATM (in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Domestic ATM submitted by GIAL	44.54	45.70	58.77	59.36	66.50	80.22	**310.54**
Domestic ATM proposed by the Authority (A)		45.70	45.58	59.36	66.50	80.22	**297.48**
AO's submission as a % of FY 2019-20 total ATM		102.61%	131.96%	133.27%	149.30%	180.10%	
Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM		102.61%	102.33%	133.27%	149.30%	180.10%	
Domestic exempted ATM %	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Submitted by GIAL		18%	18%	18%	18%	18%	
As per the Authority (B)		15%	15%	15%	15%	15%	
Domestic Billable ATM (in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Submitted by GIAL		37.47	48.19	48.67	54.53	65.78	**254.65**
As per the Authority C = A*(1-B)		38.85	38.74	50.45	56.52	68.18	**252.75**
International ATM (in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
International ATM submitted by GIAL	1.00	0.21	1.20	1.17	1.55	1.89	**6.02**
International ATM proposed by the Authority		0.21	0.57	1.17	1.55	1.89	**5.39**
GIAL's submission as a % of FY 2019-20 ATM		20.80%	119.70%	117.10%	155.20%	189.30%	
Proposed ATM traffic as per the Authority as a % of FY 2019-20 ATM		20.80%	57.00%	117.10%	155.20%	189.30%	
Total ATM (in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Total ATM (Domestic and International) as per GIAL's submission	45.54	45.91	59.97	60.53	68.05	82.11	**316.57**
Total ATM (Domestic and International) proposed by the Authority		45.91	46.15	60.53	68.05	82.11	**302.74**
AO's submission as a % of FY 2019-20 total ATM		100.81%	131.69%	132.91%	149.43%	180.30%	
Proposed total ATM as per the Authority as a % of FY 2019-20 ATM		100.81%	101.34%	132.91%	149.43%	180.30%	
Domestic Cargo traffic (in MT in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Domestic cargo submitted by GIAL	21.27	22.82	24.29	23.70	27.13	33.30	**131.24**
Domestic cargo proposed by the Authority		22.82	18.85	23.70	27.13	33.30	**125.80**
GIAL's submission as a % of FY 2019-20 total Domestic Cargo		107.32%	114.23%	111.44%	127.55%	156.59%	
Proposed total ATM as per the Authority as a % of FY 2019-20 Domestic Cargo		107.32%	88.64%	111.44%	127.55%	156.59%	
International Cargo (MT in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
International cargo submitted by GIAL	0.003	0.00	0.003	1.30	1.40	1.50	**4.20**

International cargo proposed by the Authority		0.00	0.00	1.30	1.40	1.50	**4.20**
Total Cargo (MT in '000)	**FY'20**	**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
Total cargo submitted by GIAL	21.27	22.82	24.30	25.00	28.53	34.80	**135.44**
Total cargo proposed by the Authority		22.82	18.85	25.00	28.53	34.80	**130.00**
GIAL's submission as a % of FY 2019-20 total Cargo		107.30%	114.23%	117.53%	134.11%	163.62%	
Proposed Cargo traffic as per the Authority as a % of FY 2019-20 Cargo		107.30%	88.63%	117.53%	134.11%	163.62%	
GIAL's share of Cargo Traffic (MT in '000)		**FY'23**	**FY'24**	**FY'25**	**FY'26**	**FY'27**	**Total**
As per GIAL							
Domestic cargo			3.50	4.50	5.50		**13.50**
International cargo							
Integrated Cargo Terminal						30.00	**30.00**
Total cargo handled			3.50	4.50	5.50	30.00	**43.50**
GIAL Market Share			**14%**	**18%**	**19%**	**86%**	
As per the Authority							
Domestic			3.50	4.50	5.50		**13.50**
International							
Integrated Cargo Terminal						17.40	**17.40**
Total cargo handled			3.50	4.50	5.50	**17.40**	**30.90**
GIAL Market Share			**14%**	**18%**	**19%**	**50%**	

6.2.20 The Authority has considered the traffic proposed in Table **71** above, to assess the need for the Capital expenditure proposed by GIAL for the Third Control Period and accordingly, the Authority has rationalized the CAPEX submitted by GIAL for the Third Control Period for LGBIA.

6.3 Authority's Proposal regarding Traffic for the Third Control Period

Based on the available facts and analysis thereupon, the Authority proposes the following with regard to traffic forecast for the Third Control Period:

6.3.1 To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for LGBIA as per Table 71.

6.3.2 To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

7 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

7.1 Background

7.1.1 RAB is one of the essential elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport.

7.1.2 The Authority notes that as part of the Concession Agreement (CA), GIAL needs to develop LGBIA in a phased manner during the Concession period, as well as cater to the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per its demand projections. Further, development of the airport includes construction and procurement of various assets as described in the Concession Agreement such as:

- Runways, taxiways, apron, aircraft parking bays, air traffic control tower, Cargo facilities, Parking, flight kitchens, MRO facilities, warehousing facilities, airline offices, administrative offices and associated facilities.
- Construction and procurement of Terminal Building and facilities and
- Construction of required approach roads.

7.1.3 The Authority notes that GIAL is mandated to develop an integrated terminal building which is efficiently planned, flexible for phase-wise development, sustainable and economical, as stipulated in Schedule B of Annex I of the CA. Further, as per Clause 23.7.1 of the CA -*" The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council international ("ACI") or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 (four point five) out of 5.0 (five) and/ or shall appear within top 20 (twenty) percentile of all airports, in its category in the world in such survey within 5 (five) years from the COD and maintain the same throughout the rest of the Concession Period."*

7.1.4 The Authority understands that as part of the Concession Agreement (CA), GIAL shall be liable to pay AAI the amount incurred by AAI as on the COD in respect of works-in-progress as set forth in Schedule T of the CA. As per section 3.5 of the MYTP submitted by GIAL, the AAI has raised an invoice of ₹430.89 Crore (excluding GST). As per GIAL, these assets are capitalized in the books of account as and when completed. Accordingly, the Authority notes that these assets are captured in Fixed Asset Register and forms part of Regulatory Asset Base.

7.1.5 The Independent Consultant appointed by the Authority has performed an in-depth analysis of the submissions made by GIAL towards Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

i. Reviewed construction plan submitted by GIAL in view of various technical studies undertaken by GIAL, Airport Master Plans, BOQs (wherever provided), Copies of Letter of Intent (LOI), Letter of Award (LOA), Purchase Orders and Work Orders etc., wherever provided. The Independent Consultant also considered the responses of GIAL to the clarification sought in relation with CAPEX plan from time to time.

ii. Sought documentary evidence and the process of approval of capital addition projects including competitive bidding process for award of various work orders to the contractors, if applicable.

iii. The consultants also visited LGBIA for a site visit on 10th October'2023 and 21st-22nd March 2024 focusing specifically on review of current airport operation and proposed airport development plans.

Based on the review of documents as stated above and the essentiality and necessity for Airport operations, the Authority has rationalized the CAPEX projects submitted by GIAL, by shifting the capitalization date of some of the projects in view of the project progress, verification of item rates and optimization of the capacity augmentation proposed by GIAL for various assets.

7.1.6 In the background of the facts stated above, the Authority through its independent consultant has examined the capital expenditure proposed by GIAL, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period. This is done with a view to encourage the investment and maintain a balanced approach between sustainable operations of the GIAL and the interest of the airport users. Further, the Authority take cognizance of the fact that, if any excessive capex is allowed in this Control Period, it would be against the regularity framework, as tariff would have no link to the services/facilities created at the Airport and the resultant high aeronautical charges would be unfair to the end users.

Hence, the Authority through its independent consultant has examined the entire CAPEX plan in detail including CWIP projects and the New CAPEX for LGBIA, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investors and maintain a balanced approach between the sustainable operations of GIAL and the interest of the airport users.

7.1.7 Based on the above, the Authority has rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period. Further, the Authority has adjusted the capitalization timelines for some of the project based on project progress.

7.1.8 Towards this objective, the Authority has examined in detail the Aeronautical Capital Expenditure, Depreciation and RAB submitted by GIAL and has presented its views in the following order:

i. Capital Additions initiated by AAI during the pre-COD period and transferred to GIAL as part of the Concession Agreement and Capital expenditure proposed by GIAL for the Third Control Period.
ii. Interest during Construction/financing allowance
iii. Aeronautical allocation of capital expenditure for the Third Control Period
iv. Aeronautical Depreciation for the Third Control Period
v. Regulatory Asset Base for the Third Control Period

7.1.9 The Authority observes that GIAL has submitted various Minor Projects/works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period. The Authority notes that for certain minor projects, GIAL has provided POs and BOQs for only portion of the cost. For the remaining amounts, which consist of multiple line items, cost estimates have not been submitted by GIAL to justify the proposed costs.

7.1.10 The Authority's Independent Consultant, interacted with the technical team of GIAL on the aspects of airport planning, traffic estimation and its short, mid and long term impact on Airport Economics as provided in the Concession Agreement.

Based on the response provided by GIAL, the Authority observed that prima facie, GIAL has not demonstrated desired understanding of optimal planning and execution of capex projects related to airport. This is evident from the fact that the proposed CAPEX has not been linked with expected outturn of traffic and is multifold as compared to other airports which handle similar traffic levels. GIAL has projected a CAPEX to the tune of ₹ 6107 crores (including soft cost and CWIP project) for passenger traffic of 6.66 MPPA in FY’25 (forecasted by GIAL) to 13.1 MPPA, which has no rational justification. This approach of the Airport Operator is not in the overall interest of the stakeholders of the airport. It appears that the CAPEX has been projected by GIAL without linking it with the mandate provided under Schedule B of the Concession Agreement.

In view of these facts, the Authority notes that the Capital Expenditure estimates submitted by GIAL are not reasonable / their need is not justifiable. Therefore, the Authority has considered various applicable factors such as current capacity, traffic estimates, normative cost benchmarks, need assessment etc. together with the need for modular development of facilities as mandated by the Concession Agreement and has rationalized the Capital Expenditure.

7.2 GIAL’s submission regarding Capital Expenditure proposed for the Third Control Period

7.2.1. As per the MYTP, GIAL has submitted following Aeronautical Capital addition for the third control period:

Table 72: Asset-wise Aero Capitalisation submitted by GIAL for the Third Control Period

(₹ crores)

Particular	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Terminal Building	1.98	7.88	3073.68	0.00	0.00	3083.54
Runway, Taxiway & Apron	10.04	3.31	496.21	1234.85	0.04	1744.45
Boundary walls	0.00	0.24	0.00	180.62	0.00	180.86
Software	1.58					1.58
IT equipment	9.11	15.72	1.60	1.66	1.66	29.75
Security Equipment	0.00	0.80	25.86	7.74	7.01	41.41
Plant & Machinery	8.28	12.93	49.06	124.22	27.78	222.27
Other Buildings	6.14	7.53	34.82	44.88	113.95	207.32
Access Roads	0.05					0.05
Furniture	2.35	0.74	0.37	0.26	0.56	4.28
Vehicle	2.55	17.22	21.89	6.15	5.56	53.37
Office equipment	4.98	0.00	0.00	0.00	0.00	4.98
Cargo	0.57	3.77	0	28.45	0	32.79
Fuel	0	15.84	0	397.13	0	412.97
Total	**47.63**	**85.98**	**3703.49**	**2025.96**	**156.56**	**6019.62***

***excluding runway strengthening works of ₹ 87.28 crores considered as part of opex**

7.3 Authority’s examination regarding Capex, Depreciation and RAB for the Third Control Period

The Authority as part of its examination of the Aeronautical Capital Expenditure submitted by GIAL for the Third Control Period, had raised various queries and sought clarification on the essentiality of the capital expenditure and enquired for necessary documents such as project cost estimates, Technical Consultant’s report and inspection report issued by various authorities etc., substantiating the capital expenditure proposed by GIAL in the MYTP. The aforementioned documents and clarifications were provided in a phased manner by GIAL. The Consultation Process is an exhaustive exercise which involves analysis of significant data and facilitates, in reaching conclusions and recording the resultant proposals keeping in mind the interest of all stakeholders. Accordingly, the Authority had relied on the information made available by GIAL and made appropriate analysis and changes wherever necessary.

7.3.1 The Authority has noted that out of total Aeronautical CAPEX submitted by GIAL as part of MYTP, around 47% pertains to terminal works which was taken over from AAI and the balance 53% pertains to the new CAPEX proposed by GIAL for the Third Control Period. While analyzing the MYTP of

LGBIA regarding Capital Expenditure for the Third Control Period, the Authority has taken into consideration the traffic as per Table **71**. The capex has been rationalized based on various factors viz. normative cost, demand, inflation adjustment etc.

7.3.2 The capital additions as stated in para 7.2 above are further explained as project wise in the table below and evaluated by the Authority in the same sequence:

Table 73: Project wise Capital Expenditure submitted by GIAL for the Third Control Period

(₹ crores)

S. No.		Particular	Year of Capitalization (as per GIAL)	Base Cost	Capex with Indexation
A		**Passenger Terminal and Associated Works**			
	A.1	NITB (Including Opening CWIP as per financials)	2025	2,194.38	2194.38
	A.2	Kerbside Development	2025	138.60	138.60
	A.3	Existing Terminal Building development/modification	2024-2025	9.05	9.64
		Total		**2,342.03**	**2,342.62**
B		**Runways, Taxiway & Aprons**			
	B.1	Apron-2 (Demolition and new-construction)	2026	410.55	466.21
	B.2	Airside Storm Water Drainage works	2025	192.68	208.38
	B.3	Construction of Part Parallel Taxiway and Link Taxiways	2026	178.66	199.02
	B.4	Land Development works	2026	167.90	189.73
	B.5	Widening of Runway Strip	2025	79.06	87.17
	B.6	Construction of Second Part Parallel Taxiway	2026	71.37	81.64
	B.7	Extension of Runway 02–20 towards RWY 20	2025	47.96	51.61
	B.8	Construction of new Isolation Bay (Rigid Pavement)	2025	28.01	30.89
	B.9	Construction of Rapid Exit Taxiway	2026	17.21	19.73
	B.10	Other Minor Airside Capex			
	B.10.1	Construction of Runway End Safety Area (RESA) after RWY 20 Threshold	2025	3.97	4.21
	B.10.2	Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20	2025	3.94	4.24
	B.10.3	Relocation of Simple Approach Lighting System for Runway 20	2025	0.70	0.78
	B.10.4	Installation of Category-I Approach Lighting System towards Runway 02	2025	6.99	7.38
	B.10.5	Off-Stand GSE	2026	4.05	4.60
	B.10.6	Apron stand surface revamping work in old apron	2024	0.30	0.32
	B.10.7	Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard	2025	0.20	0.22

S. No.		Particular	Year of Capitalization (as per GIAL)	Base Cost	Capex with Indexation
	B.10.8	Provision of new Earthing system for Runway and other associated works at Guwahati Airport	2025	0.17	0.19
	B.10.9	SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport	2024	0.38	0.40
	B.10.10	Upgradation of flexible pavements in Operational area	2026	0.75	0.87
	B.10.11	Runway Graded Strip and RESA strengthening (up to 300mm Depth)	2024	0.17	0.18
	B.10.12	Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron)	2024-2026	1.58	1.73
	B.10.13	Apron Control	2024	0.20	0.21
	B.10.14	Airside Equipments	2024-2026	1.54	1.65
	B.11	Runway strengtheing works	2026	65.00	75.25
		Total		**1,283.36**	**1,436.60**
C		**Construction of Boundary Wall**			
	C.1	New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip	2026	33.75	38.33
	C.2	New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip	2026	68.13	77.37
	C.3	PIDS System	2026	22.88	26.24
	C.4	Boundary Wall	2024	0.20	0.21
		Total		**124.97**	**142.14**
D		**Cargo Complex**			
	D.1	Interim Cargo Facility	2024	3.07	3.22
	D.2	New Cargo Terminal	2026	20.00	23.15
		Total – Cargo Complex		**23.07**	**26.37**
E		**Fuel Farm Infrastructure**			
	E.1	Fuel storage farm	2026	119.97	135.07
	E.2	Fuel hydrant line	2026	142.72	160.68
	E.3	Equipment cost	2024	3.00	3.15
		Cost of procurement of IOCL and RIL assets	2024	10.00	10.50
		Dead Stock	2026	13.94	16.14
		Total – Fuel		**289.63**	**325.55**
F		**Vehicles**			
	F.1	Vehicles	2024-2027	11.00	12.58
	F.2	Modified vehicle for BDDS equipment	2025-2026	3.00	3.39
	F.3	Vehicle recovery Van	2024	0.15	0.16

S. No.		Particular	Year of Capitalization (as per GIAL)	Base Cost	Capex with Indexation
	F.4	2 Nos.Tractor withTrolleys & electric buggies to shuttle nursery between the two terminals	2025-2027	0.20	0.23
	F.5	Ambulance	2025 , 2027	0.75	0.87
	F.6	Crash Fire Tender	2024 , 2025	23.98	25.81
	F.7	Quick Reaction Team (QRT) Vehicle	2025	0.70	0.77
		Total – Vehicles		**39.78**	**43.81**
G		**Plant and Machinery**			
	G.1	5 nos. OWS	2026	23.60	26.80
	G.2	Triturator	2025	3.47	3.83
	G.3	Hazardous Waste Storage	2026	0.49	0.55
	G.4	Reticulation of utilities to new facilities	2027	8.39	9.78
	G.5	SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati.	2024	0.06	0.06
	G.6	Laying of GLF light cables approximate 6500 mtrs	2025	0.85	0.94
	G.7	Laser unit for AVDGS-2NO	2025	0.40	0.44
	G.8	SITC of A-VDGS at Bay no. 4	2025	0.71	0.78
	G.9	Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52)	2024	1.52	1.60
	G.10	SITC of Repair and Maintenance work for Airside	2024	0.30	0.32
	G.11	Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc)	2024-2027	3.07	3.36
	G.12	PVC coated Chain net for Operation area drains	2025	1.00	1.10
	G.13	Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certification, RE 100 etc)	2024-2027	6.60	7.34
	G.14	EV Charging Stations for E Buses , Apron Cars , Tugs along with their installation .	2024-2027	5.70	6.48
	G.15	carbon sequestration	2024-2027	3.40	3.95
	G.16	Biodiversity preservation projects	2024-2027	2.15	2.50
	G.17	Fire Fighting Equipment	2024-2027	3.55	3.86
	G.18	Disable Aircraft Removal Kit	2025	17.69	19.50
	G.19	Hand Baggae X-Ray - 60cmX40cm	2025, 2026	2.55	2.89

S. No.		Particular	Year of Capitalization (as per GIAL)	Base Cost	Capex with Indexation
	G.20	Explosive Trace Detector(ETD)	2024-2026	1.35	1.49
	G.21	Hand Held Metal Detector(HHMD)	2024-2027	0.18	0.21
	G.22	Door Frame Metal Detector(DFMD)	2024-2027	0.59	0.68
	G.23	Security Operation Control Center (CISF)	2025-2027	2.77	3.29
	G.24	Security Surveillance Centre (SSC)	2025	1.50	1.65
	G.25	Close Circuit Television (CCTV) Setup	2025-2027	3.20	3.71
	G.26	Access Control system, Adani	2025-2027	2.40	2.78
	G.27	Container Tubular shooting Range	2025	1.30	1.43
	G.28	Video Surveillance system	2024-2027	3.59	4.23
	G.29	Body Scanner	2025-2026	44.57	51.49
	G.30	VDGS	2026	12.00	13.89
		Total – Plant and Machinery		**158.95**	**180.93**
H		**Other Buildings**			
	H.1	Relocation of Localiser 02	2024	0.20	0.21
	H.2	CCR Building new construction	2026	12.86	14.46
	H.3	5 Airside Gates	2026	5.79	6.51
	H.4	SMR Facilities (New Construction)	2025	0.91	1.00
	H.5	Fuel/ EV Charging Station	2026	2.49	2.76
	H.6	Satellite ARFF Station (New Construction)	2025	12.35	13.61
	H.7	Modification of MT workshop into Admin office building (Interim arrangement)	2025	2.14	2.36
	H.8	Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office	2027	8.84	10.34
	H.9	Airport Administration Building (5,000 Sqm)	2027	47.52	55.57
	H.10	Airport Maintenance Office (1,200 Sqm)	2027	11.41	13.34
	H.11	Solid Waste Facility	2026	2.50	2.82
	H.12	Water Supply system	2027	4.66	5.43
	H.13	Sewerage System	2027	1.16	1.35
	H.14	Modification of watch tower at operational area L.G.B.I. Airport Guwahati	2024	0.35	0.37
	H.15	Earth filling of low using areas and other miscellaneous works at operational area related to DGCS compliance from time to time at L.G.B.I. Airport Guwahati	2025	0.40	0.44
	H.16	Fire Station Improvement	2024-2025	4.20	4.57
	H.17	Other Building - Admin Office	2024	1.50	1.58
	H.18	Sewage Treatment Plant	2025	0.36	0.40

S. No.		Particular	Year of Capitalization (as per GIAL)	Base Cost	Capex with Indexation
	H.19	Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building	2024-2025, 2027	2.89	3.26
	H.20	Installation of LGB Statue	2024	0.15	0.16
	H.21	CISF accommodation	2025-2027	13.50	15.64
	H.22	Nursery Development	2027	0.60	0.73
	H.23	Misc Horticulture Improvements	2024-2027	1.46	1.64
	H.24	Administrative Building	2024-2026	3.64	3.91
	H.25	Anti Hijacking Control Room (AHCR) upgradation	2025-2026	1.22	1.40
		Total – Other Buildings		**143.09**	**163.85**
I		**IT equipment**			
	I.1	IT Equipments	2024-2027	16.57	17.80
		Total – IT equipment		**16.57**	**17.80**
J		**Furniture & fixtures**			
	J.1	Furniture & Fixtures for Terminal, Office, Security etc.	2024-2027	1.48	1.66
		Total – Furniture & fixtures		**1.48**	**1.66**
K		**Security equipment**			
	K.1	Procurement of Security Equipments (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc)	2024-2027	2.62	2.96
	K.2	Threat Containment Vessel (TCV)	2025	14.00	15.44
	K.3	BDDS	2025-2027	4.00	4.61
	K.4	Misc Security Equipments (Quick Reaction Team Equipments, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc)	2024-2027	10.99	12.70
		Total – Security equipment		**31.61**	**35.70**
L		Sustaining capex already spent (FY22-23)		**47.64**	**47.64**
Total Project Cost as submitted by GIAL				**4,502.17**	**4,765.00**

Apart from the base cost, GIAL has proposed soft cost, IDC and Financing allowance as part of total capex. The details of total capex are as follows:

Table 74: Details of Total CAPEX as submitted by GIAL

(₹ Crore)

S. No.	Particular	Cost
I	Basic cost (Including indexation) as tabled above	4765.00
II	Soft Cost	682.00
III	Interest During Construction	412.00
IV	Financing Allowance	248.00
	Grand Total	**6107.00**

Note: The above amount includes Runway Recarpeting expenses which is claimed as OPEX by AO, balance amount of ₹ 6019.64 crores is considered as capital expenditure.

7.3.3 **Airport User Consultation Committee (AUCC)**

i. The Authority notes that GIAL conducted Airport User Consultation Committee (AUCC) Meetings on July 06, 2023 and March 27, 2023. The AUCC meeting held on July 06, 2023 which was for proposed capex including related to fuel farm capex for the third control period. The meeting held on March 27, 2023 is for the capital expenditure planned toward Air Cargo Facilities. The meeting was attended by various airport stakeholders including but not limited to International Airport Transport Association (IATA), Federation of Indian Airlines (FIA), The Associated Chambers of Commerce & Industry of India (ASSOCHAM), Indigo, Spicejet, FlyBig, Vistara, Akasa Air, AirAsia, BAOA, Blue Dart, IOCL, HPCL, BPCL, Reliance, AAI, Immigration, Local Trade Bodies among others. As per the minutes of the meeting, the Authority observed that the GIAL had broadly discussed the following with the stakeholders:

a. Background of the projects and GIAL future strategy
b. Traffic forecast
c. Existing infrastructure and proposed master plan.
d. Capex project including passenger terminal improvement and kerbside development works, ancillary building works, airside improvement work and other minor projects.

ii. From the perusal of the minutes, it turns out that the stakeholders made important observations in relation to the aspects of normative costing, cost estimates for the capex projects, fuel farm, airside works and drainage system.

iii. Some of the key observations made by the stakeholders are as below:

a. IATA insisted on adoption of AERA normative norms for capital projects and maximise airside capacity of the Airport efficiently.
b. Indigo inquired about GIAL plans in increasing airside capacity, possibility of CAT-III operations and following normative approach with respect to project cost.
c. FIA insisted upon increasing non-aero revenue to optimize airport charges.
d. IMD inquired about the drainage system in and around the airport.
e. Fuel farm operator inquired about the availability of open access facility, hydrant line. IOCL mentioned that considering remote location of Guwahati, the AO should plan 7-10 days storage capacity. The stakeholder also enquired about fuel farm cost as same seem to be on higher side which may lead to higher fuel farm charges.

iv. The Authority notes from the Minutes of the AUCC meeting that, stakeholders have emphasized to improvisation of airside capacity, terminal building space and fuel farm facility. The Authority also notes that certain observations were made by some of the stakeholders relating to the aspects of normative costing, cost estimates projected for the capex projects, improvement of existing facilities, and to bring economy of scale in its overall operation, costing etc.

v. The Authority also notes GIAL response to the stakeholder comments, some of the responses to the key observations raised by the stakeholders are as below:

a. GIAL has planned comprehensive airside improvement works including drainage system.
b. The project cost has been estimated at a particular time and same will be submitted to the Authority for their review.
c. GIAL will take appropriate steps to increase non-aero revenue.
d. In case of fuel farm, GIAL has planned 8-10 days storage capacity, the cost has been benchmarked with market rates and the work already carried out by at other airports.

vi. The Authority has examined the capital expenditure projects submitted by GIAL and has rationalized it based on present and future designated capacity of the Airport to handle the forecasted traffic and with the perspective of keeping the tariff rates at a reasonable level.

7.3.4 **Inflation-adjusted normative cost for capital projects**

i. The Authority vide its Order No. 07 / 2016-17 dated June 6, 2016 (Normative Order), had considered normative cost of ₹ 65,000/- per Sqm. for Terminal Building. The normative cost specification provided as Annexure-1 of Normative Order. This mainly includes cost toward structural works of the terminal building, air conditioning, fire-fighting system, water supply, sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening , BHS for arrival and departure, Escalators, Elevators, Travellators and PBB. The cost of other items required for terminal building such as elevated road connection to the terminal building etc. is not covered in the aforementioned list. The cost of such items will be derived separately and added to the overall cost of the project.

ii. In this respect, the Authority notes that it has considered a normative cost of ₹ 1,00,000 per sqm for FY 2020-21 in some of the recent tariff orders based on the superior specifications, processes and the architectural features of modern Terminal Buildings. In view of the same, the Authority in case of GIAL, proposes to consider ₹ 100,000 per sqm in the base year FY'2021 for terminal building works.

iii. The proposed capital expenditure for third control period is spread across the control period. GIAL has applied the inflation index of 5% over the base cost to capture inflationary impact. As per GIAL the 5% YoY growth has been considered based on RBI forecaster survey Dec 2022. The Authority has reviewed the same and observed that same needs to be aligned as per latest inflation index data issued by RBI Forecaster Survey (refer Table **126**)

iv. The Authority has derived the inflation adjusted normative rates for the proposed capex in the current Control Period by considering the rate of inflation as follows:

- FY 2021-22 –The Authority observes that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority feels that the inflation rate of FY 2021-22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18'2022, by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority has considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions.
- FY 2022-23 – 9.42% (considered as per the data published by the Office of the Economic Advisor, Department for Promotion of Industry and Internal Trade) and
- FY 2023-24 to FY 2026-27 – (-)0.70% in FY 2023-24, 3.10% for FY 2024-25 and 3.70% thereafter (considered as per 87th Round of Survey of Professional Forecasters on macroeconomic indicators).

In the Order No.07/2016-17 dated 13th June 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports – Capital costs Regarding" the ceiling cost mentioned is inclusive of taxes applicable at that time i.e. 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost is worked out below by considering the additional 6% resulting in a total GST rate of 18%. The Authority, in this regard notes that the proposed normative cost of ₹ 1,00,000 per sqm is inclusive of GST, Accordingly, the Authority first arrived normative cost excluding of GST and then applied 18% GST which comes to ₹ 1,05,357 per sqm, the amount so arrived is indexed with inflation to arrive normative rates for following years.

The inflation adjusted normative costs, thus derived is presented in the below table:

Table 75: Inflation Adjusted normative rates computed for the Terminal Building by the Authority

Financial Year	Inflation rate	Inflation adjusted normative rates (in ₹ per sqm)	Inflation adjusted normative cost @18% GST (in ₹ per sqm)
FY'21	-	100000	105357
FY'22	7.14%	107140	112880
FY'23	9.42%	117233	123513
FY'24	-0.70%	116412	122648
FY'25	3.10%	120021	126451
FY'26	3.70%	124462	131130
FY'27	3.70%	129067	135981

**Note*

Inflation adjusted base amount (inclusive of 12% GST) (A)	*= Rs. 1,00,000 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)*	*= Rs. 89,286 per sqm*
*Add GST @ 18% (C=B*18%)*	*= Rs. 16,071 per sqm*
Normative cost including GST (D = B+C)	*= Rs. 1,05,357 per sqm*

The Authority has considered normative cost for the terminal expansion projects considered in this control period. In view of the above, the Authority has considered the applicable normative cost as per the project schedule submitted by GIAL.

Further, the Normative Order also provide normative cost for pavement related works for Apron, taxiway, runway. The normative cost for the Runway/taxiway/Apron (excluding earthwork up to sub grade level) was ₹ 4700/- per sqm based on the project executed in FY 2015-16. The Authority has adjusted the normative cost on account of additional tax impact of 6% on account of GST in line with the adjustment made in arriving normative cost for terminal cost across all Airports uniformly. The inflation adjusted normative rate for Runway/taxiway/Apron excluding earthwork up to sub grade level proposed to be as follows:

Table 76: Inflation adjusted Normative rates computed for runway/taxiway/apron by the Authority

Financial Year	Inflation rate	Inflation adjusted normative rates (in ₹ per sqm)	Inflation adjusted normative cost @18% GST (in ₹ per sqm)
FY'16-Base Year		4700	4952
FY'17	1.73%	4781	5038
FY'18	2.96%	4923	5187
FY'19	4.26%	5133	5408
FY'20	1.67%	5219	5498
FY'21	1.31%	5286	5570
FY'22	7.14%	5664	5968
FY'23	9.42%	6198	6530
FY'24	-0.70%	6155	6484
FY'25	3.10%	6346	6685
FY'26	3.70%	6543	6932
FY'27	3.70%	6746	7188

**Note*

Inflation adjusted base amount (inclusive of 12% GST) (A)	*= Rs. 4700 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)*	*= Rs. 4196 per sqm*

*Add GST @ 18% (C=B*18%)*	*= Rs. 756 per sqm*
Normative cost including GST (D = B+C)	*= Rs. 4952 per sqm*

7.3.5 The Authority notes that there are capital projects initiated by AAI during the Pre-COD period and subsequently handed over to GIAL as part of the Concession Agreement (Schedule T and U of the Concession Agreement). The Authority has considered the capital additions of such projects also.

7.3.6 The Authority's examination of the Capital Expenditure projected for the Third Control Period has been explained in detail in the ensuing paragraphs:

A. Passenger Terminal and Associated works

A.1 New Integrated Terminal Building (NITB) (₹ 2194.38 crores)

i. Project Background

The LGBIA currently has only one operational Terminal (T1), which caters to both domestic and international traffic. T1 was constructed in 1998 over approx. 20,000 sqm of area with peak hour capacity of 850 passengers (departure + arrival) and designated capacity of approx. 2 million passengers per annum. However, it has handled about 5.96 million passengers in FY 2023-24 which was highest traffic handled by LGBIA.

The Authority in the Second Control Period Tariff order no. 38/2017-18 dtd. 16th February'2018 for LGBIA has in principle allowed capex towards new terminal building. However, as per the order, same would be considered on incurrence while determining tariff for third control period. In view of constraint capacity, AAI initiated construction of NITB in 2018. As on COD, AAI achieved 34% project progress. Further, owing to operate LGBIA on PPP mode, AAI had to transfer the asset to new airport operator i.e. GIAL. As per clause 6.4.5 of the Concession Agreement, the under-construction projects as on COD (majorly NITB and its associated works) were novated to GIAL.

The NITB is currently under construction since March 2018. The planned area for NITB is 1,46,292 sqm area against the initial estimate of terminal building by AAI as 130,333 sqm. The new terminal building is expected to have peak hour passenger handling capacity (arrival +departure, domestic and international put together, segregated peaks) of approx. 4,527 PHP (from 4,500 PHP) with increase in area. The new terminal building will have design capacity of 13.1 MPPA.

The NITB has two main operational levels, with arrivals at the lower / apron level and departures at the upper level. A mezzanine floor is proposed, part of which is proposed to serve as the airside arrival corridor for passengers alighting from the PBBs and the other part is proposed to act as a service floor for the baggage handling system used for outbound baggage. Following are the salient features of NITB:

- Efficient design with all modern facilities and amenities;
- Centrally air-conditioned building with provision of Building Management System (BMS) to ensure energy efficiency;
- Features designed to comply with Green Buildings norms;
- Dedicated toilets and drinking water facility in Departure, Arrival, Security Hold and Concourse Areas;
- Baggage conveyer with inline X-ray inspection and other equipment and facilities will be provided in departure area and inclined carousels at Arrival Hall;
- Adequate Escalators, Elevators, Automatic Sliding Doors, Passengers Boarding Bridges etc.;

- Fire detection, alarm and protection system with fire control room;
- Public Address System, CCTV System, Flight Information Display System (FIDS) for passenger convenience;
- Security equipment as per requirement specified by BCAS; and interventions for unique user experience such as adequate landscaping, etc.

ii. Design improvement or changes undertaken by GIAL:

As per GIAL, AAI design required certain modification in view of stakeholders requirements, environmental sustainability and technological interventions. As per GIAL, the proposed interventions will significantly contribute to achieving the Service quality requirements specified in the Concession Agreement. Following are the floor wise changes as proposed by GIAL:

a. Improvement in layout- Arrival floor

Figure 2: Proposed layout for Arrival Floor

Notes:

1. Domestic Bus Gate Lounge more area relocated for seating.
2. International Arrival Hand baggage screening (X Ray) provided more immigration counter.
3. Domestic Arrival Bus Gate location changed for streamlined flow.
4. Domestic loading and unloading area redesigned, goods elevators added.
5. International Bus Gate Lounge proposed.
6. Increase area for Ceremonial Lounge along with dedicated parking.
7. International loading and unloading platform area increased.
8. New Restrooms are proposed for Domestic and International
9. Swing gates proposed between reclaim belts 4 & 5 as provision to cater to Peak Demand.
10. Reserve Lounge proposed.
11. Façade 20 m away compliant with BCAS norms.

b. Improvement in layout – Mezzannine Floor at 5.5 meter

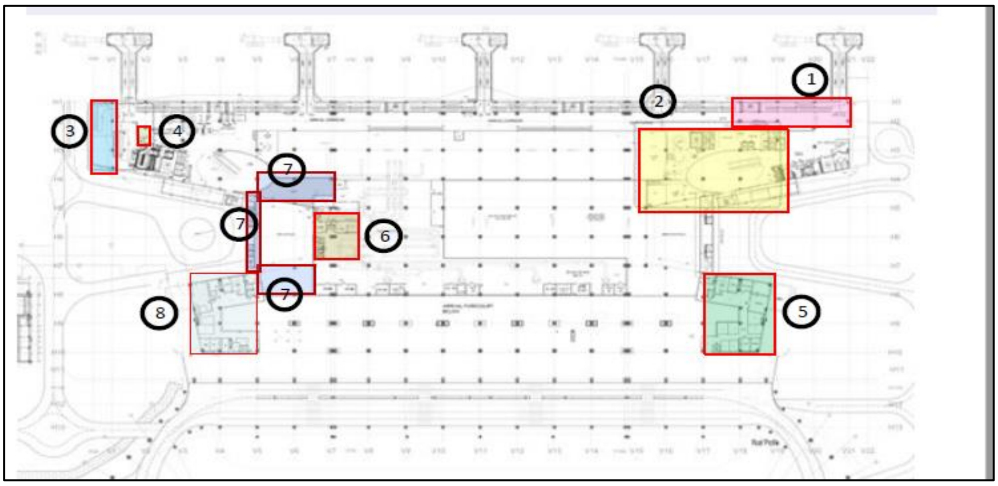


Figure 3: Proposed layout for Mezannine Floor

Note:

1. Swing gate for Contact stands 9 & 10 for domestic arrival peak operations proposed, in addition to arrival corridor.
2. Area increased for AOCC, SOCC, IT, ALCR Room, Toilet modifications etc.
3. BOH Store added, SHA circulation added for last boarding bridge (FLB#1)
4. Baby Care Room Added.
5. Landside canteen, Staff Lockers added.
6. Re-arrangement of X-Ray, AHU Rooms, addition of Central Screening Room.
7. Storage space & garbage storage (cold store) added.
8. Mobile network control, IT rooms added, AHU room shifted.

c. Improvement in layout – Departure Floor at 10 meter

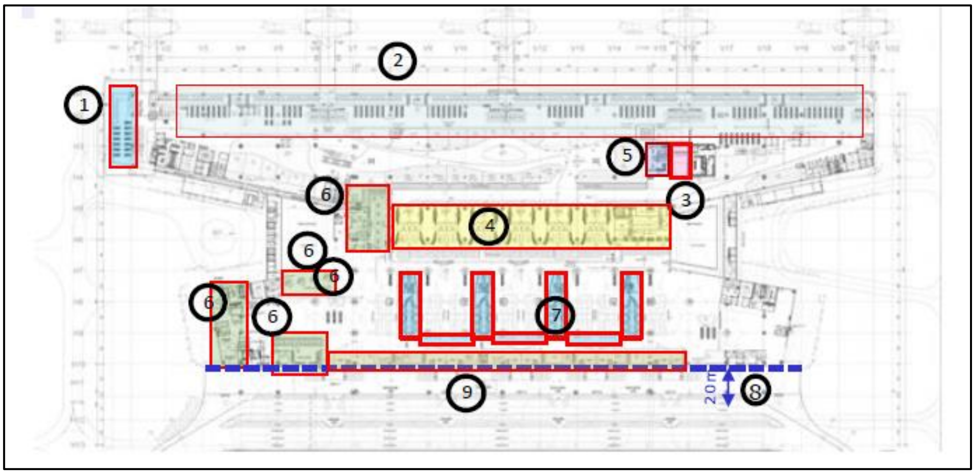


Figure 4: Proposed layout for Departure Floor

Notes:

1. SHA Gate seating and circulation added for Gate 1 boarding bridge (FLB#1)
2. Boarding gate rearrangement proposed, by rearranging seating.
3. Addition of Visual Level-4 check rooms for domestic & international.
4. Introduction of ATRS Machines, Modifications in emigration area.
5. New Restrooms, drinking water facility proposed to reduce walking distance.
6. Airline ticketing counter with passenger seating space, reserve lounge, Airport Operator Seating added.

7. Check-in Island -Dual takeaway conveyors with set of power curves to offset the distance from cutout.
8. Compliance with BCAS norms (façade distance from alighting point).
9. Vestibule –5 Nos.

d. Improvement in layout – Departure Mezzanine Floor at 15 meter

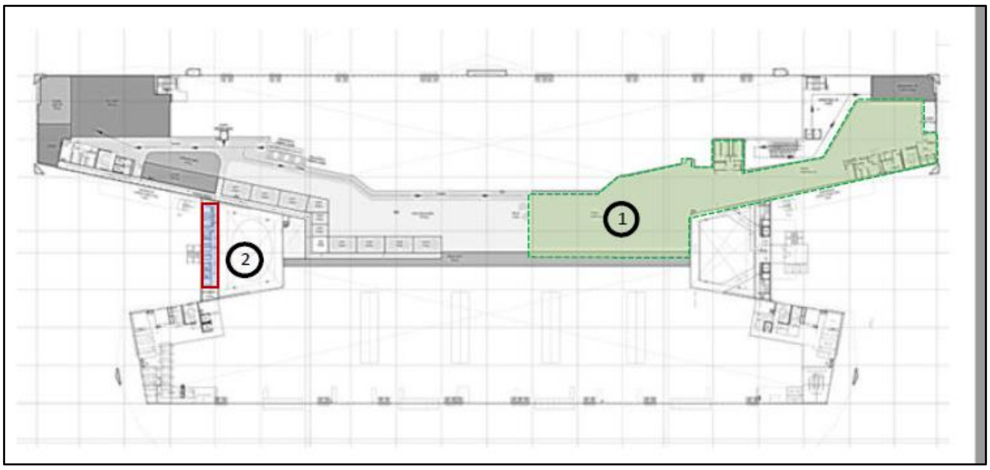


Figure 5: Proposed layout for Departure Mezzanine Floor

Notes:

1. Proposed the Day/ Retiring room along with services.
2. Storage space & garbage storage (cold store) added.

iii. A comparison of previous design and proposed design by GIAL for NITB

The proposed change in the design will lead to marginal increase in Peak Hour Capacity (PHP) of the terminal. As per GIAL submission, Following is the area wise comparison between previous and proposed design:

Table 77 : Details of Change in area proposed by GIAL over previous design

S. No.	Floor/Component wise	Built up area (sqm)		Remarks
		Previous design	Revised design	
1.	Basement	8240	9471	In order to adhere to fire safety regulations, there is a proposal to expand the fire corridor.
2	Arrival	43144	54418	In the proposal by GIAL, compliance with BCAS Norm w.r.t. maintaining the Arrival Façade 20m away from alighting point has been maintained.
3	Arrival Mezzanine	19775	21000	For better passenger experience, gate lounge area has been included. Storage area has been proposed (Goods, Cold storage, Garbage etc.).
4	Departure	39410	41052	For better passenger experience, gate lounge area has been proposed. Further the

S. No.	Floor/Component wise	Built up area (sqm)		Remarks
		Previous design	Revised design	
				compliance with the BCAS norm, as mentioned at Sl. No. 2 of this Table above, is proposed to be complied with.
5	Departure Mezzanine Floor	14406	14993	Enhanced facilities for better user experience.
6	Utility Block	5358	5358	No Change in area from previous design
	Total Area-NITB	**130333**	**146292**	

The Authority, through its independent consultant has reviewed the additional area requirement. GIAL team has also demonstrated the requirement of the additional area during site visit. In view of the above, the Authority notes that the additional area will improve passenger facility and also it is required to comply with applicable norms. Accordingly, the Authority proposes to consider additional area proposed by GIAL for NITB.

iv. Cost proposal of NITB

AAI has awarded contract for New Integrated Terminal Building to M/s. Shapporji Pallonji Company Limited (SPCL). The scope of work of SPCL included civil and structural works. As part of MYTP, GIAL submitted that the contract for construction of NITB was awarded by the AAI on 26th Mar’2018, i.e. before COD. As per the MYTP submission of GIAL, the cost of the project has increased significantly post award of works on account of increase in quantities in reinforced cement concrete owing to difference in initial drawing at the time of contract and the Good for Construction (GFC) drawings, time overrun on account of COVID-19 pandemic and supply chain disruption owing to pandemic. Also, the design changes proposed by GIAL led to increase in project cost towards NITB. The Authority observed that GIAL has submitted a revised cost of NITB as ₹ 2333 crores. A cost comparison of original sanctioned cost of AAI vis-à-vis project awarded by AAI and the cost projected by GIAL is provided below:

Table 78: Cost comparison of NITB sanctioned originally, awarded and project by GIAL

(₹ crores)

S. No.	Project detail	AAI sanctioned cost	Awarded by AAI	Projected by GIAL	Remarks
A	**Civil & structural works**				
(i)	Civil & structural works by M/s SPCL includes CIVIL and MEP contract for Terminal and Elevated Road	1166	1007	1541	The cost is revised on account of area increase from 90000 sqm to 146000 sqm (including design related changes of 15,959 sqm), GFC drawings, increase in quantity, rate escalation due to COVID pandemic etc.
	Sub-Total - A	**1166**	**1007**	**1541**	

S. No.	Project detail	AAI sanctioned cost	Awarded by AAI	Projected by GIAL	Remarks
B	**Packages considered in AAI design but not awarded**				
(i)	Baggage Handling System	66	-	120	These equipment are required for airport operation. AAI has considered these in design however, not awarded due to expected PPP arrangement.
(ii)	Passenger Boarding Bridge		-	41	
(iii)	VDGS		-	5	
(iv)	Augmentation of power supply		-	41	
(v)	Interior decoration, furnishing & furniture (excluding art work)	-	-	4	
(vi)	Signages	-	-	24	
	Sub-Total - B	**66**	**-**	**235**	
C	**Costs/Scope less considered/not considered by AAI but which are essential for Airport operations**				
(i)	IT packages	-	-	149	These projecs are subject to anticipated overall airport operation plan and stakeholder requirement, accordingly could not be planned by AAI at initial stage.
(ii)	Security package	-	-	166	
(iii)	Further augmentation of Power is required to cater additional load demand for Business Lounges, Airport Villages & F&B	-	-	115	
(iv)	Artwork	-	-	30	
(v)	ORAT Cost	-	-	30	
(vi)	Trolleys, furniture, dustbin etc.	-	-	22	
(vii)	Misc. item	-	-	33	
	Sub-Total -C	**-**	**-**	**545**	
D	**Culvert Work -D**	**-**	**-**	**12**	Initial estimate
	Total (A+B+C+D)	**1232**	**1007**	**2333**	

v. The Authority notes that the NITB work has been awarded by AAI in 2018 and owing to operation of LGBIA through PPP mode, the ongoing works have been novated to GIAL. The construction progress and cost has been impacted due to change in design, COVID-19 and supply chain disruption. Further, GIAL has undertaken some of the modification in the previous design which resulted into increase in terminal area by 15,959 sqm. The Authority through its independent consultant has reviewed GIAL MYTP and conducted site visit of LGBIA. In view of the GIAL submission and site visit, the Authority observed that the proposed area would improve passenger facility and also will be required to comply with statutory compliances. Accordingly, the Authority proposes to accept the 146,292 sqm terminal area proposed by GIAL.

The Authority notes that the works towards terminal building are still underway and not yet capitalized. As per GIAL, terminal building is expected to be completed in the FY’25 (Jan’25). However, during the site visit, the Authority observed that significant work is pending towards terminal building. The project progress of NITB is ~57 % as on 31st Mar’2024. Further, ORAT testing will also require 1-2 month before commissioning of the terminal. In view of the above, the Authority believe that the terminal capitalization may be achieved in FY’26 (April’25) instead of FY’25 (Jan’25) proposed by GIAL.

Further, The Authority is of the view that the cost of terminal building should be completed within the inflation adjusted normative cost basis on its normative order i.e. order no. 7/2016-17 dated June 6, 2016. Accordingly, the Authority proposes terminal cost as per applicable normative rates plus the cost towards the works which doesn't form part of normative cost. As per the normative order, the normative cost proposed is excluding land cost, diversion of facilities and site development activities namely earther filling cost and Electricity Board Deposit. Following are the additional cost component evaluated by the Authority through its independent consultant for the purpose of determination of cost of NITB:

- Kerbside road – GIAL has proposed ₹ 138.60 crores towards this works. The Authority through its Independent Consultant has evaluated the estimates of the cost proposed and found reasonable. The Authority proposes to consider this cost.
- Electricity Board Deposit – As per the applicable electricity regulation, GIAL has to pay mandatory deposit to DISCOM to avail additional load. Considering the mandatory requirement, the Authority proposes to consider the same.
- Earth filling and piling works- GIAL has proposed ₹ 77 crores towards earth work and piling works to be considered extra over normative cost. The Authority believes that the site preparation works including earthwork was already undertaken by AAI and the cost as proposed by AAI was within normative cost. Accordingly, this cannot be considered separately now.
- Artwork – GIAL has proposed ₹ 30 crores towards art works. The Authority notes that Artwork is not a mandatory expense and can be done in phases. Accordingly, the Authority proposes to consider ₹ 5 crores towards Artworks at this stage.
- ORAT – GIAL has proposed ORAT cost of ₹ 30 crores. In view of the decision taken at other Airports, the Authority proposes not to allow any cost towards ORAT.

Following is the proposed normative cost for the terminal building:

Table 79 : Details of cost of Terminal Building proposed by the Authority.

(₹ crores)

Particular		Amount
Proposed Terminal Area (in sqm)	146,292	
Normative Cost (FY'25-26) (Refer Table ***75***)	131,130	
Terminal cost as per Normative Order-A		**1918.33**
Component over and above Normative cost		
Kerbside road	138.60	
Artwork	5.00	
Sub-Total (B)		**143.60**
Total (C=A+B)		**2061.93**
Additional allowance due to North-East region		
Disturbed area allowance @ 5% over (C)*	103.10	
Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25% labour cost) over (C)*	64.44	
Sub-Total (D)		**167.54**
Electricity Board deposit (E)		**41.00**
Cost proposed by the Authority towards NITB F=(C+D+E)		**2270.46**

**Also Considered in the Second Control Period Tariff order no. 38/2017-18 dtd. 16th February'2018 for LGBIA (refer para 9.20)*

vi. In view of the above, the Authority proposes to consider the NITB cost based on normative benchmarks. Thereby, the cost of NITB is proposed to be ₹ 2131.86 crores (Indexed to FY'26) excluding kerb side (₹ 2270.46 crores - ₹ 138.60 crores) against ₹ 2194.40 crores (₹ 2333.00 crores - ₹ 138.60 crores) submitted by GIAL. As on Mar'22, the CWIP towards NITB was ₹ 453.67 crores. The Authority accordingly considers balance cost of NITB to be incurred during the Third Control Period as ₹ 1678.19 crores (₹ 2131.86 crores -₹ 453.67 crores).

A.2 Kerbside Development works (₹ 138.60 crores)

GIAL to facilitate smooth traffic circulation, has proposed grade separation between departure and arrival. The overall general arrangement has been worked out to ensure smooth traffic circulation and to cater to the estimated traffic (peak hour traffic on the main access road is estimated as approx. 3,058 Passenger Car Unit (PCU).

At the Arrival Access level, peak hour traffic is estimated as approx. 1,080 PCUs. To cater to this demand, three lane road is proposed as main entry road. This three lane road is proposed to flare up to total six lane road to form about 300 mtr of Kerb to facilitate smooth passenger transition from vehicles to the New Integrated Terminal Building (NITB). Out of the six lanes, two lanes are proposed to be reserved for VIPs separated by 5.2 mtr of raised platform from four lanes open for public.

At Departure Ramp (elevated), peak hour traffic is estimated as approx. 1,079 PCUs. To cater to this demand, two lanes are proposed to be reserved for the VIP movement with an additional dedicated Stop Lane. The Stop Lane will ensure that parked vehicles do not affect traffic circulation in the two dedicated lanes for the VIP movement. For public, three dedicated lanes are provided for traffic circulation with one dedicated Stop Lane.

As per MYTP, the project was awarded by AAI and carried forward by GIAL. The Authority has reviewed the project cost and benchmarked it with similar works at another Airport. Further, the Authority has sought detailed BoQ for the work by GIAL, GIAL has submitted Basis of rate and following details:

Table 80: Details of cost for kerbside development

Particular	**Guwahati Airport**		
	Area	**FY'25 indexed rates**	**Amount in ₹/crores**
Elevated Road	10726	84200	90.31
At-Grade road	50582	7400	37.43
Sub-Total			**127.74**
Add: Culvert cost			**11.00**
Total Cost			**138.74**

Note: As part of clarification, GIAL has submitted above BoQ which provides ₹ 138.74 crores cost towards kerbside development instead of ₹ 138.60 crores submitted initially.

The Authority notes that the Culvert is outside airport boundary and the connectivity should be provided by the State Government. As part of subsequent clarification it is understood that the state govt already initiated the construction of culvert. In view of the same, the Authority proposes to exclude cost considered towards culvert. Further, the project cost proposed by GIAL is compared with the cost allowed for similar work at other Airport, the Authority observed that same is in line considering northeast region (refer Table ***79***) . In view of the above, the Authority proposes to consider kerb side development cost as ₹ 127.74 Crore (inflation adjusted cost) against GIAL submission of ₹ 138.60 crores (inflation adjusted cost).

A.3 Existing Terminal Building Development (₹ 9.64 crores)

GIAL as part of improvement in existing terminal building proposed capex is towards fire hydrant system, replacement of old ACs, AHU modification, fire control room related repair, upgradation of BBA, BMA, BHS and Check in counters for smooth passenger operation, signages, terminal refurbishment activities etc.. The Authority, through its independent consultant has reviewed the list of capex proposed by GIAL under this head and have following observations:

- GIAL has estimated ₹ 1.50 crores worth of terminal auxiliary equipment. However has not shared any detailed list of BoQ against this item. Since the AO has not shared any detail against this capex and the new terminal building is expected shortly at LGBIA, the AO should optimize any capex on existing terminal building which is not going to be used post commissioning of NITB.
- GIAL has estimated ₹ 2.50 crores worth of facelift & refurbishment works of existing terminal. In view of the ongoing development of NITB, the Authority believe that this capex should not be planned.
- GIAL has considered some of the routine repair and modification works as capex, same should be considered as part of normal repair works. These include:
    i. Shifting of Repeater panel to fire control room and minor repair of existing Fire alarm and Fire Detection system - ₹ 0.10 crores
    ii. Upgradation of retiring room in terms of tiling, painting, furnishing etc. - ₹ 0.10 crores

In view of above, the Authority proposes inflationary adjusted cost as ₹ 4.82 crores (lower than the estimated base cost on account of de-growth in inflation factor) against ₹ 9.64 crores submitted by GIAL.

B. Runways, Taxiways & Aprons:

Following are the details of work towards Runway, Taxiway and Apron:

B.1 Apron-2 (Demolition and new-construction) (₹ 466.21 crores)

At present LGBIA has 20 nos. of Code-C equivalent stands, this comprises (Apron-1: 9 Nos. and Apron 2: 11 Nos.). In view of the estimated demand, total 34 nos. of Code C equivalent stands are proposed on Apron-2, considering that all commercial aircraft operation will be facilitated from the NITB post commissioning.

As per GIAL, the existing Apron-2 is non-compliant and need to be demolished entirely (total approx. 1,18,088 Sqm including rigid and flexible pavements) and re-construct the same. GIAL has envisaged total Apron area of 2,66,535 Sqm of area, including approx. 34,196 Sqm of Head of Stand Road considering future traffic demand.

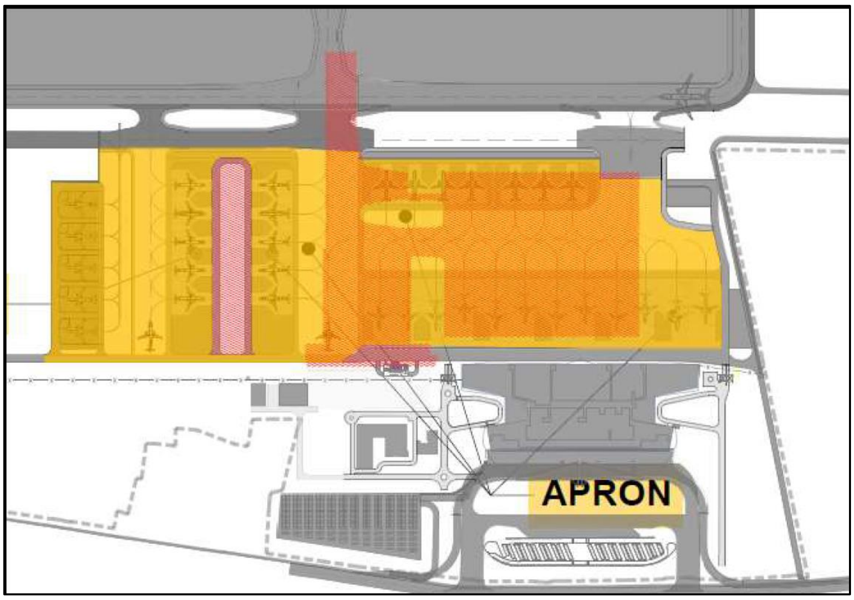


Figure 6: Proposed layout for Apron 2 at LGBIA

The Authority along with its independent consultant has conducted site visit of LGBIA and believes that GIAL should explore innovative ways to revive Apron 2 for operational use. The Authority believes that the Apron-2 can be made fit for use by applying a PQC overlay, adopting new drainage technology with pre-fabricated drains and adopting trenchless technology for underground utilities and pipelines. These advices were agreed in-principle by the AO for necessary examination and consideration, as otherwise dismantling in operational area could have posed an operational hazard and created many operational constraints/issues. Accordingly, the Authority after site visit along with its Consultant and AO has considered re-examining the restoration of existing Apron by providing pre-cast drains, recasting the apron wherever required, and constructing an additional apron area of only 148,447 sqm.

In term of cost, The Authority, through its consultant also verified the estimate provided by GIAL. The Authority notes that the rates adopted by GIAL are more than the inflation adjusted normative rates provided at para 7.3.4. The inflation adjusted normative rates of FY’2026 (based on expected start date of works) has been considered by the Authority for completion of new Apron Area. In case of repair works, the Authority has considered 50% of the rates adopted for new construction. While arriving the normative cost, the Authority has adjusted the normative cost as per para 7.3.4 on account of disturbed area allowance of 5% and extra labour cost component of 12.5% on account of north east region. Following is the adjusted normative cost for FY’2026:

Table 81: Details of normative cost for Runway/Taxiway/Apron works

Particular	**Amount in Rs/Sqm**	
Inflation adjusted normative cost for FY’26		6932
Additional allowance due to North-East region		
Disturbed Area allowance @ 5%	347	
Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25%* labour cost)	217	564
Inflation and NER adjusted normative cost		**7496**
Add: Airside working area constraints @ 5%		375
Propose normative cost per sqm		**7871**

Similarly, in case of drainage works, the Authority proposes GIAL to optimise cost by adopting innovative technology and design to minimise cost. The Authority for the purpose of drainage works proposes to consider 50% of the rates proposed by GIAL. Further, the Authority notes that as per the normative order the normative cost excludes earth work cost upto sub-grade level and AGL works. Accordingly, these have been considered over and above the normative cost. As per GIAL submission the estimated base cost of the project is ₹ 410.55 crores and inflation adjusted cost is ₹ 466.21 crores. The summary of the Authority's proposal in this regard is detailed below vis a vis GIAL submission:

Table 82: Details of the cost submitted by GIAL and proposed by the Authority towards Apron works

(₹ crores)

Particular	UoM	As pre GIAL			As per the Authority		
		Rate	Qty	Amount	Rate	Qty	Amount
Demolition of flexible Pavement	Sqm	1400	7086*	0.99	-	-	-
Demolition of Rigid Pavement	Sqm	4070	111002*	45.18	-	-	-
New Pavement (Apron)							
Rigid Pavement	Sqm	13800	232339	320.63	7871	121337	95.50
Flexible	Sqm	7800	34196	26.67	7871	27110	21.34
Repair works							
Rigid Pavement	Sqm	-	-	-	3936	111002	43.68
Flexible	Sqm	-	-	-	3936	7086	2.79
Drainage	Rmt	125000	1366	17.08	60000	1366	8.20
Sub-Total (A)				**410.55**			**171.51**
Cost towards earthwork upto sub-grade level				Included above			52.15
AGL cost @15% towards new apron works				Included above			17.53
Inflation adjustment				**55.66**			Factored in normative cost
Total Cost				**466.21**			**241.19**

*As discussed during site visit, the existing apron dismantling can be avoided by usage of prefabricated drains to optimize this expenditure.

In view of the above, the Authority proposes to rationalise the cost and the scope of this project. The Authority proposes to consider inflation adjusted cost of ₹ 241.19 crores against ₹ 466.21 crores submitted by GIAL towards Apron-2 works.

B.2 Airside Storm Water Drainage work (₹ 208.38 crores)

GIAL as part of MYTP and during site visit submitted that existing drainage system is insufficient to runoff storm water. Some of the section of the Airport has temporary drainage system and there is no operational airside drainage system. Additionally, the existing airside drainage system lacks continuity, and GIAL intends to establish connectivity and create a closed-loop system. Following are few pictures of drainage system available at GIAL:

Figure 7: Existing drainage system at LGBIA

The Authority has noted the points raised by GIAL in MYTP proposal. The Authority through its independent consultant has taken a note of the drainage condition at LGBIA and believes that in order to have faster run off of storm water it is necessary to have robust storm water drainage system in place. However, the Authority also raised a point to GIAL that the drainage system will be successful only if the airport system is connected to well-planned external drainage system outside Airport. The GIAL has clarified that the AO is already working/coordinating with local body to make integrated drainage system so that the storm water does not push back to the Airport. In view of the above, the Authority proposes to consider the capex towards storm water drainage system. During the cost analysis, the Authority observed that some of the rates proposed by GIAL consider 10% overhead on account of airside working area constraints. The same has been revised by the Authority to 5%. Rates considered by GIAL are in line with rates allowed by the Authority at other Airports. Following is the basis of the base cost considered by the Authority towards this project:

Table 83: Authority's examination of Airside Storm Water Drainage cost

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
Drainage	16632	96000	159.67	16632	92000	153.01
Culvert	2220	138125	30.66	2220	138125	30.66
Pipe crossing	460	51000	2.35	460	51000	2.35
Base Cost			**192.67**			**186.02**
Inflation adjustment			15.71			8.66
Total			**208.38**			**194.68**

Further, during the site visit it was observed that no work has started against this project. Accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26.

The Authority has further adjusted cost on accounf of inflation, in view of above analysis proposes to consider ₹ 194.68 crores as inflation adjusted cost as against ₹ 208.38 crores submitted by GIAL towards this project.

B.3 Construction of Part Parallel Taxiway and Link Taxiways (₹ 199.02 crores)

The existing peak capacity of the Runway 02-20 is 18 ATMs (Arrival & Departure) per hour. The peak ATM per hour is estimated to be 22 (Arrival & Departure) in FY 2026-27. To facilitate this increase in ATM and ensure operational efficiency, it is proposed that a Part Parallel Taxiway of total 1,00,861 Sqm including shoulders. Further, GIAL has also proposed additional three link taxiways, with total area of 15,845 sqm. As per GIAL the additional three link taxiways will improve operational efficiency.

The Authority has noted GIAL submission and as per site visit as well as GIAL presentation it is observed that additional link taxiways are proposed at both side of the runways 02 and 20. This will enable faster exit of aircrafts from the runway and increasing runway availability for airport operation. Also, one of the link taxiways towards runway 20 end will be required to give additional access to Apron 2 in front of NITB. In view of the operational requirement, the Authority proposes to consider the capex towards part parallel taxiway and link taxiways.

The Authority through it's independent consultant analysed the cost proposed by GIAL towards this capex and observed that the cost proposed is higher than the normative cost provided under order no. 07/2016-17 dtd. 6th June,2016. In view of this, the Authority proposes to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project. The Authority, further adjusted inflation adjusted normative cost on account of disturbed area allowance of 5%, extra labour cost component of 12.5% of 25% labour cost on account of north east region and 5% on account of airside working area constraints and arrive at a normative cost of ₹ 7871 per sqm (refer Table ***81***). Further, the Authority notes that as per the normative order the normative cost excludes earth work cost upto sub-grade level and AGL works. Accordingly, these have been considered over and above the normative cost. Following is the basis of the cost considered by the Authority towards this project:

Table 84: Authority's examination of Part Parallel Taxiway and Link Taxiway cost

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
Main Pavement (Flexible)	81275	15400	125.16	81275	7871	63.97
Shoulder (Flexible)	35431	15100	53.50	35431	7871	27.89
Total			**178.66**			**91.86**
Add: Excavation till subgrade			Included above			48.11
Add: AGL@ 15% base cost			Included above			13.78
Inflation adjustment			20.36			Factored in normative cost
Total Cost			**199.02**			**153.75**

Further, during the site visit it was observed that no work has started against this project, accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26.

In view of the above, the Authority proposes ₹ 153.75 crores as inflation adjusted cost against GIAL submission of ₹ 199.02 crores inflation adjusted cost.

B.4 Land Development Works (₹ 189.73 crores)

As per GIAL, a significant portion of the LGBIA lies at lower elevation. Accordingly, GIAL has proposed filling and site grading area of around 605,750 sqm to prevent the risk of flooding and to make these areas suitable for various airside and associated facilities. A figure below provides details of low-lying area at LGBIA:

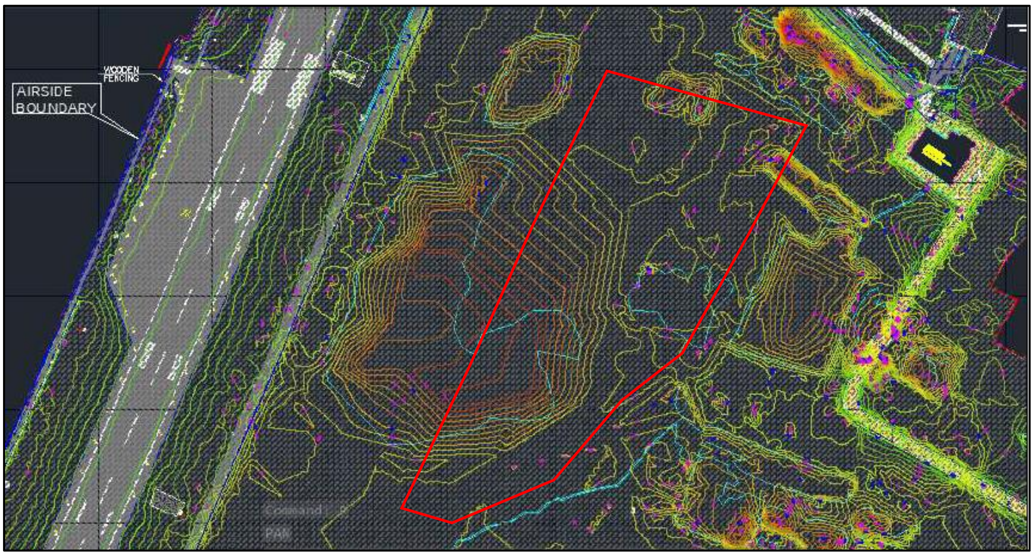


Figure 8: Low lying area at LGBIA

As per GIAL submission and the site visits of LGBIA Airport, the Authority notes that the identified low-lying areas are required in airside works in this control period and may be required for future expansions. GIAL has divided the low-lying areas in four zones. The Authority notes from GIAL submission and also on the basis of the site visit, that the proposed land development work can be done in phased manner and also the AO need to optimise on the proposed cost towards land development. Further, the Airport Operator has not demonstrated the concrete plan to overcome this low lying area, no topographical analysis was shared and possibility of phasing of the proposed plan have not been shared. Upon reviewing the site-level charts, the approach to filling low-lying areas remains unclear. Consequently, the consultant independently identified these areas, as marked in Figure 8. Accordingly, the Authority proposes to consider 25% cost for land development works for the purpose of third control period. AO can plan the land development for the balance portion after assessing the critical operational requirements. Following is the basis of the base cost considered by the Authority towards this project:

Table 85: Authority's examination of cost pertaining to land development works:

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
A. Earth Work Package-Site Clearance						
Clearing and Grubbing Airfield Land. (Clearing and grubbing airfield land by dozer and grader including uprooting vegetation, grass, bushes, shrubs and saplings etc, removal of slush including top soil not exceeding 150 mm in thickness and disposal of organic unserviceable soil/materials at designated location & spreading in the low lying areas approved by engineer in charge within project site and stacking of serviceable	605750	70.80	4.29	151438	70.80	1.07

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
material to be used or auctioned with all lifts and lead. Item includes the compaction of ground surface as per specifications section 201 of MORTH specification for Road and Bridge works (5th Revision) [Item no. 1.02 shall be operative for removal of slush/sludge having depth more than 300 mm]						
Removal of slush/sludge including dewatering and disposal of the same in designated areas conforming environmental norms with all labours, equipments, consumables, tool tackles, leads and lifts etc. complete as per instruction of the Engineer In charge.	122065	300.90	3.67	30516	300.90	0.92
Providing, installing and maintaining required capacity dewatering pumps with all accessories, pipelines, labour, materials, consumables, tools tackles etc. complete along with construction of temporary trenches/ditches (if require any) for draining out water from the project battery limits, including obtainment of all statutory permissions from the concerned authorities.	25000	129.80	0.32	6250	0.08	0.08
B. Earth work package-Earthwork						
Excavation in all types of soil (excluding soft and hard rock) for airfield work upto a depth of 500 mm, including cutting and loading, trimming bottom and side slopes, in accordance with requirements of lines, grades and cross sections as per drawings and Technical Specifications section 301 of MORTH specification for Road and Bridge works (5th Revision) and disposal of the excavated earth to the designated location(s) with an average lead of 4 Km or as directed by the Engineer in charge.	138850	282	3.91	34713	282	0.98
Supplying, filling, spreading and compacting of Moorum borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 95% of MDD & the requirements of technical specifications. Borrowed	218070	1392	30.35	54518	1392	7.59

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
moorum shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge.The unit rate shall be deemed to include cost of all material, labour, equipments, tools tackles, royalty, transportation and sampling, testing and supervision required for the work.						
Supplying, filling, spreading and compacting of River sand borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 90% of MDD & the requirements of technical specifications. Borrowed river sand shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge. The unit rate shall be deemed to include cost of all material, labour, equipments, tools tackles, royalty, transportation and sampling, testing and supervision required for the work.	545175	1392	75.87	136294	1392	18.97
Supplying, filling, spreading and compacting of Hilly soil borrowed from outside approved sources, in uniform layers to the required alignment , grades and cross-sections, not exceeding 250 mm compacted thickness of each layer and compacted to 95% of MDD & the requirements of technical specifications. Borrowed Hilly soil shall comply CBR value ≥ 8% and other parameters in accordance with drawings, Technical Specifications section 305 of MORTH for Road and Bridge works (5th Revision) or as per direction of the Engineer In Charge. The unit rate shall be deemed to include cost of all material, labour, equipments, tools tackles, royalty,	327105	1392	45.52	81776	1392	11.38

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
transportation and sampling, testing and supervision required for the work.						
Providing & Laying of Geotextile (specs as per Dhamra Airport)	215798	183	3.95	53949	183	0.99
Base Cost			**167.88**			**41.97**
Inflation adjustment			21.85			1.80
Total Cost			**189.73**			**43.77**

The Authority has further adjusted the base cost derived above on account of inflation. Accordingly, the Authority proposes to revise the inflation adjusted cost to ₹ 43.77 crores against GIAL submission of ₹ 189.73 crores respectively.

B.5 Widening of Runway Basic Strip (₹ 87.17 crores)

GIAL as part of MYTP submitted that the width of existing runway strip is 75m on both sides from the center line of the Runway. Existing runway width does not meet DGCA compliance standards. As per the standards for Precision Approach Runway, the Runway Strip shall, wherever practicable, be extended laterally to a distance of at least 140m on each side of the centre line of the runway and its extended centre line throughout the length of the strip. Accordingly, to comply with the statutory requirement, widening of the Runway Basic Strip to 140m is proposed. For this, site grading works will be required to be carried out over approx. 5,41,530 Sqm of area.

The Authority, in view of the safety and compliance with applicable standards proposes to consider this capex. However, the Authority observed that while calculating of the cost for the works, GIAL has considered 10% additional cost on account of airside working area constraints. This has been revised by the Authority to 5% while arriving cost for this work. Following is the basis of the base cost considered by the Authority towards this project:

Table 86: Authority's examination of widening of Runway Basis Strip

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
Site Grading	541530	1460	79.06	541530	1390	75.27
Base Cost			**79.06**			**75.27**
Inflation adjustment			**8.11**			**1.79**
Total Cost			**87.17**			**77.06**

The Authority further adjusted the above cost on account of inflation. Accordingly, the Authority proposes inflation adjusted cost of widening of Runway Basic Strip as ₹ 77.06 crores against GIAL submission of ₹ 87.17 crores.

B.6 Construction of Second Part Parallel Taxiway (₹ 81.64 crores)

Second Part Parallel Taxiway of Code C (total area: approx. 46,546 Sqm) is proposed to ensure safety and operational efficiency. The Second Part Parallel Taxiway will facilitate seamless operation, i.e. movement of departing aircrafts can take place irrespective of movement of arriving aircrafts, which is imperative to facilitate the projected ATMs.

The Authority notes that LGBIA is a gateway to eastern India and keeping in view the expected growing demand, it is important to increase airside capacity. GIAL submitted that in lieu of Second

Part parallel taxiway the Apron 2 will have only one connection due to which departing aircraft has to wait for pushback until clearance of parallel taxiway by the arriving aircraft.

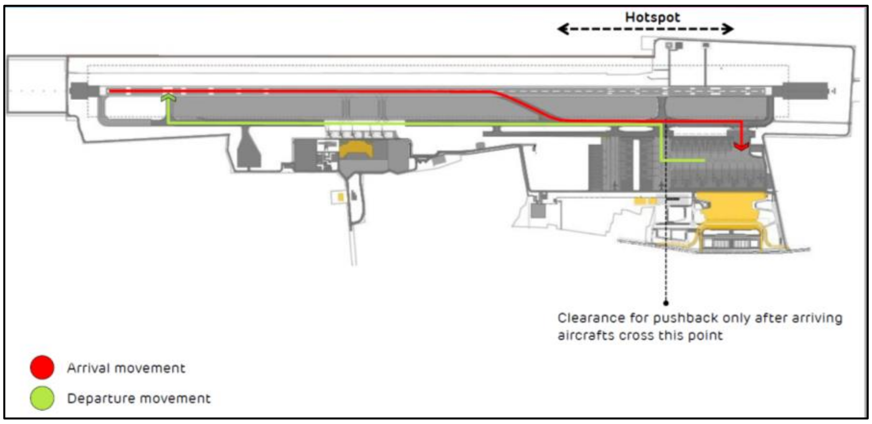


Figure 9: Proposed aircraft movement at part parallel taxiway

In view of this Authority proposes to consider this capex. However, the Authority observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposes to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table ***81***. The normative cost thus arrived is ₹ 7871 per sqm.

In view of the above, the Authority proposes inflation adjusted cost as ₹ 60.84 crores against ₹ 81.64 crores submitted by GIAL.

B.7 Extension of Runway 02-20 towards RWY 20 (₹ 51.61 crores)

LGBIA has a single runway, 02-20, which is 3,103 meter in length and 45 meter in width. GIAL proposes to extend it by 557 meter (admeasuring total 33,420 Sqm, out of which 25,065 Sqm is runway pavement and 8,355 Sqm is shoulder), to ensure compliance and improve operational efficiency of the proposed Apron-2.

The Authority notes that this capex is required in line with newly constructed NITB. The Authority, through its independent consultant reviewed the BoQ submitted by GIAL. The cost of the project is derived considering demolition of 600 sqm pavement area and construction of 33420 flexible pavement area. While doing rate analysis, it is observed that the rates considered by GIAL for pavement works are higher than the rates provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposes to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table ***81***. The normative cost thus arrived is ₹ 7871 per sqm. Further, during the site visit it was observed that no work has started against this project. Accordingly, the capitalisation of the project is proposed to be shifted by one year from FY'25 to FY'26. Following is the basis of the cost considered by the Authority towards this project:

Table 87: Authority's examination of Extension of Runway cost

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
Demolition of Flexible Pavement	600	1400	0.08	600	1340	0.08
New Pavement						

Main Pavement (Flexible)	25065	15400	38.60	25065	7871	19.73
Shoulder Pavement (Flexible)	8355	11100	9.27	8355	7871	6.58
Total			**47.96**			**26.39**
Add: Excavation till subgrade			Included above			9.39
Add: AGL@ 15% base cost (excluding demolition if any)			Included above			3.95
Inflation Adjustment			3.65			Factored in normative cost
Total			**51.61**			**39.72**

In view of the above, the Authority proposes inflation adjusted cost of ₹ 39.72 crores against GIAL submission of ₹ 51.61 crores.

B.8 Construction of new Isolation Bay (Rigid Pavement) (₹ 30.89 crores)

At LGBIA, currently, the Isolation Bay is accommodated on the Apron-2, in front of existing Hangar. As per the MYTP the area of isolation bay will be required for aircraft stands. Accordingly, GIAL has proposed to construct a new Isolation Bay beside the Apron-1, towards RWY 02 end (vacant land) to meet the regulatory requirement. As per GIAL, this is also in line with the AAI proposal.

Isolation bay is a mandatory parking space required at the Airport to handle aircraft facing an exigency like hijack or bomb threat, In view of the statutory requirement and compliance, the Authority proposes to consider this capex. However, it is observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposes to consider inflation adjusted normative cost as derived under 7.3.4 above. Further, it is noted that the proposed work is expected to complete in FY'25, Accordingly, the Authority considered the normative cost as arrived for FY'25. Following is the adjusted normative cost proposed for isolation bay related works:

Table 88: Normative cost for Apron (FY'25)

Particular	**Amount in Rs/Sqm**	
Inflation adjusted normative cost for FY'25		6685
Additional allowance due to North-East region		
Disturbed Area allowance @ 5%	334	
Extra labour cost component @ 12.5% (It is assumed that project cost comprises 25%* labour cost)	209	543
Inflation and NER adjusted normative cost		**7228**
Add: Airside working area constraints @ 5%		361
Propose normative cost per sqm		**7589**

The Authority proposes to consider ₹ 7589 per sqm to arrive cost towards isolation bay. Following is the detailed basis of the cost considered by the Authority towards this project:

Table 89: Authority's examination of Cost towards new isolation bay

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
New Pavement						
Main Pavement (Flexible)	20300	13800	28.01	20300	7589	15.41
Add: Excavation till subgrade			Included above			4.13
Add: AGL@ 15% base cost (excluding demolition if any)			Included above			2.31
Inflation adjustment			2.88			Factored in normative cost
Total			**30.89**			**21.84**

In view of the above, the Authority proposes inflation adjusted cost of ₹ 21.84 crores for this project against GIAL submission of inflation adjusted cost as ₹ 30.89 crores.

B.9 Construction of Rapid Exit Taxiway (₹ 19.73 crores)

To improve operational efficiency through reduction in Runway Occupancy Time (ROT), a Rapid Exit Taxiway (RET) is proposed at Chainage 1,970m measured from the threshold of RWY 02 till point of curvature of RET [length: about 305m, area: approx. 11,238 Sqm]. The proposed chainage will facilitate exit of maximum number of Code C aircrafts.

The Authority notes that RET will be an important project to improve runway efficiency as they allow faster exit of aircrafts and thus minimise runway occupancy. Accordingly, proposes to consider this project. While doing rate analysis, it is observed that the cost proposed is higher than the normative cost provided under order no. 7/2016-17 dtd. 6th June,2016. In view of this, the Authority proposes to consider inflation adjusted normative cost as derived under 7.3.4 above to arrive the cost of the project and additional adjustment as per Table ***81***. The normative cost thus arrived is ₹ 7871 per sqm.

Table 90: Authority's examination of cost towards Rapid Exit Taxiway project

(₹ crores)

Particular	GIAL submission			Authority Examination		
	Quantity	Rate	Amount	Quantity	Rate	Amount
New Pavement						
Main Pavement (Flexible)	7935	15400	12.22	7935	7871	6.25
Shoulders Pavement (Flexible)	3303	15100	4.99	3303	7871	2.60
Total			17.21			8.85
Add: Excavation till subgrade			Included above			**4.62**
Add: AGL@ 15% base cost (excluding demolition if any)			Included above			**1.33**
Inflation adjustment			2.52			Factored in normative cost
Total			**19.73**			**14.79**

In view of the above, the Authority proposes ₹ 14.79 crores inflation adjusted cost for RET against GIAL submission of ₹ 19.73 crores.

B.10 Other Minor Airside Capex (₹ 26.98 crores)

GIAL has proposed various minor capital expenditure at airside. Following are the details of the capex proposed:

i. RWY 02-20 is proposed to be extended, as elaborated above. Accordingly, fresh construction of RESA for RWY 02 (after reserving 60m for Blast Pad from new RWY 20 threshold) is proposed. GIAL has proposed RESA area in line with CAR which is 21,600 sqm [240 m (L) X 90 m (W)]. The Authority proposes to consider the same. However, cost has been adjusted on account of revision of airside working area constraint overhead from 10% to 5%.

ii. Currently, Blast Pad of 30m (length, i.e. along runway centerline) x 60m (lateral) after RWY 02 threshold is provided. To reduce the erosive effects of jet blast and propeller wash from aircrafts, it is proposed to increase the length of the Blast Pad after RWY 02 to make the final dimension of the Blast Pad to 60m x 60m. Additional construction works of 1,800 Sqm is proposed in this regard. This is to comply with the specifications / guidelines as stipulated in the Aerodrome Design Manual (Doc 9157, Fifth Edition, 2020, Part 2), which is referred to at para 3.4.11 of the CAR.

   As regards RWY 20, it is proposed to construct new Blast Pad of 60m x 60m (fresh construction of 3,600 Sqm) after the new proposed threshold of RWY 20 (i.e. after extension of the runway).

   In view of the operational requirement, the Authority proposes to consider extension of blast pad area of 5400 sqm. The rate for the work has been adjusted on account of revision of working area constraint allowance from 10% to 5%.

iii. GIAL need to relocate simple approach lighting system for runway 20. The proposed work will be required due to extension of RWY 20. GIAL has submitted detailed BoQ. The Authority reviewed the same and proposes to consider the same subject to inflationary adjustment towards cost while indexation.

iv. Runway 02 is equipped with CAT-I Instrument Landing System (ILS) and accordingly, the Runway is treated as ‘Precision Approach Runway’. However, currently, Simple Approach Lighting System is installed over a distance of approx. 152m from the RWY 02 threshold. Accordingly, to comply with the Civil Aviation Requirements, ‘Precision Approach Category I Lighting System’ is proposed over a distance of 900m from RWY 02 threshold.

   The Authority during site visit has sought clarification from GIAL on the feasibility of this project as the approach lighting need to be installed in a lake. GIAL has confirmed that the feasibility assessment has already taken place and the project is feasible. In view of the operational requirement, the Authority proposes to consider this capex. The Authority has proposed to consider the capex based on the detailed BoQ submitted by GIAL subject to inflationary adjustment while arriving at indexed cost.

v. In order to serve proposed new stand GIAL has proposed additional area of 3935 sqm for GSE staging. GIAL has proposed Rigid pavement for the proposed GSE area. In view of the operational requirement, the Authority proposes to consider the cost proposed by GIAL against this head subject to inflationary adjustment while arriving indexed cost.

vi. In certain capex GIAL has not shared detailed BoQ. In view of the same, the Authority proposes 50% of the capex proposed against these heads. These capital expenditures include SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport, Runway Graded Strip and RESA strengthening (up to 300mm Depth) and Apron Control.

Table 91: Details of other minor works proposed by GIAL and the Authority

(₹ crores)

S. No.	Particular	Year of Capitalization	Inflation adjusted cost as per GIAL	Inflation adjusted cost as per the Authority
B.10.1	Construction of Runway End Safety Area (RESA) after RWY 20 Threshold	2024-2025	4.21	3.80
B.10.2	Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20	2024-2025	4.24	3.89
B.10.3	Relocation of Simple Approach Lighting System for Runway 20	2025	0.78	0.72
B.10.4	Installation of Category-I Approach Lighting System towards Runway 02	2024-2025	7.38	7.18
B.10.5	Off-Stand GSE	2025-2026	4.60	3.50
B.10.6	Apron stand surface revamping work in old apron	2024	0.32	0.31
B.10.7	Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard	2025	0.22	0.20
B.10.8	Provision of new Earthing system for Runway and other associated works at Guwahati Airport	2025	0.19	0.17
B.10.9	SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport	2024	0.40	0.19
B.10.10	Upgradation of flexible pavements in Operational area	2026	0.87	0.80
B.10.11	Runway Graded Strip and RESA	2024	0.18	0.09

S. No.	Particular	Year of Capitalization	Inflation adjusted cost as per GIAL	Inflation adjusted cost as per the Authority
	strengthening (up to 300mm Depth)			
B.10.12	Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron)	2024-2026	1.73	1.64
B.10.13	Apron Control	2024	0.21	0.10
B.10.14	Airside Equipment	2024-2026	1.65	1.58
	Total		**26.98**	**24.17**

The inflation adjusted cost for minor airside capex is proposed to be ₹ 24.17 crores against ₹ 26.98 crores submitted by GIAL.

B.11 Runway Strengthening works (₹ 75.25 crores)

GIAL has proposed Runway strengthening works for the Third Control Period. As per the MYTP, the runway re-carpeting work was undertaken by AAI in the Second Control Period. During the site visit, the Authority, along with its Independent Consultant, observed that the Runway does not require immediate re-carpeting except turning pad area for continued operation and runway strengthening work can be done in next control period. However, if the condition of the runway deteriorates, GIAL may undertake runway strengthening works in which case the Authority will consider the same on incurrence basis subject to the reasonableness and efficiency at the time of tariff determination of next control period.

C. Construction of Boundary Wall

C.1 Construction of Airside perimeter and service road (₹ 38.33 crores)

As per GIAL, due to widening of the Runway Strip, the existing airside roads at certain stretches (that fall within the area proposed for widening of the Runway Strip) will require to be demolished and new airside roads will require to be constructed. Total area of flexible pavement to be demolished works out as approx. 23,728 Sqm and that of rigid pavement works out as approx. 1,975 Sqm, whereas area of new airside roads works out as 47,989 Sqm.

GIAL as part of MYTP has submitted indexed cost of ₹ 38.33 crores with base cost of ₹ 33.75 crores. The Authority as part of clarification of MYTP has sought detailed BoQ for the project. As per the BoQ shared by GIAL, the base cost of the project has been revised to ₹ 32.13 crores. The Authority through its independent consultant has reviewed the BoQ shared by GIAL and observed that the quantity proposed by GIAL is in line with the proposal and the rates adopted is in line with the applicable standards. The Authority notes that the capex will be required owing to extension of airside and thus proposes to consider this capex. However, adjusted the cost on account of inflation factor. The inflation adjusted cost is proposed to be ₹ 33.63 crores instead of ₹ 38.33 crores initially submitted by GIAL.

C.2 Construction of Airside Boundary Wall (₹ 77.37 crores)

As per GIAL, owing to widening of the Runway Strip and other airside proposals, the existing airside boundary wall at certain stretches will require to be demolished and new airside boundary wall will require to be constructed. The proposed stretches for demolition and new airside boundary wall. Total approx. 11,692m of existing boundary walls are proposed to be demolished and 10,450m of new airside boundary wall is proposed to be constructed. Widening of the airside roads to 7.5m (5.5m carriageway and 1m earthen shoulder on both sides) is proposed on stretches where airside roads are not required to be demolished but width of the carriageway is less than 5.5m.

GIAL as part of MYTP has submitted ₹ 68.13 crores as base cost. The Authority as part of clarification sought detailed BoQ of the proposed capex. As per the BoQ submitted by GIAL, the base cost comes to ₹ 64.96 crores. The Authority through its independent consultant has reviewed the BoQ. GIAL has adopted CPWD rates which have been verified and found in line. The Authority notes that due to inclusion of new area within airside, the AO need to construct new boundary wall and demolish existing at selected areas. Accordingly, it is proposed to consider this capex.

In view of the above, the Authority proposes inflation adjusted cost of ₹ 67.98 crores against GIAL of ₹ 77.37 crores.

C.3 Perimeter Intrusion Detection System (PIDS) system (₹ 26.24 crores)

As per MYTP, the Authority notes that LGBIA currently does not have Perimeter Intrusion Detection System (PIDS) along / on its airside boundary wall. As per GIAL, the airport requires PIDS as part of its airport security infrastructure. Therefore, installation of PIDS is proposed for a stretch of 10,450m on the boundary wall.

GIAL as part of MYTP has submitted base cost as ₹ 22.88 crores. The Authority has sought detailed BoQ against this capex. As per GIAL submission, the cost of PIDS at LGBIA is estimated based on Lucknow Airport. GIAL has adjusted Lucknow Airport cost with inflation at 5% YoY and airside working area constraint allowance.

In view of the security requirement, the Authority proposes to consider this capex. However, adjusted the cost by considering correct inflation factors and removed airside working area constraint premium as this has already been considered in reference rate adopted from Lucknow Airport.

In view of the above, the Authority proposes inflation adjusted cost ₹ 20.50 crores against GIAL submission of ₹ 26.24 crores.

C.4 Boundary Wall (₹ 0.21 crores)

GIAL as per MYTP submitted that at some places boundary walls need to be made to protect airport land from illegal encroachment and fencing work needs to be done. GIAL has proposed ₹ 0.20 crores capex against this. The Authority notes that GIAL has not submitted any BoQ against this line item. Accordingly it is proposed to consider only 50% of the capex proposed by GIAL.

D. Cargo Facility

As per AAI traffic news, LGBIA handled around 21,270 MT of Cargo in FY 2019-20 (Pre-Covid) level. This comprises of 21,267 MT domestic volume and 3 MT international volume. Prior to the CoD the cargo volumes are handled by AAICLAS (carved out facility).

Further, the Authority notes that as per clause 19.4.1 (a) of the Concession Agreement, Following is relevant provision for the Cargo facility at LGBIA:

> *The Concessionaire shall upgrade, develop. operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good Industry Practice.*

GIAL as part of the MYTP has proposed following capex phasing with respect to cargo facility:

D.1 Interim Cargo Facility (₹ 3.22 crores)

GIAL has started processing domestic cargo with capacity of 2,750 MT p.a. from June 2023 onwards. In this regard, AERA vide order no. 41/2023-24 dated 15th March 2024 allowed GIAL to levy the existing charges for Domestic Cargo Handling Services as per the approved Tariff for the other Cargo Service Provider at LGBIA till 30st September 2024 or tariff determination of third control period, whichever is earlier.

GIAL has proposed ₹ 2.31 crores towards procurement of Cargo equipment and ₹ 0.76 crores towards minor refurbishment of old cargo building. The Authority notes that the proposed capex is largely towards equipment and refurbishment. Further, in view of the interim cargo facility developed at similar airport, the Authority proposes to consider the proposed capex however adjusted on account of inflationary impact. The inflation adjusted cost comes to ₹ 3.05 crores, the Authority proposes to consider the same.

D.2 Integrated Cargo Terminal (ICT) (₹ 23.15 crores)

GIAL has planned a new Integrated Cargo Terminal (ICT) of approx. 8652 sq, mtr. with handling capacity of 43260 MT p.a. The planned facility is proposed to be made operational in FY25-26. The proposed ICT facility will house both domestic inbound and outbound, International Export & Import operations and will efficiently support regional distributions, besides facilitating the processing of special cargo such as perishables, pharma etc.

According to GIAL, the existing terminal building shall be refurbished and converted into a new Integrated Cargo Terminal (ICT). The estimated base cost for the refurbishment and equipment is ₹ 19.95 crores.

As per GIAL, the capacity planned is correlated with the market demand. As part of MYTP, GIAL proposed to commission this facility in FY'26. The Authority notes that there is an existing cargo facility operated by AAICLAS at Guwahati Airport. However, in view of the Concession requirement and encouraging market competition, the Authority proposes to consider second cargo terminal at LGBIA. GIAL has estimated 86% market share in first year. However, considering the AAICLAS facility, the Authority has considered 50% market share. At 50% market share, GIAL is able to utilize 40% of its facility in the first year (2026-27). Considering the long-term horizon, the Authority proposes to allow 43260 MT cargo facility to GIAL. Following is the market share and corresponding capacity submitted by GIAL and proposed by the Authority:

Table 92: Air Cargo demand projections, capacity of LGBIA

Particular	2020	2021	2022	2023	2024	2025	2026	2027
Volume in MT at LGBIA	21270	15951	21858	22823	24296	24999	28526	34801
ATMs in No.	44539	23442	33572	45909	59970	60527	68050	82109
Ton/ATM	0.44	0.68	0.65	0.50	0.41	0.41	0.42	0.42
As per GIAL								
Market share					14%	18%	19%	86%
GIAL expected Volume (In MT)					**3500**	**4500**	**5500**	**30000**
GIAL capacity (In MT)								
Domestic-Interim					2750	2750	2750	
Integrated Cargo Complex					-	-	-	43260

Particular	2020	2021	2022	2023	2024	2025	2026	2027
GIAL Capacity					**2750**	**2750**	**2750**	**43260**
As per the Authority								
GIAL Market Share					14%	18%	19%	50%
GIAL expected volume (In MT)					3500	4500	5500	17400
GIAL Capacity (In MT)					**2750**	**2750**	**2750**	**43260**

As per GIAL, the cost of new cargo facility of similar size costs much higher than the proposed cost of T-I refurbishment. Since, the cargo terminal is refurbished, GIAL has considered ₹ 10.10 crores as part of infrastructure changes towards existing terminal building:

Table 93: Cost proposed by GIAL towards ICC Facility

(₹ crores)

Particular	Amount
Other Infrastructure change at Terminal	10.10
Additional Equipment for ICT	5.20
Site Circulation/**Vehicle Movement Area** (10,000 sqmt @ ₹ 4700/Sqm)	4.71
Total	**19.95**

The Authority notes that an additional air cargo facility/complex at Guwahati Airport will bring in more competition which will lead to better service quality and price discovery. It will benefit north east region and aviation stakeholders. The Authority through its independent consultant evaluated the proposed cargo capex in line with the similar projects undertaken at other Airports and noted that the proposed project is line with the airport requirement. in view of the same, the Authority proposes to consider the proposed capex towards Cargo facility. However, the cost has been adjusted on account of inflationary impact. The inflation adjusted cost proposed to be ₹ 3.05 crores for interim cargo facility and ₹ 21.18 crores for new cargo terminal against ₹ 3.22 crores and ₹ 23.15 crores submitted by GIAL respectively.

E. Fuel Farm Infrastructure

At present various Oil Marketing Companies (OMCs) (IOCL, RIL, BPCL and HPCL with storage facility of 800KL, 140KL, 800KL and 200KL respectively) have their respective fuel tanks and refuelling facilities at Guwahati Airport. OMCs manage the operations on their own, and currently operating expenditure and other charges are embedded in Aviation Turbine Fuel (ATF) fuel price. Therefore, as on date there is no concept of open access facility at the Airport. IOCL and RIL are located within the Airport premises whereas BPCL and HPCL are located outside. GIAL in line with the Concession Agreement has planned open access facility for fuel farm. It has proposed following capital expenditure for Fuel Farm infrastructure at LGBIA during third control period:

Table 94: Details of Fuel farm capex submitted by GIAL

(₹ crores)

S. No.	Particular	Base Cost as per GIAL	Remarks
E.1	Fuel Storage tank	119.97	New facility proposed by GIAL
E.2	Fuel Hydrant line	142.72	

S. No.	Particular	Base Cost as per GIAL	Remarks
E.3	Equipment Cost	3.00	GIAL planned to procure three refueller as part of interim arrangement
E.4	Procurement of IOCL and RIL assets	10.00	GIAL has estimated procurement of IOCL and RIL asset in line with AMD and LKO.
E.5	Dead Stock	13.94	Required for operating new facility
	Total	**289.63**	

GIAL planned new Fuel Farm Facility near to Apron 1 which is very far from upcoming Apron 2. This will require construction of approximately 7 Km hydrant system.

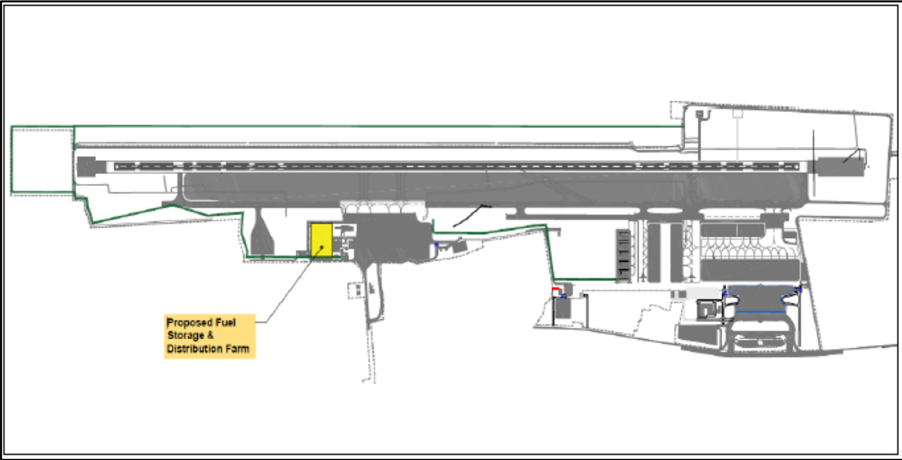


Figure 10: Proposed Hydrant System at LGBIA

The Authority, during the site visit asked GIAL to evaluate alternate location for fuel farm which can be closer to the Apron 2. In case the facility is planned closer to Apron 2, there will be significant saving toward construction of hydrant line. However, GIAL has not proposed any alternative plan or cost benefit analysis.

Secondly, there is a proposal by Petroleum & Natural Gas Regulatory Board (PNGRB) to connect Brown field and Green field Airports with dedicated ATF pipeline network. On such connection, Fuel Tank requirements will reduce substantially.

GIAL is directed to examine shifting of fuel farm near to Apron 2 and proposal of PNGRB. Hence, the Authority proposes not to consider any capital expenditure towards new facility for the fuel farm at this stage. However, if fuel facility is developed after examining both the issues, cost will be trued up in next control Period, subject to reasonability and efficiency.

As CAPEX has been allowed on incurrence basis, subject to reasonability and efficiency, corresponding revenue and OPEX has been considered. In order to support operational requirement, the Authority proposes to consider capex toward procuring of three refueler and procurement of IOCL and RIL assets. GIAL has considered the cost in line with the similar cost in case of Lucknow and Ahmedabad Airport. The Authority, through its independent consultant has verified the same and found in order. GIAL has estimated ₹ 13.00 crores as base cost and ₹ 13.65 crores inflation adjusted cost. The Authority has adjusted the base cost considering the proposed work will get completed in FY'25. The inflation adjusted cost as per inflation factors considered in para 7.3.4 comes to ₹ 13.31

crores. The Authority proposes to consider ₹ 13.31 crores towards this project against ₹ 13.65 crores estimated by GIAL.

F. Vehicles (₹ 39.78 crores)

As part of MYTP, GIAL has proposed to procure various vehicles during third control period for operational requirement. The Authority has reviewed the list of vehicles provided by GIAL and have following observations:

i. GIAL has planned conversion of diesel cars to electric vehicles. It is estimated that total 17 vehicles will be required by GIAL including one large EV i.e. Bus. GIAL has shared online quotation of electric bus which is around ₹ 2.00 crores. GIAL has estimated total cost of ₹ 11.00 crores for these 17 vehicles. The Authority believes that same is on higher side, accordingly, the estimated cost of E-vehicles other than large EV considered to be 50%, i.e. ₹ 4.5 crores. The cost is thus proposed to be ₹ 6.50 crores against ₹ 11.00 crores requested by GIAL.

ii. GIAL estimated two tractors for shifting from nursery and other site-based work requirements. Also, added two electrical buggies with loader attachment and trolleys for plants movement. The base cost estimated to be ₹ 0.20 crores. Same seem to be on higher side compared to market rates. Thus, the Authority proposes to consider ₹ 0.10 crores.

iii. GIAL has planned to procure two ambulances during third control period to replace existing ones. GIAL has proposed ₹ 0.75 crores for two ambulances. The Authority, in line with the market rates proposes to consider ₹ 0.50 crores for these ambulances.

iv. In case of CFT, GIAL submitted that LGBIA has 3 Rosenbauer CFTs which are more than 12 years old. Hence, it is planned to procure two new CFTs in FY-24 and FY-25 to replace 2 CFTs. GIAL has proposed base cost of ₹ 23.98 crores for two CFTs and shared supporting purchase order and custom duty details. The Authority through its independent consultant reviewed the same and found in order. In view of the operational requirement, the Authority proposes to consider this capex.

v. For other vehicles, cost and requirement, as submitted by GIAL has been accepted, subject to inflationary adjustment.

vi. In view of the above, the Authority proposes ₹ 34.93 crores as base cost toward vehicles proposed to be procured during third control period against the cost of ₹ 39.78 crores estimated by GIAL. The proposed cost is also adjusted on account of inflation adjustment indexation. Following is the asset wise comparison of GIAL proposal vis a vis cost proposed by the Authority:

Table 95: Cost proposed toward Vehicles by the Authority for the Third Control Period

(₹ crores)

S. No.	Particular	Year of capitalization	GIAL		Authority	
			Base cost	Indexed Cost	Base cost	Indexed Cost
F.1	Vehicles	2024-2027	11.00	12.58	6.50	6.73
F.2	Modified vehicle for BDDS equipment	2025-2026	3.00	3.39	3.00	3.13
F.3	Vehicle recovery Van	2024	0.15	0.16	0.15	0.15
F.4	2 Nos. tractor with trolleys & electric buggies to shuttle nursery between the two Terminals	2025-2026	0.20	0.23	0.10	0.10

S. No.	Particular	Year of capitalization	GIAL		Authority	
			Base cost	Indexed Cost	Base cost	Indexed Cost
F.5	Ambulance	2025	0.75	0.87	0.50	0.52
F.6	Crash Fire Tender	2024-2025	23.98	25.81	23.98	25.00
F.7	Quick Reaction Team (QRT) Vehicle	2025	0.70	0.77	0.70	0.72
	Total		**39.78**	**43.81**	**34.93**	**36.36**

G. Plant & Machinery (₹ 180.93 crores)

GIAL has proposed procurement of various equipment for operational requirements. The Authority notes that GIAL has planned for the procurement of machinery and equipment towards achievement of green initiatives norms and to ensure safety and security of operations and the fulfilment of regulatory requirements mandated by agencies like BCAS. Following are the key capital items proposed in third control period:

Oil Water Separator (OWS) – As part of environment compliance, GIAL has proposed to install oil water separator at select locations on the airside. It separates oil from the wastewater from aprons, hangar, cargo facility, GA & GSE workshop etc.. GIAL has planned 5 units of oil water separator. Keeping in view the tariff level, the Authority believes that there is a need to rationalize capital expenditure. Accordingly, the Authority proposes to consider three OWS instead of five OWS sought by GIAL.

Triturator- As per GIAL, this facility is required for safe and hygienic disposal of waste from aircraft toilets to ensure compliance with safety and environment regulations. Liquid waste from aircraft shall be treated at Triturator as a primary treatment & further will be pumped to STP for secondary treatment. This facility is proposed on the northeast side of T2. The Authority through its independent consultant has evaluated the capex submitted by GIAL and observed that GIAL has considered 15% additional mark up over the base cost of Triturator which is not supported by any requirement. The Authority, in view of the capex optimization proposes to remove 15% mark up and proposes base cost of ₹ 3.06 crores against ₹ 3.47 crores initially submitted by GIAL.

Body Scanner – GIAL has estimated requirement of 13 body scanner at LGBIA. The Authority notes that GIAL estimates on higher side as even the major Airport hub in India doesn't have such magnitude of body scanner. In view of this, the Authority proposes to consider only 5 body scanners at LGBIA. In terms of costing, GIAL has considered ₹ 3.40 crores each. The Authority has examined the cost estimated by GIAL. The Authority notes that in case of Lucknow Airport, the cost towards body scanner has been allowed as ₹ 3.00 crores each. In view of the same, the Authority proposes to consider rates allowed in case of Lucknow Airport with inflationary adjustment. The inflation adjusted cost comes to ₹ 3.21 crores each at FY'23 level and the overall cost for the project during third control period proposed to be ₹ 16.99 crores against ₹ 51.49 crores submitted by GIAL.

Safety and Security related project – GIAL has submitted various projects related to safety and security of the Airport. This includes firefighting equipment, disable aircraft removal kit, X-Ray, HHMD, DFMD, ETDs. In view of the safety and security requirement, the Authority proposes to consider this capital expenditure. However, the cost of these items have been corrected on account of inflationary adjustments. Further, GIAL has also proposed capital expenditure towards Security Operational Control Center (CISF), Security Surveillance Centre (SSC), CCTV set up, Container Tubular Shooting range and Video Surveillance system. The Authority notes that GIAL has not shared any further break up or basis against this capex. Further, it is believed that there is scope of cost optimization against these capex. Accordingly, minimize impact on tariff, the Authority proposes 50% cost against GIAL submission.

Repair & Maintenance work - GIAL has considered repair and maintenance work of airside amounting to ₹ 0.32 crores as capital expenditure. The Authority proposes to not consider the same as part of capex as it is not in the nature of capital expenditure.

Miscellaneous works – GIAL has provided list of minor plant & machinery works. The Authority has reviewed the list of minor works shared by GIAL and noted that these are mainly for upgradation and modification of existing facility. In view of the operational requirement, the Authority proposes to consider the same.

Visual Docking Guidance System (VDGS) – GIAL has estimated 24 nos of new VDGS and supported cost of VDGS with price quotation. As per the document the VDGS is expected to cost ₹ 0.50 crores each. In view of the price discovery document submitted by GIAL, the Authority proposes to consider this capex. The proposed inflation adjusted cost is ₹ 12.74 crores against GIAL submission of ₹ 13.89 crores.

Others – GIAL has also estimated various equipment. However, has not shared any details for the estimates. In view of the absence of further details and optimisation of tariff levels, the Authority proposes 50% cost towards this capex. Further, in view of the project priority and minimal impact on tariff, the Authority proposes not to consider some of the environment related project related to carbon sequestration and biodiversity preservation projects.

Further, the cost proposed by the Authority towards plant & machinery is further adjusted on account of inflation while arriving indexed cost. Following is the comparison of capex proposed by the Authority vis a vis GIAL:

Table 96: Details of Plant and Machinery submitted by GIAL and proposed by the Authority

(₹ crores)

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
G.1	Oil Water Separator-5 nos.	2025, 2026	23.60	26.80	13.50	14.13
G.2	Triturator	2025	3.47	3.83	3.06	3.13
G.3	Hazardous Waste Storage	2025, 2026	0.49	0.55	0.24	0.25
G.4	Reticulation of utilities to new facilities	2026, 2027	8.39	9.78	4.19	4.48
G.5	SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati.	2024	0.06	0.06	0.03	0.03
G.6	Laying of GLF light cables approximate 6500 mtrs	2025	0.85	0.94	0.43	0.44
G.7	Laser unit for AVDGS-2NO	2025	0.40	0.44	0.20	0.20
G.8	SITC of A-VDGS at Bay no. 4	2025	0.71	0.78	0.35	0.36
G.9	Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52)	2024	1.52	1.60	0.76	0.78
G.10	SITC of Repair and Maintenance work for Airside	2024	0.30	0.32	0.0	0.0
G.11	Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath	2024-2027	3.07	3.36	3.07	3.19

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
	Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc)					
G.12	PVC coated Chain net for Operation area drains	2025	1.00	1.10	0.50	0.51
G.13	Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certification, RE 100 etc)	2024-2027	6.60	7.34	4.05	4.22
G.14	EV Charging Stations for E Buses , Apron Cars , Tugs along with their installation .	2024-2027	5.70	6.48	2.85	2.97
G.15	carbon sequestration	2024-2027	3.40	3.95	0.00	0.00
G.16	Biodiversity preservation projects	2024-2027	2.15	2.50	0.00	0.00
G.17	Fire Fighting Equipments	2024-2027	3.55	3.86	3.55	3.63
G.18	Disable Aircraft Removal Kit	2025	17.69	19.50	17.69	18.11
G.19	Hand Baggage X-Ray - 60cmX40cm	2025, 2026	2.55	2.89	2.55	2.66
G.20	Explosive Trace Detector(ETD)	2024-2025	1.35	1.49	1.35	1.40
G.21	Hand Held Metal Detector(HHMD)	2024-2027	0.18	0.21	0.18	0.19
G.22	Door Frame Metal Detector(DFMD)	2024-2027	0.59	0.68	0.59	0.62
G.23	Security Operation Control Center (CISF)	2025-2027	2.77	3.29	1.38	1.47
G.24	Security Survilience Centre (SSC)	2025	1.50	1.65	0.75	0.77
G.25	Close Circuit Television (CCTV) Setup	2025-2027	3.20	3.71	1.60	1.66
G.26	Access Control system, Adani	2025-2027	2.40	2.78	1.20	1.24
G.27	Container Tubular shooting Range	2025	1.30	1.43	0.65	0.67
G.28	Video Surveillace system	2024-2027	3.59	4.23	1.80	1.89
G.29	Body Scanner	2025-2027	44.57	51.49	16.07	16.99
G.30	VDGS	2026	12.00	13.89	12.00	12.74
	Total		**158.95**	**180.93**	**94.59**	**98.74**

H. Other Buildings (₹ 163.85 crores)

GIAL has proposed construction of various building owing to security requirements, new expansion, administrative building, police station and various utilities etc. The Authority has reviewed the same and have following observations:

i. In case of administrative building, the GIAL has proposed to construct 5000 Sqm office building. As part of clarification the Authority has sought further detail and business case for requirement of this much area for an administrative office. However, as part of response, no further clarity was shared by GIAL. In view of this, the Authority noted that a significant part of staff requirement of GIAL will be operational such as airport operation, screening, security, runway operation etc. which will be deployed at respective work location outside administrative building. Accordingly, considering the staff strength there is significant optimization required in the administrative office space area. In absence of adequate plan, the Authority proposes to consider 50 % of the admin building i.e. 50% of employee which are expected to deployed at admin building to overall staff. The Authority has accordingly revised the building area to 2500 sqm. However, the Authority has maintained the same quantities related to demolition works, landside road and site circulation. Further, GIAL has considered the rates as per the rates derived in case of some of the office building at Ahmedabad Airport. The Authority has reviewed the rates submitted by GIAL with the comparable statistics issued by CBRE[5] and found the same in the range of similar kind of construction. Following is the comparison of the cost details submitted by GIAL and proposed by the Authority:

Table 97: **Cost of administrative building as per GIAL and proposed by the Authority**

(₹ crores)

Particular	UoM	GIAL			Authority		
		Rate	Qty	Amount	Rate	Qty	Amount
New Pavement							
Perimeter Road	Sqm	5100	770	0.39	4800	770	0.37
Structure							
New Building	Sqm	92000	5000	46.00	69200	2500	17.30
Site circulation	Sqm	4700	2405	1.13	4700	2405	1.13
Total				**47.52**			**18.80**

ii. GIAL has proposed an integrated building for Airport Police Station, Airport Health Office and Airport Post Office. An integrated building is planned with an area of approx. 925 sqm. The Authority, through its consultant has sought further detailed BoQ against this capex. However, GIAL has shared a blended rate against this building. The Authority notes that these building will be largely office like structure and accordingly in absence of further details proposes to consider the rate equivalent to admin building. Following is the summary of the Authority proposal:

Table 98: Details of Integrated building submitted by GIAL and proposed by the Authority

(₹ crores)

Particular	UoM	GIAL			Authority		
		Rate	Area	Amount	Rate	Area	Amount
Police Station	Sqm	98940	260	2.57	69200	260	1.80
Airport Health Office	Sqm	94219	600	5.65	69200	600	4.15
Airport Post Office	Sqm	95046	65	0.62	69200	65	0.45
				8.84			**6.40**

iii. The Authority, while reviewing cost for CCR Room observed that GIAL has considered 10% overhead on account of airside constraints. The Authority has revised the same to 5% in view of public works guidelines (generally where NOTAM is issued).

iv. GIAL has proposed new ARFF satellite building on account of proposed airside and associated development. As per GIAL, it is required to meet the response time as the current fire station is almost 5 KM away from the edge of the new runway and will not be able to meet the response

[5] India Construction Cost Trends 2023 issued by CBRE

time. In view of the safety requirement, the Authority proposes to consider this capex. However, the rates have been revised on account of adjustment of airside working area constraint overhead from 10% to 5%.

v. GIAL has proposed various other office building such as airport maintenance office, other building-admin office and administrative building. The total base cost proposed against these structures is ₹ 16.54 crores. The Authority notes that GIAL has already proposed new office building and terminal building. The existing structure of office building and terminal building will be idle once these have been shifted to new premises. GIAL should evaluate and consider utilization of these building for additional proposed offices. Accordingly, the Authority proposes not to consider any capex for additional offices.

vi. GIAL has further considered various other building and structures such as airside gates, SMR facilities, fuel/EV station, Modification of MT shop into interim office, Solid waste facility, water supply system, sewerage system, watch tower, earth filling, CISF accommodation, nursery development, horticulture, Anti hijacking Control Room etc. The Authority notes that GIAL has not shared any further details on these capex. There is scope in cost optmisation and also in view of keeping tariff at optimum level, the Authority proposes 50% of the proposed capex.

vii. In view of the above, the Authority proposes inflation adjusted cost of ₹ 77.28 crores against GIAL submission of ₹ 163.85 crores. Following is the asset wise comparison of GIAL proposal vis a vis inflation adjusted (indexed) cost proposed by the Authority:

Table 99: Capex proposed toward Other Buildings by the Authority for Third Control Period

(₹ crores)

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		The Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
H.1	Relocation of Localiser 02	2024	0.20	0.21	0.10	0.10
H.2	CCR Building new construction	2025-2026	12.86	14.46	12.11	12.58
H.3	Airside Gates – 5 nos.	2025-2026	5.79	6.51	2.90	3.01
H.4	SMR Facilities (New Construction)	2025-2026	0.91	1.00	0.45	0.47
H.5	Fuel/ EV Charging Station	2025-2026	2.49	2.76	1.24	1.28
H.6	Satellite ARFF Station (New Construction)	2025	12.35	13.61	11.65	11.92
H.7	Modification of MT workshop into Admin office building (Interim arrangement)	2025	2.14	2.36	1.07	1.09
H.8	Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office	2026-2027	8.84	10.34	6.40	6.85
H.9	Airport Administration Building (5,000 Sqm)	2026-2027	47.52	55.57	18.80	20.11
H.10	Airport Maintenance Office (1,200 Sqm)	2026-2027	11.41	13.34	0.00	0.00
H.11	Solid Waste Facility	2025-2026	2.50	2.82	1.25	1.30
H.12	Water Supply system	2026	4.66	5.43	2.33	2.48
H.13	Sewerage System	2026	1.16	1.35	0.58	0.62
H.14	Modification of watch tower at operational area L.G.B.I. Airport Guwahati	2024	0.35	0.37	0.18	0.18

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		The Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
H.15	Earth filling of low using areas and other miscellaneous works at operational area related to DGCS compliance from time to time at L.G.B.I. Airport Guwahati	2025	0.40	0.44	0.20	0.20
H.16	Fire Station Improvement	2024-2025	4.20	4.57	4.20	4.41
H.17	Other Building - Admin Office	2024	1.50	1.58	0.00	0.00
H.18	Sewage Treatment Plant	2025	0.36	0.40	0.36	0.37
H.19	Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building	2024-2025, 2027	2.89	3.26	1.45	1.48
H.20	Installation of LGB Statue	2024	0.15	0.16	0.08	0.08
H.21	CISF accommodation	2025-2027	13.50	15.64	6.75	7.04
H.22	Nursery Development	2027	0.60	0.73	0.30	0.33
H.23	Misc Horticulture Improvements	2024-2027	1.46	1.64	0.73	0.75
H.24	Administrative Building	2024-2026	3.64	3.91	0.00	0.00
H.25	Anti Hijacking Control Room (AHCR) upgradation	2025-2026	1.22	1.40	0.61	0.63
	Total		**143.09**	**163.85**	**73.72**	**77.28**

I. IT Equipment (₹ 17.80 crores)

As part of MYTP, GIAL has submitted proposal to procure various IT equipment for operational requirement and upgradation. The Authority has reviewed the same and have following observations:

i. GIAL has proposed ₹ 13.12 crores worth of IT Strategic projects towards passenger flow management, queue monitoring system to provide advance information to operation team for better flow management, wheelchair tracking, trolley tracking, IOT & Digiyatra. The Authority notes that the cost proposed for the planned project are very high. Also the technology like IoT, trolley tracking are still to be implement at major airport in India. In view of the insufficient details, the Authority proposes to consider 20% of the cost proposed by GIAL.

ii. GIAL has estimated ₹ 0.35 crores toward other IT projects and shared no further details. Since there are no details provided, the Authority proposes not to consider this capex. Also, GIAL has proposed ₹ 0.20 crores for innovation lab. The Authority notes that GIAL is supported by corporate team which are involved in strategy formulation, have access to various industry information and expertise and the cost of this already been allocated to GIAL as part of corporate allocation. In view of the duplication of cost, the Authority proposes to not consider this capex.

iii. Following are the details of capex along with corrected cost by the Authority:

Table 100: Capex proposed toward IT equipment by the Authority for Third Control Period

(₹ crores)

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		The Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
I.1	Active component (Network Switches, Firewall, Router)	2024-2027	0.10	0.11	0.10	0.10

S. No.	Particular	Year of Capitalization (as per GIAL)	GIAL		The Authority	
			Base Cost	Indexed Cost	Base Cost	Indexed Cost
I.2	Passive Components (Network CAT-6 and OFC cabling)	2024-2027	0.45	0.45	0.45	0.42
I.3	Data center Infrastructure and Wi-Fi setup	2024-2027	0.41	0.44	0.41	0.41
I.4	Cyber Security	2024-2027	0.10	0.11	0.10	0.10
I.5	Voice Infra (EPABX & IP Phone) & Recording Solutions	2024-2027	0.05	0.05	0.05	0.05
I.6	New User - Laptop / Desktop	2024-2027	0.26	0.28	0.26	0.26
I.7	SAP licenses	2024-2027	0.44	0.47	0.44	0.44
I.8	Other IT Cost	2024-2027	0.35	0.38	0.00	0.00
I.9	1. FIDS: Flight Information Display System 2. PA (Public Announcement System 3. LED Walls, 4. Video Walls	2024-2027	0.10	0.11	0.10	0.10
I.10	Strategic Projects (Pax Count, Flow & Queue Monitoring. Wheelchair, Buggy & Trolley Tracking (IOT), OT) & Digi Yatra	2024-2027	13.12	14.11	2.62	2.97
I.11	Innovation & Technology Lab	2024-2027	0.20	0.22	0.00	0.00
I.12	SMS Software	2024-2027	1.00	1.08	1.00	1.01
	Total		**16.57**	**17.80**	**5.53**	**5.87**

iv. In view of the above, the Authority proposes ₹ 5.87 crores inflation adjusted cost toward IT project against GIAL submission of ₹ 17.80 crores.

J. Furniture & fixtures (₹ 1.66 crores)

GIAL has proposed to procure various furniture & fixtures for terminal operations during third control period. The Authority in view of the new proposed terminal and office complex proposes to consider the capex and the cost estimated by GIAL. The base cost proposed the Authority is ₹ 1.48 crores which is in line with the submission made by GIAL. The indexed cost has been adjusted on account of inflationary adjustment. The Authority proposes to consider inflation adjusted cost of ₹ 1.56 crores against ₹ 1.66 crores submitted by GIAL.

K. Security Equipment's (₹ 35.70 crores)

i. GIAL has proposed procurement of bullet proof jackets, bullet proof helmet, bullet proof shield, bullet proof morcha, binocular device etc. In this regard GIAL has collectively estimated an amount of ₹ 2.62 crores as base cost and ₹ 2.96 crores as inflation adjusted cost. The Authority notes that there is no justification provided by GIAL for the amount estimated. In view of the security requirement and absence of supporting details, the Authority proposes to consider 50% of the capex proposed by GIAL. The inflation adjusted cost proposed to be ₹ 1.34 crores.

ii. Threat Containment Vehicle (TCV) – GIAL has proposed to procure TCV for LGBIA at ₹ 15.44 crores. In this regard GIAL has shared a quotation of USD 1.3 Mn plus duty/taxes. In view of the security requirement and available quotation, the Authority proposes to consider the same. However, the cost of the proposed vehicle is adjusted on account of inflationary adjustment in 2025 i.e. ₹ 14.33 crores.

iii. As per MYTP, GIAL has estimated ₹ 4.00 crores as base cost (₹ 4.61 crores indexed cost) towards BDDS which are required as per security requirements. GIAL has not shared any further supporting details against this line item. In view of the same, the Authority proposes to consider 50% of the proposed cost by GIAL, the inflation adjusted cost comes to ₹ 2.09 crores.

iv. GIAL as part of MYTP has submitted requirement of miscellaneous security equipment such as quick reaction team equipment, radiological detection equipment, network switch and cabling tech refresh, OFC network CCTV etc.. GIAL has estimated ₹ 10.99 crores as base cost for these items collectively. GIAL has shared following list of security equipment:

Table 101: Details of miscellaneous security equipment

(₹ crores)

S. No.	Particulars	₹/Cr	Justification / Remarks
1	RT Sets	2.91	Considering cost of Tetra Set Requirement as per AVSEC Order 06/2018
2	Server and Storage Tech Refresh	2.90	Tech refresh of Video Surveillance system at terminal building. Replacement of EOL camera (AvSec Circular 05/2017)
3	Network Switch and Cabling Tec Refresh, OFC network CCTV, Other building connectivity's	3.69	Tech refresh of Video Surveillance system, network cable, city side camera. Installation of AI facility camera. Installation of bar coded scanner for labor at Cargo gate as per AEP Guidelines 2022 (AvSec Circular 05/2017, AEP Guidelines 2022)
4	Centralized Access Control System (CACS)	0.29	Installation of Bio Metric Access Control System at existing terminal building (Avsec Circular 02/2007, Appendix-J)
5	Quick Reaction Team Equipment	0.21	QRT equipment for CISF (Avsec Order 06/2018)
6	Radiological Detection Equipment.	1.00	1. BCAS regulatory compliance & CISF requirements 2. Avsec Circular 01/2020. Radiological Detection Equipment will be operationalized by Aviation Security Group (ASG) with immediate effect and upkeep & maintenance will lie with Airport Operator.
	Total	**10.99**	

The inflation adjusted cost for the above projects is ₹ 12.70 crores as per GIAL submission. In view of the security requirement, the Authority proposes to consider this capex however the cost has been adjusted on account of inflationary adjustment. The cost is accordingly revised to ₹ 11.66 crores.

In view of the security requirement and compliance, the Authority proposes to consider inflation adjusted cost of ₹ 29.43 crores against GIAL submission of ₹ 35.70 crores.

L. Sustaining capex (₹ 47.64 crores)

As per MYTP, GIAL has incurred sustaining capex of ₹ 47.64 crores in FY’23. The capex is mainly on account of earth filling work at runway strip as required by DGCA, stamp duty payment as required under Concession Agreement, SAP license, administrative buildings, IT networking, terminal building works, X-ray, security, furniture & fixture and office equipment. Following are the details of capex incurred during FY’23:

Table 102: Details of sustaining capex for FY'23

(₹ crores)

Particular	Amount in (₹ crores)	Remarks
Runway, Taxiway and Apron	10.04	Earth filling works as per DGCA, Apron refurbishment works, Stamp duty allocation
IT equipment	9.11	SAP license, IT networking, workstation, laptops and other office related IT equipment
Plant and Machinery	8.28	Passenger trolleys, electrical installation, X-ray baggage, rubber removal machine, STP, stamp duty allocation etc.
Other Buildings	6.14	Office building, horticulture, parking, stamp duty allocation etc.
Office equipment	4.98	FIDS, Trace detector, LED displays, UG water system, CCTV, office equipments
Notional Lease Asset	3.95	Right of Use of leashold building
Vehicles	2.55	QRT vehicles, Electric vehicle, stamp duty allocation etc.
Furniture & fixtures	2.35	Office and terminal related furniture
Intangilble Assets	2.13	Airport Concession Rights
Terminal Building	1.98	Terminal roof waterproofing, refurbishment work at existing terminal, stamp duty allocation etc.
Software	1.58	Various enterprise software, SITA license
Cargo building	0.57	Civil works towards domestic cargo
Access Road	0.05	Improvement of internal roads
Total	**53.73**	
Less: Notional asset & intangible assets	6.08	Right of use and airport concession rights
Net Amount	**47.64**	

The Authority has reviewed the capital expenditure incurred by GIAL in FY’23 for sustainable operation. It is noted that the capital expenditure is mainly related to airside works, stamp duty payable as per concession requirement, IT licenses like SAP, SITA etc, office building, equipment and furniture, terminal related refurbishment works, borrowing cost etc.. In view of the operational requirement, the Authority proposes to consider this capex.

7.3.7 Based on above proposals, the summary of New Capital Expenditure projects proposed by the Authority for the Third Control Period is as follows:

Table 103: Capital Expenditure proposed by the Authority for the Third Control Period

(₹ crores)

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
		Passenger Terminal Building and Associated Works						
A	A.1	NITB (Including Opening CWIP as per financials)	2025	2026	2194.38	2131.86	(62.52)	Cost adjusted as per Normative
	A.2	Kerbside Development	2025	2026	138.60	127.74	(10.86)	Reduction of culvert cost and

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
								benchmarking with other airports
	A.3	Exisiting Terminal Building Development	2024-2025	2024-2025	9.64	4.82	(4.82)	Adjusted cost in view of NITB and repair related works
		Total			**2342.62**	**2264.41**	**(78.20)**	
		Runways, Taxiway & Aprons						
B	B.1	Apron-2 (Demolition and rew-construction)	2025-2026	2025-2026	466.21	241.19	(225.02)	Cost adjusted as per Normative & inflationary adjustment
	B.2	Airside Storm Water Drainage works	2025	2026	208.38	194.68	(13.70)	Inflationary adjustment
	B.3	Construction of Part Parallel Taxiway and Link Taxiways	2025	2026	199.02	153.75	(45.27)	Cost adjusted as per Normative & inflationary adjustment
	B.4	Land Development works	2026	2026	189.73	43.77	(145.97)	Cost optimisation and phase wise work
	B.5	Widening of Runway Strip	2025	2025	87.17	77.06	(10.10)	Adjusted on account of reduction in working area constraint factor from 10% to 5%
	B.6	Construction of Second Part Parallel Taxiway	2026	2026	81.64	60.84	(20.80)	Cost adjusted as per Normative & inflationary adjustment
	B.7	Extension of Runway 02–20 towards RWY 20	2025	2026	51.61	39.72	(11.90)	Cost adjusted as per Normative & inflationary adjustment
	B.8	Construction of new Isolation Bay (Rigid Pavement)	2025	2025	30.89	21.84	(9.04)	Cost adjusted as per Normative & inflationary adjustment
	B.9	Construction of Rapid Exit Taxiway	2026	2026	19.73	14.79	(4.94)	Cost adjusted as per Normative & inflationary adjustment
	B.10	Other Minor Airside Capex						
	B.10.1	Construction of Runway End Safety Area (RESA) after RWY 20 Threshold	2025	2026	4.21	3.80	(0.41)	Adjusted on account of reduction in working area constraint factor from 10% to 5%, inflationary adjustment or adjusted cost to 50%
	B.10.2	Extension of Blast Pad for RWY 02 and	2025	2026	4.24	3.89	(0.36)	

S. No.	Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
		As per GIAL	Proposed by the Authority				
	Construction of new Blast Pad for RWY 20						in absence of BoQ/details.
B.10.3	Relocation of Simple Approach Lighting System for Runway 20	2025	2025	0.78	0.72	(0.06)	
B.10.4	Installation of Category-I Approach Lighting System towards Runway 02	2025	2026	7.38	7.18	(0.19)	
B.10.5	Off-Stand GSE	2026	2026	4.60	3.50	(1.10)	
B.10.6	Apron stand surface revamping work in old apron	2024	2024	0.32	0.31	(0.01)	
B.10.7	Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard	2025	2025	0.22	0.20	(0.02)	
B.10.8	Provision of new Earthing system for Runway and other associated works at Guwahati Airport	2025	2025	0.19	0.17	(0.01)	
B.10.9	SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport	2024	2024	0.40	0.19	(0.20)	
B.10.10	Upgradation of flexible pavements in Operational area	2026	2026	0.87	0.80	(0.07)	
B.10.11	Runway Graded Strip and RESA strengthening (up to 300mm Depth)	2024	2024	0.18	0.09	(0.09)	
B.10.12	Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron)	2024-2026	2024-2026	1.73	1.64	(0.10)	
B.10.13	Apron Control	2024	2024	0.21	0.10	(0.11)	

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
	B.10.14	Airside Equipments	2024-2026	2024-2026	1.65	1.58	(0.08)	
	B.11	Runway strengthening works	2026	-	75.25	0.00	(75.25)	As per existing runway condition and other planned work, it is propose to defer this work.
		Sub-Total			**1436.60**	**871.81**	**(564.79)**	
C		**Construction of Boundary Wall**						
	C.1	New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip	2025-2026	2025-2026	38.33	33.63	(4.70)	Cost adjusted on account of revised submission by GIAL and inflationary adjustment
	C.2	New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip	2025-2026	2025-2026	77.37	67.98	(9.38)	
	C.3	PIDS System	2025-2026	2025-2026	26.24	20.50	(5.74)	
	C.4	Boundary Wall	2024	2024	0.21	0.10	(0.11)	In absence of BoQ adjusted cost to 50%
		Sub-Total			**142.14**	**122.21**	**(19.94)**	
D		**Cargo Complex**						
	D.1	Interim Cargo Facility	2024	2024	3.22	3.05	(0.17)	Adjusted cost on account of inflationary adjustment
	D.2	New Cargo Terminal	2026	2026	23.15	21.18	(1.97)	
		Sub-Total			**26.37**	**24.23**	**(2.14)**	
E		**Fuel Farm Infrastructure**						
	E.1	Fuel storage farm	2025-2026	-	135.07	0.00	(135.07)	It is proposed to re-evaluate fuel farm location and fuel storage tank capacity due to dedicated line. Project has been allowed on incurrence basis.
	E.2	Fuel hydrant line	2025-2026	-	160.68	0.00	(160.68)	
	E.3	Equipment cost	2024	2025	3.15	3.07	(0.08)	
		Cost of procurement of IOCL and RIL Assets	2024	2025	10.50	10.24	(0.26)	
		Dead Stock	2026	-	16.14	0.00	(16.14)	
		Sub-Total			**325.55**	**13.31**	**(312.24)**	
F		**Vehicles**						
	F.1	Vehicles	2024-2027	2024-2027	12.58	6.73	(5.85)	

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
	F.2	Modified vehicle for BDDS equipment	2025-2026	2025-2026	3.39	3.13	(0.26)	Adjustment in rates/qty and inflation adjustment
	F.3	Vehicle recovery Van	2024	2024	0.16	0.15	0.00	
	F.4	2 Nos.Tractor withTrolleys & electric buggies to shuttle nursery between the two Terminals	2025-2026	2025-2026	0.23	0.10	(0.13)	
	F.5	Ambulance	2025	2025	0.87	0.52	(0.35)	
	F.6	Crash Fire Tender	2024-2025	2025-2026	25.81	25.00	(0.80)	
	F.7	Quick Reaction Team (QRT) Vehicle	2025	2025	0.77	0.72	(0.06)	
		Sub-Total			**43.81**	**36.36**	**(7.46)**	
G		**Plant and Machinery**						
	G.1	5 nos. OWS	2026	2026	26.80	14.13	(12.67)	Adjustement on account of inflationary adjustment, 50% consideration of work where BoQ is not provided, project need assessment and Cost optimization.
	G.2	Triturator	2025	2025	3.83	3.13	(0.70)	
	G.3	Hazardous Waste Storage	2026	2026	0.55	0.25	(0.30)	
	G.4	Reticulation of utilities to new facilities	2027	2027	9.78	4.48	(5.30)	
	G.5	SITC of LED type SPOL System at Sajanpara, Borsilla & Mirza Hills near LGBI Airport, Guwahati.	2024	2024	0.06	0.03	(0.03)	
	G.6	Laying of GLF light cables approximate 6500 mtrs	2025	2025	0.94	0.44	(0.50)	
	G.7	Laser unit for AVDGS-2NO	2025	2025	0.44	0.20	(0.24)	
	G.8	SITC of A-VDGS at Bay no. 4	2025	2025	0.78	0.36	(0.42)	
	G.9	Energy saving projects (hymus perimeter lights, hymus solar lights, other energy saving projects) (Reduced from 2.7 to 1.52)	2024	2024	1.60	0.78	(0.82)	

S. No.	Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
		As per GIAL	Proposed by the Authority				
G.10	SITC of Repair and Maintenance work for Airside	2024	2024	0.32	0.00	(0.32)	
G.11	Miscellaneous Plant and Machinery (Boom lift, Chiller plant cooling tower development, Breath Analyser Equipment, Expansion of existing electrical office, Modification of Existing DG set controller etc)	2024-2027	2024-2027	3.36	3.19	(0.17)	
G.12	PVC coated Chain net for Operation area drains	2025	2025	1.10	0.51	(0.59)	
G.13	Environmental Projects (R22 based will be replaced by R32, carbon offset projects, ACI 4 + certificationn, RE 100 etc)	2024-2027	2024-2027	7.34	4.22	(3.12)	
G.14	EV Charging Stations for E Buses , Apron Cars , Tugs along with their installtion .	2024-2027	2024-2027	6.48	2.97	(3.51)	
G.15	carbon sequestration	2024-2027	-	3.95	0.00	(3.95)	
G.16	Biodiversity preservation projects	2024-2027	-	2.50	0.00	(2.50)	
G.17	Fire Fighting Equipments	2024-2027	2024-2027	3.86	3.63	(0.23)	
G.18	Disable Aircraft Removal Kit	2025	2025	19.50	18.11	(1.39)	
G.19	Hand Baggae X-Ray - 60cmX40cm	2025, 2026	2025, 2026	2.89	2.66	(0.22)	
G.20	Explosive Trace Detector(ETD)	2024-2026	2024-2025	1.49	1.40	(0.09)	
G.21	Hand Held Metal Detector(HHMD)	2024-2027	2024-2027	0.21	0.19	(0.02)	
G.22	Door Frame Metal Detector(DFMD)	2024-2027	2024-2027	0.68	0.62	(0.05)	

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
	G.23	Security Opration Control Center (CISF)	2025-2027	2025-2027	3.29	1.47	(1.82)	
	G.24	Security Survilience Centre (SSC)	2025	2025	1.65	0.77	(0.89)	
	G.25	Close CircuitTelevision (CCTV) Setup	2025-2027	2025-2027	3.71	1.66	(2.05)	
	G.26	Access Control system, Adani	2025-2027	2025-2027	2.78	1.24	(1.54)	
	G.27	Container Tubular shooting Range	2025	2025	1.43	0.67	(0.77)	
	G.28	Video Surveillace system	2024-2027	2024-2027	4.23	1.89	(2.34)	
	G.29	Body Scanner	2025-2027	2025-2027	51.49	16.99	(34.50)	
	G.30	VDGS	2026	2026	13.89	12.74	(1.15)	
		Sub-Total			**180.93**	**98.74**	**(82.19)**	
H		**Other Buildings**						
	H.1	Relocation of Localiser 02	2024	2024	0.21	0.10	(0.11)	Adjustement on account of working area constraint, inflationary adjustment, 50% consideration of work where BoQ is not provided, project need assessment, Cost optimisation on account of reduction in area of admin and other associated buildings
	H.2	CCR Building new construction	2026	2026	14.46	12.58	(1.88)	
	H.3	5 Airside Gates	2026	2026	6.51	3.01	(3.50)	
	H.4	SMR Facilities (New Construction)	2025	2025	1.00	0.47	(0.54)	
	H.5	Fuel/ EV Charging Station	2026	2026	2.76	1.28	(1.48)	
	H.6	Satellite ARFF Station (New Construction)	2025	2025	13.61	11.92	(1.69)	
	H.7	Modification of MT workshop into Admin office building (Interim arrangement)	2025	2025	2.36	1.09	(1.26)	
	H.8	Integrated Building for Airport Police Station, Airport Health Office and Airport Post Office	2027	2027	10.34	6.85	(3.49)	
	H.9	Airport Administration Building (5,000 Sqm)	2027	2027	55.57	20.11	(35.46)	
	H.10	Airport Maintenance	2027	-	13.34	0.00	(13.34)	

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
		Office (1,200 Sqm)						
	H.11	Solid Waste Facility	2026	2026	2.82	1.30	(1.52)	
	H.12	Water Supply system	2026	2026	5.43	2.48	(2.94)	
	H.13	Sewerage System	2027	2027	1.35	0.62	(0.73)	
	H.14	Modification of watch tower at operational area L.G.B.I. Airport Guwahati	2024	2024	0.37	0.18	(0.19)	
	H.15	Earth filling of low using areas and other miscellaneous works at operational area related to DGCA compliance from time to time at L.G.B.I. Airport Guwahati	2025	2025	0.44	0.20	(0.24)	
	H.16	Fire Station Improvement	2024-2025	2024-2025	4.57	4.41	(0.15)	
	H.17	Other Building - Admin Office	2024	2024	1.58	0.00	(1.58)	
	H.18	Sewage Treatment Plant	2025	2025	0.40	0.37	(0.03)	
	H.19	Misc Other Buildings - Upgradation works at RED, ATC, CISF and BCAS building	2024-2025, 2027	2024-2025, 2027	3.26	1.48	(1.78)	
	H.20	Installation of LGB Statue	2024	2024	0.16	0.08	(0.08)	
	H.21	CISF accomodation	2025-2027	2025-2027	15.64	7.04	(8.60)	
	H.22	Nursery Development	2027	2027	0.73	0.33	(0.40)	
	H.23	Misc Horticulture Improvements	2024-2027	2024-2027	1.64	0.75	(0.90)	
	H.24	Administrative Building	2024-2026	-	3.91	0.00	(3.91)	
	H.25	Anti Hijacking Control Room (AHCR) upgradation	2025-2026	2025-2026	1.40	0.63	(0.77)	
		Sub-Total			**163.85**	**77.28**	**(86.57)**	
I		**IT equipment**						
	I.1	IT Equipments	2024-2027	2024-2027	17.80	5.87	(11.92)	Adjustment toward strategic project and

S. No.		Particular	Financial Year of Capitalization		Cost as per GIAL (A)	Cost as per the Authority (B)	Difference C=(A-B)	Remarks
			As per GIAL	Proposed by the Authority				
								inflationary adjustment
		Sub-Total			**17.80**	**5.87**	**(11.92)**	
J		**Furniture & fixtures**						
	J.1	Furniture & Fixtures for Terminal, Office, Security etc.	2024-2027	2024-2027	1.66	1.56	(0.10)	
		Sub-Total			**1.66**	**1.56**	**(0.10)**	
K		**Security equipment**						
	K.1	Procurement of Security Equipments (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc)	2024-2027	2024-2027	2.96	1.34	(1.61)	Cost adjusted to 50% where insufficient details provided; inflationary adjustment
	K.2	Threat Containment Vessel (TCV)	2025	2025	15.44	14.33	(1.10)	
	K.3	BDDS	2024-2027	2024-2027	4.61	2.09	(2.52)	
	K.4	Misc Security Equipments (Quick Reaction Team Equipments, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc)	2025-2026	2025-2026	12.70	11.66	(1.04)	
		Sub-Total			**35.70**	**29.43**	**(6.27)**	
L		Sustaining capex already spent (FY22-23)			47.64	47.64	**0.00**	
Total Capex					**4764.66**	**3592.84**	**(1171.83)**	

Note: The variation in the capex (excluding soft cost) allowed by the Authority vis a vis submitted by GIAL is mainly on the account of adjustment of cost towards airside works, inflation adjustment, adoption of rates based on industry benchmarks and capacity optimization.

7.3.8 Capital Work in Progress (CWIP)

i. In terms of the clause 6.4.5 of the Concession Agreement, GIAL has to take over CWIP from AAI and reimburse the cost of such CWIP to AAI. Following is the relevant extract of the Concession Agreement:

"6.4.5 Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire to the Authority within a period of 90 (ninety) days thereon.

The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.

Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.

The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."

ii. As per MYTP for third control period, GIAL received CWIP invoices from AAI totaling ₹ 430.89 crores. As on 31st Mar'22 the GIAL CWIP was ₹ 453.67 crores. The Authority understands from the MYTP submission made by GIAL that these CWIP will be capitalized along with terminal building. The Authority has accordingly considered the capitalization of this CWIP along with terminal building.

iii. The Authority notes that GIAL has not paid any GST amount (on the value of RAB and CWIP invoices) to AAI. Further, in future, if AAI is required to bear the GST, then based on the indemnity bond provided by GIAL, the same will be recovered by AAI from GIAL. As the GST amount has not been paid by GIAL, the Authority has not considered the same for determining RAB for the Third Control Period. However, the Authority will consider the statutory payments relating to GST amount on RAB and CWIP invoices, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.9 The Authority notes that GIAL would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expects that GIAL would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.

7.3.10 **Soft Cost – Technical Consultancies, Contingencies, Pre-Operative cost, design cost, PMC,**

Preliminary expenses

i. GIAL as part of proposed project cost for third control period has considered soft cost of ₹ 682 crores. GIAL has considered 16% of capital expenditure as soft cost on account of technical consultancies, contingencies, preoperative Cost, design cost, PMC, preliminary expenses.

ii. The Authority upon review of GIAL's explanation and relevant documents has the following views with respect to soft cost:

a. The Authority notes that for other PPP airports such as HIAL, BIAL, DIAL etc. the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16% claimed by GIAL is on the higher side, as compared to other PPP Airports and hence not justified.

b. Many of the capex allowed to GIAL are bought out items, wherein orders are placed on Supply, installation, Testing & Commissioning (SITC) basis, Hence, soft cost such as Project Management Consultancy (PMC), Design etc. need not be incurred on such items.

c. New Capital Expenditure allowed to GIAL includes works on airside. On airside works such as Apron, Taxiway, Runway overlay, Fuel farm etc. PMC charges are normally in the range of 1% to 3% maximum.

d. Soft cost claimed by the GIAL includes, contingencies also, which do not come as a separate line item while capitalizing the assets and is not to be claimed without any contingent activity.

e. GIAL has considered 16% soft cost unilaterally on overall capex items. However, the consideration of soft cost vary asset wise. Following are the observations of the Authority in this regard:

Table 104: Asset head wise analysis and observation regarding soft cost

Asset Head	Items	Analysis and Observations
Air Side works	Airside/landside drain works, Earth filling, Basic strip development with earth boundary wall, Apron, taxiways, airside improvement work, security gates and other airside works etc.	On airside works, PMC charges are in the range of 1% to 3%
Bought Out Items	BDDS equipment, Tractor, Ambulance, Crash Fire Tender, QRT vehicles, Fuel Farm Equipment, ETD, HHMD, DFMD, CCTV, VDGS, Fire Fighting equipment, Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device, Threat containment vehicle etc.	Items are purchased on Supply, Installation, Testing & Commissioning (SITC) basis. Soft costs are bare minimum (i.e., in the range of 1%-3%) and are mostly not applicable on such items.
Contingencies		GIAL has included contingencies also in soft cost, Contingencies are not applicable after commissioning of Assets.

In view of the above, the Authority proposes to consider the aforementioned costs to the extent of 8% of the Aero CAPEX of the projects allowed by the Authority for the current Control Period. The

Authority has thus derived the amount proposed to be allowed towards the aforementioned costs as ₹ 283.62 crores against ₹ 682 crores proposed by GIAL.

7.3.11 The Authority proposes to readjust (reduce) 1% of the uncapitalised project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalisation schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, due to any reason beyond the control of GIAL or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by GIAL and is also encouragement for GIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/schedule.

7.3.12 **Financing Allowance/Interest During Construction**

As part of the MYTP, GIAL had considered 65% debt funding for the proposed capex and balance 35% from equity portion. GIAL has considered Interest During Construction at the rate of 12% over debt portion and financing allowance at the rate of 12% over equity portion. As per MYTP, GIAL has considered IDC over 65% of funding source and financing allowance over balance funding source. The details of FA and IDC submitted by GIAL is given below:

Table 105: FA and IDC submitted by GIAL

(₹ crores)

Particular	FY’22	FY’23	FY’24	FY’25	FY’26	FY’27	Total
IDC		18.30	113.68	187.76	90.52	1.73	412.00
Financing Allowance	26.25	9.86	61.21	101.10	48.74	0.93	248.10
Total	**26.25**	**28.16**	**174.90**	**288.86**	**139.26**	**2.67**	**660.10**

The Authority examined GIAL’s claim as well as the justification provided for the same in detail and has summarized its view as shown below:

i. The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.

ii. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

iii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. GIAL is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

iv. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

v. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where GIAL brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and GIAL keeps on enjoying the charges from the users. In the case of LGBIA, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which in the opinion of the Authority would not be eligible for an allowance on the equity portion of newly funded capital projects.

vi. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

vii. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on equity portion of the capital expenditure. The proviso to Section 13 (1) (a) of the AERA Act states that "different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)".

viii. In respect of IDC, the Authority is inclined to allow the same and accordingly, the Authority has considered IDC to be provided on the debt portion of the value of average CWIP derived on the basis of revised Capitalization schedule proposed by the Authority. Further, the Authority proposes to consider the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% (refer para 8.2.5 onwards) for the Third Control Period for calculating the value of IDC. Based on the same, the Authority has derived an amount of ₹ 179.42 crores and proposes to allow the same as against ₹ 660.10 crores (as Financing Allowance and IDC) claimed by GIAL for the Third Control Period. Following is the asset category wise IDC for the proposed capex programme.

Table 106: Asset category wise details of Interest During Construction as per the Authority

(₹ crores)

Particular	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Land Development Works	-	-	0.38	1.14	-	1.52
Airside Improvement Works	-	0.04	7.78	25.32	5.03	38.17
Ancillary Building Development Works	-	-	-	0.46	0.27	0.73
ATF storage and distribution system	-	-	0.13	-	-	0.13
Development of Cargo Facilities	-	0.01	-	0.49	-	0.50
Environment Related	-	-	0.17	0.56	0.02	0.75
Passenger Terminal & Associated works	-	23.46	50.03	64.02	-	137.51
Utilities	-	-	-	0.08	0.03	0.11
Total	**-**	**23.51**	**58.49**	**92.08**	**5.34**	**179.42**

ix. GIAL estimated IDC of ₹ 412.00 crores against which the Authority proposes ₹ 179.42 crores for IDC. The reduction in IDC amount is on account of adjustment towards cost of debt, change in gearing ratio, optimization in capex amount and revised phasing.

x. The IDC proposed by the Authority towards the capital expenditure for the Third Control Period is given below:

Table 107: IDC proposed by the Authority for the Third Control Period

(₹ crores)

Particular	FY'23	FY'24	FY'25	FY'26	FY'27	Total
IDC	-	23.51	58.49	92.08	5.34	179.42

7.3.13 **Summary of the Capital expenditure proposed by the Authority for Third Control Period**:

a. With reference to above following is the summary of the capex proposed by the Authority for the purpose of regulatory asset base for third control period in case of LGBIA:

Table 108: Summary of the CAPEX proposed by the Authority for Third Control Period

(₹ crores)

S. No.	Project Name	Reference	Amount in ₹ Crore	
			GIAL	Authority
A	Basic cost (Including indexation) as tabled above	Para 7.3.7	4717.36	3545.20
B	Soft Cost	Para 7.3.10	682.00	283.62
C	Interest During Construction	Para 7.3.12	412.00	179.42
D	Financing Allowance	Para 7.3.12	248.00	0
	Total – New Capex		**6059.36**	**4008.24**
E	FY'23 as per actual capex incurred		47.64	47.64
	Grand Total		**6107.00**	**4055.88**

7.3.14 **Allocation of capital expenditure into Aeronautical and Non-Aeronautical**

a. GIAL has submitted following with respect to RAB allocation methodology for third control period:

9.1 As per AERA Order No 14/2016-17 and as mandated under the Concession Agreement, the Hybrid-Till with 30% cross subsidization of non-Aeronautical revenues is the applicable methodology. The relevant extract from AERA order and Concession Agreement is as follows:

9.1.1 Extract from AERA order:

The authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory of India Act 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that: -

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

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

9.1.2 Extract from Concession Agreement:

28.3.2 The GOI has, through the National Civil Aviation Policy dated June 15,2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be *accordingly considered by the Regulator for the purposes of the determination of the Fees/ Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval.*

28.3.3 The Aeronautical Charges shall be regulated and set/ re-set, in accordance with the Shared-Till Approval, terms of this Agreement including the terms set out in Schedule R (Memorandum of Understanding) and the Applicable Laws.

9.1.3 Extract from Schedule R of the Concession Agreement:

2.2 Principles for Determination and Revision of Fees

2.2.1 The GOI has, through the National Civil Aviation Policy dated June 15, 2016 approved the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all Airports in India ("Shared-Till Approval"), and the same shall be accordingly considered by AERA, for the purposes of the determination of the Fees/ Aeronautical Charges pursuant to the provisions of this Agreement.

2.2.2 The Aeronautical Charges shall be regulated and set/ re-set, in accordance with the Shared-Till Approval, the terms of the Concession Agreement and the Applicable Laws.

9.2 As per Clause 5.2 of the AERA Guidelines:

5.2.1. Scope of the RAB

(a) In normal course, all airport fixed assets will come under the scope of the RAB. However, the Authority may, based on due consideration of relevant factors, include or exclude certain fixed assets from the scope of RAB.

(b) The relevant RAB assets shall be all the fixed assets proposed by the Airport Operator(s), after providing for such exclusions therefrom or such inclusions therein, as may be determined by the Authority in respect of specific assets based on following principles:-

(i) The assets that substantially provide amenities / facilities/ services that are not related to, or not normally provided at an airport, may be excluded from the scope of RAB;

(ii) The assets that in the opinion of the Authority do not derive any material commercial advantage from the airport (for example from being located close to the airport) may be excluded from the scope of RAB;

(iii) Responses by stakeholders in relation to their inclusion or exclusion during consultations.

(iv) Specification of, to the Authority's satisfaction, sufficient accounting separation to ensure that the costs and revenues associated with the assets shall be clearly identified for the preparation and audit of regulated airport accounts;

(v) Specification of, to the Authority's satisfaction wherever appropriate (where the Authority considers there may be substantial financial risks associated with any asset), sufficient legal separation to protect the Airport Operators, and thus airport Users, in the event of any substantial financial risks materialising. The Authority shall require the Airport Operator(s) to insulate the Users by suitably ring fencing the assets excluded from the scope of RAB. The principles governing the ring fencing are mentioned in the paragraph 7.5 of Order Number 13/2010-11 of the Authority issued on 12-Jan-2011.

(vi) Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB.

(c) Any exclusion/ inclusion shall only be considered if it is proposed to be executed in the Control Period for which the Multi Year Tariff Proposal is submitted.

(d) The Authority may also, in its discretion, consider any other relevant factors for exclusion or inclusion of assets.

(e) The assets related to any service(s) provided by the Airport Operator that are subject to separate control and regulated as per Clause 5.7, shall be excluded from the scope of RAB.

9.2.1 It is observed that as per AERA Guidelines, 5.2.1 (b) (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB /Aeronautical asset and not required to be allocated into Aero and Non-Aero.

b. The Authority has examined GIAL submission and have following observations:

   i. As per tariff guidelines 2011 for Airport Operators the tariff for an Airport needs to be calculated as per single till methodology. According to which all building block of ARR considered 100% as aeronautical.

   ii. The Authority in order to adopts uniform tariff policy across all major airports had amended its tariff guideline to the extent of adoption of Hybrid Till instead of Single Till prescribed in the guidelines vide order 14/2016-17. The Hybrid Till in principle considers only aeronautical portion of OPEX and CAPEX as pass through in tariff with 30% cross subsidy from Gross Non-Aero Revenue.

   iii. The revenue, cost and asset are interlinked and should be aligned in accordance with the till methodology adopted for tariff determination. Thus, as part of asset allocation exercise, we would require identification and allocation of Assets and OPEX into Aero and Non-Aero

   iv. The Authority has adopted following basis for allocation of RAB addition during third control period:

   Terminal Building Ratio - It was observed that GIAL has classified the entire area of the terminal building as aeronautical. Upon enquiry, GIAL stated that this was done in accordance with the AERA Act.

   Terminal Building Area is planned in an airport considering the facilities to be provided for Aeronautical activities and provision of space for certain Non-Aeronautical activities such as Food & Beverage, Duty Free etc. Also, in case of PPP airports, the focus on Non-Aeronautical activities is expected to be more as these would generate revenues and a part of the same would also cross subsidize the Aeronautical charges. The Non-Aeronautical activities are over 10% of terminal building area at other similar size PPP airports. Prescriptions of IMG norms also provide for non-aeronautical area to be between 8% and 12%, with the range being higher for larger airports. Considering the above, the Authority proposes to consider the ratio of 90:10 towards Aeronautical and Non-Aeronautical in line with its decision in Order No. 03 /2017-18 dated 2nd June 2017 for GIAL for the Third Control Period and recommendation in independent study on asset allocation.

   Employee Ratio- GIAL has submitted expected deployment of employees during third control period. Basis on employment schedule and rationalization, the employee ratio has been calculated at operating expense chapter (please refer Table ***140*** of O&M chapter of this consultation paper for detailed calculation). The effective employee ratio for third control period comes to 96.01%.

   Gross Block Asset Ratio – As per the asset allocation study the gross block asset ratio is 95.39% as on 31st Mar'2022, same has been considered for third control period for the purpose of asset allocation.

   v. It is to be further noted that the Authority has considered above ratios to allocate assets planned to be procured as part of third control period, the allocation ratio will be revised as per asset allocation exercise undertaken by the Authority in the next control period.

   Following is the asset wise allocation for asset addition proposed in third control period:

Table 109: Asset wise allocation for asset addition proposed in third control period

Particular	Allocation Basis	Aeronautical portion
Terminal Building	Terminal Ratio	90.00 %
Runway, Taxiway and Apron	Aeronautical	100.00 %
Cargo building	Aeronautical	100.00 %
Cargo Equipment	Aeronautical	100.00 %
Boundary wall	Aeronautical	100.00 %
Software	Employee Ratio	96.01 %
IT equipment	Employee Ratio	96.01 %
Security equipment	Aeronautical	100.00 %
Plant and Machinery	Gross Block Asset	95.39 %
Other Buildings	Gross Block Asset	95.39 %
Access Road	Aeronautical	100.00 %
Fuel	Aeronautical	100.00 %
Furniture & fixtures	Gross Block Asset	95.39%
Vehicles	Employee Ratio	96.01%
Office equipment	Employee Ratio	96.01%

7.4 Capital addition for the Third Control Period

Total capital addition as per the Authority for third control period is ₹ 4055.89 Crore. The Authority considers following capitalization schedule for the purpose of third control period.

Table 110: Capitalization schedule proposed by the Authority for the Third Control Period

(₹ crores)

Particular	FY'23*	FY'24	FY'25	FY'26	FY'27	Total
Terminal Building	1.98	5.20	-	2,431.96	-	2,439.15
Runway, Taxiway and Apron	10.04	-	113.78	861.88	-	985.71
Cargo Facility	0.57	3.30	-	23.37	-	27.24
Boundary wall	-	-	0.11	136.50	-	136.61
Software	1.58	-	-	-	-	1.58
IT equipment	9.11	-	2.04	2.11	2.19	15.46
Security equipment	-	-	22.27	5.25	4.26	31.78
Plant and Machinery	8.28	-	44.03	58.11	5.23	115.65
Other Buildings	6.14	0.11	23.85	27.68	33.63	91.41
Access Road	0.05	-	-	145.92	-	145.97
Fuel	-	-	14.50	-	-	14.50
Furniture & fixtures	2.35	-	0.99	0.22	0.47	4.03
Vehicles	2.55	-	21.27	17.99	-	41.81
Office equipment	4.98	-	-	-	-	4.98
Total	**47.65**	**8.61**	**242.86**	**3,710.99**	**45.77**	**4,055.89**

*actual

Capital addition proposed above is further allocated into Aeronautical asset for the purpose of Regulatory Asset Base for third control period. The year wise details for Regulatory Asset Base are as follows:

Table 111: Year wise details for Aeronautical capex proposed by the Authority for the Third Control Period

(₹ crores)

S. No.		Particular	Aero Capitalisation					Total
			FY'23*	FY'24	FY'25	FY'26	FY'27	
		Passenger Terminal and Associated Works						

S. No.		Particular	Aero Capitalisation					Total
			FY'23*	FY'24	FY'25	FY'26	FY'27	
A	A.1	NITB (Including Opening CWIP as per financials)	0.00	0.00	0.00	2188.77	0.00	2188.77
	A.2	Kerbside Development	0.00	0.00	0.00	145.92	0.00	145.92
	A.3	Exisiting Terminal Building Development	0.00	4.68	0.00	0.00	0.00	4.68
		Sub-Total – (A)	**0.00**	**4.68**	**0.00**	**2334.68**	**0.00**	**2339.36**
		Runways, Taxiway & Aprons						
B	B.1	Apron-2 (Demolition and rew-construction)	0.00	0.00	0.00	269.89	0.00	269.89
	B.2	Airside Storm Water Drainage works	0.00	0.00	0.00	217.40	0.00	217.40
	B.3	Construction of Part Parallel Taxiway and Link Taxiways	0.00	0.00	0.00	174.76	0.00	174.76
	B.4	Land Development works	0.00	0.00	0.00	48.79	0.00	48.79
	B.5	Widening of Runway Strip	0.00	0.00	84.88	0.00	0.00	84.88
	B.6	Construction of Second Part Parallel Taxiway	0.00	0.00	0.00	68.07	0.00	68.07
	B.7	Extension of Runway 02–20 towards RWY 20	0.00	0.00	0.00	44.61	0.00	44.61
	B.8	Construction of new Isolation Bay (Rigid Pavement)	0.00	0.00	24.06	0.00	0.00	24.06
	B.9	Construction of Rapid Exit Taxiway	0.00	0.00	0.00	16.55	0.00	16.55
	B.10	Other Minor Airside Capex						
	B.10.1	Construction of Runway End Safety Area (RESA) after RWY 20 Threshold	0.00	0.00	0.00	4.23	0.00	4.23
	B.10.2	Extension of Blast Pad for RWY 02 and Construction of new Blast Pad for RWY 20	0.00	0.00	0.00	4.32	0.00	4.32
	B.10.3	Relocation of Simple Approach Lighting System for Runway 20	0.00	0.00	0.79	0.00	0.00	0.79
	B.10.4	Installation of Category-I Approach Lighting System towards Runway 02	0.00	0.00	0.00	7.90	0.00	7.90
	B.10.5	Off-Stand GSE	0.00	0.00	0.00	3.92	0.00	3.92
	B.10.6	Apron stand surface revamping work in old apron	0.00	0.00	0.33	0.00	0.00	0.33
	B.10.7	Manhole chamber covers for all manholes or pits at apron area, strip area as per ICAO standard	0.00	0.00	0.22	0.00	0.00	0.22
	B.10.8	Provision of new Earthing system for Runway and other associated works at Guwahati Airport	0.00	0.00	0.19	0.00	0.00	0.19
	B.10.9	SITC of Inset fittings for Runway-Taxiway intersection at Guwahati Airport	0.00	0.00	0.21	0.00	0.00	0.21

S. No.		Particular	Aero Capitalisation					Total
			FY'23*	FY'24	FY'25	FY'26	FY'27	
	B.10.10	Upgradation of flexible pavements in Operational area	0.00	0.00	0.00	0.86	0.00	0.86
	B.10.11	Runway Graded Strip and RESA strengthening (up to 300mm Depth)	0.00	0.00	0.09	0.00	0.00	0.09
	B.10.12	Airside works (Apron surface revamping works, Provision of new Airfield signages, Joint filling and cleaning of old apron)	0.00	0.00	1.19	0.57	0.00	1.77
	B.10.13	Apron Control	0.00	0.00	0.11	0.00	0.00	0.11
	B.10.14	Airside Equipments	0.00	0.00	1.70	0.00	0.00	1.70
	B.11	Runway strengtheing works	0.00	0.00	0.00	0.00	0.00	0.00
		Sub-Total – (B)	**0.00**	**0.00**	**113.78**	**861.88**	**0.00**	**975.66**
C		**Construction of Boundary Wall**						
	C.1	New construction of Airside Perimeter & Service Roads and demolition of existing Airside Roads due to widening of Runway Strip	0.00	0.00	0.00	37.62	0.00	37.62
	C.2	New construction of Airside Boundary Wall & demolition of existing Airside Boundary Wall due to widening of Runway Strip	0.00	0.00	0.00	76.05	0.00	76.05
	C.3	PIDS System	0.00	0.00	0.00	22.84	0.00	22.84
	C.4	Boundary Wall	0.00	0.00	0.11	0.00	0.00	0.11
		Sub-Total (C)	**0.00**	**0.00**	**0.11**	**136.50**	**0.00**	**136.61**
D		**Cargo Complex**						
	D.1	Interim Cargo Facility	0.00	3.30	0.00	0.00	0.00	3.30
	D.2	New Cargo Terminal	0.00	0.00	0.00	23.37	0.00	23.37
		Sub-Total (D)	**0.00**	**3.30**	**0.00**	**23.37**	**0.00**	**26.67**
E		**Fuel Farm Infrastructure**						
	E.1	Fuel storage farm	0.00	0.00	0.00	0.00	0.00	0.00
	E.2	Fuel hydrant line	0.00	0.00	0.00	0.00	0.00	0.00
	E.3	Equipment cost	0.00	0.00	3.35	0.00	0.00	3.35
		Cost of procurement of IOCL and RIL assets	0.00	0.00	11.16	0.00	0.00	11.16
		Dead Stock	0.00	0.00	0.00	0.00	0.00	0.00
		Sub-Total (E)	**0.00**	**0.00**	**14.50**	**0.00**	**0.00**	**14.50**
F		**Vehicles**						
		Sub-Total (F) (F1-F5)	**0.00**	**0.00**	**20.42**	**17.27**	**0.00**	**37.70**
G		**Plant and Machinery**						
		Sub-Total (G) (G1-G30)	**0.00**	**0.00**	**42.00**	**55.43**	**4.99**	**102.42**
H		**Other Buildings**						
		Sub-Total (H) (H1-H25)	**0.00**	**0.10**	**22.75**	**26.40**	**32.08**	**81.34**
I		**IT equipment**						
	I.1	IT Equipment	0.00	0.00	1.96	2.03	2.10	6.09

S. No.		Particular	Aero Capitalisation					Total
			FY'23*	FY'24	FY'25	FY'26	FY'27	
		Total – IT equipment	**0.00**	**0.00**	**1.96**	**2.03**	**2.10**	**6.09**
J		**Furniture & fixtures**						
	J.1	Furniture & Fixtures for Terminal, Office, Security etc.	0.00	0.00	0.95	0.21	0.45	1.60
		Total – Furniture & fixtures	**0.00**	**0.00**	**0.95**	**0.21**	**0.45**	**1.60**
K		**Security equipment**						
	K.1	Procurement of Security Equipment (Bullet Proof Jackets, Bullet Proof Helmet, Bullet Proof Shield, Bullet Proof Morcha, Binocular Device etc)	0.00	0.00	1.45	0.00	0.00	1.45
	K.2	Threat Containment Vessel (TCV)	0.00	0.00	15.48	0.00	0.00	15.48
	K.3	BDDS	0.00	0.00	1.11	1.15	0.00	2.25
	K.4	Misc Security Equipment (Quick Reaction Team Equipment, Radiological Detection Equipment, Network Switch and Cabling Tec Refresh, OFC network CCTV etc)	0.00	0.00	4.24	4.10	4.26	12.60
		Total – Security equipment	**0.00**	**0.00**	**22.27**	**5.25**	**4.26**	**31.78**
L		Sustaining capex already spent (FY22-23)	45.95					45.95
	Total		**45.95**	**8.09**	**238.76**	**3463.03**	**43.87**	**3799.70**

Note-Above cost is aeronautical and includes inflation, soft cost, IDC
**as per actuals*

7.5 Depreciation for the Third Control Period

GIAL's submission

7.5.1 GIAL follows the policy of determining the rates of depreciation based on the 'useful life' of different asset classes. While submitting the Multi-Year Tariff Proposal for the Third Control Period for LGBIA, GIAL has taken cognizance of the rates of depreciation approved by the Authority in its order vide Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 / 2017-18 on 'Determination of Useful Life on Airport Assets'. However, GIAL has considered different rates for certain asset classes based on the recommendations by independent technical evaluation for Lucknow and Ahmedabad Airports and the same are as per the table given below -:

Table 112: Depreciation rates determined by GIAL for the Third Control Period

Asset Class	Depreciation as per GIAL's submission
Terminal Building	4.00%
Runway, Taxiway and Apron	5.00%
Cargo Building	4.00%
Cargo Equipment	13.33%
Boundary wall	20.00%
Computer Servers, networks, etc.	33.33%
Computer End-user devices	33.33%

Asset Class	Depreciation as per GIAL's submission
Security equipment	13.33%
Plant and Machinery	13.33%
Other buildings	3.33%
Access road	10.00%
Fuel farm facility assets	13.33%
Furniture & fixtures	14.29%
Vehicles	20.00%
Office Equipment	20.00%

7.5.2 Depreciation has been computed separately on opening block of assets and on the proposed additions. For the additions to RAB, GIAL has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the financial year).

7.5.3 The depreciation amount submitted by GIAL for the Third Control Period has been presented in the table below.

Table 113: Depreciation submitted by GIAL for the Third Control Period

(₹ crores)

Particular	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Terminal Building	0.26	0.45	62.07	123.53	123.53	309.85
Runway, Taxiway and Apron	5.38	5.73	18.21	61.48	92.35	183.16
Cargo Facillity	0.01	0.10	0.17	0.74	1.31	2.34
Boundary wall	2.86	0.70	0.12	18.18	36.17	58.02
Software	-	0.53	0.53	0.53	0.00	1.58
IT equipment	1.23	6.86	9.45	9.68	4.49	31.70
Security equipment	-	0.05	1.83	4.07	5.05	11.01
Plant and Machinery	9.24	9.71	12.34	22.74	30.18	84.21
Other Buildings	1.38	1.62	2.32	3.64	6.29	15.25
Access Road	0.03	0.03	0.03	0.01	0.01	0.11
Fuel	-	1.06	2.11	28.58	55.05	86.79
Furniture & fixtures	0.38	0.76	0.83	0.77	0.75	3.51
Vehicles	2.10	3.99	6.51	8.95	10.12	31.67
Office equipment	0.24	1.24	1.23	1.22	1.15	5.08
Total	**23.11**	**32.83**	**117.76**	**284.13**	**366.46**	**824.29**

Authority's examination regarding Depreciation for the Third Control Period

7.5.4 The Authority duly examined the recommendations of the Technical Study Report on 'useful life of assets' submitted by GIAL and observed that the expert appointed by GIAL has prescribed the useful lives of assets component wise after technical assessment.

7.5.5 The Authority noted the methodology adopted by the Valuer to evaluate the useful lives of assets is as follows:

- *"Physical inspection of some of the assets*
- *Detailed discussions with the Projects, Finance & Engineering and Maintenance team of MIA and the General Manager (Engineering – Civil) of Airports Authority of India pertaining to usage of the assets.*
- *Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013*

Schedule 2, Airports Economic Regulatory Authority of India ("AERA"), Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA)

- *Our understanding and experience as qualified engineers "*

7.5.6 The Authority has observed the recommendations given in the study report for adopting shorter useful life and noted the following:

- The Independent Expert appointed by GIAL has considered the various components of the Terminal Building such as False Ceiling, Sanitation works, Glass façade, Flooring works etc. for assessing the useful life of the Terminal Building. The Expert has calculated the contribution of each of the components to the overall structure of the Terminal Building along with the estimated useful life of such components wherein shorter useful lives have been adopted for False Ceiling, Sanitation works, Glass façade and Flooring works due to frequent renovation works in the building, weather conditions, wear and tear, etc., and arrived at the weighted average useful life of the entire structure of Terminal Building as approximately 25 years Further, the Authority notes that GIAL has adopted the same shorter useful life of 25 years for the projected capital expenditure on construction of new Cargo Terminal Building.
- Similarly, the Independent Expert has recommended shorter useful life for Runways, Taxiways and Apron based on the useful life followed by various international regulators and associations.
- Further, in respect of Plant and machinery items, as per the technical report, these items are broadly used at LGBIA for 24 hours per day as the Airport is working all three shifts and hence, as prescribed under the Companies Act 2013, Schedule II for assets used during the year for double shift or triple shift, the Expert has recommended to adopt useful life of 7.5 years instead of 15 years. The Authority also notes that GIAL has adopted the same shorter useful life of 7.5 years for Cargo and Security Equipment.
- GIAL has adopted shorter useful life of 3 years for Flight Information Display System (FIDS) and AOCC Equipment (included under the category of 'Information and Technology equipment') in its MYTP submission.

7.5.7 Apart from the above, the Authority notes that in respect of Fuel Farm facility, GIAL has adopted 'weighted average' useful life of 7.5 years. Since the major portion of the assets are in the nature of Plant and Machinery, GIAL has estimated the useful life of the Fuel facility as 7.5 years and adopted higher depreciation of 13.33% for the entire capital expenditure projected for this facility.

7.5.8 The Authority on perusal of all the above, has summarized its view as under:

Asset class - Building: The Expert has recommended shorter life for False Ceiling, Sanitation works, Glass façade and Flooring works which appear to be integral part of the Airport Terminal Building. The Authority's Order No.35 does not provide for reducing the life of assets under Asset class -Buildings. The Authority observes that various components mentioned above are also an integral part of the Terminal Building and should be added to the Terminal Building cost by applying the same rate of depreciation as that of buildings. While the technical report provided by GIAL has determined the shorter life to be adopted, it has not provided sufficient rationale for adopting such shorter useful life. Since these assets are all part of the building, the Authority is of the view that the same rate applicable to building should be applied to these assets and no reduction in life of these assets are called for. Further, the Authority notes that adequate maintenance expenditure is allowed to enable GIAL to maintain the assets in good working condition during its entire life. The Authority has issued Order No.35 as part of its normative approach to various Building Blocks in Economic regulation of Major Airports where it has stated that, "The Authority has been of the considered view, that it would be preferable to have as far as practicable, a broad year to year consistency in what Depreciation is charged by the companies as certified by the relevant statutory auditors and what the Authority would take into account in its process of tariff determination. Issue of a notification will ensure this objective." In view of all the above, the Authority is not inclined to deviate from ensuring this objective and therefore proposes not to consider the shorter useful life of 25 years claimed by GIAL for both the Terminal Building and newly projected Cargo terminal building.

Asset Class -Runways, Taxiways and Aprons: The Expert has recommended adopting a shorter life of 20 years based on useful life followed by certain international associations and regulators, like, Federation Aviation Administration -US Department of Transportation, Civil Aviation Authority – UK, Australian Airports Association – Australia etc., which the Authority feels does not provide proper justification for adopting a shorter useful life. Therefore, the Authority finds no reason to reduce the life of the Runway which enhances the burden of Airport users by increasing the tariff.

Other Asset Classes: Order No.35 provides for specific determination of life through technical evaluation for specific assets other than those listed in the Order based on specific requirement of the Airport. The Authority finds that none of the asset in these classes where a shorter life has been adopted as specific assets are based on specific requirement of the Airport. Therefore, the Authority finds no merit in reducing the life of such asset for tariff purposes.

7.5.9 Based on all the above, the Authority has proposed the following useful life for all the assets of LGBIA during the Third Control Period:

Table 114: Useful Life proposed by the Authority for all the assets in the Third Control Period

(In Years)

Asset Class	Useful life submitted by GIAL	Useful life proposed by the Authority
Terminal Building	25	30
Runway, Taxiway and Apron	20	30
Cargo Building	25	30
Cargo Equipment	7.5	15
Boundary wall	5	5
Computer Servers, networks, etc. / Software	3	3
Computer End-user devices / IT equipment	3	3
Security equipment	7.5	15
Plant and Machinery	7.5	15
Other buildings	30	30
Access road	10	10
Furniture & fixtures	7	7
Vehicles	5	8
Office Equipment	5	5

7.5.10 Considering the above changes in depreciation rates, revision in the value of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Third Control Period.

Table 115: Aeronautical depreciation proposed by the Authority for the Third Control Period

(₹ crores)

Particular	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Terminal Building	0.17	0.27	0.35	36.83	73.31	110.94
Runway, Taxiway and Apron	2.97	3.15	5.04	21.30	35.66	68.12

Cargo building	0.01	0.07	0.13	0.52	0.91	1.64
Boundary wall	2.85	0.66	0.06	13.72	27.32	44.62
Software	-	0.51	0.51	0.51	0.00	1.52
IT equipment	1.18	4.06	4.11	4.47	2.46	16.28
Security equipment	-	-	0.74	1.66	1.98	4.38
Plant and Machinery	3.62	4.00	5.35	8.41	10.18	31.56
Other Buildings	1.47	1.58	1.95	2.77	3.75	11.53
Access Road	0.03	0.03	0.03	7.31	14.60	22.00
Fuel	-	-	0.36	0.73	0.73	1.81
Furniture & fixtures	0.37	0.68	0.74	0.72	0.69	3.20
Vehicles	1.02	1.17	2.43	4.76	5.81	15.19
Office equipment	0.23	1.19	1.18	1.17	1.11	4.88
Total	**13.93**	**17.37**	**22.99**	**104.88**	**178.51**	**337.68**

7.5.11 The depreciation claimed by GIAL in comparison with that proposed by the Authority for each financial year is shown in the table below:

Table 116: Depreciation claimed by GIAL and proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Depreciation claimed by GIAL	23.11	32.83	117.76	284.13	366.46	824.29
Less: Adjustments made by the Authority on account of change in useful life and revision in asset addition.	-9.18	-15.46	-94.77	-179.25	-187.95	-486.61
Depreciation proposed by the Authority	**13.93**	**17.37**	**22.99**	**104.88**	**178.51**	**337.68**

The Authority proposes to consider depreciation for LGBIA for the Third Control Period as ₹ 337.68 crores.

7.6 Regulatory Asset Base (RAB) for the Third Control Period

GIAL has submitted RAB for the Third Control Period as follows:

Table 117: RAB proposed by GIAL for LGBIA for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Opening RAB (1)	140.28	164.82	217.99	3803.72	5545.53	
Additions (2)	47.65	86.01	3703.48	2025.95	156.55	**6019.64**
Disposal/Transfers (3)	23.11	32.83	117.76	284.13	366.46	
Depreciation (4)	164.82	217.99	3803.72	5545.53	5335.63	**824.29**
Closing RAB (5) = [(1) +(2) – (3) – (4)]	152.55	191.41	2010.86	4674.63	5440.58	
Average RAB = [(1) + (5)]/2	**140.28**	**164.82**	**217.99**	**3803.72**	**5545.53**	

Authority's examination regarding RAB for the Third Control Period

7.6.1 **Opening RAB**

The Authority notes that the Opening RAB amounting to ₹ 140.38 crores (as submitted by GIAL) has been revised to ₹ 151.90 crores based on the adjustments made to the RAB as mentioned in Table **50** of this Consultation Paper. Following are the key consideration in revision of opening RAB:

- Adjustment on account of revision in asset classification as detailed in asset allocation study.
- GIAL has considered higher useful life of asset which has been aligned to the useful life recommended as per order no 35/2017-18 dated 12th Jan'2018. This is resulted into reduction in depreciation and increase in regulatory asset base.
- As part of asset transfer to GIAL, AAI has to pay ₹ 5.94 crores towards payment of vacation of quarters from CPWD. Since, CPWD asset handed over to GIAL as part of transition process, same has been considered by the Authority as part of opening RAB.
- The Authority in line with above consideration proposed following Regulatory Asset Base schedule for the Third Control Period:

Table 118: RAB proposed by the Authority for LGBIA for the Third Control Period

(₹ crores)

Particulars	Ref.	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
Opening RAB (1)	Table **50**	151.90	183.92	174.64	390.40	3748.55	
Capital Additions (2)	Table ***111***	45.95	8.09	238.76	3463.03	43.87	3799.70
Depreciation (3)	Table **116**	13.93	17.37	22.99	104.88	178.51	337.68
Closing RAB (4) = [(1) +(2) – (3)]		183.92	174.64	390.40	3748.55	3613.92	
Average RAB = [(1) + (4)]/2		167.91	179.28	282.52	2,069.48	3,681.24	

7.6.2 The Authority proposes to consider RAB for the LGBIA for the Third Control Period as detailed in Table 118.

7.7 Authority's proposal regarding CAPEX, Depreciation and RAB for the Third Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to CAPEX, depreciation and Regulatory Asset Base for the Third Control Period.

7.7.1 To consider the revised Terminal Building ratio of 90:10 in line with the Study on allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA, IMG norms and as approved for other similar Airports.

7.7.2 To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in Para 7.3.12.

7.7.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 111.

7.7.4 To reduce (adjust) 1% of uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per approved capitalization schedule, as mentioned in para 7.3.11. The same will be examined at the time of tariff determination of next Control Period.

7.7.5 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and

Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Third Control Period.

7.7.6 To true up the Aeronautical Capital expenditure based on actuals subject to, cost efficiency and reasonableness at the time of determination of tariff for the Fourth Control Period.

7.7.7 To adopt Aeronautical Depreciation as per Table 115 for the Third Control Period.

7.7.8 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.7.9 To consider average RAB for the Third Control Period for LGBIA as per Table 118.

7.7.10 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

8 FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

8.1 GIAL's submission regarding FRoR for the Third Control Period

Cost of equity

8.1.1 GIAL has considered the Cost of equity as 17.30% based on a report by PwC.

8.1.2 GIAL has submitted the following assumptions for estimating the Cost of equity:

- Risk-free rate was calculated by taking 10-year average yield on a daily basis, for 10-year Government of India securities.
- Asset beta was derived based on five-year weekly regressed beta computed for comparable listed airports (weighted), and adjusted for appropriate leverage to determine the levered Equity beta
- Although various debt-equity (leverage or gearing) ratios had been analyzed, the assumed leverage for computation of Cost of equity was the normative approach and standard adopted in earlier tariff determination exercises of the Authority, i.e., debt-equity ratio of 48:52. For such leverage ratio, the Equity beta was computed to be in the range of 1.35 – 1.38.
- Equity risk premium over risk-free rate was computed as 7.06%, based on an average of equity risk premiums computed by a list of studies and standard market indices taken for the analysis.

Table 119: Cost of equity computation as per GIAL's submission

Parameter	Value
Risk-free rate	7.57%
Equity Risk Premium	7.06%
Debt-equity ratio (leverage)	48:52
Equity beta	1.35 - 1.38
Cost of equity *(rounded off)*	17.11% – 17.28%

Cost of debt

8.1.3 GIAL has submitted that Cost of debt assumed for the Third Control Period was 12%, based on actual debt taken as of date.

8.1.4 In May 2022, Adani Airport Holdings Limited had raised a 3-year External Commercial Borrowing facility from a consortium of Standard Chartered Bank and Barclays Bank PLC. The all-in borrowing cost of this facility is 12.10% p.a., the breakdown of which is provided in the table below:

Table 120: Breakdown of all-in External Commercial Borrowing cost of Adani Airport Holdings Limited

Particulars	Value
Secured Overnight Financing Rate (SOFR) reference	2.28%
Spread over SOFR	4.25%
Withholding tax gross up (at 5% of SOFR + spread)	0.33%
One-year forward Dollar-Rupee hedge cost (mandatory as per RBI guidelines)	4.51%
Upfront fees (annualised)	0.73%
All-in Cost of External Commercial Borrowing	**12.10%**

8.1.5 It was mentioned that a part of the proceeds raised from this facility are being on-lent to GIAL for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, cost of debt has been assumed as 12% p.a.

Weighted average cost of capital

8.1.6 Based on the Cost of equity, Cost of debt and gearing ratio, GIAL has submitted the following FRoR for the Third Control Period:

Table 121: FRoR computation submitted by GIAL

Parameter	Value
Cost of equity	17.30%
Cost of debt	12.00%
Weighted average gearing of equity	52.00%
Weighted average gearing of debt	48.00%
FRoR	**14.76%**

8.2 Authority's Examination regarding FRoR for the Third Control Period

Cost of equity

8.2.1 The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of LGBIA for the Third Control Period.

8.2.2 The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with LGBIA in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The median and average Cost of equity arrived at by the independent study reports are 15.16% and 15.18%, respectively, as shown in the table below:

Table 122: Computation of Cost of equity as per IIM Bangalore independent study reports

Particulars	CIAL	MIAL	BIAL	DIAL	GHIAL	Average
Risk-free rate (A)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Equity beta (B)	0.9427	0.9391	0.9262	0.9732	0.9442	0.94508
Equity risk premium (C)	8.06%	8.06%	8.06%	8.06%	8.06%	8.06%
Cost of equity *A + (B * C)*	15.16%	15.13%	15.03%	15.41%	15.17%	**15.18%**
Average Cost of equity						**15.18%**

8.2.3 The Authority notes that the Cost of Equity for the purpose of determination of FRoR has to be fairly consistent in case of PPP airports across India as the factors considered by the Independent Study in CAPM formula such as Risk Free Rate, Market premium are in Indian context and do not vary significantly among the Airports as these are operated under similar environment. Further, the averaging out exercise normalises the risk factors across Airports in Cost of Equity computation.

8.2.4 Based on the above reports, the Authority proposes the Cost of equity of 15.18% for LGBIA for the Third Control Period. This is also in line with the considerations of the Authority for other similar airports including Lucknow.

Cost of debt

8.2.5 GIAL has considered Cost of Debt for the Third Control Period at 12% based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6 Since the Airport has not obtained any credit rating from an external rating agency, there is no direct comparable entity or market data for determining cost of debt for LGBIA.

8.2.7 The Authority recommends that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion is also in keeping with the spirit of PPP whereby it is expected that the financial strength of PPP airports will be maintained at an optimal level and their cost of capital will be within reasonably allowable limits. GIAL should avail the synergies and benefits owed to it by its strong shareholding and balance sheet of its Parent companies and therefore work towards bringing down the cost of debt to the same level as other PPP airports.

8.2.8 The Authority also notes that the cost of debt for airport operators forms vital part of the Return on Capital Employed / Fair Rate of Return provided to the airport operators on the investment towards creation of the capital assets w.r.t the airport project.

It is imperative that the cost of debt that is considered in the calculation of FRoR is reflective of the current cost of debt that the airport operator incurs towards debt financing the airport infrastructure.

The following aspects, in this regard has been considered while arriving at the efficient cost of debt to be provided as part of the FRoR:

i. Cost of debt financing in the Indian / International context is usually linked to the External Credit Rating of the Airport Operator/ Project SPV. As a result, any cost of debt actually incurred if it must be deemed efficient should be factoring in the External Credit Rating (ECR) of the entity. Usually Banks/ FIs mark a spread over and above their benchmark lending rate (usually published as Marginal Cost of Lending Rate i.e. MCLRs) as the interest rate for funding specific projects. This spread is linked to the ECR of the Borrower which in this case is the airport operator. AERA has follow a similar assessment to arrive at the cost of debt to be provided to the airport operator.

ii. Debt must be a senior secured debt raised from financial institutions/ banks private /public or foreign at an arm’s length basis. There could be instances wherein the debt raised is subordinated to senior debt and would hence incur a higher cost and thereby deemed inefficient. Such inefficient cost may not be the right indicator of the actual cost of debt and hence appropriate adjustment has to be carried out while allowing such cost in the tariff determination process.

iii. There have also been instances wherein senior secured debt have been advanced by promoter/ promoter entities in which case the arm’s length criteria could be questioned. It is pertinent to note that similar to the above case such costs also could not be deemed to be efficient and hence adequate adjustments to be carried out to ensure that the costs considered is reflective of the efficient cost. AERA doesn’t encourage related party transactions and insists transparency and arm’s length criteria in the interest of public.

iv. Airport Operators currently in the country baring a few exceptions have managed to retain an ECR of A and above. In some cases where the airport is yet to establish a steady stream of positive cash flows on account of emerging nature of operations, the debt servicing is backed by the strength of the promoter entities which is also factored by the ECR rating agencies. As a result, considering the prevalent MCLRs which are in the range of 8.45%- 8.55%, an interest rate of 9% is usually considered as the cost of debt for these airport operators. However, given the expected softening of rates globally, and the impetus to promote economic growth as inflations fears have slowed down, the MCLRs are expected to gradually reduce over the next 2-3 years bringing down the cost of borrowing further. AERA want Airport Operators to improve ECR by bringing in efficiency and transparency which in turn will reduce MCLRs.

v. Arriving at the cost of debt through assessment of the debt raising capacity of the airport operator rather than providing the actual cost of debt as submitted by the airport operator would benefit the airport stakeholders in the long run. The Airport operators would strive to be more efficient in their fund-raising endeavours rather than taking comfort from the true up option available to them considering the actual cost of debt.

AERA has already been following a similar exercise while arriving at the leverage ratios wherein a D:E ratio of 48:52 has been considered rather than the actual debt: equity (D:E) ratio which is in the range of 80:20 for most of the airport operators. Considering an efficient cost of debt rather than the actual cost of debt will be consistent with the stand taken for the leverage ratios used to calculate the FRoR. Further, it may also be noted that as the traffic growth and associated revenue from Aeronautical & Non-Aeronautical services improve; and the timely execution of capital projects, approved by the Authority, are completed and start to yield benefits. It is expected that the debt profile of LGBIA is bound to improve and its inherent financial risk, as reflected in the cost of debt will reduce to the levels of other PPP airports.

8.2.9 The Authority expects GIAL to exercise its best endeavor to undertake the financing towards capital expenditure at competitive rates as in other PPP airports and take all steps as detailed above, with support from its Parent company to optimize the cost of debt and follow all requisite procedures of financing including following all Government guidelines, obtaining efficient credit rating etc. in order to ensure that debt is contracted at optimum rates to ensure that the users of the airport are not burdened.

8.2.10 The Authority also notes that the average cost of debt of the other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL is 8.96%.

8.2.11 Accordingly, the Authority has considered the Cost of Debt of 9% for the computation of Fair Rate of Return. The Authority also directs GIAL to ensure that Related Party transactions, if any, with respect to borrowing of funds are benchmarked with most optimum rates available and is well justified.

Fair Rate of Return

8.2.12 Based on the above, the Authority proposes to consider the following FRoR for the Third Control Period for LGBIA:

Table 123: Fair Rate of Return proposed by the Authority for the Third Control Period

Parameter	Value
Cost of equity	15.18%
Cost of debt	9.00%
Weighted average gearing of equity	52.00%
Weighted average gearing of debt	48.00%
Fair Rate of Return	**12.21%**

8.2.13 The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity. The Authority would like to mention that FRoR is computed on the basis of Cost of Equity and Cost of Debt. It has determined the CoE based on the IIM Bangalore independent study reports for the other PPP Airports whereas, the Cost of Debt has been computed as per the 3-month SBI MCLR along with spread and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL.

8.2.14 The Authority notes that the actual gearing deployed by Airport Operators of PPP airports are usually higher than the notional gearing adopted by the Authority, which ultimately benefits the AO. However, since the debt equity mix has been proposed by the Authority considering the efficient capital structure and the interest of all the Stakeholders, the notional gearing ratio of 48: 52 will not be trued up during the tariff determination for the next Control Period.

8.3 Authority's proposals regarding FRoR for the Third Control Period

Based on the materials before it and based on its analysis, the Authority proposes the following:

8.3.1 To consider the Cost of equity at 15.18%.

8.3.2 To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

8.3.3 To consider cost of debt of 9% for the Third Control Period.

8.3.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio as per Table ***123***.

9 INFLATION FOR THE THIRD CONTROL PERIOD

9.1 GIAL's submission regarding Inflation for the Third Control Period

9.1.1 GIAL has submitted inflation as 5% from FY23-24 onwards every year, while projecting capital expenditure and operating expenditure for LGBIA for the Third Control Period.

9.1.2 The inflation rate has been submitted by GIAL based WPI inflation forecasts as summarized in the table below:

Table 124: WPI inflation rate submitted by GIAL

Financial Year	WPI All Commodities	Source
FY23-24 onwards	Mean as 5%	RBI Forecaster Survey 79th round dated 07th Dec 2022

9.2 Authority's examination regarding Inflation for the Third Control Period

9.2.1 The Authority has examined the submission made by GIAL on inflation to be considered for the Third Control Period.

9.2.2 The Authority proposes to consider mean of WPI inflation forecasts (All Commodities) for FY 2023-24, FY2024-25 and FY 2025-26 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 87" released on April 5, 2024, by the Reserve Bank of India (RBI). An extract of the results is reproduced below:

Table 125: WPI inflation rates as per RBI's annual forecast

Financial Year	WPI All Commodities	Source
FY22-23 (Cumulative YoY)	9.42%	Index Numbers of Wholesale Price in India for the Month of March, 2023 (Base Year: 2011-12) published by Ministry of Commerce & Industry
FY23-24	Mean as -0.7%	RBI Forecaster Survey 87th round dated April 5, 2024
FY24-25	Mean as 3.1%	
FY25-26	Mean as 3.7%	

9.2.3 The Authority has considered the inflation rate of FY 2025-26 for the subsequent tariff year of the Third Control Period. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control Period.

Table 126: Inflation rates proposed by the Authority for Third Control Period

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27
WPI inflation	9.42%	-0.7%	3.1%	3.7%	3.7%

9.3 Authority's proposal relating to inflation for the Third Control Period

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

9.3.1 To consider WPI inflation as per Table **126**.

10 OPERATION AND MAINTENANCE (O&M) EXPENSES FOR THE THIRD CONTROL PERIOD

10.1 GIAL's submission regarding Operation and Maintenance (O&M) Expenses for the Third Control Period

10.1.1 GIAL in its MYTP submission has stated that the Aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period has been estimated based on the following assumptions:

- **Expansion of LGBIA**: GIAL is constructing a New Integrated Terminal Building (NITB) as obligated under Concession Agreement and is proposed to be commissioned by FY 2024-25. After commissioning of NITB operations from the existing Terminal 1 will be moved to NITB. Year wise increase in operational terminal area is tabled below.

Table 127: Details of increase in the Terminal Building area projected by GIAL

Financial Year	T1 (sq. m.)	NITB (sq. m.)	Total (sq. m.)	YoY % increase in area
FY'23	20,300		20,300	
FY'24	20,300		20,300	0%
FY'25	20,300		20,300	0%*
FY'26		1,46,300	1,46,300	621%
FY'27		1,46,300	1,46,300	0%

*NITB shall be operational from Feb'25 onwards. Hence for projection of expenses, area increase has been assumed from FY25-26 onwards

Considering the expansion of the Terminal Building area, as shown in the above table, GIAL has projected proportionate increase in various expenses such as Utilities, IT expenses, Rates & Taxes, Security and Other Operating expenses.

- **Inflation:** GIAL has considered inflationary increase based on 79th Round of RBI forecaster survey Dec-2022, towards all expenses for the Third Control Period.
- **Base Year:** FY 2022-23 has been considered as the base year and relevant growth percentages have been applied over the same to estimate expenses for other Financial Years.
- **Fuel Operating Expenses**: The operations of Fuel facility are to be outsourced to a third-party vendor in FY 2023-24 on a 'Cost plus margin' basis, which includes employee cost, repairs and maintenance expenses and facility operating expenses. Annual inflation of 5% is considered in the O&M fee increase.
- **Cargo Operating Expenses**: Cargo expenses have been estimated for the Third Control Period based on the assumption of an interim cargo facility from FY2023-24 onwards and a new Integrated Cargo Terminal (ICT) facility by refurbishing / retrofitting the existing passenger Terminal-1 building from FY 2026-27. Further, Cargo expenses have been increased by 10% per annum for the Third Control Period.

10.1.2 GIAL has submitted the following categories of O&M expenses in its MYTP submission:

Table 128: O&M expenses (category wise) claimed by GIAL for the Third Control Period

Type of O&M Expense	Expense Category
Aeronautical Operating Expenses	Manpower Expenses – AAI employees
	Manpower Expenses – GIAL employees
	Utility Expenses
	IT Expenses
	Rates and Taxes

Type of O&M Expense	Expense Category
	Security Expenses
	Corporate Allocation
	Administrative Expenses – Collection Charges on UDF
	Administrative Expenses - Others
	Insurance
	Repair and Maintenance Expenses
	Other Operating Expenses
	Independent Engineer Fee
	Amortisation of Runway recarpeting expenses
Fuel Operating Expenses	O&M Expenses
	Bowser Rental
Cargo Operating Expenses	GIAL Staff Salary
	O&M expenses
	Customs cost recovery

10.1.3 The above expenses do not include Concession Fee, since it is not considered as part of Aeronautical O&M expenses, as per Clause 27.1.2 of the CA, which states that:

"The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."

10.1.4 GIAL has allocated all O&M expenses as Aeronautical.

Table 129: Segregation of O&M expenses and basis of allocation as per GIAL's submission

Expense Category	Expense classification	Aeronautical
Manpower expenses – AAI employees	Aeronautical	100 %
Manpower expenses – GIAL employees	Aeronautical	100 %
Utility expenses	Aeronautical	100 %
IT expenses	Aeronautical	100 %
Security expenses	Aeronautical	100 %
Corporate Allocation Cost	Aeronautical	100 %
Administrative expenses	Aeronautical	100 %
Insurance expenses	Aeronautical	100 %
Rates and taxes	Aeronautical	100 %
Repairs and Maintenance expenses	Aeronautical	100 %
Other Operating expenses	Aeronautical	100 %
Independent Engineer Fee	Aeronautical	100 %
Runway recarpeting	Aeronautical	100 %
Fuel Operating expenses	Aeronautical	100 %
Cargo Operating expenses	Aeronautical	100 %

10.1.5 The total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by GIAL for the Third Control Period have been presented as follows:

Table 130: Total Aeronautical Operation and Maintenance expenses submitted by GIAL

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Aeronautical Operating Expenses						
Manpower expenses - AAI	27.64	32.52	31.85	30.26	33.28	**155.55**
Manpower expenses - GIAL	9.57	14.38	28.52	44.92	53.07	**150.46**

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Utility expenses	6.70	8.24	8.65	65.49	68.76	**157.85**
IT expenses	2.50	7.00	19.78	41.09	44.02	**114.39**
Rates and Taxes	0.31	0.75	0.79	5.71	6.00	**13.56**
Security expenses	3.75	6.00	6.11	9.97	12.02	**37.86**
Corporate Allocation Cost	12.89	15.00	42.39	45.65	48.91	**164.85**
Administrative expenses (excluding Collection charges on UDF)	0.98	1.64	1.67	1.89	2.27	**8.45**
Administrative expenses – Others	13.56	34.00	37.40	41.14	45.25	**171.35**
Insurance	2.31	2.89	6.68	9.03	9.52	**30.43**
Repairs and Maintenance	19.51	23.74	28.29	136.31	200.51	**408.36**
Other Operating expenses	13.43	22.00	23.10	167.63	176.02	**402.18**
Independent Engineer Fees	3.91	3.91	3.91	4.11	4.31	**20.16**
Runway recarpeting	-	-	-	22.61	26.47	**49.08**
Financing Charges and Others	2.52	47.81	10.87	16.24	18.50	**95.94**
Aeronautical Operating Expenses (A)	**119.58**	**219.87**	**250.01**	**642.06**	**748.94**	**1,980.47**
Fuel Operating Expenses						
O&M Expenses	-	2.95	9.33	10.27	11.73	**34.28**
Bowser Rental	-	0.66	0.99	-	-	**1.65**
Fuel Operating Expenses (B)	**-**	**3.61**	**10.32**	**10.27**	**11.73**	**35.93**
Cargo Operating Expenses						
Insourced salary	-	0.50	0.55	0.61	0.67	**2.32**
O&M Expenses	-	1.05	1.49	2.00	11.98	**16.51**
Customs Cost Recovery	-	-	-	-	1.80	**1.80**
Cargo Operating Expenses (C)	-	1.55	2.04	2.60	14.44	**20.63**
Total Aeronautical O&M Expenses (A+B+C)	**119.58**	**225.03**	**262.36**	**654.93**	**775.11**	**2,037.03**

10.1.6 The growth rates assumed by GIAL for total Aeronautical O&M expenses have been presented in the tables below:

Table 131: Growth rates for Aeronautical O&M expenses submitted by GIAL for the Third Control Period

Particulars	Cost Driver Escalated	FY'23	FY'24	FY'25	FY'26	FY'27
Aeronautical Operating Expenses						
Manpower Expenses – AAI employees	Salary Cost	-	10%	10%	10%	10%
Manpower Expenses – GIAL employees	Salary Cost	-	10%	10%	10%	10%
Utility expenses (Power)	Per unit rate	-	5.0%	5.0%	5.0%	5.0%
IT expenses	Total Expense	-	75.9%	71.1%	7.7%	14.3%
Rates and Taxes	Total Expense	-	35.3%	182.6%	7.7%	7.1%
Security expenses	Total Expense	-	29.5%	1.8%	13.2%	20.5%
Corporate Allocation Cost	Total Expense	-	35.3%	182.6%	7.7%	7.1%
Administrative expenses (UDF)		-	29.5%	1.8%	13.2%	20.5%
Administrative expenses (Others)	Total Expense	-	10.0%	10.0%	10.0%	10.0%
Insurance – on Opening Net block of Assets	Total Expense	-	10.0%	10.0%	10.0%	10.0%
Repairs and Maintenance – on Opening Net block of Assets	Total Expense	-	10.0%	10.0%	10.0%	10.0%

Particulars	Cost Driver Escalated	FY'23	FY'24	FY'25	FY'26	FY'27
Other Operating expenses	Total Expense	-	5.0%	5.0%	5.0%	5.0%
Independent Engineer Fees		-	-	-	5.0%	5.0%
Fuel Operating Expenses						
O&M Expenses	Total Expense	-	-	5%	5%	5%
Bowser Rental	Total Expense	-	-	-	-	-
Cargo Operating Expenses						
Insourced salary	Total Expense	-	-	10%	10%	10%
O&M Expenses	Total Expense	-	-	10%	10%	10%
Customs Cost Recovery	Total Expense	-	-	10%	10%	10%

Table 132: One-time Escalation rates for Aeronautical O&M expenses submitted by GIAL for the Third Control Period

Particulars	Cost Driver Escalated	FY'23	FY'24	FY'25	FY'26	FY'27
Electricity Charges	Billable Units	-	-	-	621 %	-
Rates & taxes	Total Expense	-	-	-	621 %	-
IT Expenses	Total Expenses	-	-	-	100%	-
Security expenses	Total Expense	-	-	-	50 %	-
Other Operating Expenses	Total Expense	-	-	-	621%	-

It can be seen from Table ***132*** above, that GIAL has claimed one-time escalation rates in Utilities, Rates and Taxes, IT Expenses, Security expenses and Other Operating expenses in FY 2025-26 based on projected increase in the area of Terminal Building (i.e., NITB commissioning).

10.1.7 GIAL while estimating runway recarpeting amortization has also considered carrying cost on the unamortized balance of the expense incurred on re-carpeting of runways at the rate of FRoR i.e. 14.76%.

10.2 Authority's examination regarding Operation and Maintenance (O&M) Expenses for the Third Control Period

10.2.1 The Authority has examined the Operation and Maintenance expenses based on the following parameters:

A. Consideration of actual expenses for FY 2022-23 and FY2023-24, and revision in growth rates of various expenses
B. Re-allocation of the expenses into aeronautical, non-aeronautical and common.
C. Rationalization of Employee Head Count

10.2.2 GIAL, in their submission proposes 100% of the operating expenses as Aeronautical. The tariff methodology adopted by the Authority, segregates O&M expenses into Aeronautical, Non-Aeronautical and Common considering the nature and purpose of the services for which these expenses are incurred. However, in the absence of any specific information regarding segregation of expenses, due clarifications were sought from GIAL regarding calculation of various allocation ratios such as terminal area. GIAL has maintained that as per the AERA guidelines, airside assets are to be considered as Aeronautical and the Terminal Building is considered as Aeronautical as per the AERA Act. However, if GIAL so desires, they may adopt Single Till methodology wherein all assets and operating expenses are considered as Aeronautical.

10.2.3 The Authority also notes that LGBIA is a brownfield airport and was established in 1958. The Authority has accordingly considered rationalization of costs in certain categories considering that these were operated at optimal level of costs by AAI earlier.

Manpower Expenses of AAI employees

10.2.4 GIAL has considered the Manpower Expenses of AAI employees as 100% aeronautical, as this expense is considered as pass through in the determination of Aeronautical charges, as per the Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as under:

- Clause 6.5.1. states that:

(i) ***"Select Employees"*** *shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI.*

(ii) ***"Joint Management Period"*** *shall mean the period commencing from the COD and ending on the date which is I (one) calendar year after the COD.*

(iii) ***"Deemed Deputation Period"*** *shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom."*

- Clause 6.5.4 states that:

"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."

- Clause 6.5.10 states that:

"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the ·'Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").

(ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."

- Clause 28.4.3. states that:

"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."

10.2.5 The Authority, on review of the above clauses of the CA, proposes to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposes to apportion the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' to Aeronautical activities based on the Employee Headcount Ratio of AAI employees as of March 2024 (refer Table ***140***).

10.2.6 In respect of the Manpower Expenses of AAI employees relating to 'Deficit Employees' after the expiry of the Deemed Deputation Period (expires in October 2024), the Authority proposes to consider these expenses as 100% pass through as mandated by Clause 6.5.10. of the CA.

Manpower Expenses of employees of GIAL

10.2.7 GIAL has allocated the Manpower Expenses of GIAL employees as 100% Aeronautical. The Authority observes that since total manpower strength includes staff which provides non-aeronautical services also, the aeronautical Employee Headcount of GIAL needs to be suitably derived for appropriate allocation of costs. The Aeronautical Headcount and Employee Headcount Ratio (ECHR) for each tariff year, as well as 5-year average of such ECHR for the entire Third Control Period has been provided in Table 140 below.

Utility Expenses

10.2.8 GIAL has segregated the expenses towards Utilities after netting off the recoveries proposed to be made from the Concessionaires for Non-aeronautical activities and has considered the net Utilities expenses as 100% Aeronautical. The Authority finds this allocation to be in line with that followed in other similar airports and proposes to consider the same.

IT expenses and Insurance expenses

10.2.9 GIAL in its MYTP submission has considered the expenses towards IT expenses as 100% Aeronautical. The Authority, however, proposes to apportion the IT expenses in the Terminal Building ratio of 90:10 as prescribed in para 7.3.14 considering the utility and nature of IT services being provided at the Airport which is also in line with the allocation considered for other similar airports.

10.2.10 GIAL has considered the Insurance expenses as 100% Aeronautical. However, the Authority proposes to consider the Insurance expenses as Common on the basis that these expenses encompass all assets including Non-Aeronautical assets. The Authority, thus proposes to apportion as per the Gross Fixed Asset Ratio i.e., 95.39:4.61 as proposed by the Study on Efficient Operation and Maintenance Expenses of LGBIA, and also considered for other similar airports.

Security Expenses

10.2.11 The Authority observes that GIAL has considered the expenses towards Security as 100% Aeronautical. The Authority, however proposes to consider the Gross Fixed Asset Ratio i.e., 95.39:4.61, as prescribed by the *Study on Efficient Operation and Maintenance Expenses of LGBIA*, for allocating Security expenses.

Administrative Expenses

10.2.12 The Authority observes that GIAL has segregated Administrative expenses including expenses towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & stationery etc. and considered all as 100% Aeronautical. The Authority apportioned the Administrative Expenses in Gross Fixed Asset Ratio i.e., 95.39:4.61, as proposed by the *Study on Efficient Operation and Maintenance Expenses of LGBIA* undertaken for Second Control Period.

10.2.13 The Authority observes that GIAL has considered Collection charges on UDF as 100% Aeronautical on the basis that these charges have been paid towards collection of aeronautical revenue and accordingly the Authority has considered the same as Aeronautical which is in line with the approach adopted for other airports.

Corporate Cost Allocation

10.2.14 GIAL has considered expenses towards Corporate Allocation Cost as 100% Aeronautical in its MYTP submission. GIAL has engaged an Independent Consultant for conducting a Study on allocation of Corporate Costs of both AEL and AAHL. GIAL has further shared a Note on the

Study report which provides the types of services / costs that have to be allocated to GIAL, along with the basis of allocation of such costs. As per the details shared by GIAL, the corporate costs have been allocated based on applicable costs or revenue drivers such as Ratio of Number of Employees of a SPV to Total Adani Group Employees, Ratio of Per Pax Revenue of SPV to total Per Pax Revenue, Ratio of Debt raised for a SPV to total Debt raised for Airport Group, Ratio of Turnover of a SPV to Total Group Turnover etc. GIAL has further shared details of the total corporate cost allocated to each airport, which is 5.43% for FY23, as apportioned to GIAL.

GIAL has derived the allocable corporate expense based on the aforementioned study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities has not been provided in the Study report. In the absence of an appropriate basis, the Authority allocated the cost in the ratio of revised Total Employee Headcount Ratio i.e., Employee Head Count of both AAI and GIAL for each tariff year as is shown in Table ***140***.

Expenses towards Repairs & Maintenance, Rates & Taxes and Other operating expenses

10.2.15 The Authority observes that GIAL in its MYTP submission has considered expenses towards Repairs and Maintenance as 100% Aeronautical. The Authority has treated R&M expenses as Common expense, since it pertains to assets providing Aeronautical and Non-Aeronautical services. The Authority thus proposes to apportion these expenses as per the Terminal Building Ratio i.e., 90:10.

10.2.16 The Authority observes that GIAL has considered expenses towards Rates and Taxes as 100% Aeronautical. The Authority treated the same as Common expense and apportioned it as per the Gross Fixed Asset Ratio i.e., 95.39:4.61.

10.2.17 The Authority observes that GIAL has considered expenses towards Other Operating expenses as 100% Aeronautical. The Authority considers treating such expenses as Common expense and proposes to allocate as per the Terminal Building ratio of 90:10.

10.2.18 The Authority observes that GIAL has considered expenses towards Independent Engineer Fees as 100% Aeronautical. In accordance with the CA, GIAL has to appoint an Independent Engineer. As per Clause 24.3.1, the cost associated with such Independent Engineer shall be considered as pass-through for determination of Aeronautical Charges by the Regulator. Relevant extract of the CA has been reproduced below:

Clause 24.3.1.

The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.

Considering the concession provisions quoted above, IE expenses has been considered as 100% Aeronautical by the Authority.

Amortization of runway recarpeting expenses, Fuel and Cargo Operating expenses

10.2.19 GIAL has considered the expense towards Amortization of runway recarpeting, Fuel and Cargo Operating expenses as 100% Aeronautical. The Authority finds the classification of the aforementioned expenses to be reasonable and proposes to consider the same. Further, the Authority notes that the classification of Fuel and Cargo expenses as 100% Aeronautical is as per Section 2(a) of the AERA Act

2008.

10.2.20 The Authority's proposal for allocation of Total Aeronautical O&M expenses of LGBIA as compared to that submitted by GIAL has been summarized in the table below:

Table 133: Allocation of O&M expenses submitted by GIAL and proposed by the Authority for the Third Control Period

Particulars	O&M expense allocation as per		Allocation ratio proposed by the Authority
	GIAL's Submission	The Authority's Proposal	
Manpower Expenses – AAI employees (up to Deemed Deputation Period)	100.00%	99.12%	Employee Headcount ratio of AAI employees
Manpower Expenses – AAI employees (Deficit Employee Cost)	100.00%	100.00%	Aeronautical
Manpower Expenses – GIAL employees	100.00%	96.01%	Employee Headcount ratio of GIAL's employees
Utility expenses	100.00%	100.00%	Aeronautical
IT expenses	100.00%	90.00%	Terminal Building ratio
Rates and Taxes	100.00%	95.39%	Gross Fixed Asset ratio
Security expenses	100.00%	95.39%	Gross Fixed Asset ratio
Security Others	100.00%	95.39%	Gross Fixed Asset ratio
Corporate Allocation Cost	100.00%	97.29%	Total Employee Headcount ratio
Administrative Expenses – Others	100.00%	95.39%	Gross Fixed Asset ratio
Administrative Expenses – Collection Charges on UDF	100.00%	100.00%	Aeronautical
Insurance	100.00%	95.39%	Gross Fixed Asset ratio
Repairs and Maintenance	100.00%	95.39%	Gross Fixed Asset ratio
Other Operating expenses	100.00%	90.00%	Terminal Building ratio
Independent Engineer Fee	100.00%	100.00%	Aeronautical
Amortization of Runway recarpeting expenses	100.00%	100.00%	Aeronautical
Fuel Operating Expenses	100.00%	100.00%	Aeronautical
Cargo Operating Expenses	100.00%	100.00%	Aeronautical

One time escalation claimed by GIAL

10.2.21 One-time escalation claimed by GIAL for various Operating expenses in FY 2025-26 have been analyzed by the Authority. In this regard, the Authority considers Capitalization schedule proposed by it (refer Table 110), in which commissioning of NITB has been considered during the Third Control Period. Accordingly, the Authority proposes to consider proportionate increase for determining the one-time escalation in the expenses for the current Control Period. Further, the Authority notes that the escalation in operating expenses such as Utilities, Housekeeping and Upkeep expenses, Horticulture expenses and Outsourced manpower / Hiring expenses may not be directly proportional to the increase in the Terminal Building area due to technological innovation, advancements, and economies of scale. Hence the Authority proposes to consider 2/3rd (i.e. 66.67%) of the increase in total terminal area (2/3* 621%) for one-time escalation of expenses related to Terminal Building. The details of escalation rates submitted by GIAL and that proposed by the Authority for are shown in the table below:

Table 134: One-time escalation claimed by GIAL and Increase % Proposed by the Authority

Type of Expense	Increase % Claimed by GIAL	Increase % proposed by the Authority
Electricity Charges	FY2025-26: 621 % (NITB commissioning)	FY 2025-26: One-time 414%* (Terminal Area increase)
Rates & taxes	FY2025-26: 621 % (NITB commissioning)	FY 2025-26: One-time 414%* (Terminal Area increase)

Type of Expense	Increase % Claimed by GIAL	Increase % proposed by the Authority
IT Expenses	FY2025-26: 100 % (NITB commissioning)	FY 2025-26: One-time 100% (Terminal Area increase)
Security expenses	FY2025-26: 50 % (NITB commissioning)	FY 2025-26: One-time 50% (Terminal Area increase)
Other Operating Expenses	FY2025-26: 621 % (NITB commissioning)	FY 2025-26: One-time 414%* (Terminal Area increase)

Refer Table 127 (2/3 621%)

The Authority has evaluated the submission made by GIAL relating to various operational expenses and their growth over the Third Control Period and the analysis of such expenses is elaborated below:

Manpower Expenses

10.2.22 The Authority, on its examination of GIAL's submission towards Manpower expenses, observes the following:

i. **Manpower Expenses of AAI employees -** GIAL has projected the expense towards specified number of AAI employees across all the five (5) tariff years in the Third Control Period as per clause 6.5.1 of the Concession Agreement entered into between AAI and GIAL, the extract of which has already been provided under paragraph 10.2.4.

a. GIAL has claimed Manpower Expenses for 'Select employees' till the end of Deemed Deputation Period (refer table below for the department wise list) and also 'Deficit Employee Cost' for 104 employees (calculated at 60% of 'Select employee' number as stated in Clause 6.5.10 of the Concession Agreement) for the remaining portion of the Third Control Period. GIAL has also projected a growth rate of 10% year-on-year towards Manpower Expenses of AAI employees.

The cadre wise details of AAI employee have been provided as part of Schedule S of the signed Concession Agreement. Further, the department wise detail has been provided by GIAL at section 13.2.15 as part of their MYTP submission.

Table 135: Department-wise Select employees of AAI deputed to LGBIA as submitted by GIAL

Department	No. of Employees as on March 31, 2023	No. of Employees as on March 31, 2024
Commercial	1	1
Engineering & Maintenance	43	41
Finance	6	6
Fire Services	51	51
Human Resource and Admin	19	18
Security	1	1
Terminal Management	12	12
Grand Total	**133**	**130**

b. The Authority observes that the Manpower Expense of AAI employees are accounted by GIAL, based on the invoice raised by AAI for the 'Select Employees' deputed at LGBIA, on a monthly basis. GIAL has arrived at the average annual employee cost of ₹ 24.09 lacs per annum. However, basis the actual expenses submitted by GIAL vide email dated April 22, 2024, the average annual employee cost has been calculated as ₹ 21.77 lacs in FY24, which the Authority proposes to consider.

c. The Authority also observes that the Manpower Expenses of AAI employees were considered as 100% Aeronautical expenses by GIAL.

d. The Authority proposes to consider the Manpower Expenses – AAI employees up to 'Deemed Deputation Period' and after the expiry (October 2024) of such period relating to 'Deficit Employee cost' according to the explanation provided in the relevant Clauses of the Concession Agreement for such expenses and accordingly, treat the same which has been explained in paragraph 10.2.5 and 10.2.6

e. The Authority observes that GIAL has submitted vide e-mails dated April 2, 2024 and April 22, 2024, that they have incurred actual Total Manpower expenses of AAI employees amounting to ₹ 27.64 crores for the FY 2022-23 and ₹ 28.30 crores in FY2023-24 respectively. In this respect, the Authority notes that GIAL has considered the same as 100% Aeronautical which the authority proposes to re-allocate based on the prescribed allocation ratio of 99.25% (FY23) and 99.06% (FY 24 and FY25) (refer Table ***140***) which works out to ₹ 27.43 crores for the FY 2022-23 and ₹ 28.03 crores for FY 2023-24. Further, the Authority proposes to consider the average annual employee cost as ₹ 21.77 lacs per annum basis the actual expenses incurred in FY24 as the base to forecast salaries for the remaining three tariff years, i.e., FY 2024-25 to FY 2026-27.

f. Further, the Authority proposes to revise the 10% Y-o-Y increase in Payroll costs claimed by GIAL to 6% for the remaining three (03) tariff years of the Third Control Period, as approved by the Authority for other similar airports.

g. The Authority further observes that post completion of Deemed Deputation period, GIAL needs to bear the costs of Deficit Employees (60% of Select Employees) and shall be considered for pass-through in the determination of the Aeronautical Charges and the same has been appropriately accommodated.

h. The details of Manpower expenses – AAI employees claimed by GIAL and proposed by the Authority are summarized in the table below:

Table 136: Manpower cost of AAI employees claimed by GIAL and proposed by the Authority

Particulars	Unit	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
AAI – employee's salary growth rate claimed by GIAL	%	10	10	10	10	10	
AAI – employees Manpower Cost claimed by GIAL	₹ in crores	**27.64**	**32.52**	**31.85**	**30.26**	**33.28**	**155.55**
As per the Authority							
AAI – employee's salary growth rate proposed by the Authority	%	-	-	6	6	6	
AAI – Employees Manpower Cost derived by the Authority	₹ in crores	27.64*	28.30**	15.78# + 11.35^	25.39	26.91	
Allocation ratio proposed by the Authority (Refer Table *140*)	%	99.25	99.06	99.06# / 100^	100	100	
AAI – Aero Employees Manpower Cost proposed by the Authority	₹ in crores	**27.43**	**28.03**	**26.98**	**25.39**	**26.91**	**134.75**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*
#*for Deemed Deputation Period*
^*for Deficit Period*

ii. **Manpower Expenses of Employees of GIAL**

GIAL has submitted the following regarding projected salary cost per employee per annum and increase in the total employee headcount:

a. **Salary cost projected per employee per annum** - GIAL has submitted a weighted average employee cost of ₹ 14.00 lacs per annum (₹ 20.00 lacs per annum for executives and ₹ 5.00 lakhs per annum for non-executives) in FY 2023-24 and also projected an increase of 10% year-on-year (Y-o-Y) for each tariff year in the Third Control Period. As per the submission of GIAL, the average employee cost of ₹ 14.00 lacs per annum has been derived after considering the salary cost of projected recruitments for Senior-level positions like Chief Airport Officer, Chief Security Officer and Heads of Departments for Procurement, Legal, Customer Care, Experts for Quality, Corporate Communications and also the salary cost of other-level positions in various departments like Airside management, Security, Terminal Operations, Engineering & Maintenance, HR, Finance, etc.

GIAL has further submitted that as per Clause 6.5.3. of the Concession Agreement, the Senior Personnel of AAI deputed to LGBIA shall remain only for a period not exceeding 3 months from the COD and shall be transferred on expiry of three months.

The Authority examined Clause 6.5.3 of the Concession Agreement which states that:

"The senior management staff of the Authority of the rank of deputy general manager and above ("Senior Personnel") shall remain deputed at the Airport for a period not exceeding 3 (three) months from the COD.

(i) On the expiry of such 3 (three) month period, the Senior Personnel shall be transferred out of the Airport and redeployed by the Authority.

(ii) It is clarified that the Concessionaire shall not be liable to bear any costs in respect of the Senior Personnel, which costs shall be borne entirely by the Authority."

The Authority finds the average employee cost submitted by GIAL to be reasonable and proposes to consider the same. Further, the Authority proposes to rationalise the growth rate by considering only 6% Y-o-Y for all the remaining three (3) FYs, starting from FY 2024-25 in line with what has been considered for Manpower Expenses of AAI employees.

The Authority observes that GIAL has submitted vide e-mail dated April 2, 2024 that they have incurred actual Total Manpower Expenses of GIAL's employees amounting to ₹ 9.57 crores for the FY 2022-23. Further, GIAL vide email dated April 22, 2024 has submitted the actual expenses as ₹ 11.50 crores for FY2023-24. The Aeronautical portion of such expenses works out to ₹ 9.23 crores for the FY 2022-23 and ₹ 10.70 crores, which the Authority, proposes to consider for FY 2022-23 and FY 2023-24 respectively.

b. **Increase in Employee Headcount –** GIAL has projected an increase in Employee Headcount from 85 as at the end March 2023 to 375 as at the end the Third Control period. The table below depicts increase in the total Headcount Y-o-Y with department wise break-up of employees. GIAL in its submission has considered the allocation as 100% Aeronautical.

Table 137: Dept. wise Head Count of Employees as per GIAL's submission for the Third Control Period

Departments	FY23 (Nos)	FY24 (Nos)	FY25 (Nos)	FY26 (Nos)	FY27 (Nos)	Justification
Chief Airport Office (CAO office)	2	3	4	4	5	As per Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from CoD. Accordingly, Airport Director and all HoDs have been transferred out and are not working at Guwahati Airport. CAO stands for Chief Airport Officer. He is responsible for overall operations and management of the Airport. Department is akin to erstwhile Office of Airport Director. He is supported by relevant staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management, etc. Composition includes CAO, 1 EA, 1 ES, & 1 ORAT Manager.
Techno Commercial (Procurement)	6	8	9	10	11	AAI do not have any local purchase department at site. All the procurement at AAI is done centrally through tendering process. Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc. Composition includes 1 HoD, 5 Support staff
Corporate communication	1	2	2	2	3	As per Clause 18.1.1 (q), GIAL is requirement to have public relation officer who will interface with various stakeholders. GIAL has assumed to place one position to fulfill the mandated requirement along with 1 support staff
Corporate Affairs	1	1	2	2	2	Position required to interact with various state government, local municipalities, utility boards, local police, land department etc. on day-to-day basis. Composition is 1 lead & 1 support staff
Security	6	8	17	17	20	Currently there was one person deputed for carrying out Security function at the Airport. At present AAI was only performing pass section function with his support. However there are various activities which need to be performed by GIAL like CISF Documentation, Airport Security Program, Kerb Side Management, Traffic Management, Airport Operator Security Control Room, Tout Management, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements. GIAL will be carrying out functions with a combination of on roll and outsourced employees. Sovereign agencies and security set up of the airport operator have clearly defined mandates. NACASP 2018 vide Para4.2.2(xxii) stipulates that the Airport Operator is responsible for implementation of security controls at the airports through the CSO. The Asset CSO is bestowed with all the powers to implement security controls at the airport level and overall coordination with other agencies at the airport(Para5.2.1(ii) of NCASP refers). GIAL has assumed 20 employees on rolls is a composition of 1 CSO, 6 Pass Section, 1 Avsec Audit and Compliances, 7 Loss Prevention and Automation, 5 landside operations and others. Other operations like Kerb side, Tout Management, Traffic Management, Encroachment Prevention, Security System Maintenance etc. are expected to be outsourced.

Departments	FY23 (Nos)	FY24 (Nos)	FY25 (Nos)	FY26 (Nos)	FY27 (Nos)	Justification
Legal	1	1	2	2	2	AAI does not have legal positions at the Airport. Composition includes 1 HoD and 1 department supporting staff.
Safety	-	1	2	2	2	As per Concession Agreement clause 18.15.4, GIAL is expected to create Airport Safety Management Unit (ASMU) and designate one of its officers to be in-charge of the ASMU. Composition includes 1 Aviation Safety Expert and 2 support staff & OHS staff.
Quality	1	1	2	2	2	Under clause 23.1 of concession Agreement, GIAL is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further as per Concession Agreement, GIAL is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by GIAL. Composition includes 1 Quality Expert 2 associates
Information Technology	2	5	8	9	10	AAI does not have Information technology team to support the IT functioning of the Airport. IT is a backbone of the Aviation, and all the critical systems need to be running with zero downtime. Critical systems includes AODB, FIDS, PDAs, SAP, Business Analytics, Integration with ATC, VGDS, Radio Sets, Desktops, Laptops, Billing Software's, Document Management System, Access Control System etc. Composition includes 1 HoD, 9 Support staff.
Airside Management	16	23	30	35	40	As per Clause 18.1.1 (d), (f) and (g), GIAL is responsible to maintain and operate Airside including Runway, Taxiways, Apron, Approach Areas etc. Also, it is mentioned in the CNS-ATM Agreement about the airside obligations to be performed by GIAL. GIAL is responsible to establish Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. Previously some of these services were performed by ANS team of AAI and some of the services were not done at all. Post CoD all these functions are to be performed by GIAL. Further these activities are strictly regulated by DGCA as part of legal framework of Aerodrome Operating License under CAR section 4, series F part 1. Lastly as a part of capex expansion plan there are new Airside facilities need to be made like Part Parallel Taxi Track, Second Part Parallel Taxi Track, Expansion of Apron 2, Extension of Runway, New Isolation Bay, etc. There will be requirement for additional manpower to operate these facilities. The composition includes In Charge Airside, Duty Managers, Duty Officers, Airside Executive, Airside Ground Maintenance, Aerodrome Licensing, Aerodrome Safeguarding, Wildlife Hazard Management
Regulatory	-	-	1	1	2	New position to support in regulatory filing with AERA.
Terminal and Operation	22	23	44	44	46	NITB project is ongoing and is supposed to be commissioned by Q4 FY 24-25. It is expected that there will be requirement for additional duty managers, duty officers, facilities, Terminal E&M, ORAT team, horticulture, ESG staff to cater to the increased area demand.
Non-Aero Commercial	3	4	7	7	7	GIAL is expected to deploy various strategies/innovations to monitor the Non-Aeronautical Income and development of

Departments	FY23 (Nos)	FY24 (Nos)	FY25 (Nos)	FY26 (Nos)	FY27 (Nos)	Justification
						city side area. There is likelihood of increase in Manpower over time.
Human Resources and Admin	5	5	6	6	6	GIAL is expected to consolidate and automate various positions/functions, and will employee limited staff which will be comprising of HoD, HR Operations Talent Acquisition 2 person, Learning & OD, Admin, ER & Compliances
Finance	5	5	8	8	8	Composition includes 1 HoD, and support staff for various functions under finance and accounts.
Engineering & Maintenance	3	13	30	30	30	Currently AAI has approx. 10-15 people each in Civil, Technical and Engineering sections. GIAL is expected to outsource some of the non-core activities. Second there will be increase in Terminal Area by 5x in NITB. Increase in Airside Facilities, increase in landside facilities, Utilities etc, there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities. Considering all the above factor, GIAL is expected to consolidate the function and will have only 30 people on-rolls.
Airline Marketing	-	1	2	2	2	Specialized marketing personnels required to bring in additional airlines with increase in the capacity of the airport.
Aviation Rescue and Fire Fighting (ARFF)	8	8	84	84	88	As per AAI manual 2015, and TRA done there is requirement of 92 Fire People (23 nos x 4 shifts) for Category 8 Airport for 24/7 shift operation, emergency response. TRA attached (Please refer Annexure R of MYTP for TRA).
Environment & Sustainability	1	1	2	2	2	As per ICAO/DGCA/MoEF guidelines to operate/maintain Eco Friendly and sustainable Airport, manpower is required for meeting the regulatory compliances. ACI IV plus accreditation and target of Carbon neutral asset is to be achieved for addition executive is required for maintaining all the records in addition to the lead position.
Horticulture	1	1	3	3	3	To maintain world class Passenger Experience and to maintain eco-friendly Airport. To increase green cover at the airport as per statutory guidelines.
Land department	1	1	1	1	1	Personnel will be responsible for land matters
ILHBS Screeners	-	-	59	77	83	New NITB New online baggage screening will be introduced. So certified screeners will be required
Total Manpower Requirement	**85**	**115**	**325**	**350**	**375**	

The Authority does not agree with GIAL's contention that all employees cost is Aeronautical in nature. The Authority has referred the *Study on the Efficient Operation and Maintenance Expenses of LGBIA*, and accordingly reallocated employees between aeronautical, common, and non-aeronautical.

The Authority observes that GIAL has estimated this increase in number of employees mainly towards functions relating to Security, Firefighting, Airside management, Terminal operations, Engineering and Maintenance and ILHBS Screeners, considering the commissioning of NITB in FY 2025-26 and that the deemed deputation period of the Select Employees deputed by AAI expires in the FY 2024-25 (October 2024).

In this background, the Authority examined the Aeronautical Employee Head Count of LGBIA for the period from FY 2016-17 to FY 2019-20 (Pre-COVID year) and notes that the 4-year average employee headcount is 149 and the same is given in below table:

Table 138: Headcount of Aeronautical employees of LGBIA for the Period from FY'17 to FY'20

Particulars	FY'17	FY'18	FY'19	FY'20	4 – Year Average
Employee Headcount *	139	145	164	149	**149**

* *Refer Table 19 of paragraph 4.4.3.e.* of *Study on Efficient Operation and Maintenance Expenses for LGBIA*

The Authority further observes that the Passenger traffic and ATM during the Third Control Period for LGBIA (refer Table 71) has crossed Pre-COVID level during FY 2023-24. The same has been presented in the following table:

Table 139: Estimated Passenger and ATM traffic of LGBIA

Particulars	FY'20 (Pre-COVID)	FY'23	FY'24	FY'25	FY'26	FY'27
Passenger Traffic (in lacs)	54.57	50.51	59.58	66.64	75.44	90.94
ATM Traffic (In '000s)	45.54	45.91	46.15	60.53	68.05	82.11

However, the Authority also considers the following pertinent factors such as:

- NITB is expected to be commissioned in last quarter of FY24-25 as per GIAL submission.
- There are existing employees of AAI i.e., 'Select Employees' deputed to LGBIA and
- The previous airport operator, namely, AAI had been maintaining the prescribed ASQ rating of LGBIA with the aforementioned employee headcount (refer Table 164).

Considering the growth projected in Passenger traffic and ATM and the current scale of operations, the Authority is of the view that, the Aeronautical Employee Head Count projected by GIAL which is at 375 towards the end of the Third Control Period, is not justified and the same needs to be rationalized. Further the Authority noted the GIAL headcount shared vide email by GIAL dated April 2, 2024 and compared it with the projections submitted during MYTP submission. Accordingly, the Authority has rationalized the headcount projections.

Based on the above, the Authority has analyzed the Employee Headcount projected vis-à-vis the functions of each department mentioned in Table 137. The Authority proposes to consider actual headcount for FY2022-23 and FY 2023-24 as submitted by GIAL.

Further, the Authority proposes the following revision in Aeronautical Employee Headcount projected by AO for the remaining three (3) tariff years of Third Control Period:

(i) **Security department:** The Authority observes that certain security and safety activities may be suitably outsourced by GIAL, barring specific activities such as coordination with CISF, BCAS compliance etc. The Authority thus proposes to consider only 50% of the Employee Headcount projected by GIAL in the 3rd tariff year (FY 2024-25) onwards.

(ii) **Airside Management:** The Authority observes that the headcount projected by GIAL for all the tariff years is not justified considering the projected traffic levels at the airport. The Authority also observes that ground handling activities at the airport have been outsourced. Based on the above factors, the Authority proposes to consider twenty five (25), thirty (30), and thirty five (35) employees in the last three tariff years of the Control Period as against 30 / 35 / 40 employees respectively, claimed by GIAL.

(iii) **Terminal Operations:** The Authority observes that the number of Employee Headcount projected by GIAL is not justifiable as there are existing employees of AAI (i.e., Select employees deputed to LGBIA) at the Airport till the deemed deputation period. Hence, the Authority has rationalized the manpower for Terminal Operations for the FY2024-25 from 44 employees to 35 employees. The Authority further observes that since NITB shall be commissioned by FY2025-26, as per the CAPEX plan proposed by the Authority for Third Control Period, the manpower may be increased in a staggered manner. The Authority proposes to consider forty (40) employees in FY2025-26 as against 44 employees claimed by GIAL, and forty six (46) employees in FY2026-27 as proposed by GIAL.

(iv) **Engineering & Maintenance Department:** The Authority observes that there are existing employees of AAI (i.e., 'Select Employees' deputed to LGBIA) at the Airport during the deemed deputation and hence the Authority proposes to consider 75% of the Aeronautical Employee Headcount of Engineering & Maintenance department, projected by GIAL, for the third tariff year of the Third Control Period. For the remaining two tariff years of TCP, the Authority proposes to consider the number of employees as submitted by GIAL as the Deemed Deputation Period will end in FY 2024-25.

(v) **Aircraft Rescue and Fire Fighting (ARFF):** The Authority observes that the employee headcount projected by the AO is not justified, with the fact that the same services are being delivered by existing employees of the AAI (i.e., Select employees to LGBIA) at the airport, at a lower manpower strength. The Authority thus proposes to rationalize the manpower in this department for FY2024-25 on the basis of historical manpower deployment. For next two tariff years, manpower has been increased in a staggered manner. Based on the above factors, the Authority proposes to consider sixty (60), seventy (70), and eighty (80) employees in the last three years of the Control Period as against 84 / 84 / 88 employees respectively, claimed by GIAL.

(vi) **Inline Hold Baggage Screening System (ILHBS):** GIAL had proposed screeners with effect from FY2024-25 considering that NITB will be commissioned in FY2024-25. However, the Authority has proposed commissioning of NITB in FY2025-26. ILHBS will be operationalized along with the commissioning of NITB. Further, the Authority has rationalized the number of screeners and proposes to consider an headcount of fifty (50) and sixty (60) employees in FY 2025-26 and FY 2026-27 repsectively.

Based on the above factors, the Aeronautical Employee Headcount proposed to be considered by the Authority for the Third Control Period is shown in the table below:

Table 140: Employee Head Count of GIAL and revised EHCR proposed by the Authority for the Third Control Period

Particulars	GIAL Classification	The Authority's Classification	FY'23	FY'24	FY'25	FY'26	FY'27
Aeronautical Employee Head count claimed by GIAL as per MYTP			85	115	325	350	375
Employee Headcount proposed by the Authority							
Chief Airport Office (CAO office)	Aeronautical	Aeronautical	2	2	4	4	5
Techno Commercial (Procurement)	Aeronautical	Aeronautical	3	4	9	10	11
Corporate communication	Aeronautical	Aeronautical	1	1	2	2	3
Corporate Affairs	Aeronautical	Aeronautical	4	3	2	2	2
Security	Aeronautical	Aeronautical	6	7	9	9	10
Legal	Aeronautical	Aeronautical	1	1	2	2	2
Safety	Aeronautical	Aeronautical	-	1	2	2	2
Quality	Aeronautical	Aeronautical	-		2	2	2
Information Technology	Aeronautical	Aeronautical	2	3	8	9	10

Particulars	GIAL Classification	The Authority's Classification	FY'23	FY'24	FY'25	FY'26	FY'27
Airside Management	Aeronautical	Aeronautical	16	19	25	30	35
Regulatory	Aeronautical	Aeronautical			1	1	2
Terminal and Operation	Aeronautical	Aeronautical	22	20	35	40	46
Non-Aero Commercial	Aeronautical	Non-Aeronautical	3	5	7	7	7
Human Resources and Admin	Aeronautical	Common	5	5	6	6	6
Finance	Aeronautical	Common	6	6	8	8	8
Engineering & Maintenance	Aeronautical	Aeronautical	3	12	23	30	30
Airline Marketing	Aeronautical	Aeronautical			2	2	2
Aviation Rescue and Fire Fighting (ARFF)	Aeronautical	Aeronautical	8	7	60	70	80
Environment & Sustainability	Aeronautical	Aeronautical	1	1	2	2	2
Horticulture	Aeronautical	Aeronautical	1	1	3	3	3
Land department	Aeronautical	Non-Aeronautical		1	1	1	1
ILHBS Screeners	Aeronautical	Aeronautical				50	60
Air Cargo	Aeronautical	Aeronautical	1	1			
Total Employee Head Count of GIAL rationalized by the Authority			**85**	**100**	**213**	**292**	**329**
Direct Aeronautical Employees of GIAL			71	83	191	270	307
Direct Non-Aeronautical Employees of GIAL			3	6	8	8	8
Common Employees of GIAL			11	11	14	14	14
Total Aeronautical Employees of GIAL			82	93	204	284	321
Total Non-Aeronautical Employees of GIAL			3	7	9	8	8
Revised Employee Headcount ratio of GIAL derived by the Authority			**96.47%**	**93.00%**	**95.77%**	**97.26%**	**97.57%**
5-yr average of Revised EHCR of GIAL			**96.01%**				
Total AAI Employees			133	130	130	-	-
Direct Aeronautical Employees of AAI			107	105	105	-	-
Direct Non-Aeronautical Employees of AAI			1	1	1	-	-
Common Employees of AAI			25	24	24	-	-
Total Aeronautical Employees of AAI			132	129	129	-	-
Total Non-Aeronautical Employees of AAI			1	1	1	-	-
Revised Employee Headcount ratio of AAI derived by the Authority			**99.25%**	**99.06%**	**99.06%**	**-**	**-**
Total Aeronautical Employees of AAI and GIAL			214	222	333	284	321
Total Non-Aeronautical Employees of AAI and GIAL			4	8	10	8	8
Total Employee Headcount (i.e., both AAI and GIAL employees) derived by the Authority			**218**	**230**	**343**	**292**	**329**
Revised Employee Headcount ratio of total AAI and GIAL derived by the Authority			**98.17%**	**96.43%**	**97.02%**	**97.26%**	**97.57%**
5-year Average of Revised Total Employee Headcount Ratio (both AAI and GIAL employees) derived by the Authority			**97.29%**				

**till Deputation Period (October 2024)*

The employee cost proposed by the Authority for GIAL's own employees, based on the revised aeronautical employee headcount is shown below:

Table 141: Manpower cost of Aero employees proposed by the Authority for the Third Control Period

Particulars	Unit	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Employee Headcount claimed by GIAL	No.	85	115	325	350	375	

Particulars	Unit	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Salary Growth % claimed by GIAL	%	10%	10%	10%	10%	10%	
Manpower Cost of GIAL's employees claimed by GIAL	₹ in crores	**9.57**	**14.38**	**28.52**	**44.92**	**53.07**	**150.46**
As per the Authority							
Employee Head count proposed by the Authority	**No.**	85*	100**	213	292	329	
Salary Growth % proposed by the Authority	**%**	-	-	6%	6%	6%	
GIAL – Employees Manpower Cost derived by the Authority	₹ in crores	9.57*	11.50**	19.84	31.21	40.68	
Allocation ratio proposed by the Authority	**%**	96.47%	93.00%	95.77%	97.26%	97.57%	
Aero Manpower Cost of GIAL proposed by the Authority	₹ in crores	**9.23**	**10.70**	**19.00**	**30.35**	**39.69**	**108.97**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

<u>Utility Expenses</u>

10.2.23 The Authority examined the expenses towards Utilities and noted the following:

i. **Power expenses:** The Authority observes that GIAL in its submission has considered the expenses towards Utilities after netting off the recoveries to be made from the Concessionaires for Non-aeronautical activities. The net utilities expenses thus arrived is considered as 100% Aeronautical.

- The Authority observes that GIAL has assumed 16% of the total electricity cost as recoveries to be made from the Concessionaires. The Authority further observes that the power recovery percentage is significantly lower than that of comparable airports and proposes that the non-aeronautical operations should increase the power recovery from the Concessionaires, in a gradual manner. Accordingly, the Authority proposes that GIAL shall constitute a Committee to verify the bills relating to Power expenses and submit a report on the same to the Authority as part of Stakeholder comments / feedback. In case such report is not submitted by GIAL, the Authority proposes to consider power recoveries at a notional rate while issuing the tariff order of the Third Control Period.
- The Authority observes that the actual Electricity costs incurred by GIAL for FY 2022-23 of ₹ 6.70 crores (after recovery) and proposes to consider the actual expenses of FY 2022-23. Further, GIAL has submitted the actual expenses as ₹ 9.20 crores (after recovery) for FY 2023-24, which seems to be on higher side and thus suitable justification was sought for the same from the AO. GIAL vide email dated April 15, 2024 stated that, the base rate for electricity which is charged as energy charges in monthly bill, was increased from ₹ 7.70 per unit to ₹ 8.10 per unit. Further, APDCL (Assam Power Distribution Company Limited) had increased FPPCA ((Fuel and Power Purchase Cost Adjustment) to ₹ 1.29 per unit in FY24 from ₹ 0.30 per unit in FY23. The Authority in view of the aforementioned response of GIAL proposes to consider the actual expenses for FY2023-24.
- GIAL has proposed to increase the billable units by 621% in FY 2024-25 on account of increase in terminal area. The Authority as part of its review notes that for other similar airports, it had allowed the increase claimed by the respective AO which was in proportion to the increase in the area of the Terminal Building. Based on the same, the Authority proposes to consider as per the capitalization schedule an additional increase of 414% in billable units only for FY 2024-25 (refer growth rates

mentioned in Table ***134***).

- The Authority observes that GIAL, has claimed an inflationary increase of 5% on the per unit rate. The Authority proposes Y-o-Y increase of per unit rate towards inflationary effect as per Table **126**. The details of Utility expenses claimed by GIAL and allowed the Authority are summarized in the table below:

Table 142: Utility expenses claimed by GIAL and proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL						
Total Utility Expenses	6.70	8.24	8.65	65.49	68.76	**157.85**
As per the Authority						
Total Utility Expenses	6.70*	9.20**	9.49	50.54	52.41	**128.33**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY2023-24*
The increase in Utility Expenses in FY26 is due to increase in terminal area (commissioning of NITB) and inflation effect.

<u>IT expenses, Rates & Taxes and Security expenses</u>

10.2.24 GIAL as per the concession agreement is required to upgrade the existing IT capacity infrastructure. GIAL has based its expense projections on the basis of proportionate increase in GIAL's own employee headcount. Further the Authority notes that GIAL has treated the cost as 100% Aeronautical. In respect of the Y-o-Y growth claimed by GIAL, the Authority proposes to revise the same as per inflation rate proposed in Table 83 above and also reallocate the expense based on the Terminal Building ratio of 90% Aeronautical (refer para 10.2.9).

i. The Authority observes that the actual expenses incurred by GIAL on IT expenses for FY 2022-23 and FY2023-24 are ₹ 2.50 crores and ₹ 3.40 crores respectively, and proposes to consider the same. Further, the Authority proposes to consider actual IT expenses for FY 2023-24 as base for future projections Further, the Authority shall consider a one-time increase of 100% on account of increase in Terminal Area. The Authority further proposes to apply Y-O-Y increase towards inflation for the remaining three (3) tariff years on the derived expenses of FY 2023-24 (refer growth rates mentioned in Table 157).

Table 143: IT expense of GIAL as proposed by the Authority for the Third Control Period

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
IT expenses claimed by GIAL	₹ in crores	2.50	7.00	19.78	41.09	44.02	**114.39**
As per the Authority							
IT expense proposed by the Authority	₹ in crores	2.50*	3.40**	3.51	7.14	7.40	**23.95**
Allocation Ratio proposed by the Authority	%	90%	90%	90%	90%	90%	
Aero IT expense proposed by the Authority	₹ in crores	**2.25**	**3.06**	**3.15**	**6.43**	**6.66**	**21.56**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

10.2.25 With respect to Rates and Taxes, GIAL has assumed a 5% y-o-y increase on account of inflation and a one-time increase of 621% on account of increase in terminal area. Further the Authority observes that the AO has treated the cost as 100% Aeronautical. The Authority proposes to reallocate the expense based on the Gross Fixed Asset ratio (95.39%).

i. The Authority has noted the actual expenses of ₹ 0.31 crores incurred by GIAL on Rates and Taxes for FY 2022-23 and proposes to consider the same. Further, GIAL has submitted the actual expenses as ₹ 0.10 crores for FY2023-24. The Authority proposes to consider ₹ 0.10 crores towards Rates and Taxes for FY 2023-24 and use the same as base for future projections. The Authority notes that GIAL, has claimed 621% increase in FY 2024-25 on account of increase in Terminal area. The Authority finds the increase to be unreasonable and proposes an increase of 414% as per the justification provided in para 10.2.21. The Authority further proposes to apply Y-O-Y increase towards inflation for the next three (3) tariff years on the derived expenses of FY 2023-24 (refer growth rates mentioned in Table 157).

Table 144: Rates and Taxes of GIAL as proposed by the Authority for the Third Control Period

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Rates and Taxes claimed by GIAL	₹ in crores	0.31	0.75	0.79	5.71	6.00	**13.56**
As per the Authority							
Rates & Taxes expense considered by the Authority	₹ in crores	0.31*	0.10**	0.10	0.53	0.55	**1.60**
Allocation Ratio proposed by the Authority	%	95.39%	95.39%	95.39%	95.39%	95.39%	
Aero Rates & Taxes proposed by the Authority	₹ in crores	**0.30**	**0.10**	**0.10**	**0.51**	**0.53**	**1.53**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

10.2.26 As per GIAL's submission expenses related to security includes outsourced manpower, security guards, security operation maintenance, surveillance vehicles, access controls and expenses related to other automation systems. GIAL has based their security cost increase in line with the forecasted growth in passenger traffic. In addition, GIAL has considered a one-time increase of 50% in expense on account of commissioning of NITB leading to increase in the terminal area. Further the Authority notes that GIAL has treated the cost as 100% Aeronautical. The Authority notes the dual escalation in the expenses wherein GIAL has considered both increase in traffic and terminal area. The Authority proposes to revise the Y-o-Y growth in security expenses, as per inflation rate proposed in Table **126** and also reallocate the expense based on the Gross Fixed Asset ratio of 95.39% Aeronautical (refer para 10.2.11) in line with similar airports.

i. The Authority has noted the actual expenses on Security of ₹ 3.75 crores incurred by GIAL for FY 2022-23 and proposes to consider the same. Further, GIAL has submitted the actual expenses as ₹ 6.00 crores for FY 2023-24. The Authority proposes to consider ₹ 6.00 crores towards Security expenses for FY 2023-24 and use the same as base for future projections. The Authority notes that GIAL, has claimed 50% increase in FY 2024-25 on account of increase in Terminal area, which the Authority finds to be reasonable and justified. Hence, the Authority proposes to allow the same.

Table 145: Security expense of GIAL as proposed by the Authority for the Third Control Period

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Security expense claimed by GIAL	₹ in crores	3.75	6.00	6.11	9.97	12.02	**37.86**
As per the Authority							
Security expense proposed by the Authority	₹ in crores	3.75*	6.00**	6.19	9.51	9.86	35.30
Allocation Ratio proposed by the Authority	%	95.39%	95.39%	95.39%	95.39%	95.39%	
Aero Security expense proposed by the Authority	₹ in crores	**3.58**	**5.72**	**5.90**	**9.07**	**9.41**	**33.68**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

<u>Corporate Allocation Cost</u>

10.2.27 GIAL has claimed Corporate Allocation Cost of ₹ 12.89 crores towards Corporate Support Services received from the Holding Companies, namely, AEL and AAHL for the FY 2022-23 and has considered the employee headcount growth of GIAL as basis for Y-o-Y escalation.

i. The Airport Operator (GIAL) had engaged an independent consultant, to conduct a study on Corporate Cost allocation. The Authority has noted the following points submitted by GIAL in support of their claim for Corporate cost allocation:

- AEL provides various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, human resource management, etc., and also includes various leadership functions. AAHL through its corporate structure, provides expertise and specialist domain knowledge in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Hospitality, Customer management, Cargo Development and management, Airline Marketing, Non-Aeronautical etc.
- AEL and AAHL incur costs at the corporate level to provide these services and support to various Group Companies (including Airports) and Airport companies. The major composition of these costs includes salaries and administrative costs. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through a pre-determined, appropriate allocation method.
- Similar corporate cost allocation process is used by other private airport operators' holding entities, which provide corporate administration services to their respective Airport Operators, and their costs are allocated based on suitable drivers. Similarly, AAI also allocates its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports based on appropriate cost drivers.

ii. The Authority observes that AEL on overall basis, extends support and guidance to various Group Companies and AAHL provides expertise and specialist domain knowledge to the Airport Companies, which are essential for the sustainable operations of the business. The major composition of the costs of these services includes salaries and administrative costs that are recovered by AEL and AAHL through an appropriate allocation method (refer para 10.2.14). Further, this process is consistent with the approach followed by other PPP airports for allocation of Corporate costs to the Airports. Based on the above factors, the Authority considers the apportionment of costs of AEL and AAHL to GIAL as reasonable.

iii. The Authority notes that the actual expenses incurred by GIAL on Corporate Cost expenses for FY 2022-23 is ₹ 12.89 crores and its detailed break-up along with the basis of allocation as submitted by GIAL is as follows:

Table 146: Actual Corporate Cost incurred with allocation basis submitted by GIAL for FY'23

(₹ crores)

Particulars	Department	Allocation Key (Basis)	Admin Cost	Salary Cost	Total
AEL	HR and Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.52	1.05	**1.57**
	Finance, Tax and Internal Audit	Ratio of Debt raised for a SPV to total Debt raised for Adani Group, Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs	0.27	0.54	**0.81**
	IT	Ratio of Number of IT users in a SPV to total Group users	0.35	0.70	**1.05**
	Legal	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.01	0.02	**0.03**
	CMD Office & Support Staff	Ratio of a SPV PBT to Group PBT and Airport budgeted expenditure to Total budgeted expenditure	0.58	1.17	**1.75**
	Total (A)		**1.72**	**3.49**	**5.21**
AAHL	HR & Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.28	1.11	**1.39**
	Finance	Ratio of Debt raised for a SPV to total Debt raised for Airport Group	0.17	0.67	**0.84**
	Operations (Airline Marketing, Operation, Security, HSE, Regulatory)	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.77	3.09	**3.86**
	IT	Ratio of Number of IT users in a SPV to total IT users in all airports	0.09	0.34	**0.43**
	Inhouse Legal Team	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.03	0.12	**0.15**
	Cargo Development	Ratio of Per Pax Revenue of a SPV to total Per Pax Revenue of all airports	0.01	0.03	**0.04**
	CEO Office	Ratio of Per Pax Revenue of SPV to total Per Pax Revenue	0.20	0.79	**0.98**
	Total (B)		**1.54**	**6.15**	**7.68**
	Total (A) + (B)		**3.26**	**9.64**	**12.89**

iv. Considering all the above, the Authority proposes to consider the actual expenses of ₹ 12.89 crores for FY 2022-23.

v. However, the Authority observes that the aforementioned actual cost includes the costs of inhouse legal team, which is in addition to the cost of employees of Legal department, already considered under the manpower expenses of GIAL (refer Table **146** above) and is not justified. Hence, the Authority proposes to exclude ₹ 0.15 crores from the Corporate Allocation cost submitted by GIAL and consider the remaining amount of ₹ 12.74 crores for FY 2022-23.

vi. Further, GIAL has submitted the actual expenses as ₹ 11.80 crores for FY 2023-24. The Authority finds the same to be reasonable and proposes to consider ₹ 11.80 crores towards Corporate Cost expenses for FY 2023-24.

vii. GIAL has escalated expenses related to corporate allocation YoY basis growth in employee count. The Authority observed that salary cost constitutes the major portion of the Corporate cost and hence, proposed to rationalize the increase claimed by GIAL to 6% Y-o-Y across the last three (3) tariff years of the Third Control Period which is in line with the increase proposed for manpower expenses of AAI and GIAL.

viii. The Authority observed that GIAL has considered corporate cost allocation as 100% aeronautical without any supporting basis for such allocation. In the absence of such basis and in line with the methodology followed by the Authority for similar airports, the Authority proposes to reallocate the expense basis the Total Employee Headcount ratio. Further, as the services provided by AAHL & AEL are mainly in the nature of provided specialized resources and knowledge and also it benefits whole airport ecosystem, the Authority is of the view that the cost needs to be allocated basis the Total Employee Headcount ratio.

ix. The details of Corporate Allocation Expense claimed by GIAL and allowed by the Authority are summarized in the table below:

Table 147: Corporate Cost Allocation expenses claimed by GIAL and Proposed by the Authority

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Corporate Allocation expense claimed by GIAL	₹ in crores	12.89	15.00	42.39	45.65	48.91	**164.85**
As per the Authority							
Corporate allocation cost considered by the Authority	₹ in crores	12.74*	11.80**	12.51	13.26	14.05	**64.36**
Allocation Ratio proposed by the Authority	%	98.17%	96.43%	97.02%	97.26%	97.57%	
Aero Corporate Cost expense proposed by the Authority	₹ in crores	**12.51**	**11.38**	**12.14**	**12.90**	**13.71**	**62.63**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

Administrative Expenses

10.2.28 GIAL has projected an inflationary increase of 5% Y-o-Y for Administrative Expenses (Others) towards Professional & Consultancy, Sales & Marketing, Travelling & Communication, Printing & Stationery etc. In addition, a 5% Y-o-Y increase is provisioned as Contingency. For expenses related to collection charges on UDF, GIAL has escalated the same as per forecasted passenger growth.

- In respect of UDF Collection charges, the Authority has observed that the actual expenses incurred by GIAL for FY 2022-23 and FY2023-24 are ₹ 0.98 crores and ₹ 1.45 crores respectively, and proposes to consider the same. The Authority proposes to consider increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the Third Control period for LGBIA, as per Table **71**. The Authority proposes to apply such rates for the next three (3) tariff years on the actual expenses of FY 2023-24.
- In respect of Other Administrative charges, the Authority observes that the actual expenses submitted by GIAL i.e., ₹ 13.56 crores includes recovery of electricity expenses amounting to ₹ 1.33 crores. The Authority proposes to exclude such expenses which have been recovered by the Airport Operator. Further, GIAL has submitted the actual expenses as ₹ 27.00 crores for FY2023-24. The estimated expense value seemed to be on the higher side, and thus suitable justification was

sought for the same from GIAL. GIAL vide email dated April 15, 2024 stated that, "the increase in administrative expenses is due to increase in professional fees for various activities for improvement in passenger experience and operations." The Authority while acknowledging the aim to enhance passenger experience, also considers the financial impact on passengers given that such expenses may be ultimately passed through to passengers; and thus, proposes to not consider the actual expenses for FY24. Further, considering that LGBIA is a brownfield airport, the Authority proposes to consider inflationary effect as per Table **126** for the growth in Administrative expenses (other than Collection charges for UDF), across all the remaining four (4) tariff years in the Third Control Period. Further, the Authority is of the view that these expenses which are administrative in nature should be apportioned in the Gross Fixed Asset Ratio i.e., 95.39.

Table 148: Admin expenses claimed by GIAL and proposed by the Authority for the Third Control Period

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Collection charges on UDF	₹ in crores	0.98	1.64	1.67	1.89	2.27	**8.45**
Other Administrative Expenses	₹ in crores	13.56	34.00	37.40	41.14	45.25	**171.35**
Total Administrative Expenses	₹ in crores	14.54	35.64	39.07	43.03	47.53	**179.80**
As per the Authority							
i. Admin expenses (UDF Collection charges) proposed by the Authority (A)	₹ in crores	0.98*	1.45**	1.62	1.84	2.21	**8.11**
ii. Admin expenses Others considered by the Authority (B)	₹ in crores	12.23*	12.14	12.52	12.98	13.46	**63.3**
Allocation Ratio proposed by the Authority	%	95.39%	95.39%	95.39%	95.39%	95.39%	
Admin expenses Others proposed by the Authority (B1)	₹ in crores	11.67	11.58	11.94	12.39	12.84	**60.42**
Total Admin expenses proposed by the Authority (A+B1)	₹ in crores	**12.65**	**13.03**	**13.57**	**14.22**	**15.06**	**68.53**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

<u>**Insurance expenses**</u>

10.2.29 The Authority examined the expense claimed by GIAL towards Insurance and notes the following:

- **Insurance on Initial Asset Base** – GIAL has considered insurance expense of ₹ 2.26 crores on existing assets in FY 2022-23 and an increase of 10% Y-o-Y on the same. Further, GIAL has submitted the actual expenses as ₹ 1.44 crores for FY2023-24. The Authority, on review of the actual expenses incurred proposes to consider the same, i.e., ₹ 2.26 crores for FY 2022-23 and ₹ 1.44 crores for FY2023-24. The Authority also proposes to consider Y-o-Y increase towards inflationary effect as per Table **126** on such actual expenses for the entire Third Control Period. Further, the Authority has derived the Aeronautical expenses by applying Gross Fixed Assets ratio (95.39%) as per Table ***133***.
- **Insurance on New Asset Base** – GIAL has also claimed Insurance expense at the rate of 0.10% on new additions to the gross block based on market rates for each tariff year. The Authority reviewed the same and proposes to consider the expense at the same rate of 0.10% on the revised cumulative value of Capitalized Aeronautical Assets that are forming part of RAB (Table 96).

- The Authority further proposes to compute insurance expenses on New Asset Base as per revised gross block additions determined in this Consultation Paper.

Table 149: Insurance expenses claimed by GIAL and proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL						
Insurance expenses claimed by GIAL	2.31	2.89	6.68	9.03	9.52	**30.43**
As per the Authority						
Insurance expense considered by the Authority on Initial Asset Base (A)	2.26	1.44	1.49	1.54	1.60	8.33
Allocation ratio proposed by the Authority	95.39%	95.39%	95.39%	95.39%	95.39%	
Insurance on opening net block of assets (A1)	2.16	1.38	1.42	1.47	1.52	**7.94**
Insurance on New Asset Base (B)	0.05	0.06	0.30	4.01	4.06	**8.48**
Insurance expenses allowed by the Authority (A1 + B)	**2.21**	**1.43**	**1.72**	**5.48**	**5.58**	**16.42**

<u>Repairs and Maintenance expenses</u>

10.2.30 The Authority examined the expenses towards Repairs and Maintenance and noted that the same has been projected towards Civil, Electrical, Plant and machinery, Electronics and Others.

i. **Repairs and Maintenance on Exisitng Asset Base -** GIAL has submitted actual expenses of ₹ 19.51 crores and ₹ 19.76 crores in FY 2022-23 and FY 2023-24 repectively, towards Repairs and Maintenance for Opening Net block of Assets and an increase of 10% Y-o-Y (including expected increase in inflation by 5% and another 5% allowance provided for any contingency for change in scope, overtime, escalation etc.).

ii. **Repairs and Maintenance on New Capital Expenditure** – GIAL has also claimed Repairs and Maintenance expense at the rate of 3% on the cumulative value of Capitalized Total Assets for each tariff year.

iii. The Authority proposes to consider the actual R&M expenses incurred by GIAL in FY 2022-23 and FY 2023-24. The Authority proposes to consider inflationary increase as per Table **126** for FY2024-25. For FY2025-26 and FY2026-27, the Authority proposes to consider R&M expenses equivalent to 50% and 70% respectively of the amount proposed by the AO since new CAPEX being incurred by the AO will have Defect Liability Period and there will be blend of old and new CAPEX. Further, the Authority has derived the Aeronautical expenses for R&M expense, by applying the Gross Fixed Asset ratio (95.39% Aeronautical). The amount claimed by GIAL, and the estimate proposed by the Authority is shown in the table below:

Table 150: R&M on Opening Net block of Assets claimed by GIAL and Proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL						
Repairs and Maintenance – For Initial Asset Base claimed by GIAL (A)	19.51	22.00	24.20	26.62	29.28	**121.61**
Repairs and Maintenance – New Capital Additions claimed by GIAL (B)	-	1.74	4.09	109.69	171.23	**286.75**

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Total Repairs and Maintenance – claimed by GIAL (C = A + B)	**19.51**	**23.74**	**28.29**	**136.31**	**200.51**	**408.36**
As per the Authority						
Repairs and Maintenance Expenses – (D)	19.51*	21.50**	22.17	68.16	140.36	**271.69**
Allocation Ratio (E)	95.39%	95.39%	95.39%	95.39%	95.39%	
R&M expenses considered by the Authority (F=D*E)	**18.61**	**20.50**	**21.14**	**65.01**	**133.89**	**259.14**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

Other Operating expenses

10.2.31 GIAL has submitted the Other Operating Expenses and claimed an increase of 5% Y-o-Y for all five (5) tariff years and an additional increase 621% in FY 2025-26 on account of increase in Terminal Building area. GIAL has further submitted that the other Operating Expenses largely incudes Cleaning & Housekeeping Services, Pest Control Services, Cleaning of Public Toilet, providing biomedical waste management services, garbage collection services etc. The major agreements were entered during FY22-23 and hence in order to provide its annualized impact, a necessary increase factor of ~64% has been considered in FY23-24.

- The Authority has observed the actual expenses incurred by GIAL on Other Operating expenses for FY 2022-23 as ₹ 13.43 crores and proposes to consider the same. Further, GIAL has submitted the actual expenses as ₹ 17.40 crores for FY2023-24 and the Authority proposes to consider and use the same as base for forecasting future expenses. In respect of Y-o-Y growth rate claimed by GIAL, the Authority proposes that the increase towards inflationary effect as per Table **126** should only be considered, instead of 5% increase Y-o-Y claimed by GIAL.
- In respect of additional increase of 621% claimed by GIAL in FY26, the Authority proposes to consider increase of 414%, with regard to increase in Terminal Building area due to commissioning of NITB. Further, the Authority considering the nature of expenses proposes to allocate the cost as per Terminal Building ratio of 90% Aeronautical (refer para 10.2.17).

Table 151: Other Opex claimed by GIAL and proposed by the Authority for the Third Control Period

Particulars	Units	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Other Operating expenses claimed by GIAL	₹ in crores	13.43	22.00	23.10	167.63	176.02	**402.18**
As per the Authority							
Other Operating expenses considered by the Authority	₹ in crores	13.43*	17.40**	17.94	92.84	96.27	237.87
Allocation ratio proposed by the Authority	%	90	90	90	90	90	
Other Operating expenses proposed by the Authority	₹ in crores	**12.09**	**15.66**	**16.15**	**83.55**	**86.64**	**214.09**

**as per actuals submitted by GIAL for FY 2022-23*
***as per actuals submitted by GIAL for FY 2023-24*

Independent Engineer Cost

10.2.32 GIAL has claimed Independent Engineer Cost of ₹ 3.91 crores from FY23 till FY25 and claimed an increase of 5% Y-o-Y from FY26 onwards. As per the information provided, AAI appointed M/s IRCON International Limited as the Independent Engineer for 3 years with a total cost of ₹ 11.74 crores (₹ 3.91 crores annually). The extract of the relevant clauses is as below:

Clause 24.1.2 states

"The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment."

Clause 24.3.1 states

"The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator."

10.2.33 The Authority notes that AAI had appointed M/s IRCON International Limited as the Independent Engineer with effect from 22nd October 2021 with the responsibility of reviewing the projects being carried out by GIAL on site and submitting necessary reports to GIAL.

10.2.34 The Authority also notes that as per Clause 24 and Schedule K of the Concession Agreement, AAI is required to appoint the Independent Engineer initially for a period of 3 years and thereafter for every 3 years. AAI has executed the contract with the Independent Engineer at a fee of ₹ 11.74 crores. GIAL has projected the Independent Engineer Cost based on the same and together with considering an inflation of 5% for the last two tariff years for the Third Control Period.

10.2.35 However, the Authority proposes not to allow inflation of 5% and retain the amount originally awarded by AAI proportionately for the last two tariff years. The Authority also examined the actual expense of ₹ 3.91 crores and ₹ 3.52 crores for FY 2022-23 and FY 2023-24 respectively, and proposes to consider the same.

Amortization of Runway recarpeting expenses

10.2.36 GIAL has claimed amortization of ₹ 49.08 crores projected towards expenditure on Runway Recarpeting works over a period of five (5) FYs starting from FY 2025-26 and based on the Depreciation Order No. 35 / 2017-18 dated January 12, 2018. Further, GIAL has submitted that the expense is inclusive of carrying cost on the unamortized balance of the expense incurred on re-carpeting of runway.

10.2.37 During the site visit, the Authority observed that the runway condition is appropriate, except turning pad areas which can be set right by repair of runway, for continued operation and in view of cost optimisation the AO should do cost benefit analysis. In view of the cost optimisation and existing runway condition, the Authority proposes not to consider any OPEX towards runway strengthening works during third control period, and if desired the Authority may consider such OPEX on incurrence basis subject to the reasonableness and efficiency of the OPEX at the time of tariff determination of next control period.

Fuel Operating Expenses

10.2.38 Clause 19.3. of the Concession Agreement stipulates GIAL's obligations towards providing aircraft fueling services (refer to paragraph 17.3.7 of Annexure 3 of Chapter 17 of this Consultation Paper)

10.2.39 GIAL has submitted the following assumptions regarding Fuel facility Operating expenses:

- GIAL has projected that the open access facility operations will commence from December 2023 onwards (i.e., 3-month period in FY 2023-24) and continue till end of FY2024-25. Further, GIAL has proposed to build a new facility of approx. 4,000 KL with hydrant system of approx. 7 Kms. The new facility will be operational from FY25-26 onwards.
- GIAL has estimated the Fuel Throughput volume at the rate of approximately 2.0 KL per ATM for the Total ATM traffic projected in each tariff year.
- Further GIAL has submitted that they planned to outsource the Fuel facility operations to a third-party vendor who will manage the facility on Cost plus margin basis.
- The charges payable to the Vendor by GIAL have been projected based on a 'Minimum Guarantee' amount up to specified quantity of 80,000KL (i.e., fixed amount per year) and beyond the specified quantity of 80,000KL, on the basis of agreed Rate/ KL (i.e., variable rate). The vendor rates projected by GIAL, based on experience of Lucknow Airport in FY22, are as follows:

Table 152: Fuel O&M expenses claimed by GIAL for each FY for the Third Control Period

Particulars	Unit	Quantity	Rate (₹)	Amount (₹ in Cr.)
Fixed amount for up to 80,000KL per year	Month	12	64,10,000	7.69
Fee beyond 80,000KL	Per KL	-	290.00	-

- Additionally, GIAL had projected an increase of 5% towards inflation Y-o-Y on both the fixed amount and variable rate /KL payable to the vendor.
- Apart from the above, GIAL had projected Rental cost of refuellers amounting to ₹ 0.66 crore in FY 2023-24 and ₹ 0.99 crores in FY 2024-25. The rental cost had been estimated for 4 month period in FY 2023-24 and half year period in FY 2024-25 after which, GIAL expects to have sufficient number of own refuellers to run the operations.

The Authority examined all the above and summarised its view as under:

a) The Authority has ascertained that GIAL till March 2024 is yet to commence open fuel access facility operations and has till date incurred zero costs on fuel operating expenses. GIAL vide email dated April 2, 2024 has stated that Fuel farm Operations at GIAL is expected to be commenced from July 2024. The Authority thus proposes to consider expenses for fuel operations from July 2024 onwards.

b) The Authority proposes to consider the Fuel throughput Volume and related Operations and Maintenance Costs of LGBIA for the Third Control Period based on the growth rate proposed by the Authority for ATM traffic as per Table **71** and correspondingly derive the O&M expenses.

c) The Authority proposes to undertake the growth rate towards inflationary effect as prescribed in Table **126** above, for both fixed and variable expenses during each year of the Third Control Period.

Table 153: Fuel Opex claimed by GIAL and allowed by the Authority for the Third Control Period

Particulars	Unit	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL							
Fuel O&M expenses claimed by GIAL	₹ in crores	**-**	**3.6**	**10.3**	**10.3**	**11.7**	**35.93**
As per the Authority							
ATM traffic	in Nos.	-	-	45395*	68050	82109	**195554**
Fuel throughput per ATM	in KL	-	-	2	2	2	
Fuel throughput volume (A)	KL	-	-	90,791	136,100	164,218	**391,109**
Fixed Fuel throughput volume (B)	KL	-	-	60,000*	80,000	80,000	**220,000**
Variable Fuel throughput volume (C = A -B)	KL	-	-	30,791	56,100	84,218	**171,109**
Growth rate proposed by the Authority towards inflation	In %	-	-	3.10%	3.70%	3.70%	
Fixed Fuel O&M expenses (up to 80,000 KL) (D)	₹ in crores	-	-	5.95	8.22	8.53	**22.70**
Variable O&M expenses (above 80,000KL) (E)	₹ in crores	-	-	0.91	1.73	2.69	**5.33**
Fuel O&M expenses (F = D + E)			-	**6.86**	**9.95**	**11.22**	**28.03**
Refuelers rentals Charges (G)	₹ in crores	-	-	**1.98**	**0.00**	**0.00**	**1.98**
Total Fuel expenses proposed by the Authority (H = F + G)	₹ in crores	**-**	**-**	**8.84**	**9.95**	**11.22**	**30.01**

*For 9 month period

<u>Cargo Operating Expenses</u>

10.2.40 Clause 19.4.1. of the Concession Agreement stipulates GIAL's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement.

10.2.41 GIAL has claimed Cargo Operating Expenditure of ₹ 20.63 crores for third control period towards in-house salary cost, outsourced O&M expenses and customs cost recovery by considering the FY 2023-24 as base year of operations and on the assumption of commencing Cargo Operations from June 2023 onwards. GIAL has projected the Insourced salary and Customs Cost recovery based on the Manpower required and the Cargo O&M expenses on the basis of estimated Cargo Volume and Cargo cost / MT for each FY. GIAL has also claimed an increase of 10% Y-o-Y for all the expenses for the next three (3) FYs in the Third Control Period.

10.2.42 The Authority observes that GIAL has considered approximately ₹ 3,000 per tonne as basis for determining the O&M cost for LGBIA. This rate was estimated based on the experience of Ahmedabad and Lucknow airports. The Authority has examined the actual per tonne fee in Ahmedabad and Lucknow airports and proposes to accept the average of the said fees for the two airports, i.e., ₹ 2,860 as the per tonne fee for FY 2023-24. The Authority also proposes to escalate this fee at inflationary growth rate (refer Table **126**) as against the increase of 10% submitted by GIAL for arriving at the O&M expenses for the remaining three (3) years of the current control period. The Authority further proposes to consider the cargo volume processed by GIAL as per Table **71** for the determination of O&M

expenses.

10.2.43 The Authority observes that GIAL has projected salary costs for six (6) of their own employees comprising supervisory staff and duty managers at an average annual salary of ₹ 8 lakhs per employee which works out to a total in-house salary cost of approximately ₹ 0.5 crore per annum starting from FY 2023-24. Further, this cost has been projected to increase 10% Y-o-Y in each tariff year. The Authority notes that for the period June 2023 till March 2024, GIAL has incurred own staff expenses of ₹ 0.15 crores. The Authority proposes to consider the same and also to increase the annual average salary by 6% Y-o-Y (as against 10% claimed by GIAL) in line with that allowed for Manpower expense of AAI and GIAL for the remaining three (3) tariff years of the Third Control period.

10.2.44 The Authority examined the submission of GIAL and notes that apart from the salary cost of their own employees, GIAL has projected reimbursement of salary cost of Customs officials who will be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority notes that GIAL has estimated the salary cost of 5 Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated January 19, 2021 and arrived at ₹ 1.80 crores per annum. GIAL has estimated commencement of international cargo operations from new Integrated Cargo Terminal (ICT) facility from FY 2026-27, and thus considered salary cost only for that respective FY. The Authority notes that Customs Cost recovery is waived off based on achievement of certain volume threshold. While the Authority has currently considered the cost estimate provided by GIAL, the Authority directs GIAL to ensure that waiver of charges is obtained as soon as the volume limits are reached.

10.2.45 The Authority's proposal as compared to GIAL's submission is summarized in the table below:

Table 154: Cargo O&M expenses claimed by GIAL and proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Claimed by GIAL						
Insourced Salary	-	0.50	0.55	0.61	0.67	**2.32**
O&M expenses	-	1.05	1.49	2.00	11.98	**16.51**
Customs cost recovery	-	-	-	-	1.80	**1.80**
Total Cargo O&M expenses	-	**1.55**	**2.04**	**2.60**	**14.44**	**20.63**
Considered by the Authority						
Insourced Salary	-	0.15	0.16	0.17	0.18	**0.66**
O&M expenses	-	1.00	1.33	1.69	5.55	**9.57**
Customs cost recovery	-	-	-	-	1.80	**1.80**
Total Cargo O&M expenses	**-**	**1.15**	**1.49**	**1.86**	**7.53**	**12.03**

Finance Charges, Working Capital Loan Interest and Annual Fee on Performance Bank Guarantee

10.2.46 GIAL has included a claim for Working Capital Loan Interest and Finance charges as a separate line item than the other operating expenses. The Authority notes that GIAL has computed working capital interest based on the forecasted recovery of revenue and payment of expenses and has considered the entire expense as aeronautical. As per the calculation by GIAL, there is a requirement for working capital for all tariff years of the Third Control Period.

Financing Charges

10.2.47 The Authority has reviewed the computation of Financing Charges and notes that GIAL has considered finance charges at the rate of 1.50% of the debt drawn down during the current control period. GIAL has considered 65% of the total capital addition as being funded through debt for arriving at the debt draw down during the current control period. For the FY2022-23, financing charges as per the audited accounts submitted by GIAL was ₹ 0.59 crores. For the remaining four (4) tariff years, the Authority has recomputed the Finance Charges by considering 48% (refer para 8.3.2) of the revised total capital addition, i.e. ₹ 3799.70 crores (refer Table ***111***) as being funded through debt. As per this revised computation, the estimated finance charges amounted to ₹ 27.08 crores for the remaining four (4) years of the Third Control Period. The Authority proposes to consider ₹ 0.59 crores as financing charges for FY 2022-23 and ₹ 27.62 crores as financing charges for the FY2023-24 to FY2026-27.

Working Capital Loan Interest

10.2.48 The Authority has reviewed the computation of interest on working capital loan. The Authority also reworked the cash flows based on the revised aeronautical operating expenses, traffic, and aeronautical revenues. As per this revised computation, the estimated interest on working capital loan amounts to ₹ 7.67 crores for the Third Control Period. The Authority, therefore, proposes to consider ₹ 7.67 crores during computation of ARR for the Third Control Period.

Annual Fee on PBG

10.2.49 The Authority notes that GIAL has taken a Performance Bank Guarantee (PBG) of ₹ 115 crores for which GIAL has to pay an annual fee at 0.50% of the guaranteed amount. The Authority considers the same as part of the costs for the control period.

10.2.50 GIAL has submitted PBG expenses amounting to ₹ 0.58 crores for each tariff year of the Third Control Period and the Authority proposes to consider the same. The Authority further proposes to true-up the same based on actuals at the time of determination of Tariff for the next control period.

10.2.51 The Authority also proposes to consider the allocation of these expenses as given below:

- Finance Charges based on the revised Gross Block Ratio
- Working Capital Interest to be considered as Aeronautical as the expense is computed based on aeronautical operating expenses and aeronautical revenues.
- PBG charges to be considered as Aeronautical based on the Clause 9.1.1 of the Concession Agreement which states that "*The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 115,00,00,000 (Rupees One Hundred and Fifteen crores) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security, the Authority shall release the Bid Security to the Concessionaire.*"

10.2.52 The Authority's proposal as compared to GIAL's submission is summarized in the table below:

Table 155: Working Capital Interest, Annual Fees for PBG and Finance Charges claimed by GIAL and proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
As per GIAL						
Finance Charges	-	44.77	-	-	-	**44.77**

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Annual Fees for Performance BG	0.58	0.58	0.58	0.58	0.58	**2.88**
Working Capital Interest	-	2.46	10.29	15.66	17.93	**46.34**
As per the Authority						
Finance Charges	0.59*	0.06	1.72	24.93	0.32	**27.62**
Annual Fees for Performance BG	0.58*	0.58	0.58	0.58	0.58	**2.90**
Working Capital Interest	-	-	3.56	1.92	2.19	**7.67**

**as per actuals submitted by GIAL*

10.2.53 After incorporating the above observations by the Authority, the revised Total Aeronautical O&M expenses including Fuel and Cargo Operating Expenses of LGBIA have been presented in the tables below:

Table 156: Total Aeronautical O&M expenses proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	Reference Table	FY'23*	FY'24**	FY'25	FY'26	FY'27	Total
Operating Expenses							
Manpower expenses – AAI employees	Table 136	27.43	28.03	26.98	25.39	26.91	**134.75**
Manpower expenses – GIAL employees	Table 141	9.23	10.70	19.00	30.35	39.69	**108.97**
Utility expenses	Table 142	6.70	9.20	9.49	50.54	52.41	**128.33**
IT expenses	Table 143	2.25	3.06	3.15	6.43	6.66	**21.56**
Rates and Taxes	Table 144	0.30	0.10	0.10	0.51	0.53	**1.53**
Security expenses	**Table 145**	3.58	5.72	5.90	9.07	9.41	**33.68**
Corporate Allocation Cost	Table 147	12.51	11.38	12.14	12.90	13.71	**62.63**
Administrative Expenses - Others	Table 148	11.67	11.58	11.94	12.39	12.84	**60.42**
Admin Expenses – Collection Charges on UDF	Table 148	0.98	1.45	1.62	1.84	2.21	**8.11**
Insurance	Table 149	2.21	1.43	1.72	5.48	5.58	**16.42**
Repairs and Maintenance	Table *150*	18.61	20.50	21.14	65.01	133.89	**259.15**
Other Operating expenses	Table 149	12.09	15.66	16.15	83.55	86.64	**214.09**
Independent Engineer Fee	Para 10.2.35	3.91	3.52	3.91	3.91	3.91	**19.17**
Total Operating Expenses (A)		**111.46**	**122.33**	**133.24**	**307.36**	**394.41**	**1068.80**
Fuel Operating Expenses							
Fuel O&M Expenses	Table **153**	-	-	6.86	9.95	11.22	**28.03**
Refuellers Rentals	Table **153**	-	-	1.98	0.00	0.00	**1.98**
Total Fuel Operating Expenses (B)		-	-	**8.84**	**9.95**	**11.22**	**30.01**
Cargo Operating Expenses							
Insourced salary	Table 154	-	0.15	0.16	0.17	0.18	**0.66**
O&M Expenses	Table 154	-	1.00	1.33	1.69	5.55	**9.57**
Customs Cost Recovery	Table 154	-	0.00	0.00	0.00	1.80	**1.80**
Total Cargo Operating Expenses (C)		-	**1.15**	**1.49**	**1.86**	**7.53**	**12.03**

Particulars	Reference Table	FY'23*	FY'24**	FY'25	FY'26	FY'27	Total
Finance Charges (D)	Table 155	0.59	0.06	1.72	24.93	0.32	**27.62**
Annual Fees for Performance BG (E)	Table 155	0.58	0.58	0.58	0.58	0.58	**2.90**
Working Capital Interest (F)	Table 155	-	-	3.56	1.92	2.19	**7.67**
Total Aeronautical O&M expenses (A+B+C+D+E+F)		**112.63**	**124.12**	**149.43**	**346.61**	**416.24**	**1149.03**

**as per actuals submitted by GIAL for FY 2022-23*

***as per actuals submitted by GIAL for FY 2023-24*

Note: The surge in O&M expenses in FY2026 and FY2027 is attributed to operationalization of NITB and increase in manpower due to completion of deemed deputation period.

10.2.54 It is to be noted that as per the true up of Second Control Period, AAI has incurred OPEX of ₹ 408.16 crores and handled maximum traffic of 5.05 MPPA in FY19-20. On the other hand GIAL for Third Control Period has forecasted OPEX amounting to ₹ 2037.03 crores and after rationalization the Authoity has allowed ₹ 1149.03 allowing appropriate inflationary increase and other factors. The Authority still bears that the proposed O&M expenses are substantially higher than the actual expenses incurred in Second Control Period . Therefore, the Authority expects GIAL to bring in further efficiencies in their overall O&M expenses so as not to burden the airport users. This would also be a direct violation of cost relatedness principle of ICAO.

10.2.55 Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance (O&M) expenses for Aeronautical Operating expenses, Fuel Operating expenses and Cargo Operating expenses, as compared to the projections submitted by GIAL.

Table 157: Growth rates in Aeronautical O&M expenses proposed by the Authority for the Third Control Period

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27
Operating Expense (A)					
Manpower Expenses – AAI employees	-	-	6%	6%	6%
Manpower Expenses – GIAL's employees	-	-	6%	6%	6%
Utility expenses^	-	-	3.10%	3.7% + 414%*	3.70%
IT expenses	-	-	3.1%	3.7%+ 100%*	3.7%
Rates and Taxes	-	-	3.1%	3.7% + 414%*	3.7%
Security expenses	-	-	3.1%	3.70% + 50%*	3.7%
Corporate Allocation Cost	-	-	6%	6%	6%
Administrative Expenses - Others	-	-	3.1%	3.7%	3.7%
Administrative Expenses – UDF Collection Charges#	-	-	11.86%	13.21%	20.55%
Insurance – on Initial Asset Base	-	-	3.1%	3.7%	3.7%
R&M Expenses	-	-	3.1%	207.48%@	105.93%@
Other Operating expenses	-	-	3.1%	3.7% + 414%*	3.7%
Amortization of Runway recarpeting	-	-	-	-	-
Fuel operating expense (B)					
Fuel O&M Expenses	-	-	3.1%	3.7%	3.7%
Cargo operating expense (C)					
Cargo Operating Expenses – Insourced Salary cost	-	-	6%	6%	6%
Cargo Operating Expenses – Other expenses	-	-	3.1%	3.7%	3.7%

* linked to terminal area increase
# linked to passenger traffic
^ linked to per unit charge and billable units
@ linked to gross block additions

10.3 Authority's proposal regarding Aeronautical O&M expenses for Third Control Period

Based on the material before it and on its examination, the Authority proposes the following with regard to the O&M expenses for the Third Control Period:

10.3.1 To consider total Aeronautical O&M Expenses including Operating Expenses, Fuel Operating Expenses and Cargo Operating Expenses for the Third Control Period for LGBIA as per Table 156.

10.3.2 To consider the actual total Aeronautical O&M expenses incurred by GIAL during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control period.

10.3.3 Considering the size and scale of operations of the Airport, the Authority expects GIAL to bring in efficiencies in the incurrence of O&M expenses.

11 NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

11.1 GIAL's submission of Non-aeronautical revenue for the Third Control Period

11.1.1 GIAL in its submission dated July 28, 2023 to AERA had stated that it follows a Master Concessionaire model for managing commercial activities at the Airport.

11.1.2 GIAL had submitted that it outsourced all Non-aeronautical businesses (mentioned below) to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on October 25, 2021, and effective from December 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the Non-aeronautical businesses at LGBIA, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports as below:

- Duty free stores
- Food and beverages outlets
- Retail outlets
- Lounges
- Advertising, sponsorship, and promotion opportunities
- Car parks and ground transportation facilities
- Airport hotels and transit hotels
- Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other as may be approved by GIAL
- Business Center
- City side development
- Flight catering services
- Foreign exchange services
- Freight consolidators/forwarders or agents
- Left luggage, lost and found, excess baggage
- Messenger services
- Porter service
- Special assistance services (such as paid wheelchair services)
- Vending machines
- Meet and assist services
- Provision of land and space for various stakeholders at Airport
- Various passenger amenities, including but not limited to, banks, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
- Airport village comprising of various retail, food and beverage, entertainment and amenities

options; and

- Any other services as may be mutually agreed by the parties or permitted pursuant to the Applicable Laws.

11.1.3 As per the terms of the Master Services Agreement, the Service provider (Adani Airport Holdings Limited) shall pay to GIAL an amount which is higher of the following:

a) Minimum Guarantee amount of ₹ 21 crores per annum or

b) The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

Further, it is stated in the Agreement that the Minimum Guarantee amount of ₹ 21 crores per annum shall remain unchanged for the first five years from the date of signing the Master Services Agreement. Thereafter, this Minimum Guarantee amount shall be increased at the rate of 50% of the Delta Consumer Price Index (CPI) every year.

11.1.4 Based on the above, the Non-aeronautical revenue submitted by GIAL for LGBIA is given in the table below:

Table 158: Non-aeronautical revenue submitted by GIAL for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
1. Revenue from Master Concession	21.00	21.00	21.00	21.00	21.00	**105.00**
2. Other revenues (not covered under Master Service Agreement)	2.28	0.53	0.55	0.58	0.61	**4.54**
Total	**23.28**	**21.53**	**21.55**	**21.58**	**21.61**	**109.54**

11.2 Authority's examination regarding Non-aeronautical revenue for the Third Control Period

11.2.1 As per FY2022-23 financials submitted by GIAL, it had earned non-aeronautical revenue to the tune of ₹ 23.32 crores. The Authority proposes to consider the same. Further, GIAL has submitted actual NAR amounting to ₹ 22.07 crores for FY2023-24 which the Authoirty proposes to consider.

11.2.2 The Authority has examined the Non-aeronautical revenue submitted by GIAL for the Third Control Period and reviewed the Master Services Agreement entered into by GIAL with the Master Concessionaire - Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.

11.2.3 The Authority notes that GIAL undertook a two-stage tendering process through e-tender mode vide Request for Proposal (RFP) dated August 17, 2021.

11.2.4 The Authority, in this regard examined the extract of the relevant clauses of the RFP which read as under:

"6.2 Qualifying Eligibility Criteria

Each Bidder shall satisfy the following qualifying Eligibility Criteria:

(a) Technical Eligibility Criteria

The Bidder must have:

(i) (a) experience in operations or management or development of at least 4 (four) out of the following 6 (six) non-aero businesses at airports at the time of submission of the Technical Proposal, i.e. (I) in-flight catering; (II) duty-free retail; (III) retail and services; (IV) food and beverage services; (V) car parking; and (VI) advertisement; or (b) is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken.

(ii) experience of leasing out and/ or development and/ or management of commercial real estate with a built up area of at least 1,00,000 (one lakh) square meters.

(b) Financial Eligibility Criteria

Basis the audited balance sheet and profit and loss account along with schedules ("Audited Financial Statements"), the Bidder should have:

(i) an average annual turnover of at least Rs. 750,00,00,000 (Rupees Seven Hundred and Fifty crores only) in the last 3 (three) financial years; and

(ii) net worth as on March 31, 2021 of Rs. 250,00,00,000 (Rupees Two Hundred and Fifty crores only). "Net Worth" shall have the meaning as defined under the Companies Act, 2013.

11.2.5 From the qualifying criteria specified by GIAL, the Authority observes that:

Technical Eligibility Criteria

- GIAL has specified in their technical eligibility criteria that bidder is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken.
    - AERA observation of restrictive criteria: As per Govt. of India Guidelines for PPP development, the criteria to ask airport experience even for leasing out the airport has been dispensed with. Therefore, asking airport operator experience for Master Service Agreement is totally restrictive in nature.
- GIAL has specified experience of leasing out and/or development and/or management of commercial real estate with a built-up area of at least 100000 (one lakh) square meters.
    - AERA observation of restrictive criteria: Specifying 100000 sqm commercial space is too high with respect to present scope of work. The total area of NITB is 1,46,000 sq.m., out of which the area allocated for NAR activites is around 15,000 sq.m. only.

Financial Eligibility Criteria

(i) Turnover

- GIAL has specified Average annual turnover of at least ₹ 750 crores in the last 3 financial years and net worth as on 31.03.2021 of ₹ 250 crores.
- AERA observation of restrictive criteria: As per Public Procurement Guidelines average financial turnover should be 30% of the estimate cost. So in place of ₹ 30 crores average annual turnover, GIAL has specified a turnover of ₹ 750 crores (which is 25 times).

(ii) Net Worth

Asking net worth of ₹ 250 crores is very restrictive for a work value of ₹ 100 crores (Approx.) as many Airport Operators like AAI etc. are specifying only Positive Net Worth.

11.2.6 Due to such restrictive criteria, only 2 agencies (out of these 2, one was related party), participated in the tender and work was awarded to agency quoting 10% revenue share percentage.

11.2.7 In fact, now a days other Airport Operators have dispensed with technical eligibility criteria in Non-Aeronautical activities tenders to attract more and more agencies and to encourage healthy competition.

11.2.8 Pursuant to the above RFP, only two prospective bidders (domestic and global) had submitted their proposals to GIAL. The number of prospective bidders was low due to restrictive technical and financial criteria as mentioned in para 11.2.4. Based on technical qualification, financial parameters and evaluation criteria provided under the RFP, Adani Airport Holdings Limited (parent company of GIAL) was selected as the Service Provider, with whom GIAL had entered into a Master Services Agreement. The Authority notes that the revenues projected by GIAL are in line with the said Agreement.

11.2.9 The Authority notes that the total Non-aeronautical revenue projected by GIAL for the Third Control Period is only ₹ 109.54 crores (refer Table **158**) which is substantially lower than the actual Non-aeronautical revenue earned by AAI in Second Control Period (FY 2016-17 till FY2020-21) which was ₹ 144.03 crores, and ₹ 154.05 crores till COD (FY 2016-17 till COD).

11.2.10 The following table and chart show the year wise NAR earned by AAI during the Second Control Period and the projections of GIAL for the Third Control Period:

Table 159: Year wise NAR earned by AAI and projected by GIAL

(₹ crores)

Financial Year	AAI	GIAL
FY’17	26.66	-
FY’18	14.35	-
FY’19	30.94	-
FY’20	48.90	-
FY’21	23.18	-
Total (5 years)	**144.03**	**-**
FY’23	-	23.28
FY’24	-	21.53
FY’25	-	21.55
FY’26	-	21.58
FY’27	-	21.61
Total (5 years)	**-**	**109.54**

Figure 11: Year wise NAR earned by AAI and projected by GIAL

(₹ crores)

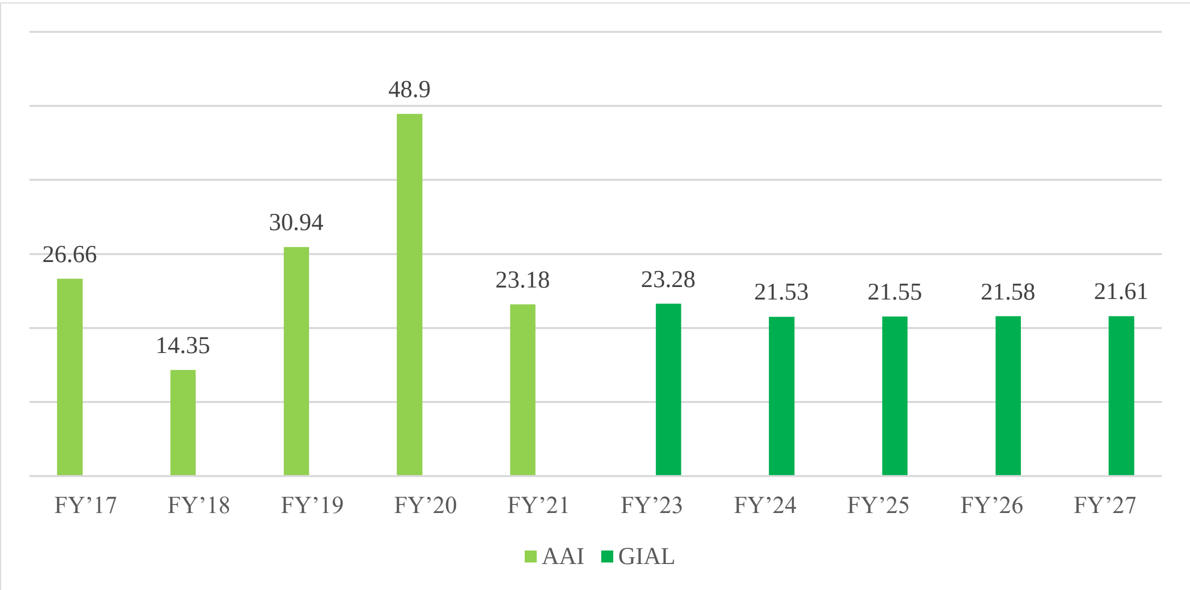
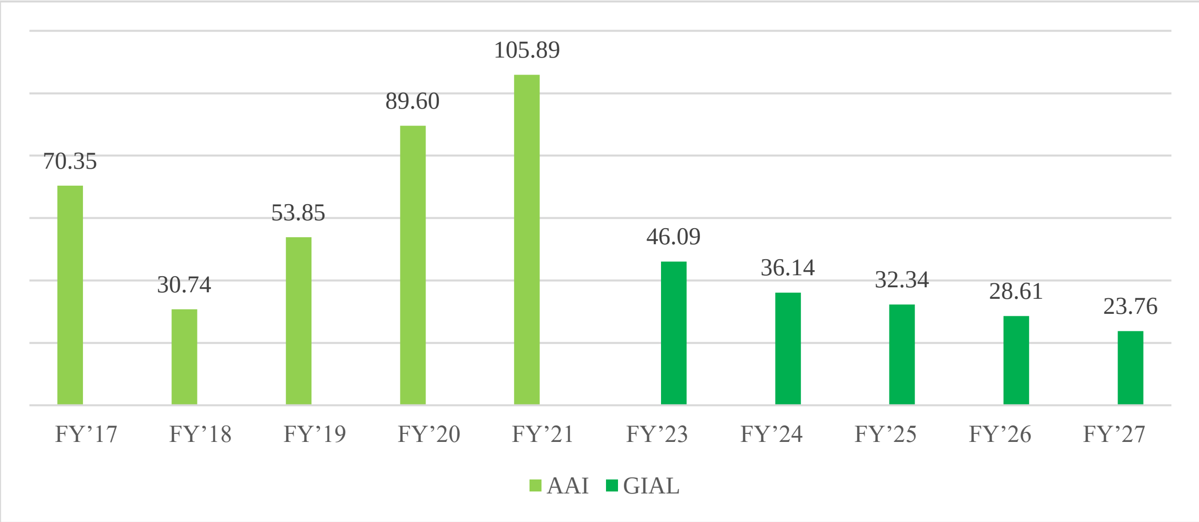


Figure 12: Year-wise NAR per passenger earned by AAI and projected by GIAL

(₹ per pax)



11.2.11 The Authority also observed that the NAR projected by GIAL for the Third Control Period is significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR projected by such PPP airports are at least 50% of the total O&M expenses projected by them for the respective Control Period. Whereas in the case of the GIAL, the Authority notes that the NAR projected by GIAL for the Third Control Period is ₹ 109.54 crores, which is significantly lower as compared to the O&M expenses submitted by GIAL, which is ₹ 2,037.03 crores (refer Chapter 10), and eventually defeats the ultimate purpose of PPP.

11.2.12 Guwahati, being the gateway airport for the tourist destinations of north-eastern states, witnesses high tourist footfall. The tourists at this airport thus have a natural propensity to purchase/spend on non-aeronautical activities at the airport. This behavior is reflected in the passenger's spending pattern and have direct bearing on the NAR of the airport. Hence, there is a significant potential for non-aeronautical revenues and the aspect of appropriately harnessing the same by the AO and has been taken into consideration by the Authority in the non-aeronautical projections as brought out in Table 161.

11.2.13 LGBIA has been given on PPP mode to bring efficiencies in operations by increasing the non-aeronautical revenues by the Airport Operator so that the benefits may be passed on to the users through cross-subsidization.

11.2.14 The Authority takes cognizance of the fact that non aeronautical revenues projected for the Third Control Period by GIAL considers the pandemic and economic conditions on traffic which will reduce the consumer spending at the airport. However, the Authority is not convinced that the revenue from Master Services Agreement is remaining constant for the period, while all the other costs are increasing substantially across the Third Control Period. Further, the Terminal Building space will increase considerably as is planned in FY 2025-26 (due to commissioning of NITB) adding more area for Non-aeronautical services.

11.2.15 The Authority takes cognizance of the fact that there would be a gradual increase in Non-aeronautical operations through increase in the Non-aeronautical area within the Terminal Building in FY 2025-26, which will lead to increase in the Non-aeronautical revenues for the airport. Further, it is the responsibility of GIAL to ensure to achieve higher NAR in the Third Control Period than was achieved by AAI during the Second Control Period. In this context, there was no obligation on GIAL to accept the bid of Master Concessionaire offering such low revenue share.

11.2.16 When an airport operator takes an initiative, such as undergoing an open global competitive bidding process, it is for the betterment of the airport and is in the interest of the airport users. The Holding Company (Group entity of Adani Enterprises Limited itself) was selected as the Master Concessionaire. However, this does not result in enhancing the material gains to the airport users by higher cross subsidization of NAR. It is pertinent to note that GIAL could have leveraged the technical know-how to bring in efficiencies in generating NAR without the Master Concessionaire. No advantages have been provided to the airport users due to the Master Concession Agreement.

11.2.17 Moreover, considering the positive outlook provided by the Expert Agencies, the outlook of the GDP growth predicted by the GoI and the encouraging trend in the traffic numbers reported in FY 2022-23 (5.05 MPPA) and FY 2023-24 (5.96 MPPA), the Authority noted that the passenger traffic has reverted to pre-covid levels in FY 2023-24. Further the traffic is expected to progressively increase during the Third Control Period (as also discussed in Chapter 6).

11.2.18 With the steady increase in passenger traffic and expansion of Terminal Building area (commissioning of NITB), the Authority foresees an increase in passenger related Non-aeronautical revenue across the Third Control Period. Further, the Authority expects GIAL to bring in efficiencies in Non-aeronautical operations as being followed by other PPP airports wherein the proportion of Non-aeronautical revenue projected by GIAL is equal or comparable to the quantum of O&M expenses, whereas, in the case of LGBIA the situation is peculiar wherein the projection of NAR is substantially lesser than O&M expenses. Further, this will impact the interest of the airport users as 30% of the Non-aeronautical revenue is used for cross subsidization. The Authority urges GIAL that it should make efforts to generate non-aeronautical revenue higher than that was earned by AAI during the Second Control Period.

11.2.19 The Authority noted that GIAL in its MYTP submission has estimated Revenues from space rentals to be ₹ 0.50 crores. GIAL has considered a 5% increase in these rates Y-o-Y. The Authority notes that the actual revenue from space rentals in FY 2022-23 is ₹ 0.44 crores. Further, GIAL has not provided any information about space rental from airlines for the FY2022-23.

11.2.20 The Authority further observes that out of the total actual non-aeronautical revenue ₹ 23.32 crores in FY 2022-23, ₹ 0.58 crores relate to Fair Value of Financial Instrument and proposes to not consider the same while determining NAR for FY 2022-23 as it is an IND AS adjustment.

11.2.21 Based on the above discussion the adjustment to the actual Non-Aeronautical Revenue for FY 2022-23 is as given below

Table 160: Adjustment to Revenue from Non-Aeronautical Services considered by the Authority for FY 2022-23

(₹ crores)

Particulars	FY23
Actual Non-Aeronautical Revenue as submitted by GIAL (A)	23.32
Adjustment:	
Fair Value of Financial Instrument as per Ind AS (B)	0.58
Non-Aeronautical Revenue as per the Authority (A - B)	**22.74**

11.2.22 Based on the above considerations, the Authority has estimated the total Non-aeronautical revenues for the Third Control Period for LGBIA as follows:

i. The NAR earned by AAI in FY 2019-20, which is a pre-COVID year, is considered as the base for estimating the NAR for LGBIA for the Third Control Period from FY2024-25 onwards.

ii. The Authority has considered the actual revenue earned by GIAL for FY 2022-23 and FY2023-24 as these FYs have already passed.

iii. The Authority proposes not to consider ₹ 0.58 crores of Fair Value of Financial Instrument in

FY2022-23 as it relates to IND AS adjustment.

iv. The NAR of ₹ 48.90 crores of FY 2019-20 of AAI has been assumed as base for FY 2024-25, since the traffic has reached the pre-COVID level of FY 2019-20 by the close of FY 2023-24.

v. The Authority proposes to consider the impact of inflation as prescribed in Chapter 9 of the Consultation Paper.

vi. The Authority proposes to consider the impact of terminal area increase with respect to NAR from FY2026-27 onwards. Further, the Authoirty proposes to consider an increase of one-third of the total terminal area increase due to operationalization of NITB, i.e. (1/3)*621% = 207%

Table 161:Total Non-aeronautical revenues proposed by the Authority for Third Control Period

(₹ crores)

Particulars	NAR of AAI for FY'20	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Total NAR	48.90*	22.74	22.07	48.90	50.71	157.55	**301.97**
% increase							
Inflation					3.70%	3.70%	
Terminal Area						207%	

** Refer Table* **36** *of this Consultation Paper*

Note: As submitted by GIAL, there is no space rent from airlines in the actual non-aeronautical revenue submitted by them for the FY2022-23 and FY2023-24. Non-Aeronautical revenue for the FY2025 – FY2027 has been projected on the basis of non-aeronautical revenue of AAI for the FY2019-20 (pre-COVID year)

11.3 Authority's proposal relating to Non-aeronautical revenue for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Non-aeronautical revenue for the Third Control Period:

11.3.1 To consider Non-aeronautical revenues for the Third Control Period for LGBIA as per Table 161.

11.3.2 Non-Aeronautical Revenue will not be trued up at the time of tariff determination of next control period if it is lower than that proposed by the Authority in Table 161.

12 TAXATION FOR THE THIRD CONTROL PERIOD

12.1 GIAL's submission regarding Taxation for the Third Control Period

12.1.1 GIAL has submitted that the computation of income tax on aeronautical income, has been made on the prevailing Income Tax laws and rules.

12.1.2 GIAL has calculated the revenue generated from Regulated services, Non-aeronautical revenue Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per the Income Tax Act. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by LGBIA are shown in the table below:

Table 162: Taxation submitted by GIAL for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Aeronautical Revenue with Revised Rates	154.58	430.04	1,204.91	1,426.73	1,811.14	5,027.39
Add: 30% of Non-aeronautical revenue	6.98	6.46	6.47	6.47	6.48	32.86
Less: O&M expenses	119.58	225.03	262.36	654.93	775.11	2,037.03
Less: Tax Depreciation	20.27	26.83	216.80	496.19	566.72	1,326.82
Aero Profit Before Tax	21.70	184.63	732.21	282.07	475.78	1,696.41
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	**5.46**	**46.47**	**184.30**	**71.00**	**119.76**	**426.99**

12.2 Authority's examination regarding Taxation for the Third Control Period

12.2.1 The Authority notes that GIAL has considered 30% Non-aeronautical revenues in the estimation of Aeronautical PBT, which was then used in the computation of Aeronautical taxes. The fact that a part of Non-aeronautical revenues is used for cross subsidization as per the Hybrid Till mechanism, doesn't change the nature of such revenues to Aeronautical. Further, the cross subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize GIAL to make effective investments in Non-aeronautical generating sources.

12.2.2 Therefore, the Authority is of the view that:

- 30% Non-Aeronautical revenues should not be treated as a subsidy for the Airport Operator as the airport operator has already earned it from Non-Aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% Non-Aeronautical revenues as part of revenues from Aeronautical services would result in undeserved enrichment to the Airport Operator effectively reducing the cross-subsidy benefit to the airport user from the present 30% Non-Aeronautical income.

12.2.3 The Authority thus proposes to consider only Aeronautical revenues and expenses in the calculation of Aeronautical PBT.

12.2.4 The Authority has also noted that GIAL has not considered the interest expense on the long-term borrowings while computing the Aeronautical PBT for the Third Control Period. This has resulted in estimating higher Aeronautical Profit and consequently, higher Aeronautical taxes. The Authority proposes to consider actual interest expense in FY23 as a base for forecasting expenses for future tariff years in the Third Control Period. This expense has been deducted for estimating the Aeronautical P&L.

12.2.5 The Authority has recomputed taxes of GIAL based on the changes proposed to the other building blocks and based on the proposal discussed above on exclusion of Non-aeronautical revenue.

12.2.6 The Authority notes that as per clause 28.11.4 of the CA, the Adjusted Deemed Initial RAB will be reduced for over-recoveries of Aeronautical Revenues, or increased for under-recoveries, impacting Aeronautical Charges for the next Control Period. The Authority has considered that the compensation paid to AAI by GIAL for shortfall, will be claimed as a deduction in the Income Tax computation of GIAL and the same has been considered accordingly in the Income Tax computations.

12.2.7 The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 163: Taxation proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	Ref.	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Aeronautical Revenue*	A	154.62	176.00	572.06	671.61	839.64	**2,413.93**
Less: O&M expenses (refer Table *156*)	B	112.63	124.12	149.43	346.61	416.24	**1,149.03**
Less: Tax Depreciation	C	20.51	21.47	33.61	219.02	373.36	**667.97**
Less: Interest Expense	D	13.30	13.65	23.96	173.57	175.46	**399.94**
Less: Payment to AAI – PV of recovery as on March 31, 2023 (refer Table 42)	E	172.80					**172.80**
Profit Before Tax	F=A-SUM(B:E)	(164.63)	16.75	365.06	(67.57)	(125.43)	**24.19**
Previous Loss Adjustment	G	-	16.75	147.87	-	-	**164.63**
Taxable profit	H=F-G	-	-	217.19	-	-	
Tax rate (%)	I	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	J=H*I	**-**	**-**	**54.67**	**-**	**-**	**54.67**
Opening Losses	K	-	(164.63)	(147.87)	-	(67.57)	
Current period (loss)/profit	L=F	(164.63)	16.75	365.06	(67.57)	(125.43)	
Closing Losses	M=K+L	(164.63)	(147.87)	-	(67.57)	(193.00)	

**This is subject to revision based on tariff rate card which is to be submitted by GIAL (refer para 14.2.8). For FY 2022-23 and FY2023-24, actual revenues have been considered.*
***Computed using WDV method considering useful lives as per IT Act.*

12.3 Authority's proposal regarding Taxation for the Third Control Period

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

12.3.1 To consider the Taxation for the Third Control Period for LGBIA as per Table 163.

12.3.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

13 QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1 GIAL's submission relating to Quality of Service

13.1.1 GIAL has submitted that it will abide by the ASQ performance indicators mentioned in Annexure I to Schedule H in the Concession Agreement.
Clause 23.7.1 of the CA states:

"The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International (ACI) or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within 5 years from the COD and maintain the same throughout the rest of the Concession Period."

Clause 23.7.2 of the CA states:

"*The Concessionaire shall, within 21 days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction."*

13.1.2 GIAL has further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that GIAL has considered the cost implications, while preparing future projections as part of its MYTP submission.

13.2 Authority's examination regarding Quality of Service for the Third Control Period

13.2.1 The Authority notes that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall *"monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*"
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration *"the service provided, its quality and other relevant factors."*

13.2.2 The Authority noted that the ACI ASQ survey results for LGBIA for the years 2020 to 2024 (Q3) is in the range of 4.48 to 4.95.

Table 164: ASQ rating for LGBIA

Year	ASQ rating
2020	4.48
2021 – Q1 & Q2	ASQ was not conducted due to lockdown on account of COVID-19 pandemic
2021- Q3	4.84
2021- Q4	4.86
2022 -Q1	4.88
2022- Q2	4.90
2022-Q3	4.78
2022-Q4	4.87
2023 -Q1	4.90
2023- Q2	4.90
2023-Q3	4.91
2023-Q4	4.95
2024 -Q1	4.92

Year	ASQ rating
2024- Q2	4.94
2024- Q3	4.93

13.2.3 The Authority also notes that as per the Concession Agreement, GIAL is required to maintain an ASQ rating of at least 4.5 out of 5. In this regard, the Authority notes that GIAL has achieved ASQ rating for FY 2023 in the range of 4.90 to 4.95 which is above the prescribed rating of 4.5 as mentioned in the CA.

13.2.4 Based on the above factors, the Authority does not propose any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by the LGBIA.

13.3 Authority's proposal relating to Quality of Service for the Third Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of Service for the Third Control Period:

13.3.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of LGBIA.

13.3.2 GIAL should ensure that service quality at LGBIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

14 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE THIRD CONTROL PERIOD

14.1 GIAL's submission regarding ARR for the Third Control Period

14.1.1 GIAL has submitted ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.

14.1.2 The summary of ARR and YPP has been presented in the table below.

Table 165: ARR submitted by GIAL for the Third Control Period

(₹ crores)

Particulars	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Average RAB	152.55	191.40	2,010.85	4,674.63	5,440.58	
Fair Rate of Return	14.76%	14.76%	14.76 %	14.76 %	14.76 %	
Return on average RAB	22.51	28.24	296.72	689.79	802.81	**1,840.07**
Total O&M expenses (including interest on working capital & financing charges)	119.58	225.03	262.36	654.93	775.11	**2,037.03**
Depreciation	23.11	32.83	117.76	284.13	366.46	**824.29**
Tax expense	5.46	46.47	184.30	71.00	119.76	**426.99**
Less: 30% NAR	(6.98)	(6.46)	(6.47)	(6.47)	(6.48)	**(32.86)**
Add: True up for the period from COD till March 31, 2021	28.81					28.81
ARR per year (₹ crores)	**192.49**	**326.12**	**854.67**	**1,693.38**	**2,057.65**	**5,124.32**
Discount factor (@ 14.76%)	1.00	0.87	0.76	0.66	0.58	
PV of ARR	192.49	284.19	649.01	1,120.54	1,186.51	**3,432.74**
Sum Present value of ARR (₹ crores)	**3,432.74**					**3,432.74**

14.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Third Control Period

14.2.1 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 GIAL in computation of ARR and Yield in the table above, the Authority proposes to consider the regulatory building blocks as discussed in the above chapters.

14.2.2 The Authority notes that GIAL has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. The existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff. Further, a significant increase in Aeronautical tariff, is also attributable on account of the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by August 2024, thereby resulting in only lesser tariff years being available for recovery of the ARR.

In this regard, the Authority would like to draw reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that *caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users*. The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.

This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/masses. As per para 12 (c) of the NCAP, "*In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future*." The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated January 12, 2017.

Further, it is pertinent to note that considerable investments in capacity have already been made which would be sufficient for the foreseeable future. Therefore, the subsequent control periods are expected to witness lower capital expenditure requirements while catering to a larger traffic base.

Determination of Aeronautical charges and UDF requires a delicate balance between cost recovery and its potential impact on air traffic demand. This balance is crucial for the financial viability of the airport and its ability to sustain operations while also ensuring that the tariffs remain competitive enough to attract and retain airlines and passengers. Therefore, the Authority, based on the Tariff Rate Card to be submitted by GIAL would decide the balance between cost recovery and its potential impact on air traffic demand.

Air Freight Station (AFS)

14.2.3 The Authority notes the Policy Guidelines on 'Air Freight Station' (AFS) issued by MoCA in October 2014. This Policy shall create an off Airport Common User facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load Devices (ULD) and Cargo in bulk/ loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the Country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the Inland Container Depots (ICD) to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

14.2.4 The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

14.2.5 The Authority directs GIAL to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card.

14.2.6 The Authority also seeks comments from the stakeholders on application of tariff on AFS Cargo, as the Authority feels that the tariff on AFS Cargo should be significantly lesser than the tariff levied on the General Cargo.

14.2.7 After considering the above, the Authority proposes the following ARR and YPP:

Table 166: ARR proposed by the Authority for the Third Control Period

(₹ crores)

Particulars	Table/ Para Ref.	FY'23	FY'24	FY'25	FY'26	FY'27	Total
Average RAB (A)	Table 118	167.91	179.28	282.52	2,069.48	3,681.24	
Fair Rate of Return (B)	Table 123	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on average RAB (C= A*B)		20.51	21.90	34.51	252.76	449.61	**779.28**
O&M expenses (D)	Table 156	112.63	124.12	149.43	346.61	416.24	**1,149.03**
Depreciation (E)	Table 116	13.93	17.37	22.99	104.88	178.51	**337.68**
Taxation (F)	Table 163	-	-	54.67	-	-	**54.67**
Add: PV of Under-recovery of AAI as on March 31, 2023 (G)	Table 41	172.80					**172.80**
Add: PV of Under-recovery of GIAL as on March 31, 2023 (H)	Table 62	5.29					**5.29**
ARR (I = SUM (C:H))		325.16	163.39	261.59	704.24	1,044.36	**2,498.75**
NAR (J)	Table 161	22.74	22.07	48.90	50.71	157.55	**301.97**
Less: 30% NAR (K)		6.82	6.62	14.67	15.21	47.27	**90.59**
Net ARR (L = I – K)		318.34	156.77	246.92	689.03	997.09	**2,408.15**
Discount factor (@ 12.21%) (M)		1.00	0.89	0.79	0.71	0.63	
PV of ARR/ Target Revenue as on 31 March 2023 (N=L*M)		318.34	139.71	196.10	487.64	628.86	**1,770.64**
Sum Present value of ARR (O)		**1,770.64**					
Total Traffic (million passengers) (P)	Table 71	34.30					
Yield per passenger on Total Traffic (YPP) (₹) (Q=O/P)		**516.21**					
Total Departing Passenger traffic (R)		17.15					
Yield per Departing Passenger (₹) (S=O/R)		**1,032.42**					

14.2.8 The Authority notes that, it is necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholder discussion and hence GIAL is directed to submit the detailed Annual Tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issue of this Consultation Paper.

14.3 Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period

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

14.3.1 To consider the ARR and YPP for the Third Control Period for LGBIA in accordance with Table 166.

14.3.2 To direct GIAL to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of this Consultation Paper which will be put up for stakeholder consultations.

15 SUMMARY OF THE AUTHORITY'S PROPOSALS PUT FORTH FOR STAKEHOLDER CONSULTATION

Chapter 4: True up of AAI for the Second Control period from FY 2017 till COD

4.15.1 To consider Deemed Initial RAB as ₹ 158.80 crores on October 8, 2021, as per Table 26

4.15.2 To consider true up of RAB for the pre-COD period as per Table 24.

4.15.3 To consider true up of depreciation for the pre-COD period as per Table 23.

4.15.4 To consider true up of FRoR for the pre-COD period as per para 4.8.

4.15.5 To consider true up of Aeronautical O&M expenses for the pre-COD period as per Table 32.

4.15.6 To consider true up of Non-aeronautical revenue for the pre-COD period as per Table 36.

4.15.7 To consider true up of Aeronautical revenue for the pre-COD period as per Table 39.

4.15.8 To consider true up of Aeronautical Taxation for the pre-COD period as per Table 41.

4.15.9 To consider true up of ARR for the pre-COD period as per Table 42.

4.15.10 To consider the present value of under recovery of ₹ 172.80 crores for True up of AAI for the Pre-COD period as per Table 42 and readjust the same in the ARR for the Third Control Period.

4.15.11 To consider Adjusted Deemed Initial RAB as per Table 44 or based on formula provided in paragraph 4.14.2 as appropriate for actual date of payment.

Chapter 5: True up of GIAL for the period from COD till March 31, 2022

5.12.1 To consider true up of CAPEX, depreciation and RAB for the period from COD till March 31, 2022 as per Table 50.

5.12.2 To consider true up of FRoR for the period from COD till March 31, 2022 as per Table 51.

5.12.3 To consider true up of Aeronautical O&M expenses for the period from COD till March 31, 2022 as per Table 56.

5.12.4 To consider true up of Non-aeronautical revenue for the period from COD till March 31, 2022 as per Table 58.

5.12.5 To consider true up of Taxation for the period from COD till March 31, 2022 as per Table 61.

5.12.6 To consider true up of Aeronautical revenue for the period from COD till March 31, 2022 as per Table 60.

5.12.7 To consider under recovery of ₹ 5.29 crores as per Table 62 for Post-COD period to be considered while calculating the ARR for the Third Control Period.

Chapter 6: Traffic Projections for the Third Control Period

6.3.1 To consider the ATM, Passenger traffic and Cargo traffic for the Third Control Period for LGBIA as per Table 71.

6.3.2 To true up the traffic volume (ATM, Passengers and Cargo) on the basis of actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 7: Capital Expenditure (Capex), Depreciation and RAB for the Third Control Period

7.7.1 To consider the revised Terminal Building ratio of 90:10 in line with the Study on allocation of assets between Aeronautical and Non-aeronautical assets for LGBIA, IMG norms and as approved for other similar Airports.

7.7.2 To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in Para 7.3.12.

7.7.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 111.

7.7.4 To reduce (adjust) 1% of uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per approved capitalization schedule, as mentioned in para 7.3.11. The same will be examined at the time of tariff determination of next Control Period.

7.7.5 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Third Control Period.

7.7.6 To true up the Aeronautical Capital expenditure based on actuals subject to, cost efficiency and reasonableness at the time of determination of tariff for Fourth Control Period.

7.7.7 To adopt Aeronautical Depreciation as per Table 115 for the Third Control Period.

7.7.8 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.7.9 To consider average RAB for the Third Control Period for LGBIA as per Table 118.

7.7.10 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period

8.3.1 To consider the Cost of equity at 15.18%.

8.3.2 To consider the notional debt to equity (gearing) ratio of 48%:52% in line with target gearing ratio being considered in case of other PPP airports.

8.3.3 To consider cost of debt of 9% for the Third Control Period.

8.3.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio as per Table 123.

Chapter 9: Inflation for the Third Control Period

9.3.1 To consider WPI inflation as per Table 126.

Chapter 10: Operation and Maintenance Expenses for the Third Control Period

10.3.1 To consider total Aeronautical O&M Expenses including Operating Expenses, Fuel Operating Expenses and Cargo Operating Expenses for the Third Control Period for LGBIA as per Table 156.

10.3.2 To consider the actual total Aeronautical O&M expenses incurred by GIAL during the Third Control Period subject to reasonableness and efficiency, at the time of True up in the Fourth Control period.

10.3.3 Considering the size and scale of operations of the Airport, the Authority expects GIAL to bring in efficiencies in the incurrence of O&M expenses.

Chapter 11: Non-aeronautical revenue for the Third Control Period

11.3.1 To consider Non-aeronautical revenues for the Third Control Period for LGBIA as per Table 161.

11.3.2 Non-Aeronautical Revenue will not be trued up at the time of tariff determination of next control period if it is lower than that proposed by the Authority in Table 161.

Chapter 12: Taxation for the Third Control Period

12.3.1 To consider the Taxation for the Third Control Period for LGBIA as per Table 163.

12.3.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the Fourth Control Period.

Chapter 13: Quality of Service for the Third Control Period

13.3.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regard to Quality of Service of LGBIA.

13.3.3 GIAL should ensure that service quality at LGBIA conforms to the performance standards as indicated in the Concession Agreement over the Third Control Period.

Chapter 14: Aggregate Revenue Requirement (ARR) for the Third Control Period

14.3.1 To consider the ARR and YPP for the Third Control Period for LGBIA in accordance with Table 166.

14.3.2 To direct GIAL to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of this Consultation Paper which will be put up for stakeholder consultations.

16 STAKEHOLDERS' CONSULTATION TIMELINE

16.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 15 – Summary of the Authority's proposals read with the relevant discussion in the other chapters of the Paper is hereby put forth for Stakeholders' Consultation.

16.2 For removal of doubts, it is clarified and explained 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.

16.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposals made in this Consultation Paper, latest by 06th July 2024.

Secretary,
Airports Economic Regulatory Authority of India
Udaan Bhawan, 3rd Floor
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New Delhi – 110003

(Chairperson)

17 ANNEXURES

17.1 Annexure 1 – Summary of study on allocation of assets between Aeronautical and Non-aeronautical assets

Background

17.1.1 RAB is one of the fundamental elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an airport operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport. Assets not directly related to provision of Aeronautical services, if considered as Aeronautical assets, would result in increased charges for the passengers, stakeholders and other users. Therefore, the diligent allocation of assets into Aeronautical and Non-aeronautical assets becomes an important part of the tariff determination process.

17.1.2 RAB evolves on a continuous basis, primarily due to the addition of capital assets required to meet the growing demand and ensure optimal level of service, replacement of obsolete assets at end of their useful life, sales or transfers of assets and depreciation. The allocation of an asset towards RAB depends upon the type of asset (building & civil works, plant & machinery, equipment, etc.), usage (provision of various services such as Aeronautical, Non-aeronautical, or Common), ownership (by airport operator, concessionaire or other entities) and useful life of the asset. Based on these factors, the rationale for allocation of each asset into the appropriate classification needs to be determined diligently.

17.1.3 Towards this objective, AERA has decided to conduct an independent study on allocation of assets and segregation between Aeronautical and Non-aeronautical components in respect of assets appearing in the Fixed Asset Register (FAR) of Guwahati International Airport Limited as on March 31, 2022, based on the audited financial statements for the year ended March 31, 2022 and the True up workings as submitted by AAI to the AERA up to COD (October 8, 2021).

Classification of Assets

17.1.4 The study based on the analysis, classified the aggregate assets of LGBIA under the following categories:

a. **Aeronautical assets:** All assets that are exclusively used for the provision of Aeronautical services/ activities have been classified as ‘Aeronautical assets’. Such assets would include runway(s), taxiways, drainage, culverts, aprons, etc.

b. **Non-aeronautical assets:** All assets that are exclusively used for the provision of Non-aeronautical services/ activities have been classified as ‘Non-aeronautical assets’. Such assets would include land side development, commercial projects, etc.

c. **Common assets:** All assets that cannot be directly allocated to either Aeronautical assets or Non-aeronautical assets have been classified as ‘Common assets’. Such assets as the name suggests, get utilised for both Aeronautical and Non-aeronautical activities. They would include terminal building, select terminal equipment, etc.

Principles for segregation of assets

17.1.5 The study reviewed the various asset categories and developed a basis for classification of assets into aeronautical and non – aeronautical activities. The study also determined the appropriate proportion of the Common Assets that may be included as part of Aeronautical activity in order to determine the Aeronautical asset base. The principles of segregation used by the study are as follows:

Aeronautical Assets

- Assets required for the performance of the Aeronautical services at the airport.
- Classification of aeronautical assets are taken as defined in the AERA Act.
- Assets necessary to maintain the service quality of the airport are proposed to be considered as aeronautical except those located in the Non-aeronautical area.

Non-aeronautical Assets

- Assets required for the performance of the Non-aeronautical activities at the airport. Examples include car parking, advertisement, retail etc.

Common Assets

- Common assets are assets which are not directly attributable to either Aeronautical or Non-aeronautical services. These assets include the terminal building, air conditioning, furniture, administrative office of airport company, etc.
- Common assets are bifurcated between Aeronautical and Non-aeronautical assets based upon Terminal Building ratio or Employee Head Count ratio or Staff Quarters ratio. The ratio of Aeronautical to Non-aeronautical as considered by the Study for the period from FY 2016-17 to FY 2020-21 are as follows:

Table 167: The ratio of Aeronautical to Non-aeronautical considered by the Study for the period from FY'17 to FY'22

Particulars	Ratio (Aeronautical: Non-aeronautical)
Terminal Building ratio	89.02 : 10.98
Employee Head Count ratio (up to October 7, 2021)	90.45 : 9.55
Employee Head Count ratio (from October 8, 2021)	95 : 5

17.1.6 Details of adjustment to RAB

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common. Based on the same, the Authority has reclassified some portion of assets submitted by AAI for true up of the Pre-COD Period.

(i) Terminal building:

Details of Asset: Expansion and Modification of Existing Terminal Building

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to development of terminal building have been considered as Aeronautical assets by AAI. However, as these assets are within / pertaining to the terminal building, wherein both Aeronautical and Non-aeronautical activities are carried out, the same is reclassified as Common asset and segregated in the Terminal Building ratio (89.02:10.98).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets from Aeronautical to Common reduces the Capital Additions to the extent of ₹ 0.91 crores.

(ii) Plant & Machinery:

Details of Asset: VRV System, Solar plant, AC plant, Water Softening plant,

Allocation proposed by AAI: Aeronautical

Observation: The assets pertain to various machinery at several locations in the airport terminal have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.57 crores.

(iii) Furniture & Fixtures:

Details of Asset: Furniture and Fixtures at Administrative offices

Allocation proposed by AAI: Aeronautical

Observation: The furniture at the administrative offices in the terminal building have been classified as Aeronautical assets by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

Allocation proposed by the Authority: Common

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.09 crores.

(iv) Tools and Equipment:

Details of Asset: Sub-station equipment, DG set, Split AC, Lights, Fan, Baggage disinfectant system, Radio communication equipment, Breath analyzer.

Allocation proposed by AAI: Aeronautical

Observation: The assets pertaining to the various equipment at several locations in the airport have been classified as Aeronautical assets by AAI. As these assets are used for servicing both Aeronautical and Non-aeronautical activities within the terminal building, these are reclassified as Common assets and have been reallocated in the ratio of the Terminal Building (89.02:10.98).

Radio communication equipment and Breath analyzer equipment at ATC Building have been classified as Aeronautical asset by AAI. However, since these assets are for ANS staff use, they have been reclassified as ANS assets.

Allocation proposed by the Authority: Common / ANS

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.10 crores.

(v) Office Appliances:

Details of Asset: Computer, Printer, Scanner, DVD, Fox screen, DSLR Camera, Xerox machine, Handheld Multimeter

Allocation proposed by AAI: Aeronautical

Observation: Computers, Laptop, Printers, and DVD used in the terminal building have been classified as Aeronautical asset by AAI. As these assets are used by staff who perform both Aeronautical and Non-aeronautical activities, these assets are reclassified as Common assets and have been reallocated using the Employee ratio.

Computers, Scanner, Fox screen, Xerox machine, DSLR Camera, DVD, and Handheld multimeter at the ATC tower and CNS section have been classified as Aeronautical assets by AAI. As these assets are for CNS use, the assets have been reclassified as ANS assets.

Allocation proposed by the Authority: Common, ANS

Impact: Reclassifying these assets reduces the Capital Additions to the extent of ₹ 0.05 crores.

17.1.7 The following table presents the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of AAI for the period April 1, 2016 to COD.

Table 168: Impact due to reclassification of AAI assets as per Study

(₹ in crores)

Additions - WIP Capitalization	Tariff Year 1 (FY17)	Tariff Year 2 (FY18)	Tariff Year 3 (FY19)	Tariff Year 4 (FY20)	Tariff Year 5 (FY21)	Tariff Year 6 (FY22 till COD)	Total
Terminal Building	-	-	(0.91)	-	-	-	(0.91)
Computers	(0.01)	-	-	(0.03)	-	-	(0.04)
Machinery	(0.03)	(0.03)	(0.05)	(0.03)	(0.43)	-	(0.57)
Tools & Equipment	-	-	(0.06)	-	(0.03)	-	(0.10)
Furniture-Office	-	(0.08)	(0.01)	-	-	-	(0.09)
Office Equipment	-	-	-	-	(0.01)	-	(0.01)
Total Impact on Additions	**(0.04)**	**(0.11)**	**(1.03)**	**(0.07)**	**(0.47)**	**-**	**(1.71)**

17.1.8 Accordingly, the year-wise impact on depreciation on asset additions as determined by the Study (due to reclassification and other adjustments) is summarized in the table below:

Table 169: Impact on depreciation due to reclassification of AAI assets

(₹ in crores)

Depreciation on Additions during the Year	Tariff Year 1 (FY17)	Tariff Year 2 (FY18)	Tariff Year 3 (FY19)	Tariff Year 4 (FY20)	Tariff Year 5 (FY21)	Tariff Year 6 (FY22 till COD)	Total
Terminal Building	-	-	-	(0.03)	(0.03)	(0.02)	(0.08)
Computers	(0.001)	(0.001)	(0.002)	(0.004)	(0.011)	(0.006)	(0.03)
Machinery	(0.001)	(0.003)	(0.006)	(0.008)	(0.022)	(0.020)	(0.06)
Tools & Equipment	-	-	(0.004)	(0.004)	(0.005)	(0.003)	(0.02)
Furniture-Office	-	(0.001)	(0.012)	(0.013)	(0.013)	(0.007)	(0.05)

Depreciation on Additions during the Year	Tariff Year 1 (FY17)	Tariff Year 2 (FY18)	Tariff Year 3 (FY19)	Tariff Year 4 (FY20)	Tariff Year 5 (FY21)	Tariff Year 6 (FY22 till COD)	Total
Office Equipment	-	-	-	-	(0.002)	(0.001)	(0.003)
Total Impact of Adjustments on Depreciation on Additions	**(0.002)**	**(0.005)**	**(0.025)**	**(0.060)**	**(0.083)**	**(0.052)**	**(0.23)**

17.1.9 Subsequent to the reclassifications and revisions in allocation ratios, the adjusted RAB has been derived by the Authority as under:

Table 170: Adjusted RAB derived by the Authority post reclassification

(₹ crores)

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22 till COD	Total
As per AAI							
Opening RAB (A)	84.00*	78.85	80.44	154.28	172.29	163.26	
Additions to RAB during the year (B)	9.77#	8.84	83.77	31.33	4.82	10.26	**148.79**
Deletions from RAB during the year (C)	7.92	0.08					**8.00**
Depreciation for the year (D)	7.00	7.17	9.93	13.32	13.84	7.31	**58.57**
Closing RAB for the year (E=A+B-C-D)	**78.85**	**80.44**	**154.28**	**172.29**	**163.27**	**166.21**	
As per Authority							
Opening RAB (F)	84.00*	78.81	80.30	153.13	171.13	161.73	
Reclassification adjustments							
- Reclassification impact (other than depreciation) (G)	(0.04)	(0.11)	(1.03)	(0.07)	(0.47)		**(1.71)**
- Depreciation impact on reclassification (H)	(0.00)	(0.01)	(0.03)	(0.06)	(0.08)	(0.05)	**(0.23)**
Total reclassification impact (I=G+H)	(0.04)	(0.12)	(1.06)	(0.13)	(0.55)	(0.05)	**(1.95)**
Additions as per Study^ (J=B+G)	9.73	8.73	82.74	31.26	4.35	10.26	**147.07**
Deletions as per Study (K=C)	7.92	0.08	0.00	0.00	0.00	0.00	**8.00**
Depreciation as per Study^ (L=D+H)	7.00	7.17	9.91	13.26	13.76	7.26	**58.34**
Closing RAB (M=F+J-K-L)	78.81	80.30	153.13	171.13	161.73	164.73	
Average RAB (N=(F+M)/2	**81.41**	**79.55**	**116.71**	**162.13**	**166.43**	**163.23**	

^ does not include financing allowance

** includes left out assets worth ₹ 16.59 crores and cost apportionment worth 1.90 crores in First Control Period*

 # excludes left out asset and cost apportionment as the same has been included in Opening RAB

17.1.10 **Reclassification of assets of GIAL as on March 31, 2022**

The Authority has conducted an independent study on allocation of assets for the period FY 2016-17 till FY 2020-21 and used the outcome of the study to true up the RAB for the post COD period i.e.as on March 31, 2022 for GIAL.

The Authority has considered the adjusted RAB of GIAL as on COD (which is ₹ 158.80 crores), Capital additions and corresponding depreciation based on the results of the Asset Allocation report (refer

Annexure III & V for the detailed report on *Study on allocation of assets between Aeronautical and Non-aeronautical assets for Guwahati International Airort)*.

The asset allocation study reviewed the various asset categories and developed a basis for segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Based on the same, the Authority has reclassified some portion of assets submitted by the AO for true up of the period from COD till March 31, 2022 which has been detailed hereunder:

i. **Furniture**

Details of Asset: MS Framework and Flax

Allocation proposed by GIAL: Aeronautical

Observation: The assets such as MS Framework and Flax, have been classified as Aeronautical assets by GIAL. However, since these assets are for the use of employees of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.002 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

ii. **IT Equipment**

Details of Asset: Laptop, Desktop, Printer, Display, Server and Storage data center, other IT equipment, Software license and support, SITA license and project implementation

Allocation proposed by GIAL: Aeronautical

Observation: The assets such as laptops, desktops, printers, servers and storage, software license, have been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5). In addition, SITA License and Project Implementation which was classified as Aeronautical by GIAL is allowed to be considered as Aeronautical asset.

Allocation proposed by the Authority: Employee Head Count Ratio / Aeronautical

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.05 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

iii. **Office Equipment**

Details of Asset: Video Controller, Telephone, IP Phone, Mobile, Security and Safety related equipment and accessories, Document Tray, and other Office equipment.

Allocation proposed by GIAL: Aeronautical

Observation: All office equipment has been classified as Aeronautical assets by GIAL. However, since these assets are for both aero and non-aeronautic activities of GIAL, the same have been reallocated in the ratio of Employee Head Count of GIAL (95:5).

Allocation proposed by the Authority: Employee Head Count Ratio

Impact: Reclassifying these assets from Aeronautical to Common decreases the RAB to the extent of ₹ 0.03 crores.

Reference: Para 4.9 of the *Asset Allocation Study report*

The following table illustrates the impact of adjustments in Asset Addition/WIP Capitalization values due to reclassification of assets of GIAL between COD and March 31, 2022.

Table 171: Impact of Reclassification of Asset Additions by GIAL from COD till March 31, 2022

(₹ crores)

Asset Category as per MYTP	Reclassification Impact
Furniture & fixtures	(0.002)
IT equipment	(0.05)
Office equipment	(0.03)
Software	-
Grand Total	**(0.08)**

17.1.11 The Authority has proposed to consider the same rates of depreciation as applied by AAI for the period up to COD, on the assets transferred by AAI to GIAL for the period from COD to March 31, 2022. Further, the assets added by GIAL have been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated January 12, 2018, of AERA. The Authority has proposed the useful life for all the assets of LGBIA post COD as per below table.

Table 172: Useful Life proposed by GIAL and the Authority

Asset Class	Useful life submitted by GIAL*	Useful life proposed by the Authority*
Terminal Building	25	30
Runway, Taxiway and Apron	20	30
Cargo Building	25	30
Cargo Equipment	8	15
Boundary wall	5	5
Computer Servers, networks, etc. / Software	3	3
Computer End-user devices / IT equipment	3	3
Security equipment	7.5	15
Plant and Machinery	7.5	15
Other buildings	30	30
Access road	10	10
Furniture & fixtures	7	7
Vehicles	5	8
Office Equipment	5	5

*All numbers in years

17.1.12 Accordingly, the depreciation on Aeronautical assets of ₹ 0.33 crores as submitted by GIAL has been revised (post reclassification) to ₹ 0.32 crores, thereby resulting a reduction in depreciation of ₹ 0.01 crores. The following table illustrates the impact on depreciation due to reclassification adjustments in Asset Addition/WIP Capitalization values of GIAL from COD till March 31, 2022.

Table 173: Impact on Depreciation due to Reclassification of Asset Additions by GIAL and Revised Useful Life as per the Authority from COD till March 31, 2022

(₹ crores)

Asset Category as per MYTP	Reclassification Impact
Furniture & fixtures	(0.0001)
IT equipment	(0.008)
Office equipment	(0.002)
Grand Total	**(0.010)**

17.1.13 Adjustments were also made in the depreciation of the assets handed over to GIAL by AAI for the post COD period, as per the asset reclassification carried out in this Study and the revised useful life as per Table ***114***. The total impact on depreciation in post COD period due to reclassification of assets has been summarized in the table below.

Table 174: Total Impact on Depreciation due to Reclassification of Asset Additions from COD till March 31, 2022

(₹ crores)

Particulars	Values	Impact
Depreciation on pre-COD assets as per GIAL	16.50	
Depreciation on pre-COD assets after reclassification as per Study	8.83	
Impact on Depreciation for pre-COD Assets due to reclassification		**(7.67)**
Depreciation on post-COD assets as per GIAL	0.33	
Depreciation on post-COD assets after reclassification	0.32	
Impact on Depreciation for post-COD Assets due to reclassification and revised useful life as per Study		**(0.01)**
Total Impact on Depreciation for all Assets in post-COD period		**(7.68)**

17.1.14 The Adjusted RAB and Depreciation determined by the Authority for the period from COD till March 31, 2022, post reclassifications and other adjustments are as follows:

Table 175: Average RAB considered by the Authority from COD till March 31, 2022

(₹ crores)

Particulars	Amount
Adjusted RAB as on COD, transferred to Guwahati International Airport Limited (A)*	158.80
Additions to RAB from COD to March 31, 2022, proposed by GIAL (Refer Para 5.4.3) (B)	2.33
Sub-total (C = A + B)	161.13
Reclassifications on asset additions	
Furniture & fixtures (D)	(0.002)
IT equipment (E)	(0.049)
Office equipment (F)	(0.025)

Particulars	Amount
Software (G)	-
Total reclassifications (H) Sum (D : G)	(0.08)
Adjusted RAB (I = C + H)	161.05
Depreciation on Initial RAB from COD to March 31, 2022, proposed by GIAL (J)	16.83
Adjustment in Depreciation for the period from COD to March 31, 2022 (K)	(7.68)
Total Adjusted Depreciation for the period from COD to March 31, 2022 (L= J + K)	9.15
Opening RAB as on 1st April'2022 for Third Control Period (M = I – L)	**151.90**
Average RAB N = (A+M)/2	**155.35**

** includes Aeronautical assets worth ₹ 155.64 crores and ANS assets worth ₹ 3.16 crores determined as per Study of Asset Allocation for Lokpriya Bordoloi International Airport, Guwahati.*

17.1.15 Based on the revision of asset allocation methodology adopted for assets of LGBIA, a revision in the Aeronautical Gross block has been proposed. The year-wise revised value of assets from FY 2016-17 to FY 2020-21 has been summarized in the tables below:

Table 176: Revised Gross block of Assets up to COD as per the Study report

(₹ in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22 (up to COD)
Aeronautical Gross block (opening) (A)	183.50	273.19	281.84	364.58	395.84	400.19
Non-aeronautical Gross block (opening) (B)	23.00	25.39	25.53	27.04	27.64	27.65
Left Out Assets-Aero (C)	87.88	-	-	-	-	-
Left Out Assets-Non-Aero (D)	1.88	-	-	-	-	-
Aeronautical Asset Additions (E)*	9.74	8.73	82.74	31.26	4.35	10.26
Aeronautical Asset Disposals (F)*	7.92	0.08	0.00	0.00	0.00	0.00
Non-Aeronautical Asset Addition (G)#	0.50	0.14	1.51	0.60	0.01	0.39
Aeronautical Gross block (closing) (H=A+C+E-F)	273.19	281.84	364.58	395.84	400.19	410.44
Non-aeronautical Gross block (closing) (I=B+D+G)	25.39	25.53	27.04	27.64	27.65	28.04
Total Gross block (J = H + I)	**298.58**	**307.37**	**391.61**	**423.48**	**427.84**	**438.48**
Aeronautical Ratio - (H/J)	**91.50%**	**91.70%**	**93.10%**	**93.47%**	**93.54%**	**93.61%**
Non-Aeronautical ratio - (I/J)	**8.50%**	**8.30%**	**6.90%**	**6.53%**	**6.46%**	**6.39%**

** Refer Study of Asset Allocation for Lokpriya Bordoloi International Airport, Guwahati*

 # Refer Annexure V

Table 177: Revised Gross block of Assets as on March 31, 2022 as per the Study

(₹ in crores)

Particulars	Assets transferred from AAI on COD	ANS assets transferred by AAI	Additions – Post COD	Total as on March 31, 2022
Aeronautical Gross block (A)	155.64	3.16	2.25	161.05
Non-aeronautical Gross block (B)	7.70		0.08	7.78
Total Gross block (C = A + B)				**168.83**
Aeronautical ratio				**95.39%**
Non-Aeronautical ratio				**4.61%**

17.1.16 The Gross block of Aeronautical and Non-aeronautical assets as per AAI's submission, as on October 8, 2021 was ₹ 412.17 crores and ₹ 25.47 crores, respectively. The revised Aeronautical and Non-aeronautical Gross block as on October 8, 2021 for AAI, after the proposed adjustments and reclassifications as per the Study, are ₹ 410.44 crores and 28.04 crores, respectively.

17.1.17 The Net block of the Aeronautical and Non-aeronautical assets transferred by AAI to GIAL as on COD, were considered as addition to the Gross block as on COD for GIAL as per the Study. The Gross Aeronautical assets and Non-aeronautical assets as on March 31, 2022 has been determined as ₹ 161.05 crores and 7.78 crores, respectively.

17.2 Annexure 2 - Summary of study on efficient Operation and Maintenance expenses

Background

17.2.1 Establishing efficient Operation and Maintenance (O&M) expenses is an essential component in tariff determination for Aeronautical services. The allocation of O&M expenses as Aeronautical and Non-aeronautical expenses depends on the nature of expenses, type of assets which they service, the business function which they are deployed for, the end-user that benefits or avails services from those expenses, and reasonableness of the quantum of such expenses.

17.2.2 Towards this objective, AERA has decided to conduct an independent study on efficient Operation and Maintenance expenses, and their allocation as Aeronautical and Non-aeronautical components in respect of O&M expenses appearing in the extract of the audited trial balance of AAI for the period from FY 2016-17 to October 7, 2021 and the audited financial statements of Guwahati International Airport Limited for the period from October 8, 2021 (Commercial Operation Date (COD)) to March 31, 2022, and the True up workings as submitted to AERA by AAI up to October 7, 2021 and by the GIAL up to March 31, 2022.

Comparison of Aeronautical O&M expenses approved as per Tariff Order for the Second Control Period vis-à-vis the actual expenses incurred by AAI and GIAL

17.2.3. The Study compared the Aeronautical O&M expenses as per approved tariff order of Second Control Period (SCP) with actual expenses incurred by both AAI and GIAL and analyzed the reasons for deviation in such O&M expenses. The details of O&M expenses approved as per tariff order and the actuals incurred during the Second Control Period, are shown in the table below:

Table 178: Aeronautical O&M expenses of LGBIA for the Second Control Period - Approved vs. Actuals

(₹ in crores)

Particulars	O&M Expenses as per Tariff Order for SCP (A)	Actuals as per true-up submission of AAI up to FY 21 (B)	Variance (D = B-A)	Variance (%) (E = D / A)	Total Actuals as per true-up submission of AAI till COD*	Actuals as per true-up submission of GIAL post COD till Mar'22	Total Actuals as per true-up submission of AAI and GIAL for SCP till Mar '22
Employee benefit expenses	160.5	131.82	-28.68	**-18%**	146.62	18.91	**165.53**
Administrative & Other expenses	90.1	201.82	111.72	**124%**	250.25	16.53	**266.78**
Repairs & Maintenance expenses	89.0	62.42	-26.58	**-30%**	69.98	9.71	**79.69**
Utility (Operating) expenses	22.0	26.81	4.81	**22%**	29.81	2.62	**32.44**
Other outflows	2.0	3.44	1.44	**72%**	3.52	0.09	**3.62**
Total Aeronautical O&M expense for Second Control Period	**363.6**	**426.31**	**62.51**	**17%**	**500.19**	**47.87**	**548.06**

17.2.4. The Aeronautical O&M expenses approved by the Authority in the Tariff Order for Second Control Period amounted to ₹ 363.80 crores. The actual Aeronautical O&M expenses incurred as per AAI's True up submission aggregates to ₹ 426.31 crores for Second Control Period. Aeronautical O&M expenses incurred by AAI in FY22 till COD stood at ₹ 73.89 crores. Thereby, the total Aeronautical O&M Expense incurred by AAI in SCP till COD amounted to ₹ 500.19 crores. The total Aeronautical O&M expenses as per GIAL's True up submission for the period from post COD i.e., October 8. 2021 to March 31, 2022, aggregates to ₹ 47.87 crores. The total Aeronautical O&M expenses of ₹ 548.06 crores incurred as per true up submissions for the Second Control Period excluding FY2021-22, is drastically higher than the amount of ₹ 363.80 crores approved in the Tariff Order, indicating a deviation of 51%.

i. It is noted that the major reason for the overall deviation of 51% in the total Aeronautical O&M expenses for the Second Control period, is the increase in the actual CHQ & RHQ expenses incurred by AAI which is higher by 155% till FY21.

ii. On an overall basis, the actual employee benefit expenses for second control period are well within the range of values approved by AERA in the Tariff Order for the Second Control Period. Therefore, the employee expenses of AAI for the Second Control Period seem to be reasonable as part of this Study.

iii. The A&G expenses incurred during the period significantly exceeded the projections of the Tariff Order. This expense has been examined in detail, and the underlying factors have been rationalized.

iv. The Utility expenses expenses have exceeded the projections, primarily due to the rise in electricity expenses. Electricity expenses have increased since power tariff is determined by third-party utility vendors. Given the criticality of these expenditures to the core operations and the external factors influencing them, the actual utility expenses incurred has been considered reasonable for the purposes of this study.

v. Repairs & Maintenance expenses, does not include any runway recarpeting expenses and are significantly lower compared to the corresponding expense approved by the Authority for the Second Control Period and hence is proposed to be allowed by the Study.

Principles for segregation of costs

17.2.5 This Study segregates the O&M expenses of LGBIA into the following:

- **Aeronautical expenses:** Expenses which are incurred for operation and maintenance of Aeronautical assets have been categorized as Aeronautical expenses.
- **Non-aeronautical expenses:** Expenses which are incurred for operation and maintenance of non-aeronautical assets have been categorized as Non-aeronautical expenses.
- **Common expenses:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical or Non-aeronautical activities have been segregated as Common expenses. Expenses primarily incurred for provision of Aeronautical services but are also used for provision of non-aeronautical services are segregated as Common Expenses. Expenses which are used for general corporate purposes including legal, administration, and management affairs are treated as Common Expenses.

17.2.6 The Segregation of the various O&M expenses as per AAI's submission is as below:

Table 179: Segregation ratio for O&M expenses as per AAI's submission

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 till COD
Employee Ratio (Aeronautical : Non-aeronautical)	98.65:1.35	98.08:1.92	98.84:1.16	98.10:1.90	98.03:1.97	98.60:1.40
Year-wise specific allocation ratio for CHQ & RHQ allocation of Admin Expenses (Aeronautical : Non-aeronautical)	95:5	95:5	95:5	95:5	95:5	95:5
Year-wise specific allocation ratio for CHQ allocation of Retirement Benefits (Aeronautical : Non-aeronautical)	98.65:1.35	98.08:1.92	98.84:1.16	98.10:1.90	98.03:1.97	98.60:1.40
Terminal Building ratio (Aeronautical : Non-aeronautical)	89.67:10.33	90.5:9.5	90.6:9.4	92.32:7.68	92.81:7.19	92.58:7.42
Electricity ratio (Aeronautical : ANS : Non-aeronautical)	84.79: 15.00: 0.21	84.76: 15.05: 0.19	84.74: 15.08: 0.18	84.77: 15.08: 0.16	84.75: 15.05: 0.20	84.52: 15.19: 0.29
Staff Quarters ratio (Aeronautical : ANS : Non-aeronautical)	49.11: 50.89: 0	52.94: 46.08: 0.98	60.83: 38.33: 0.83	65.81: 33.33: 0.85	64.58: 35.42: 0	59.21: 40.79: 0
Vehicle Ratio (Aeronautical : ANS : Non-aeronautical)	74.07: 18.52: 7.41	75.86: 17.24: 6.90	77.14: 17.14: 5.71	82.6 : 13.04: 4.35	83.33: 12.50: 4.17	80.00: 15.00: 5.00

Details of adjustment to O&M expenses

17.2.7 The study on the basis of the expense classification and principles of segregation adopted, as can be seen in the above paragraphs, has considered re-segregation of Operation and Maintenance expenses to determine Aeronautical O&M costs. The study has proposed the following ratios:

Table 180: Revised segregation ratio for O&M expenses as per the study

Particulars	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22-COD
Terminal Building Ratio	89.02%	89.02%	89.02%	89.02%	89.02%	89.02%
Gross Fixed Assets ratio	91.50%	91.70%	93.10%	93.47%	93.54%	93.61%
Employee Ratio	90.35%	89.53%	91.56%	90.59%	90.59%	90.10%

17.2.8 Based on the reclassification and change in allocation ratio, the Study has proposed the revised Aeronautical O&M expenses for the period FY 2016-17 up to COD as summarized in the table below:

Table 181: O&M expenses submitted by AAI and as per Study for the SCP and pre-COD Period

(₹ in crores)

O&M expenses	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total till FY21	FY 2021-22*	Total till COD
O&M Expenses as per AAI								
Employee benefit / Payroll	16.64	24.02	32.05	32.42	26.69	**131.82**	14.80	**146.62**
Administrative and General	13.95	35.45	42.92	59.68	49.81	**201.82**	48.43	**250.25**
Repairs & Maintenance	7.72	15.56	12.90	13.97	12.26	**62.42**	7.57	**69.98**
Utilities & Outsourcing	4.46	5.03	6.05	6.16	5.12	**26.81**	3.00	**29.81**
Other Outflows	0.73	0.91	0.78	0.94	0.09	**3.44**	0.08	**3.52**
Total	**43.49**	**80.97**	**94.70**	**113.17**	**93.97**	**426.29**	**73.88**	**500.19**
O&M Expenses as per Study								
Employee benefit / Payroll	16.62	24.00	32.05	32.37	26.62	**131.66**	14.78	**146.44**
Administrative and General	23.56	29.71	35.36	52.05	44.03	**184.70**	24.99	**209.69**
Repairs & Maintenance	7.63	15.37	12.82	13.81	12.03	**61.66**	7.33	**68.99**
Utilities & Outsourcing	4.45	5.02	6.03	6.12	5.10	**26.72**	2.99	**29.71**
Other Outflows	0.73	0.91	0.78	0.94	0.09	**3.44**	0.08	**3.52**
Total	**52.97**	**75.01**	**87.03**	**105.28**	**87.86**	**408.16**	**50.17**	**458.34**
Impact	**9.48**	**(5.96)**	**(7.67)**	**(7.89)**	**(6.11)**	**(18.13)**	**(23.71)**	**(41.84)**

* Up to COD (October 8, 2021)

17.2.9 The table below provides a summary of submission of GIAL, revision of OPEX as part of this study and net impact for the period 8th October 2021 to 31st March 2022:

Table 182: Impact of proposed reallocation of GIAL's Aeronautical O&M expenses

(₹ in crores)

Particular	GIAL Submission			Study		Net Impact
	Total Expense	Aero %	Aero Expense	Allocation Basis	Aero Expense	
Manpower expenses - AAI employees	14.19	100%	14.19	Common (ER-AAI)	14.08	(0.11)
Manpower expenses - GIAL employees	4.72	100%	4.72	Common (ER-GIAL)	4.48	(0.24)
Utility expenses	2.62	100%	2.62	Aeronautical	2.62	0.00
IT expenses	1.49	100%	1.49	Common (ER-GIAL)	1.41	(0.08)
Rates & taxes	0.32	100%	0.32	Common (GB)	0.31	(0.01)
Security expenses	1.37	100%	1.37	Aeronautical	1.37	0.00
Corporate Allocation	4.24	100%	4.24	Common (ER-GIAL) Less: Legal Expenses	4.00	(0.24)

Particular	GIAL Submission			Study		Net Impact
	Total Expense	Aero %	Aero Expense	Allocation Basis	Aero Expense	
Administrative Expenses - Collection Charges on UDF	0.09	100%	0.09	Aeronautical	0.09	0.00
Administrative Expenses - Others	3.58	100%	3.58	Common (TB/ER/GB)	3.42	(0.16)
Insurance	0.99	100%	0.99	Common (GB)	0.94	(0.05)
R&M	9.71	100%	9.71	Common (TB/ER/GB)	9.29	(0.42)
Others	2.83	100%	2.83	Common (TB)	2.52	(0.31)
Independent Engineer Fees	1.69	100%	1.69	Aeronautical	1.69	0.00
Total	**47.87**		**47.87**		**46.22**	**(1.65)**

TB – Terminal Building Ratio
ER – Employee Ratio
GB – Gross Block Ratio

Rationalisation of O&M expenses

17.2.10 Based on the Internal Benchmarking analysis, it was observed that the Operation and Maintenance expenses for LGBIA for the period from FY 2017-18 to FY 2020-21 are higher than normal operating efficiency levels, as mentioned below:

i. The key reason of such higher growth in O&M expenses is mainly due to pay scale revision and arrears disbursement to Guwahati Airport employees as per 7th Pay Commission report and increase in CHQ/RHQ allocation due to pay revision, inflation, and increase in revenues of Guwahati station.

17.2.11 It is proposed to rationalize such expenses to determine the efficient Aeronautical O&M expenses for the period from FY 2016-17 to FY 2021-22.

Efficient Aeronautical O&M expenses

17.2.12 The year-wise summary of the reclassification and other adjustments to O&M expenses is provided in the table below.

Table 183: Year-wise summary of reclassification and other adjustments to Aero O&M expenses

(₹ crores)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22*	Total till COD	FY 2021-22#	Total till Mar’22
O&M expenses as per true up submission of AAI and GIAL (A)	**43.50**	**80.96**	**94.70**	**113.17**	**93.98**	**73.89**	**500.19**	**47.87**	**548.06**
O&M expenses as per Study									
Employee benefit expenses	16.62	24.00	32.05	32.37	26.62	14.78	**146.44**	18.56	**165.00**
Administrative and other expenses	23.56	29.71	35.36	52.05	44.03	24.99	**209.69**	13.20	**222.89**

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22*	Total till COD	FY 2021-22#	Total till Mar'22
Utilities and Outsourcing expenses	4.45	5.02	6.03	6.12	5.10	2.99	**29.71**	2.62	**32.33**
Repairs & Maintenance expenses	7.63	15.37	12.82	13.81	12.03	7.33	**68.99**	9.29	**78.28**
Other Outflows	0.73	0.91	0.78	0.94	0.09	0.08	**3.52**	2.55	**6.07**
Total (B)	**52.99**	**75.01**	**87.04**	**105.29**	**87.87**	**50.17**	**458.34**	**46.22**	**504.57**
Impact (B - A)	**9.49**	**(5.95)**	**(7.66)**	**(7.88)**	**(6.11)**	**(23.72)**	**(41.84)**	**(1.65)**	**(43.49)**

* Up to the date of COD (October 8, 2021)

From COD till March 31. 2022

17.2.13 Based on the reallocation of the O&M expenses, the downward adjustment in the Aeronautical O&M expenses for the period from FY2016-17 to FY2020-21 is ₹ 41.84 crores, and for the period from April 01, 2021 till October 8, 2021 (COD) is ₹ 1.65 crores. The total downward adjustment in the Aeronautical O&M expenses for the period from FY2016-17 till COD is ₹ 43.49 crores and the reallocated Aeronautical O&M expenses for the period FY 2016-17 to October 8, 2021, has been determined as ₹ 504.57 crores. The Aeronautical O&M expenses for the period from FY 2016-17 till COD is reduced by 7.93%.

17.2.14 As per the submission of GIAL the total Aeronautical O&M expenses for the period from COD to March 31, 2022, was ₹ 47.87 crores. Based on the reallocation of the O&M expenses, the downward adjustment in the Aeronautical O&M expenses for the aforesaid period is ₹ 1.65 crores and the reallocated Aeronautical O&M expenses (prior to rationalization) for the period from COD to March 31, 2022 has been determined as ₹ 46.22 crores. The Aeronautical O&M expenses for the period from COD up to March 31, 2022 is reduced by 3.45%.

17.3 Annexure 3 – Clauses of the Concession Agreement entered between AAI and GIAL

17.3.1. The Airports Authority of India (AAI) entered into a Concession Agreement with Guwahati International Airport Limited (GIAL) on January 19, 2021, for the Operation, Management and Development of LGBIA for a period of 50 years from the Commercial Operation Date (COD) i.e., October 8, 2021 in accordance with the terms and conditions mentioned in the Concession Agreement.

17.3.2. The relevant Clause of the Concession Agreement may be read as under:

3.1.1. "Subject to and in accordance with the provisions of this Agreement, Applicable Laws and the Applicable Permits, the Authority hereby grants to the Concessionaire, the concession set forth herein including the exclusive right, lease and authority to operate, manage and develop the Airport ***("Concession")*** *for a period of 50 (fifty) years commencing from the COD, and the Concessionaire hereby accepts the Concession and agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein".*

3.1.2. Subject to and in accordance with the provisions of this Agreement, the Authority, Applicable Laws and the Applicable Permits, the Concession hereby granted shall oblige or entitle (as the case may be) the Concessionaire to:

(a) *the Right of Way, access and lease to the Site for the purpose of and to the extent conferred by the provisions of this Agreement.*

(b) *finance the development and expansion of the Airport.*

(c) *operate, maintain and manage the Airport and regulate the use thereof by third parties.*

(d) *demand, collect and appropriate Fee from Users liable for payment of Fee for using the Airport or any part thereof and refuse entry of any such User if the Fee due is not paid.*

(e) *perform and fulfil all of the Concessionaire' s obligations under and in accordance with this Agreement.*

(f) *save as otherwise expressly provided in this Agreement, bear and pay all costs, expenses, Taxes and charges in connection with or incidental to the performance of the obligations of the Concessionaire under this Agreement; and*

(g) *neither assign, transfer or create any lien or encumbrance on this Agreement, or the Concession hereby granted or on the whole or any part of the Airport nor trans fer, orpart possession thereof, save and except as expressly permitted by this Agreement or the Substitution Agreement.*

27.1.1. Subject to Clause 27.3, the Concessionaire agrees to pay to the Authority, during the Concession Period, a monthly concession fee calculated as follows (the ***"Monthly Concession Fee"):***

Per Passenger Fee for International Passengers x International Passenger Throughput for that month + Per Passenger Fee for Domestic Passengers x Domestic Passenger Throughput for that month

Where:

*"**Per Passenger Fee for Domestic Passengers**" means ₹ 160 (Rupees One Hundred and Sixty), as may be revised pursuant to Clause 27.3;*

*"**Per Passenger Fee for International Passengers**" means 2 (two) times the Per Passenger Fee for Domestic Passengers;*

*"**Domestic Passenger Throughput**" for any month shall mean the total domestic Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.*

*"**International Passenger Throughput**" for any month shall mean the total International Passenger Traffic (embarking and disembarking passengers) as provided by the Authority by the 7th (seventh) day of the subsequent month in the form and manner as may be specified by the Authority from time to time.*

Provided further that, in the first and that last month of the Concession Period,the International Passenger Throughput and Domestic Passenger Throughput shall be pro-rated by the number of the days in such months as reckoned with respect to the COD or Transfer Date, as relevant.

27.1.2. The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under
and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same.

*20.1.1 The Concessionaire acknowledges and agrees that only the Designated GOI Agencies are authorized to undertake the following services **("Reserved Services")** at the Airport:*

- *(a) CNS/ATM Services;*
- *(b) security services;*
- *(c) meteorological services;*
- *(d) mandatory health services;*
- *(e) customs control;*
- *(f) immigration services;*
- *(g) quarantine services;*
- *(h) any other services, as may be notified by GOI;*

Provided that, subject to the Applicable Laws and the Applicable Permits, *nothing in this Agreement shall restrict the Authority from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.*

17.3.3. The relevant portion of Schedule T which pertains to the list of capital expenditure contracts already awarded by AAI and handed over to GIAL and Schedule U which pertains to the list of capital expenditure projects proposed / planned by AAI but not yet awarded and forming part of the terms of the Concession Agreement are given below:

SCHEDULE T

EXISTING CONTRACTS

SCHEDULE T

EXISTING CONTRACTS

The revenue contracts at the Airport are indicated as follows:

S. No.	Name of the Facility	Party Name	Period of the contract (in years)	Regular Contract / Adhoc or extension, plz indicate
1	Vehicle Parking	S. S. Enterprises	03 years, 26-10-2017 to 25-10-2020	Regular
2	Package Tea sales counter CC	Green Gold Assam Pvt. Ltd	03 years, 27-05-2014 to 26-05-2017	Under Retail / ad- hoc/ extension
3	SNACK BAR (CC)	M/s Kiranshree Portico	05 years, 30-01-2011 to 29-01-2016	Under F&B / ad- hoc/ extension
4	Garbage Disposal Contract	Ms. Nibha Bhattacharjee	03 years, 01-08-2016 to 31-07-2019	Regular
5	HRC (ARR)	M/s Vishwaratna Hotel	03 years, 07-07-2017 to 06-07-2020	Regular
6	SPA (CC)	M/s Blush Spa & Salon	5 Years 22-07-2016 to 21-07-2021	Regular
7 8	Pre Paid taxi service (ARR)	M/s Borjhar Tourist Cab Association	2 Years, 01-05-2017 to 30-04-2019	Regular
9	H&H Stall (CC)	Assam Tourism Development corpn.	3 Years, 19-06-2013 to 18-06-2016	
10	IBS	Smartx Services Limited	7 years, extendable by 3 Years 01-06-18 to 31-05-2025	Regular
11	Executive Lounge (Departure)	Pushpak Air Travel	3 Years 01-08-2014 to 31-07-2017	Extension/ Ad-hoc, normal tender pending due to shifting to SHA as per modified diagram
12	Indoor Advertising Rights	Fast Track Integrated Marketing Services	4 (+/-1) Years 29-10-2018 to 28-10-2022 (+/-1)	Regular
13		Pavers England ltd.	01 Years	Under Retail / ad- hoc/ extension

S.No.	Name of the Facility	Party Name	Period of the contract (in years)	Regular Contract / Adhoc or extension, plz indicate
	Branded Footwear and accessory shop inside SHA		09-11-2014 to 08-11-2015	
14	Traveler requisite cum gift shop	AVA Merchandising solutions Pvt. Ltd.	5 Years 24-02-2015 to 23-02-2020	As per amended new policy, tender will be floated soon
15	Food Court (city side) near airindia cargo	Anand Tiffin	5 Years 02-03-15 to 01-03-2020	Under F&B / ad- hoc/ extension
16	Exclusive advertisement right outside T.B.	Fast Track Integrated Marketing Services	10 years 26-03-2015 to 25-03-2025	Regular
17	Vending machine (CC/DEP/SHA/NEW SHA)	M/s Raj Group	3 Years 24-04-2015 to 23-04-2018	Under F&B / ad- hoc/ extension
18	Snack Bar (SHA) Gfloor	Hotel Pradeep	5 Years 05-08-2015 to 04-08-2020	Under F&B
19	ATM (inside)	CANARA BANK	3 Years 22-02-2017 to 21-02-2020	Regular
20	Money exchange counter (arrival & Departure)	M/s Thomas Cook (India) Ltd	3 years 07-12-2017 to 06-12-2020	Regular
21	Master concession, F&B	Hotel Pradeep	7 years	Regular
22	Master concession, Retail	Consortium of M/s Future Lifestyle Fashions Limited and Travel Retail Service	7 years	Regular
23	Travel Booking Counter (departure)	M/s Subhyatra	5 Years 24-09-2018 to 23-09-2023	Regular
24	Travel Booking Counter (Arrival)	M/s Subhyatra	5 Years 24-09-2018 to 23-09-2023	Regular
25	Domestic Tour Operator 1	Assam Pushpak Travel AgencY	3 years 26-08-2018 to 25-08-2021	Regular
26	Domestic Tour Operator 2	Sahara Tour & Travels	3 Years 30-11-2018 to 29-11-2021	Regular
27	Retrieval of PBTs in lieu of Advertisement Rights (stop gap)	Fast Track Integrated marketing Services	3 months 01-11-2018 to 31-01-2019	Stop gap arrangement

OPERATIONS CONTRACTS

Sl.No	Name of work	Agency Name & Address	Estimate Amount (Rs)	Awarded Date	Date of Start	Tendered Amount (Rs)	Duration
1	MESS (Up-keeping) of Passenger Terminal Building at LGBI Airport.	M/s Upshot Utility Services, H-20 Jeevanandam Salai, 13th sector, K.K.Nagar, Chennai-600078.	3,94,38,794/-	10/01/2016	01/02/2016	3,08,11,849/-	03 years
2	ESS (Up- keeping) Ancillary Building at LGBI Airport	Varsed Detective and Securities Pvt.Ltd ,Plot-61 1st Floor ,Sector-18 Maruti Industrial Area ,(Opp.HIPA) Gurgaon-122015 (Haryana)	76,12200/-	28/02/2017	01/03/2017	55,25,370/-	03 years
3	Job contract for Arrival Reserve Lounge /Departure Reserve Lounge& Ceremonial Lounge at LGBI Airport.	M/S Bengal Protective Guard pvt ltd, 60 Lenin Sarani ,2nd Floor Kolkata-700013, West Bengal, India,	1996784/-	17/05/2018	01/06/2018	1976904/-	01 year
4	Job contract for Information Desk/Rest room /TM office at LGBI Airport.	HRD Commercial & Industrial Security Forces Pvt.Ltd.ST Road, Badarpur karimganj-788803	37,25,784/-	25/07/2018	01/08/2018	3290976/-	01 year
5	Job Integrated Pest Control Treatment at Terminal and other Ancillary building of LGBI Airport .	Pest Control M.Walshe, H.O.: 503 Embassy Centre Nariman Point, Mumbai (Bombay)-400021,	9,59,667/-	26/03/2018	01/04/2018	6,62,400/-	01 year
6	Job Contract for Supply manpower of AOCC at LGBI Airport	M/s Vanity Hospitality Services 10/18,g-1 Nawab Yusuf road, Civil Line Allahabad,UP-211001	16,40,075/-	27/07/2018	01/08/2018	1491879.48/-	01 year
7	Job Contract for Bird and Animal Hazard Control at LGBI Airport	HRD Commercial & Industrial Security Forces Pvt.Ltd.ST Road, Badarpur karimganj-788803	6040390/-	30/10/2018	03/11/2018	5124000/-	01 year

MAINTENANCE CONTRACTS

Sl No.	Name of Work	Name and Address of Contractor	Awarded Value (In Lakhs)	Date of Start	Stipulated Date of Completion
1	Annual Comprehensive Maintenance Contract alongwith Watch and ward of LED type SPOL system at Sajanpara, Borsilla & Mirza hills near LGBI Airport, Guwahati.	M/S N.D. Enterprises, Near Azara Public hall, Guwahati	7.34	01.06.2017	31.05.2018 31.12.2018
2	Annual Comprehensive Maintenance Contract of 50KW Emersion make solar inverter and its battery bank at LGBI Airport, Guwahati.	M/S Vertiv Energy Pvt. Ltd., Slat Lake Electronic Complex, Kolkata.	2.39	05.10.2017	04.10.2018 04.01.2019
3	Annual Maintenance Contract of fire alarm, auto dialer system and fire hydrant system at LGBI Airport, Guwahati.	M/S ARC Services, A-123/3 Jaitpur, Badarpur, New Delhi.	10.89	01.12.2017	30.11.2018
4	Annual Comprehensive Maintenance Contract for weighing Scales at LGBI Airport, Guwhati	M/S North East Scales, Dr. B.K. Kakoti Road, Ulubari, Guwahati.	3.67	06.01.2018	05.01.2019
5	AMC of Water Filteration plant at LGBI Airport, Guwahati.	M/s TAURUS INDUSTRIES,1st Floor, Temple Tower, G.S. Road, Christianbasti, Guwahati	3.38	01.04.2018	31.03.2019
6	ACMC of KONE Lift in SHA at LGBI Airport, Guwahati.	M/S Kone Elevator India Pvt Ltd., Beltola Tiniali, Guwahati.	12.58	01.07.2018	30.06.2023
7	Annual maintenance contract of CCRs & ALCMS system at LGBI Airport, Guwahati	M/S Nasu System, Jaywant Sawant Road, Dahisar (W), Mumbai.	21.53	01.09.2018	31.08.2021
8	Operation & Maintenance contract of E & M installation of Technical block, operational area, NAV-AIDS, ASR-MSSR (Rardar) & outer marker at LGBI Airport, Guwhati.	M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata.	228.09	01.04.2018	31.03.2020
9	Annual Opration & maintenance Contract of arrival & departure conveyor belt at LGBI Airport, Guwahati.	M/s Gannon Dunkerley & Co. Ltd., 16E/1, Earle Street, Kolkata.	113.43	10.04.2018	09.04.2021
10	Annual Comprehensive Maintenance Contract (ACMC) of OTIS Elevator make lifts & escalators at various Airports for 5 years. (Lift for Guwahati Airport).	M/S OTIS Elevators Co(I) Ltd., Netaji Subhash Palace, Pitam Pura, Delhi.	9.18	01.06.2018	31.05.2023
11	Annual Comprehensive Maintenance Contract (ACMC) of UT make lifts & escalators at various Airports for 5 years. (Lift for Guwahati Airport)	M/S UT Ltd., 411 Meghdoot, 94 Nehru place, New Delhi.	6.09	01.06.2018	31.05.2023
12	Annual Coprehensive Maintenance Contract (ACMC) of Johnson make lifts & Escalators at various Airport, for 3 Years. (Sh: Escalators of Guwahati Airport)	M/s Johnson Lift Pvt. Ltd., No.-1, East Main Road, Annaagar, Chennai.	20.51	01.08.2018	31.07.2021

Sl No.	Name of Work	Name and Address of Contractor	Awarded Value (In Lakhs)	Date of Start	Stipulated Date of Completion
13	CMC of 2 x 120 KVA GLF UPS of Vertiv Make.	M/S Vertiv Energy Pvt. Ltd., Salt Lake Electronic Complex, Kolkata.	10.41	19.03.2015	18.03.2020
14	Operation & AICMC of PBBs & VDGS/AVDGS at Various Airports.	M/s Three D Integrated Solutions Ltd, Gurgaon, Haryana,India.	189.02	01.08.2018	31.07.2021
15	Operation & AICMC of PBBs AVDGS at Various Airports.	M/S Adelte Airport Technologies.	166.00	01.12.2018	30.11.2025
16	Annual Maintenance contract of Cummins make DG Sets installed at various airports in NER SH: Guwahati Airport.	M/s Cummins India Office Campus, Tower A 5th Floor, Survey No. 21, Balewari, pune – 411045, Maharastra	86.26	01.08.2018	31.07.2021
17	Annual Comprehensive Maintenance Contract of tyre Killer and Bollards system installed at LGBI Airport, Guwahati.	M/s Godrej & Boycee Mfg. Co. Ltd.; Basundhara Enclave, 1st & 2nd floor, B.K. Kakoty Road, Ulubari, Guwahati.	61.03	07.03.2018	06.03.2021
18	Annual Maintenance Contract of KOEL make DG sets installed at various Airports in NER SH: LGBI Airport, Guwahati.	M/s Kirloskar Oil Engines Ltd., 29, GNB Road, Panbazar, Guwahati.	3.96	01.09.2018	31.08.2021
19	Operation & Maintenanace of complete E&M installation at 33/11/0.433 KV outdoor/ indoor substation, Terminal building, Car park, Approach Roadand Exit Road, M.T.Work shop, Carfo building Etc. at LGBI Airport, Guwahati.	M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata.	160.94	16.04.2018	15.04.2020
20	Annual comprehensive maintenance contract for 250KWP and 50KWP solar power plant installed at LGBI Airport, Guwahat	M/s Premier Solar Powertech Pvt. Ltd., Secondarabad, Hydrabad.	33.61	02.04.2018	01.04.2021
21	Comprehensive Maintenance of Blue Star make PCPA units and Air-cold refregration unit i.c operation of PCPA unit in ATS Automation centre at LGBI Airport, Guwahati.	M/s. Blue Star Limited, Guwahati	45.96	01.08.2018	31.07.2021
22	Hydraulic (Articulating type) Boom lift working ladder at LGBI Airport, Guwhati.(AMC Contract)	M/S Mtandt Ltd., Chennai	1.25	11.08.2017	10.08.2022
23	Comprehensive maintenance contract of window AC & split AC units at LGBI Airport, Guwahati.	M/S Sterling & Wilson Pvt. Ltd., Salt Lake City, Kolkata.	49.48	01.04.2018	31.03.2020
24	Operation and comprehensive maintenance contract of centralized and package AC plants at LGBI airport, Guwahati. (2018-21)	M/S Voltas Ltd., Godraj water side, Tower to, Kolkata.	244.40	01.05.2018	30.04.2021

Sl No.	Name of Work	Name and Address of Contractor	Awarded Value (In Lakhs)	Date of Start	Stipulated Date of Completion
25	Installation of ASR/MSSR at LGBI Airport, Guwahati. (SH: Precision Airconditioning & Associated works) (5 years CMC for PAC)	M/s Nikom Infra Solutions Pvt. Ltd., New Delhi	5.00	21.06.2018	20.06.2023
26	Annual comprehensive maintenace of VRV system installed at AAI/BCAS integrated office complex	M/s ACE Alliance, Guwahati	33.54	01.10.2017	30.09.2020
27	Comprehensive maintenance contract of 320 KVA DG set at AAI/BCAS integrated office complex at LGBI Airport, Guwahati (2017-20)	M/s. Pratap Technocrats Pvt. Ltd.	2.48	10.02.2018	09.02.2021
28	Operation & maintenance of water pumping sets in residential colony and E&M installations in hanger substation at LGBI Airport Guwahati. (2018-2020)	M/s J.H. Associates	74.19	01.04.2018	31.03.2020
29	Annual comprehensive maintenance contract (ACMC) of Omega make lifts installed at integrated office complex at Guwahati Airport for 5 years	M/s Omega Elevators, Ahmedabad, India	10.11	01.08.2018	31.07.2023
30	AMC of E & M installation installed at AAI/BCAS integrated at AAI/BCAS integrated office complex.	M/s Sterling and Wilson Ltd	55.75	01.10.2018	30.09.2020
31	AMC of E & M installation installed in old RED building, AAI residential colony & CISF barracks at LGBI Airport Guwahati	M/s Abhishek Associates, Ahmedabad	98.79	01.11.2018	31.10.2020
32	One time overhauling and five year comprehensive maintenance contract of existing old water filtration plants of AAI Residential Colony at LGBI Airport, Guwahati.	M/S Taurus Industries, Guwahati - 781005	34.55	23.08.2015	22.08.2020

DETAILS OF ONGOING CAPITAL WORK-IN-PROGRESS AND THEIR LIKELY POSITION IN 30.06.2019 AT THE AIRPORT

S/No	Name of Work	Name of Agency	Awarded amount (In Cr.)	Date of Start	Date of completion as per agreement	Likely Physical progress by 30/06/2019	Likely Financial Expenditure by 30/06/2019 (in Cr)	Remarks]
1	Modification of Terminal Building in City side at LGBI Airport, Guwahati: SH: Miscellaneous Civil, Electrical & CNS works	M/s Bikash Enterprises	2.150	22.11.2017	04.02.2018	100%	2.62	Work completed on 14-08-2018. Final bill under preparation of CNS works
2	Renovation of toilets in NTB	Sri Pankaj Kumar Das	0.740	07.07.2017	06.07.2018	100%	0.88	Work completed on 09.11-2018. Final bill under preparation.
3	Revamping/Face lift of interiors in Terminal Building including VIP lounge (Departure & Arrival) VIP lounge, ATC Tower etc. at LGBi Airport, Guwahati (Civil & Electrical)	M/s Raj Woodart Interior Ltd.	1.210	30.09.2017	28.12.2017	100%	1.18	Work completed on 28.09.2018. Final bill under preparation.
4	Providing/Supply and placing in position Immigration counters at LGBI Airport, Guwahati.	Prime Progression Icom (India) Pvt. Ltd	0.114	16.01.2019	01.03.2019	100%	0.11	Work just awarded
5	Providing/Supply and placing in position Egress table & Frisking booth at LGBI Airport, Guwahati.	M/s Falcon Interiors Solution (India) Pvt. Ltd.	0.184	27.01.2019	12.03.2019	100%	0.18	Work just awarded
6	Misc Civil works for pending works of MSSR, Cargo and other works around city side area due to expansion of Terminal Building.	M/s Chandan Sahu	1.000	12.01.2018	11.11.2018	100%	0.91	Final bill under process.
7	C/o additional car parking area at LGBI Airport,Guwahati	M/s Paran Jyoti Saikia	1.860	15.03.2018	14.06.2018	40%	0.60	Work to be foreclosed.
8	Supply, installation and commissioning of public e-toilet in different areas at LGBI Airport, Guwahati.	M/s Mussadik Iqbal Hazarika	0.538	04.06.2018	03.08.2018	100%	0.54	Final bill under preparation.

9	Construction of common user domestic cargo Terminal (CUDCT) Phase - II (Works of Civil & Electrical	M/s Jai Maa Kamakhya Infrastructure	6.797	13.08.2018	12.11.2019	40%	3.25	Work in progress.
10	Construction of NTB, control Tower, Hangar, Fire Station, Car park, etc. at LGBI Airport, Guwahati. (S.H: Construction of E &M Workshop at LGBI Airport Guwahati.)	Competent Infrastructure and Consulting Pvt. Ltd.	3.798	07.01.2016	07.01.2017	100%	4.90	
11	Renovation/Construction of Interim International Cargo Terminal at LGBI Airport, Guwahati.	M/s Jai Maa Kamakhya Infrastructure	1.259	08.07.2018	07.04.2019	100%	1.25	
12	Extension of Tensile Fabric Canopy in front of Terminal Building at LGBI Airport, Guwahati, Assam (Phase-II)	M/s Vinayak Infra Signs	2.188	23.08.2018	22.02.2019	0%	0.00	
13	Constructionof CISF Barracks & Dog kennel at CISF complex & associated works at Kahikuchi, LGBI Airport, Guwahati		6.53			20%	2.00	
14	Replacement of existing flood light fittings of Apron Flood Lighting towers by LED fittings at New Apron i/c provision of isolation bay light at LGBI Airport, Guwahati.	M/S M.S.Construction, Near Telephone Exchange Guwahati Airport, Guwahati.	0.565	17.03.2018	16.07.2018	100%	0.56	
15	Provision High mast lighting towers in CAR parking area at LGBI Airport, Guwahati.	M/S Sharma Trade Agency, Haque Market Fancy Bazar, Guwahati.	0.255	03.08.2018	02.11.2018	100%	0.25	
16	SITC of Misc. Electrical installations at various location of LGBI Airport, Guwahati.SH: Provision of additional power supply cable for Nav-aids installation i/c replacement of existing defective cable and LT Panels.	M/S Rima Electricals. Sitalabari H.No. 9 Ganesh patty LalGanesh Guwahati.	0.661	28.09.2018	27.01.2019	100%	0.66	
17	Supply & laying of standby 33KV HT cable at LGBI Airport, Guwahati.	M/S Sharma Trade Agency, Haque Market Fancy Bazar, Guwahati.	0.249	24.06.2018	23.08.2018	100%	0.25	
18	Renovation of VIP rest rooms at LGBI Airport, Guwahati, SH: Electrical Works.	M/S S & B Electricals. Lichubagan, Hengrabari Dispur, Guwahati.	0.088	08.11.2018	05.02.2019	100%	0.09	
19	Replacement of old AC units, water coolers and purifiers for various locations.	M/S ACE Alliance Pvt. Ltd. H.No. 1 Bishnu Rabha Path opp. RG Baruah Road Guwahati.	0.270	17.10.2018	16.02.2019	100%	0.27	
20	Replacement of existing panels, cables and AHU of central airconditioning system at Guwahati Airport.	M/s Ganga Construction F. No 2/A Ambika Apartment 4th APBN Road Guwahati.	0.291	29.11.2018	28.03.2019	100%	0.29	
21	Replacement of Defective cable of 02 end Aproach and 02/20 end PAPI lighting system at LGBI Airport, Guwahati.	M/s Bose Engineering & Marketing Co. 12, Ganesh Chandra Avenue, Kolkata - 13	0.465	12.01.2019	11.05.2019	100%	0.46	
22	Provision of Water Treatment Plant at CISF Barrack, Guwahati Airport,	M/s Taurus Indrustries Guwahati.	0.179	14.01.2019	13.04.2019	100%	0.18	
23	Augumentation of 11 KV Sub-station in Residential Colony at Guwahati Airport,	M/s North East Engineering.	1.225	13.01.2019	12.07.2019	90%	1.05	

24	Providing apron drive glass walled passenger boarding bridges and visual docking guidance system for LGBI Airport, Guwahati (17 PBBs)	M/S Adelte Airport Technologies. S.L.U., No. 1 Calle Buenos Aires, Barcelona - 08029, Spain.	3.43	01.07.2016	30.06.2017	100%	1.23	
25	SITC of water supply pumping set for residential colony.	M/s. J.H. Associates, Guwahati - 17	0.13	05.10.2018	14.01.2019	100%	0.13	
26	Procurement of pet bottle shedder.	M/s. Aditya Corp., Delhi	0.04	27.12.2018	26.01.2019	100%	0.04	
Ongoing Works- CHQ Schemes								
1	a) Strengthening of existing runway 02/20 at LGBI Airport, Guwahati.	M/s Vishal Infrastructure Ltd	44.770	30.10.2017	07.03.2019	100%	44.78	
	b) SH: Soil Investigation.	IIT Guwahati	0.420	43444	43549	100%	0.42	
2	Construction of New Integrated Terminal Building at Guwahati Airport	M/s Shapoorji Pallonji and Company Private Limited	859.860	21.03.2018	29.03.2021	25%	214.00	
3	Appointment of Project Management Consultant from concept to commissioning for construction of New Integrated Terminal Building at Guwahati Airport.	M/s AECOM ASIA COMPANY LIMITED	32.170	07.03.2017	29.03.2021	68&	22.80	
		Total	**973.44**				**305.88**	

OTHER WORKS (CIVIL)

Sl. No.	Name of the work	Name of the agency	Period	Award value
1	Miscellaneous civil Repairs & Maintenance works of Terminal building i/c ceremonial lounge at LGBI Airport, Guwahati for the year 2018-19	M/s J.H Associates, Guwahati Aasam	12 Months	Rs. 60.00 Lakhs
2	Miscellaneous Civil Repairs & Maintenance works of operational area, Technical Block and other ancillary building in operational area at LGBI Airport, Guwahati for the year 2018-19	M/s J.H Associates, Guwahati Aasam	12 Months	Rs. 75.00 Lakhs
3	Miscellaneous Civil Repairs & Maintenance works city side i/c car park, all ancillary building,facilities,power house, Engg. offices,RTC,DGCA store, outer marker building etc. for the year 2018-19	M/s Kajal Das, Guwahati Aasam	12 Months	Rs. 50.00 Lakhs

LAND LEASES AT THE AIRPORT

							Area (Sq mts)				Period of Allotment			Details of Security Deposit / BG		Validity of SD/BG		
CL-SL No.	Region	Airport	Sl No.	Name of Agency	Govt/ Non Govt/PSU	Category	Paved	Un-paved	Others	Purpose	Allotment from	Allotment to	Status of Agreement valid/invalid /to be executed/ Expired(Renewal Under Process)/ No Agreement executed	SD	BG	from	to	Remarks
1	NER	GUWAHATI	1	RIL	Non Govt	Oil Company		1600		AFS	31-Mar-15	Continue	Renewal Under Process	Rs 3,74,319		15/11/2018	13/05/2019	
2	NER	GUWAHATI	2	CPWD	Govt	Aviation		23706.1		Aviation related services			Invalid					Eviction notice was issued on 08.06.2018. Final Order passed by the Eviction Officer on 22.06.2018 with the directions to vacate all the quarters within a period of two months from the date of 22.06.2018 and offices within a period of three months from the date of 22.06.2018 . Order of the Eviction Officer has yet not been complied with by the CPWD even after the reapeted request by AAI.
3	NER	GUWAHATI	3	AIDC	Govt	Cargo		4050		Centre for Perishable Cargo	31-May-17	30-May-24	Valid					Advance payment received. Construction is in progress.
4	NER	GUWAHATI	4	IOCL	PSU	Oil Company		6486.6		AFS	1-Apr-17	31-Mar-20	Valid	Rs 276387				SD submitted in the form of DD
5	NER	GUWAHATI	5	Asam Flying School	Non Govt	Flying School	1058			Flying School								Eviction Notice was issued to the Party on 06.05.2016 for vacation. The Party challenged the eviction notice. The matter is pendign before AAI Appellate Tribunal
6	NER	GUWAHATI	6	IMD	Govt	Central Govt		22737.24		MET				Rs 76892				Details of allotment and agreement not available

SCHEDULE U

List of Works Proposed by the Authority:

SCHEDULE U

LIST OF WORKS PROPOSED BY THE AUTHORITY

Sl.No	Name of Work	Name of the Agency	Amount	DOC/PDC
Planning Stage				
1	Extention of Runway 20 beginning and Strengthening of Apron, Construction of New Taxi- Track and Strengthning of Runway & Link Taxiway (20 End) including part parallel taxiway and isolation bay & Vehicular Lane and strom water drain at LGBI Airport, Guwahati.	-	AA &ES- Proposals- Rs. 29,393 Lakhs	-

Additional planned works:

Planning Stage -RHQ

(Rs. In Crores)

S.No	Name of Work	Estimated cost (in Cr.)	A/A and ES amount (if sanctioned)	Status of Tender Invitation
1	Misc. minor capital civil work at LGBI Airport, Guwahati	0.6	Sanctioned (Rs.0.60 Cr)	Tender being called.
2	Replacement of roof sheet in Power House & Sub-Station area at LGBI Airport, Guwahati.	0.15		Planning stage
3	Construction of boundary wall at beginning of RWY-20 side near DVOR measuring 9.60 acres at LGBI Airport, Guwahati.	12.68		Planning stage
4	Construction of Perimeter road towards Runway -02 along newly constructed boundary wall at LGBI Airport, Guwahati. S.H. : Civil Works	8		Planning stage
5	Supply and fixing of metal roofing system and replacement of Gutters at LGBI Airport, Guwahati.	0.273	Sanctioned (Rs.0.273 Cr)	Work likely to be awarded shortly.
6	Replacement of roof sheet merged City side canopy portion & balance departure side of Terminal Building at LGBI Airport, Guwahati.	0.77		Planning stage
7	Granite flooring, SS glass partition, associated works & misc. civil works at LGBI Airport, Guwahati.	0.81		Planning stage
8	Replacement of existing conventional Luminious with the LED Luminaries in the SHA of Terminal Building at LGBI Airport, Guwahati.	0.07		Award Stage awaiting for confirmation of creditiantial and QPBG.
9	Annual Maintenace Contract of Fire Alarm , Auto Dialer system and Fire Hydrant System at LGBI Airport Guwahati.	0.24		File send for FC,
10	SITC of drinking water fountains at LGBI Airport, Guwahati.	0.39		Tender have been called.

Planning Stage -CHQ

S.No	Name of Work	Estimated cost (in Cr.)	A/A and ES amount (if sanctioned)	Status of Tender Invitation
1	Extension of Runway 20 Beginning and Strengthening of Apron, construction of New Taxi Track and Strengthening of Runway & link Taxiway (20 End) including parallel Taxiway and isolation Bay and Vehicular Lane at LGBI Airport, Guwahati	294	A/A and E/s Sectioned 294.00	T-S Stage
2	ATC Tower and Technical back	92.36	Engineering consultancy work Awarded to M/S	-

17.3.4. **Carved-out Area** - Annexure IV of Schedule A to the Concession Agreement provides details of the carved-out area for Cargo Terminal.

Annex IV

(Schedule A)

(See Clause 10.1)

Carved Out Assets and Areas

It is clarified that the Site and Project Assets shall not include the following:

SL. NO.	ASSET	AREA OF LAND IN SQ.M. (Approx.)
1.	ATC TOWER	1,650
2.	AAI OFFICES (OLD AAI OFFICE + INTEGRATED OFFICE COMPLEX)	21,00
3.	IOCL STAFF QUARTERS	15,100
4.	MET OFFICE	6,100
5.	TEMPORARY CARGO SHED	850
6.	COMMON USE DOMESTIC CARGO TERMINAL (CUDCT)	2,400
7.	PROPOSED CUDCT -2 COMPLEX	6,000
8.	AIDC CENTRE FOR PERISHABLE CARGO (CPC) (Assam Industrial Development Corp.)	4,050
9.	ADDITONAL LAND REQUIRED FOR CPC	4,050
10.	EXISTING AIRLINE CARGO	1,300
11.	MSSR (RADAR)	3,400
12.	PROPOSED ATC CUM TECHNICAL BLOCK	8,150
13.	PROPOSED AAI COLONY	40,500
	TOTAL	1,14,750 Sq.m. (28.40 Acres.)

17.3.5. Clause 19.4.1. of the Concession Agreement relating to obligations of GIAL towards cargo facilities is reproduced below-

(a) *The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice.*

(b) *Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost.*

(c) *It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS* *in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS.*

17.3.6. Clause 19.2. relating to GIAL's obligation towards Ground Handling Services is given below:

*"The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, traffic handling, aircraft handling, aircraft cleaning, loading and unloading **("Ground Handling Services").** Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."*

17.3.7. The Clause 19.3. of the Concession Agreement is related to GIAL's obligations towards providing aircraft fueling services, which has been reproduced below:

"The Concessionaire shall provide, or cause to be provided, the infrastructure requiredfor operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."

17.3.8. As per the Concession Agreement, the Estimated Deemed Initial RAB as on March 31, 2018, was determined to be ₹ 69 crores, which was due and payable by the Concessionaire to AAI. The terms of the Concession Agreement also provide for the value of ₹ 69 crores to be subject to reconciliation, True up and final determination by AERA. The extract of the relevant clauses from the Concession Agreement shall be read as under:

Clause 28.11.3 states that:

a) *It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment **("Deemed Initial RAB").***
b) *The estimated depreciated value of investments made by the Authority in the Aeronautical assets at the Airport as on March 31, 2018, is ₹ 69,00,00,000 (Rupees Sixty Nine Crore) **("Estimated Deemed Initial RAB").** It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

Clause 28.11.4 states that:

Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a). any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB'"):

a) *reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

b) *increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.

Clause 28.11.5 states that:

Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.

a) *The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.*

b) *The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.*

17.3.9. Clause 5.1.1 of the Concession Agreement which states *that "Subject to and on the terms and conditions of this Agreement, the Concessionaire shall, at its own cost and expense, procure finance for and undertake the operations, management and development of the Airport, in accordance with the provisions of the Applicable Permits, Applicable Laws, this Agreement and observe, fulfil, comply with and perform all its obligations set out in this Agreement or arising hereunder".*

17.3.10. The relevant clause (6.4.5) of the Concession Agreement relating to GIAL's obligation regarding CWIP handed-over by AAI as on COD and as set forth in Schedule T, has been reproduced below-

"Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire the Authority within a period of 90 (ninety) days thereon.

The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The

Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.

Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.

The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."

17.3.11. The relevant clause 4.1.3. (h) of the Concession Agreement relating to GIAL's obligation regarding Conditions Precedent required to be satisfied within 180 days of the agreement relating to works proposed by AAI and as set forth in Schedule U, has been reproduced below-

Except as may have been specifically otherwise provided in this Agreement, the Conditions Precedent required to be satisfied by the Concessionaire within a period of 180 (one hundred and eighty) days from the date of this Agreement shall be deemed to have been fulfilled, when the Concessionaire shall, subject to the satisfaction of the Authority, have -

(h) delivered to the Authority –

(a) a list of Construction works it proposes to undertake in the first 7 (seven) Concession years having due regard to the works:

a. Currently being implemented by the Authority; and

b. Proposed to be implemented by the Authority as on the date of signing the Agreement and (as set forth in Schedule U),

(b) the scheduled date for completion of such Construction works.

17.3.12. The relevant Clauses relating to the Independent Engineer's appointment, duties & functions and remuneration are reproduced below:

Clause 24.1 Appointment of Independent Engineer

24.1.1 *The Authority (AAI) and the Concessionaire shall appoint a consulting engineering firm substantially in accordance with the selection criteria set forth in Schedule K, to be the independent consultant under this Agreement **("Independent Engineer").** The Independent Engineer shall be appointed in accordance with the provisions of Schedule K.*

24.1.2 *The appointment of the Independent Engineer shall be made within 90 (ninety)* *days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment.*

Clause 24.2. Duties and Functions

24.2.1 The Independent Engineer shall discharge its duties and functions substantially in accordance with the terms of reference set forth in Schedule L.

24.2.2 The Independent Engineer shall submit regular periodic reports (at least once every month) to the Authority in respect of its duties and functions set forth in Schedule L.

24.2.3 A true copy of all communications sent by the Authority to the Independent Engineer and by the Independent Engineer to the Authority shall be sent forthwith by the Independent Engineer to the Concessionaire.

24.2.4 All communications required to be sent by the Independent Engineer to the Concessionaire shall be undertaken through the Authority.

Clause 24.3 Remuneration

24.3.1 The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.

17.3.13. The relevant Paras relating to Role and functions of the Independent Engineer as stated in Schedule L of the Concession Agreement are reproduced below:

3. Role and functions of the Independent Engineer

3.1 The role and functions of the Independent Engineer shall include the following:

(a) review of the designs, drawings, and documents as set forth in Paragraph 4.

(b) review, inspection and monitoring of Construction Works as set forth in Paragraph 4.

(c) reviewing and witnessing the Tests on completion of construction and assisting the Authority in issuing Completion Certificate/ provisional certificate as set forth in Paragraph 4.

(d) review, inspection and monitoring of O&M as set forth in Paragraph 5.

(e) review, inspection and monitoring of Divestment Requirements as set forth in Paragraph 6.

(f) determining, as required under the Agreement, the costs of any works or services and/or their reasonableness.

(g) determining, as required under the Agreement, the period or any extension thereof, for

performing any duty or obligation.

(h) assisting the Parties in resolution of Disputes as set forth in Paragraph 8.

(i) undertaking all other duties and functions in accordance with the Agreement; and

(j) assisting the Concessionaire in determining the Scheduled Completion Dates and Phase Milestones.

3.2 The Independent Engineer shall discharge its duties in a fair, impartial and efficient manner, consistent with the highest standards of professional integrity and Good Industry Practice.

18 APPENDICES

I. **Appendix I -** Study on Allocation of Assets for Lokpriya Gopinath Bordoloi International Airport, Guwahati (Second Control Period: FY 2016-17 – FY 2020-21 & FY 2021-22)

II. **Appendix II –** Study on Efficient Operation and Maintenance Expenses for Lokpriya Gopinath Bordoloi International Airport, Guwahati (Second Control Period: FY 2016-17 – FY 2020-21 & FY 2021-22)