

फा. सं. ऐरा/20010/एमवाईटीपी/एएआई-वाराणसी/सीपी-II/2023-24
F. No. AERA/20010/MYTP/AAI-Varanasi/CP-II/2023-24

परामर्श पत्र संख्या 05/2024-25
Consultation Paper No. 05/2024-25



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

लाल बहादुर शास्त्री अंतरराष्ट्रीय हवाईअड्डा, वाराणसी (वीएनएस) के लिए द्वितीय नियंत्रण अवधि (01.04.2024–31.03.2029) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

**IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
LAL BHADUR SHASTRI INTERNATIONAL AIRPORT, VARANASI (VNS)
FOR THE SECOND CONTROL PERIOD
(01.04.2024 - 31.03.2029)**

जारी करने की तारीख : 26 अक्टूबर, 2024
Date of Issue: 26th October, 2024

तृतीय तल/ 3rd Floor,
उड़ान भवन/ Udaan Bhawan,
सफदरजंग एयरपोर्ट/ Safdarjung Airport
नई दिल्ली/New Delhi – 110003

STAKEHOLDERS' COMMENTS

Lal Bahadur Shastri International Airport is owned and operated by Airports Authority of India. It is located at Babatpur, which is 26 km from northwest of Varanasi.

Varanasi Airport was shortlisted for leasing to private airport operator by AAI on PPP mode. Considering that, the Ministry of Civil Aviation (MoCA) vide notification no AV-24011/141/2015-AD (Vol. V) dated October 10, 2019 had notified Varanasi Airport as a "Major Airport.

As per the actual traffic of FY 2023-24, Varanasi Airport has achieved the passenger throughput of 3 MPPA.

For this Consultation Paper, the Authority has considered the audited financial results (being the audited Trial Balance for Varanasi International Airport for the first four tariff years of the First Control Period i.e., FY 2020- FY 2023), actuals for FY 2023-24 (unaudited) and projections for the Second Control Period (FY 2025 to FY 2029).

The Authority has released this Consultation Paper putting forward its proposals in the background of the Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator.

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 a suitable Order determining the Tariff for aeronautical services. The Authority would like to emphasize that the consultation process timelines 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.

As per the provisions of Section 13 (2) of the AERA Act, 2008, the tariff determination 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. 05/2024-25 dated 26.10.2024 are invited from the stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)

Airports Economic Regulatory Authority of India (AERA),

3rd Floor, Udaan Bhawan,

Safdarjung Airport, New Delhi – 110003, India

Email: director-ps@aera.gov.in, satish.kr@aera.gov.in, copy to: secretary@aera.gov.in

Stakeholders' Consultation Meeting:	11.11.2024
Last Date for Submission of comments:	25.11.2024
Last Date for Submission of counter comments:	05.12.2024

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: 011-24695043

TABLE OF CONTENTS

1 INTRODUCTION.....	11
1.1. Background.....	11
1.2. Profile of Varanasi International Airport (VIA).....	11
1.3. Cargo Facility, Ground Handling and supply of Fuel to Aircraft.....	12
2 TARIFF DETERMINATION OF VARANASI INTERNATIONAL AIRPORT	13
2.1 Introduction.....	13
2.2 Construct of the Consultation Paper	15
3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR VIA	17
3.1 Methodology	17
3.2 Control Period.....	17
3.3 Revenues from Air Navigation Services (ANS) and Cargo	18
4 TRUE UP OF THE FIRST CONTROL PERIOD.....	19
4.1 AAI’s submission on True up of the First Control Period for VIA.....	19
4.2 Authority’s examination of True up of the First Control Period	19
4.3 True up of Traffic.....	21
4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB	22
4.5 True up of Fair Rate of Return.....	30
4.6 True up of Non-aeronautical revenues.....	30
4.7 True up of Operation and Maintenance (O&M) expenses	31
4.8 True up of Taxation	38
4.9 True up of Aeronautical Revenue	39
4.10 True up of Aggregate Revenue Requirement (ARR) for the First Control Period.....	40
4.11 Authority’s proposal regarding True up of the First Control Period	41
5 TRAFFIC FOR THE SECOND CONTROL PERIOD.....	43
5.1 AAI’s Submission on Traffic for the Second Control Period for VIA.....	43
5.2 Authority’s examination regarding Traffic for the Second Control Period of VIA.....	43
5.3 Authority’s Proposal regarding Traffic for the Second Control Period	47
6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD.....	48
6.1 Allocation of Gross block of assets into Aeronautical and Non-aeronautical.....	48
6.2 Capital expenditure for the Second Control Period	50
6.3 Depreciation for the Second Control Period.....	79

6.4	Regulatory Asset Base (RAB) for the Second Control Period	81
6.5	Authority's proposal regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period	82
7	FAIR RATE OF RETURN (FROR) FOR THE SECOND CONTROL PERIOD	83
7.1	AAI's Submission on Fair Return of Return for the Second Control Period for VIA	83
7.2	Authority's examination of FRoR for the Second Control Period	83
7.3	Authority's proposal regarding Fair Rate of Return (FRoR) for the Second Control Period ..	84
8	INFLATION FOR THE SECOND CONTROL PERIOD	85
8.1	AAI's Submission on Inflation for the Second Control Period for VIA	85
8.2	Authority's examination on inflation for the Second Control Period.....	85
8.3	Authority's proposal regarding inflation For the Second Control Period	85
9	OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD.....	86
9.1	AAI's Submission on Operation and Maintenance expenses for the Second Control Period for VIA	86
9.2	Authority's examination of Operation and Maintenance expenses for the Second Control Period	87
9.3	Authority's proposal regarding Operation and Maintenance expenses for the Second Control Period	92
10	NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD	93
10.1	AAI's Submission on Non-Aeronautical Revenue for the Second Control Period for VIA	93
10.2	Authority's examination of Non-aeronautical revenue for the Second Control Period	93
10.3	Authority's proposal regarding Non-aeronautical revenues for the Second Control Period....	95
11	TAXATION FOR THE SECOND CONTROL PERIOD.....	96
11.1	AAI's Submission on Taxation for the Second Control Period for VIA.....	96
11.2	Authority's examination of Taxation for the Second Control Period.....	96
11.3	Authority's proposal regarding Taxation for the Second Control Period.....	97
12	QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD	98
12.1	AAI's Submission on Quality of Service for the Second Control Period for VIA	98
12.2	Authority's examination regarding Quality of Service for the Second Control Period	98
12.3	Authority's proposal regarding Quality of Service for the Second Control Period	98
13	AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD.....	99
13.1	AAI's Submission on Aggregate Revenue Requirement for the Second Control Period for VIA	

.....99

13.2 Authority’s examination of Aggregate Revenue Requirement (ARR) for the Second Control Period 99

13.3 Authority’s proposal regarding Aggregate Revenue Requirement (ARR) for the Second Control Period 100

14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD 101

14.1 AAI’s Submission on Aeronautical Revenue for the Second Control Period for VIA 101

14.2 Authority’s examination of Aeronautical Revenue for the Second Control Period 101

14.2 Authority’s proposal regarding Aeronautical Revenue for the Second Control Period 103

15 SUMMARY OF AUTHORITY’S PROPOSALS 104

Chapter 4: True Up of the First Control Period 104

Chapter 5: Traffic for the Second Control Period..... 104

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period 104

Chapter 7: Fair Rate of Return for the Second Control Period 105

Chapter 8: Inflation for the Second Control Period 105

Chapter 9: Operation and Maintenance expenses for the Second Control Period 105

Chapter 10: Non-aeronautical revenue for the Second Control Period 105

Chapter 11: Taxation for the Second Control Period 105

Chapter 12: Quality of Service for the Second Control Period 105

Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period 105

Chapter 14: Aeronautical revenue for the Second Control Period 105

16 STAKEHOLDERS’ CONSULTATION TIMELINE 106

17 LIST OF ANNEXURES 107

17.1 Annexure I: Annual Tariff proposal submitted by AAI for VIA for the Second Control Period 107

17.2 Annexure II: Annual Tariff proposed by the Authority for Consultation process 114

LIST OF TABLES

Table 1: Technical and Terminal Building details of VIA	11
Table 2 :Timelines for submission of MYTP and other information by AAI	15
Table 3: True up for First Control Period submitted by AAI	19
Table 4: AAI's submission for True up of traffic for the First Control Period for VIA.....	21
Table 5: Passenger traffic and ATM approved by the Authority in the Tariff Order for the First Control Period	21
Table 6: True up of traffic proposed by the Authority for the First Control Period for VIA	22
Table 7: Capital additions during the First Control Period submitted by AAI for VIA	22
Table 8: Capital expenditure approved in the Tariff Order for the First Control Period.....	23
Table 9: Depreciation for the First Control Period submitted by AAI for VIA	24
Table 10: Capital additions proposed by the Authority for True up of the First Control Period.....	27
Table 11 : Depreciation proposed by the Authority for True up of the First Control Period	29
Table 12: RAB proposed by the Authority for True up of the First Control Period.....	30
Table 13: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for VIA	30
Table 14: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period	31
Table 15: Actual O&M expenses submitted by AAI for VIA for the First Control Period	31
Table 16: O&M expenses as per the Tariff Order for the First Control Period.....	32
Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed by the Authority for the First Control Period	35
Table 18: Details of power costs incurred and recoveries made from Concessionaires.....	36
Table 19: O&M expenses as proposed by the Authority for True up of the First Control Period	37
Table 20: Taxation submitted by AAI for VIA	38
Table 21 : Taxation proposed to be considered by the Authority	38
Table 22: Aeronautical revenue submitted by AAI for VIA	39
Table 23: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period.....	39
Table 24: ARR proposed by the Authority for True up of the First Control Period.....	40
Table 25: Historical passenger and ATM traffic at VIA (in numbers).....	43
Table 26: Traffic growth rates and traffic proposed by AAI	43
Table 27: CAGR for passenger traffic and ATM	44
Table 28: Traffic proposed to be considered by the Authority for the Second Control Period.....	46
Table 29: Allocation of opening gross block of assets for April 1, 2024, between Aeronautical and Non-aeronautical as per AAI	48
Table 30: Allocation of Opening Gross Block of Assets as on April 1, 2024 between Aeronautical and Non-aeronautical proposed by the Authority.....	49
Table 31: Summary of Capital Expenditure projects submitted by AAI on 30th May 2024 (MYTP) for VIA for Second Control Period	50
Table 32: Project wise revised Capital Expenditure submitted by AAI on August 7, 2024 for VIA for Second Control Period	52
Table 33:WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building	55
Table 34:Cost of construction of Terminal Building submitted by AAI.....	56
Table 35:Recomputed cost of construction of Terminal Building based on AAI's Submission.....	57
Table 36: Normative cost of Terminal Building proposed by the Authority for Varanasi International Airport.....	57
Table 37: Estimated area (sqm.) of Apron and Isolation Bay submitted by AAI.....	65
Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) considered by the Authority for Apron	

.....	66
Table 39: Normative cost of Apron considered by the Authority for Varanasi International Airport	67
Table 40: Area (sqm.) considered by the Authority for Taxiway system for Second Control Period.	68
Table 41: Normative Cost of Parallel Taxi Track derived by the Authority for Varanasi International Airport.....	69
Table 42: Cost of Runway extension and associated works derived by the Authority for Varanasi International Airport	69
Table 43: Breakup of Electrical works as submitted by AAI for the Second Control Period	70
Table 44: Electrical works proposed by the Authority for the Second Control Period	71
Table 45: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period	77
Table 46: Depreciation proposed by AAI for VIA for the Second Control Period	79
Table 47: Depreciation proposed by the Authority for the Second Control Period.....	80
Table 48: RAB submitted by AAI for VIA for the Second Control Period	81
Table 49: RAB proposed to be considered by the Authority for the Second Control Period.....	82
Table 50: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period	84
Table 51: Inflation rates proposed by the Authority for the Second Control Period for VIA	85
Table 52: Operation and Maintenance (O&M) expenditure submitted by AAI for VIA	86
Table 53: Growth rates in O&M expenditure submitted by VIA	86
Table 54: Allocation of O&M expenses submitted by AAI for VIA for FY 2023-24	87
Table 55: Allocation of O&M expenses proposed to be considered by Authority for VIA for FY 2023-24	88
Table 56: Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period	90
Table 57: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period.....	91
Table 58: Growth rates in O&M expenses considered by the Authority for the Second Control Period	92
Table 59: Non-aeronautical revenue projections for the Second Control Period submitted by AAI for VIA	93
Table 60: Growth rates assumed by AAI for VIA for Non-aeronautical revenue.....	93
Table 61: Non-aeronautical revenues proposed by the Authority for VIA for the Second Control Period	94
Table 62:Growth rates in non-aeronautical revenue proposed by the Authority.....	95
Table 63: Tax Expense submitted by AAI for VIA for the Second Control Period.....	96
Table 64: Taxation proposed to be considered by the Authority for the Second Control Period.....	96
Table 65: ASQ rating for VIA for the years 2018-2024.....	98
Table 66: ARR submitted by AAI for VIA for the Second Control Period	99
Table 67: ARR proposed to be considered by the Authority for the Second Control Period.....	99
Table 68: Increase in UDF rates proposed by AAI.....	101
Table 69: Aeronautical revenue submitted by AAI for VIA for the Second Control Period	101
Table 70: UDF charges proposed by the Authority for VIA for the Second Control Period	102
Table 71: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period.....	102
Table 72: Existing Landing charges	107
Table 73: Landing charges (domestic) proposed by AAI for the Second Control Period.....	107
Table 74: Landing charges (international) proposed by AAI for the Second Control Period	108
Table 75: Existing Parking charges (domestic ATM)	108
Table 76: Parking charges (domestic ATM) proposed by AAI for the Second Control Period (up to four hours after first two free hours).....	109

Table 77: Parking charges (domestic ATM) proposed by AAI for the Second Control Period (beyond first four hours)	110
Table 78: Existing Parking charges (international ATM).....	110
Table 79: Parking charges (international ATM) proposed by AAI for the Second Control Period (up to four hours after first two free hours).....	111
Table 80: Parking charges (international ATM) proposed by AAI for the Second Control Period (beyond first four hours)	111
Table 81: UDF Proposed by AAI (per embarking passenger).....	112
Table 82: Landing charges(domestic) proposed by the Authority for VIA for the Second Control Period	114
Table 83: Landing charges(international) proposed by the Authority for VIA for the Second Control Period	114
Table 84: Parking charges (per hour) (Domestic ATM) up to four hours after first two free hours for the Second Control Period proposed by the Authority	115
Table 85: Parking charges (Domestic ATM) beyond first four hours for the Second Control Period proposed by the Authority	116
Table 86: Parking charges (per hour) (International ATM) up to four hours after first two free hours for the Second Control Period proposed by the Authority	116
Table 87: Parking charges (International ATM) beyond first four hours for the Second Control Period proposed by the Authority	117

GLOSSARY

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACI	Airports Council International
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
AOCC	Airport Operations Control Centre
AIASL	AI Airport Services Limited
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCEA	Cabinet Committee on Economic Affairs
CFT	Crash Fire Tender
CHQ	Corporate Headquarters
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CRPF	Central Reserve Police Force
CSR	Corporate Social Responsibility
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EOD	Explosive Ordinance Disposal
EPC	Engineering, Procurement and Construction
ETD	Explosive Trace Detector
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GCCM	Grass Cut and Collect Machine.
GoI	Government of India
GST	Goods and Services Tax
IAF	Indian Air Force
IATA	International Air Transport Association
IDC	Interest During Construction
IMG	Inter-Ministerial Group
IOCL	Indian Oil Corporation Limited
IVPL	Indo Thai Varanasi Private Limited
MLCP	Multilevel Car Parking
MoCA	Ministry of Civil Aviation

Abbreviation	Full Form
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NDT	New Domestic Terminal
PBB	Passenger Boarding Bridge
PDC	Probable Date of Completion
PERT	Program Evaluation and Review Technique
PIB	Public Investment Board
PLF	Passenger Load Factor
PMC	Project Management Consultancy
PPP	Public Private Partnership
PSF	Passenger Service Fee
PTB	Passenger Terminal Building
PTT	Parallel Taxi Track
RAB	Regulatory Asset Base
RCC	Reinforced Cement Concrete
RESA	Runway End Safety Area
RHQ	Regional Headquarters
RPK	Revenue Passenger Kilometre
RWS	Runway Strip
SCCTV	Secure Closed-Circuit Television.
SHA	Security Hold Area
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metres
TB	Terminal Building
UDF	User Development Fees
VIA/ VNS	Varanasi International Airport
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection System
YTD	Year to Date
YPP	Yield per Passenger

1 INTRODUCTION

1.1. Background

- 1.1.1 Lal Bahadur Shastri International Airport (‘Varanasi International Airport’ or VIA), owned and operated by Airports Authority of India, is currently the 24th busiest Airport¹ in India by passengers handled and 25th busiest Airport by air traffic movements. It is located at Babatpur, which is 26 km from northwest of Varanasi.
- 1.1.2 The total land area of VIA is 774 Acres. The existing Terminal Building has an area of 26,822.79 square meters, which handles both domestic and international flights.
- 1.1.3 AERA Act, 2008 was amended in 2019 and definition of “Major Airport” has been changed. As per section 2(i) of the AERA Act, 2008 read with AERA (Amendment) Act 2019, Major Airport means any airport which has or is designated to have, passenger throughput in excess of 3.5 MPPA or any other airport or any other group of airports as the Central Government may by notification, specify as such.
- 1.1.4 Varanasi Airport was shortlisted for leasing to private airport operator on PPP mode by AAI. Considering that, Ministry of Civil Aviation (MoCA) vide notification no AV-24011/141/2015-AD (Vol. V) dated October 10, 2019 has notified it as “Major Airport”.
- 1.1.5 As per the actual traffic of FY 2023-24, Varanasi Airport has achieved the passenger throughput of 3 MPPA.

The Authority determined tariff for the First Control Period (FY 2019-20 to FY 2023-24) vide Order Number 59/ 2020-21 dated December 31, 2020.

1.2. Profile of Varanasi International Airport (VIA)

- 1.2.1 Technical and Terminal Building details of VIA submitted by the Airport Operator are provided in the table below:

Table 1: Technical and Terminal Building details of VIA

Technical details	
Particulars	Details
Total airport land area	774 Acres
Runway orientation and length	09-27 and 2.45 kms
No. of Parking Bays	09
No. of Taxi Tracks	04
Operational hours	24 hours
Terminal Building details	
Terminal Building Area	26,822.79 Sqm
Designed Passenger handling Capacity	2.5 MPPA
Peak Hour Passengers Handling capacity	Domestic: 750 Pax International: 250 Pax
Conveyor Belts in Arrival Area	02
No. of check-in counters	21

¹ As per data on top 50 busiest airports for FY 2022-23, published by AAI

1.3. Cargo Facility, Ground Handling and Supply of Fuel to Aircraft

Cargo Handling

- 1.3.1. M/s AAI Cargo Logistics and Allied Services (AAICLAS) is a 100% subsidiary company of Airports Authority of India (AAI) providing Cargo Handling Services at VIA. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's agreement with AAICLAS.
- 1.3.2. AERA vide Order No. 43/ 2020-21 dated September 1, 2020 determined the tariff for AAI Cargo Logistics & Allied Service Company Limited for the First Control Period (FY 2019-20 to FY 2023-24).

Ground Handling

- 1.3.3. Currently, there are two Service Providers at the Airport viz., Indo Thai Varanasi Private Limited (IVPL) and AI Airport Services Limited (AIASL) providing Ground Handling services at VIA.
- i. AERA vide Order No. 32/2023-24 dated January 08, 2024 determined tariff for Ground Handling Services for IVPL for the period from FY 2024 to FY 2028.
 - ii. In respect of AIASL, AERA vide Order No. 18/2021-22 dated September 15, 2021 determined tariff for Ground Handling Services from October 01, 2021 to March 31, 2022. The Authority, from time to time through various Orders had extended the applicability of prevailing tariff (as on March 31, 2022) up to March 31, 2025.

Supply of Fuel to Aircraft

- 1.3.4. Oil Companies namely M/s IOCL, M/s BPCL, M/s HPCL and M/s Reliance BP Mobility Limited are directly providing Aviation Turbine Fuel (ATF) Supply to Aircrafts at VIA.

2 TARIFF DETERMINATION OF VARANASI INTERNATIONAL AIRPORT

2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12th May 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') 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 this Act:

Provided 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).

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

2.1.2 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008, "aeronautical service" means any service provided:

- i. for navigation, surveillance and supportive communication thereto for air traffic management;
- ii. for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at any airport;
- iii. for ground safety services at an airport;
- iv. for ground handling services relating to aircraft, passengers and cargo at an airport;
- v. for the cargo facility at an airport;

- vi. for supplying fuel to the aircraft at an airport; and
- vii. for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.

Tariff determination for Air Navigation Services is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

2.1.4 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf 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. 07/2018-19 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2018-19 dated 23.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.
- iv. Order No. 35/2019-20 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2019-20 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2020-21 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.1.5 AAI submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from April 1, 2019 to March 31, 2024 and AERA vide its Order No. 59/2020-21 dated December 31, 2020, had determined tariffs for Aeronautical services for VIA for the First Control Period (FY 2019-20 to FY 2023-24).

Further, AERA vide Order No. 40/ 2023-24 dated March 15, 2024 extended the levy of existing tariff for a further period of 6 months (i.e. up to September 30, 2024). Thereafter, the Authority vide Order No. 09/ 2024-25 dated September 24, 2024 has further extended the validity of tariff prevailing as on September 30, 2024 up to March 31, 2025.

2.1.6 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. Accordingly, the Authority vide its letter dated July 20, 2023 asked AAI, to submit MYTP by October 31, 2023. However, the AAI has submitted the MYTP for the Second Control Period commencing from FY 2024-25 to FY 2028-29 for VIA on May 30, 2024, after a gap of seven months from the aforementioned due date communicated by the Authority. The MYTP document is available on the AERA's website. Further, the date wise chronology of events is given in Table 2 below.

2.1.7 The Authority had appointed an independent consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Second Control Period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission by AAI by comparing each regulatory building block with the Tariff Order for the First Control period. The Independent Consultant has examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR),

documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

The Authority obtained clarifications for the information shared by the AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure, for finalizing this Consultation Paper. AAI had initially submitted the audited Trial Balance of FY 2019-20 to FY 2022-23 and projections for FY 2023-24 and FY 2024-25 to FY 2028-29 on May 30, 2024. Later, AAI had shared the audited Trial Balance of Varanasi International Airport for FY 2023-24 vide email dated August 27, 2024. The Authority has considered the same as part of its examination of the MYTP for true up of the First Control Period and of the Second Control Period of VIA. The sequential timeline of the above events has been presented in the table below:

Table 2 : Timelines for submission of MYTP and other information by AAI

Dates	Event
May 30, 2024	MYTP Submission by AAI
June 2024	Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of VIA
July 03, 2024	Clarifications sought on cost breakup of key projects such as Runway Extension, NHAI Underpass. Requested study report on allocation of CHQ/RHQ expenses.
July 17, 2024	Clarifications sought on CAPEX and OPEX post preliminary meeting with AERA.
July 24, 2024	Detailed clarifications sought on CAPEX along with follow up for previous data requirements.
August 01, 2024	Follow up mail sent for addressing queries raised by AERA's Independent Consultant.
August 07, 2024	AAI submitted revised CAPEX by revising estimates of key CAPEX such as Terminal Building, Runway extension in response to queries raised by AERA's consultant.
August 27, 2024	AAI submitted the actual figures for FY 2023-24.
September and October 2024	Sought Clarifications from AAI from time to time on detailed estimates/ data substantiating major CAPEX projected for Second Control Period

2.1.8 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for AAI as a whole and only trial balance is available for VIA. The Authority has examined the audited trial balance (FY 2019-20 to FY 2023-24) submitted by AAI for determination of tariff.

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

2.2 Construct of the Consultation Paper

2.2.1 This Consultation Paper has been developed/ constructed in the following sequence of Chapters:

- i. The background of the Authority's tariff determination process is explained in this Chapter (Chapter 2) and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 lists out the submissions of AAI for true up of the First Control Period which is from FY 2019-20 to FY 2023-24. This is followed by the Authority's examination and proposals on the specific issues regarding the true up of the First Control Period.
- iii. Chapter 5 presents the submissions of AAI regarding Traffic Projections and the Authority's

- examination and proposals on the same.
- iv. Chapter 6 includes the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical capital expenditure, Depreciation and RAB for the Second Control Period.
 - v. Chapter 7-12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter.
 - vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the proposals for the Second Control Period.
 - vii. Chapter 14 presents the Aeronautical Revenue proposed by the Authority for VIA for the Second 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 Second Control Period in the Consultation Paper.
 - x. Chapter 17 contains Annexures:
 - Annexure I: Annual Tariff proposal submitted by AAI for VIA for the Second Control Period.
 - Annexure II: Annual Tariff proposed by the Authority for Consultation process.

3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR VIA

3.1 Methodology

3.1.1 The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA from time to time.

3.1.2 As per the guidelines, for the First Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidizing the Aeronautical charges. The Authority has considered the same methodology in the true up of the First Control Period and for tariff determination in the Second Control Period.

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

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

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

Where,

- t is the tariff year in the control period, ranging from 1 to 5
- ARR_t is the Aggregate Revenue Requirement for tariff year 't'
- FRoR is the Fair Rate of Return for the Control Period
- RAB_t is the Aeronautical Regulatory Asset Base for tariff year 't'
- D_t is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'
- O_t is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'
- T_t is the Aeronautical taxation expense for the tariff year 't'
- s is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Till methodology followed by the Authority, $s = 30\%$.
- NAR_t is the Non-aeronautical revenue in tariff year 't'.

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'.

3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28 February 2011, Control Period means "a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist". The First Control Period for VIA commenced from April 1, 2019 and the Second

Control Period has commenced from April 1, 2024.

3.3 Revenues from Air Navigation Services (ANS) and Cargo

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to Aeronautical services at VIA. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues relating to ANS. This Consultation Paper discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently approved by the Ministry of Civil Aviation for all the airports. Therefore, 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 all 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.
- 3.3.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 3.3.3 This Consultation Paper discusses the determination of tariff for Aeronautical services at VIA excluding Cargo Operations. The tariff related to Cargo Operations of VIA will be determined separately since its operations are carried out by AAICLAS.

4 TRUE UP OF THE FIRST CONTROL PERIOD

4.1 AAI's submission on True up of the First Control Period for VIA

4.1.1 AAI has submitted a shortfall of ₹ 305.36 Crores in Aeronautical revenue recovery for VIA for the First Control Period, as part of its MYTP submission for the Second Control Period:

Table 3: True up for First Control Period submitted by AAI

(₹ Crores)

Particulars	Ref	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Fair Rate of Return	(a)	14%	14%	14%	14%	14%	
Revenue from Regulated Services	(b)	66.24	30.39	52.82	81.22	98.65	329.32
Revenue from services other than Regulated Services - 30% considered as per Hybrid Till	(c)	6.81	2.98	3.88	6.46	7.36	27.50
Operating Expenditure	(d)	74.93	71.48	87.23	82.26	94.96	410.86
Depreciation	(e)	9.64	10.82	11.49	12.05	13.71	57.72
Total Expenditure	(f) = (d) + (e)	84.57	82.30	98.72	94.32	108.67	468.58
Regulatory operating Profit	(g) = (b) + (c) - (f)	(11.52)	(48.93)	(42.02)	(6.63)	(2.66)	(111.75)
Average RAB	(h)	91.37	112.36	112.87	115.99	132.06	564.64
Return on Average RAB	(i) = (a)*(h)	12.79	15.73	15.80	16.24	18.49	79.05
Corporate Tax	(j)	0.00	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	(k)	1.12	1.51	2.30	1.07	0.30	6.30
ARR	(l) = {[(d)+(e)+(i) +(j)+(k)]-(c)}	91.67	96.56	112.93	105.16	120.10	526.43
Shortfall	(m) = (l-b)	25.43	66.17	60.12	23.94	21.45	197.11
PV Factor	(n)	1.93	1.69	1.48	1.30	1.14	
Shortfall	(o) = (m)*(n)	48.97	111.76	89.07	31.11	24.46	305.36
Total Shortfall		305.36					

4.2 Authority's examination of True up of the First Control Period

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical services for the First Control Period vide Order No. 59/ 2020-21 dated December 31, 2020 have been reproduced below:

Decision No. 1. Regarding traffic forecast

(i) The Authority decides to consider the ATM and passenger traffic for the 1st Control Period for Varanasi Airport as per Table 11.

(ii) The Authority proposes to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in 1st Control Period while determining tariffs for the 2nd Control Period.

Decision No. 2. Regarding allocation of assets

(i) *The Authority decides to consider the allocation of Gross Block of Assets as on 1st April 2017 between aeronautical and non-aeronautical assets as detailed in Table 22.*

Decision No. 3. Regarding Initial RAB

(i) *The Authority decides to consider the initial regulatory asset base for the 1st Control Period for Varanasi Airport as INR 74.80 crores in accordance with Table 26.*

Decision No. 4. Regarding capital expenditures.

(i) *The Authority decides to adopt the Aeronautical capitalisation for the 1st control period in accordance with Table 47.*

(ii) *The Authority has decided that subject to the terms and conditions of privatization of Varanasi Airport, it will consider to true up the Capital expenditure incurred based on actual costs subject to the normative approach at the time of determination of tariff for the 2nd Control Period.*

(iii) *The Authority decides to rework the RAB of the Airport Operator for the Second Control Period, by reducing the RAB by 1% of the cost of the Terminal Building, if the Airport Operator (AAI/prospective PPP builder) fails to commission and capitalize the new Terminal Building by November 2023.*

(iv) *The Authority decides to consider the 100% of the capital cost of the new terminal building at the time of 'true-up' subject to the treatment of retention payment by AAI i.e. payment withholding or acceptance of security deposit.*

Decision No. 5. Regarding depreciation.

(i) *The Authority decides to adopt depreciation rates for Varanasi Airport as per Table 51 for the 1st control period.*

(ii) *The Authority decides depreciation amounts as per Table 54 for the 1st control period.*

Decision No. 6. Regarding average RAB.

(i) *The Authority decides to consider average RAB for the 1st Control Period for Varanasi Airport as per Table 58.*

Decision No. 7. Regarding Fair Rate of Return (FROR).

(i) *The Authority decides to consider FroR for Varanasi Airport for the 1st Control Period as per Table 64.*

Decision No. 8. Regarding non-aeronautical revenues

(i) *The Authority decides to consider the non-aeronautical revenues for the 1st control period for Varanasi Airport in accordance with Table 71.*

Decision No. 9. Regarding O&M expenses

(i) *The Authority decides to consider the O&M expenses for the 1st Control Period for Varanasi Airport as per Table 83.*

Decision No. 10. Regarding Aeronautical Revenues

(i) *The Authority decides to consider the Aeronautical revenues for the 1st Control Period for Varanasi Airport as per Table 87.*

Decision No. 11. Regarding tax expense

(i) The Authority decides to consider the Tax Expense for the 1st Control Period for Varanasi Airport as per Table 92.

Decision No. 12. Regarding Aggregate Revenue Requirement.

(i) The Authority decides to consider the ARR and YPP for the 1st Control Period for Varanasi Airport in accordance with the Table 96.

Decision No. 13. Regarding tariff rate card.

(i) The Authority decides to approve the tariffs for the 1st Control Period for Varanasi Airport as given in the Tariff Card annexed as Annexure-1.

4.3 True up of Traffic

4.3.1 AAI has submitted Passenger Traffic and ATM for VIA for the First Control Period which is as follows:

Table 4: AAI's submission for True up of traffic for the First Control Period for VIA

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Passenger (In Millions)						
Domestic	2.78	1.45	1.65	2.41	2.89	11.18
International	0.23	0.02	0.06	0.11	0.16	0.58
Total	3.01	1.47	1.71	2.52	3.06	11.76
ATM (In No's)						
Domestic	21,987	14,227	15,650	18,218	20,404	90,486
International	2,069	169	493	940	1,316	4,987
Total	24,056	14,396	16,143	19,158	21,720	95,473

Authority's examination and proposal regarding true up of traffic of the First Control Period:

4.3.2 The traffic approved by the Authority in the Tariff Order No. 59/ 2020-21 for the First Control Period is shown in Table 5 below:

Table 5: Passenger traffic and ATM approved by the Authority in the Tariff Order for the First Control Period

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Passenger (In millions)						
Domestic	2.78	1.80	2.16	2.78	3.33	12.85
International	0.23	0.09	0.16	0.23	0.28	0.99
Total	3.01	1.89	2.32	3.01	3.61	13.84
ATM (In No's)						
Domestic	21,987	15,000	17,700	22,000	26,400	1,03,087
International	2,069	900	1,575	2,100	2,520	9,164
Total	24,056	15,900	19,275	24,100	28,920	1,12,251

4.3.3 The Authority notes that the major variation between the passenger traffic and ATM for the First Control Period (actual traffic vis-à-vis the projections approved in the Tariff Order for the First Control Period)

is attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled, due to which the domestic passenger traffic have been showing a decreasing trend.

- 4.3.4 The Authority verified the actual Passenger traffic and ATM from FY 2019-20 to FY 2022-23 (as per Table 4) for the First Control Period based on the details available on AAI's website and noted no variances. AAI has submitted the projections for the passenger traffic and ATM for the FY 2023-24. However, the Authority has considered the actual passenger traffic and ATM traffic data for FY 2023-24 for true up of traffic for the First Control Period.
- 4.3.5 Based on the above analysis, the Authority proposes to consider the actual traffic for the First Control Period, as shown in Table 6, in line with its Decision no. 1 (ii) of the Tariff Order No. 59/ 2020-21 dated December 31, 2020, which states *"The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in First Control Period while determining tariff for the Second Control Period."*

Table 6: True up of traffic proposed by the Authority for the First Control Period for VIA

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Passenger (In Millions)						
Domestic	2.78	1.45	1.65	2.41	2.88	11.17
International	0.23	0.02	0.06	0.11	0.12	0.53
Total	3.01	1.47	1.71	2.52	3.00	11.70
ATM (In No's)						
Domestic	21,987	14,227	15,650	18,218	19,544	89,626
International	2,069	169	493	940	976	4,647
Total	24,056	14,396	16,143	19,158	20,520	94,273

4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB

- 4.4.1 The actual CAPEX submitted by AAI for true up of the First Control Period for VIA is as follows:

Table 7: Capital additions during the First Control Period submitted by AAI for VIA

S. No	Asset category	Approved CAPEX as per Tariff Order (1)	Actual CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)
(₹ Crores)				
A. CAPEX incurred towards projects approved by AERA for First Control Period				
A1	Road, Bridges & Culverts	2.56	-	(2.56)
A2	Runway, Taxiway and Aprons	33.73	18.81	(14.92)
A3	Building- Terminal	356.06	3.51	(352.55)
A4	Building – Residential	20.82	-	(20.82)
A5	Boundary Wall- Operational	0.52	-	(0.52)
A6	Other Buildings-Unclassified	25.4	13.77	(11.63)
A7	Plant & Machinery	17.83	17.55	(0.28)
A8	Tools & Equipment	1.49	0.60	(0.89)
A9	Electrical Installations	195.31		(195.31)

S. No	Asset category	Approved CAPEX as per Tariff Order (1)	Actual CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)
A10	Furniture & Fixtures: Other than Trolleys	0.05		(0.05)
A11	Furniture & Fixtures: Trolleys	2.02	2.12	0.10
A12	X Ray Baggage System	22.35		(22.35)
A13	CFT/Fire Fighting Equipment	4.52		(4.52)
	Total Approved CAPEX (A)	682.66	56.35	(626.31)
B. Unplanned/ Unapproved CAPEX incurred by VIA during First Control Period				
B14	Runway, Taxiway and Aprons	-	19.80	19.80
B15	Road, Bridges & Culverts	-	2.22	2.22
B16	Building- Terminal	-	1.92	1.92
B17	Building – Residential	-	2.40	2.40
B18	Boundary Wall- Operational	-	2.21	2.21
B19	Other Buildings-Unclassified	-	1.82	1.82
B20	computer: End User Services	-	0.58	0.58
B21	Intangibles: Software	-	0.05	0.05
B22	Plant & Machinery	-	23.29	23.29
B23	Tools & Equipment	-	1.92	1.92
B24	Office Furniture	-	3.10	3.10
B25	Other Office Equipment	-	0.80	0.80
B26	Other Vehicles	-	6.40	6.40
B27	X Ray Baggage System	-	0.92	0.92
B28	CFT/Fire Fighting Equipment	-	0.25	0.25
	Total Unapproved CAPEX incurred (B)	-	67.69	67.69
	Total CAPEX incurred (A+B)	682.66	124.04	(558.62)

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 682.66 Crores. Year- wise details of the CAPEX (capitalization of assets) approved by the Authority have been provided as follows:

Table 8: Capital expenditure approved in the Tariff Order for the First Control Period

(₹ Crores)

S. No	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Runway, Taxiway and Aprons	0.25	9.38	14.60	0.00	9.50	33.73
2	Road, Bridges & Culverts	0.82	1.74	0.00	0.00	0.00	2.56
3	Building- Terminal	0.85	2.92	0.00	22.50	329.78	356.06
4	Building – Residential	0.00	0.00	0.00	20.82	0.00	20.82
5	Boundary Wall- Operational	0.52	0.00	0.00	0.00	0.00	0.52
6	Other Buildings-Unclassified	0.81	4.58	10.39	0.00	9.62	25.40
7	Plant & Machinery	1.42	5.39	11.01	0.00	0.00	17.83
8	Tools & Equipment	1.49	0.00	0.00	0.00	0.00	1.49
9	Electrical Installations	0.64	4.43	1.45	11.21	177.58	195.31
10	Furniture & Fixtures: Other than Trolleys	0.05	0.00	0.00	0.00	0.00	0.05
11	Furniture & Fixtures: Trolleys	0.00	0.00	0.00	2.02	0.00	2.02
12	X Ray Baggage System	3.35	19.00	0.00	0.00	0.00	2235

S. No	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
13	CFT/Fire Fighting Equipment	0.02	0.00	4.50	0.00	0.00	4.52
	Total	10.24	47.44	41.95	56.55	526.48	682.66

4.4.3 The Authority notes a variance of ₹ 558.62 Crores (82%) between CAPEX approved by the Authority and that incurred by AAI against the Approved CAPEX for the First Control Period, as per Table 7.

4.4.4 AAI has submitted the following depreciation for the First Control Period for VIA:

Table 9: Depreciation for the First Control Period submitted by AAI for VIA

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.32	0.62	0.63	0.76	1.04	3.37
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	0.05	0.05	0.04	0.04	0.04	0.22
Building- Terminal	2.74	2.81	2.87	2.93	2.99	14.33
Building - Temporary	-	-	-	-	-	-
Building - Residential	0.01	0.01	-	-	0.04	0.06
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.06	0.05	0.07	0.07	0.14	0.40
Boundary Wall - Residential	0.01	0.01	0.01	0.00	-	0.02
Other Buildings-Unclassified	0.22	0.27	0.34	0.42	0.60	1.85
Computer & Peripherals	0.11	0.14	0.17	0.21	0.18	0.82
Computer Servers and networks	-	-	-	-	-	-
Intangible Assets- Software	0.00	0.00	0.00	0.00	0.01	0.01
Plant & Machinery	1.45	2.08	2.28	2.65	3.02	11.49
Tools & Equipment	0.79	0.82	0.84	0.88	0.92	4.23
Office Furniture	0.22	0.50	0.56	0.57	0.64	2.49
Furniture & Fixtures: Other than Trolley	0.05	0.05	0.04	0.04	0.04	0.21
Furniture & Fixtures: Trolley	0.22	0.14	0.11	-	0.49	0.96
Other Vehicles	0.13	0.50	0.86	0.88	0.87	3.23
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	1.64	1.04	0.93	0.86	0.84	5.31
Other Office Equipment	0.09	0.16	0.16	0.16	0.17	0.73
X Ray Baggage System	0.22	0.25	0.24	0.24	0.24	1.19
CFT/Fire Fighting Equipment	1.33	1.33	1.33	1.34	1.34	6.67
Total	9.64	10.82	11.49	12.05	13.59	57.59

Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period:

4.4.5 The Authority notes that there are variances between the costs approved by the Authority in the First Control Period Tariff Order and the actual cost incurred by the Airport Operator. The CAPEX incurred by AAI has been capitalized in the books of account, based on work orders issued by AAI for each component of CAPEX. The Authority, through its Independent Consultant, has examined and verified the CAPEX incurred by AAI in First Control Period from the Fixed Assets Register.

For analysis purposes, the Authority has clubbed some of the assets under "A" category which is

planned CAPEX with “B” category which is Unplanned CAPEX, as detailed in Table 7.

The major items of variances have been presented asset-wise in the below paragraphs.

A2 and B14: Runways, Taxiways and Aprons: AAI had incurred the CAPEX of ₹ 40.83 Crores towards Runways/ taxiways and Aprons as against approved expenditure of ₹ 33.73 Crores. The CAPEX includes:

- Widening of turning pad - ₹ 7.17 Crores towards
- Expansion of Apron - ₹ 10.03 Crores,
- Surface grading - ₹ 5.12 Crores,
- Construction and extension of RESA - ₹ 3.60 Crores,
- Construction of vehicular lane - ₹ 1.74 Crores,
- Construction of turning pad - ₹ 10.04 Crores
- Widening of Perimeter Road - ₹ 2.22 Crores.

The Authority notes that AAI has classified widening of Perimeter Road (of ₹ 2.22 Crores) under Runways, Taxiways and Aprons, whereas the same should be part of Roads, Bridges and Culverts. Therefore, the Authority proposes to shift the widening of Perimeter Road to Roads, Bridges and Culverts and consider the remaining assets as part of Runway/ Taxiway/ Apron for true up of the First Control Period. Considering that the above CAPEX is essential for airside operations and the reasonableness of costs, based on completion of work, the Authority proposes to consider the same for true up of the First Control Period.

A3, A9 and B16: Terminal Building and Electrical Installations: The Authority had approved capital expenditure of ₹ 551.37 Crores (out of which 65% is towards Civil works and 35% is allocated to electrical installations) towards Construction of Terminal Building in the Tariff Order for the First Control Period for VIA. However, the Authority notes that AAI has not executed the above project and has shifted the capitalization of this project to the Second Control Period i.e. FY 2027-28.

The Authority through its Independent Consultant vide email dated July 17, 2024 had enquired AAI for the justification for shifting the project on Terminal Building to the next Control Period and notes the following:

- Varanasi along with 5 other Airports was shortlisted for privatization. However, to due to the adverse impact of COVID-19 pandemic, the project of construction of New Terminal Building was not carried out in the First Control Period.
- Further, as the above project required approval from Public Investment Board (PIB) and the same was accorded in February, 2024.

Due to the above factors, this project could not be executed during the First Control period and has been shifted to the Second Control Period.

A3 and B16: Terminal Building (actual expenses incurred): The Authority notes that AAI had incurred ₹ 2.78 Crores (civil works) in the First Control Period towards construction of 2 passenger boarding bridges, ₹ 3.51 Crores towards Renovation of Toilets at Varanasi Airport and ₹1.20 Crores for fixed glass partition and extension of tensile membrane relating to Terminal Building. The above capital expenses have been approved in the Tariff Order for the First Control Period. As these capital expenses were incurred for better passenger facilitation and operational requirements of the Airport, the Authority proposes to consider the same for true up of the First Control Period of Varanasi Airport.

A4 and B17: Building- Residential: AAI had incurred the CAPEX of ₹ 2.40 Crores towards Residential Building as against approved expenditure of ₹ 20.82 Crores. Also, AAI had proposed for densification of residential quarters by constructing multi storey buildings. However, due to the adverse effects of COVID-19 pandemic, the proposal had been postponed. The Authority notes that AAI incurred CAPEX on renovation of residential buildings, including vitrified floor tiling work and recarpeting of Colony Roads. The above works, which were approved in the Tariff Order for the First Control Period, have been executed and capitalised in the Fixed Assets Register (FAR) in FY2023-24. Therefore, the Authority proposes to consider the same for True Up of the First Control Period.

A6 and B19: Other Buildings- Unclassified: AAI had incurred the CAPEX ₹ 15.59 Crores towards Other Building as against approved expenditure of ₹ 25.40 Crores. AAI had incurred the following CAPEX:

- Construction of CISF Barracks and civil work for VIP Area - ₹ 3.13 Crores,
- Construction of Security Watch Tower and Dog Kennel - ₹ 1.31 Crores,
- Construction of Localizer and Glide Path - ₹ 3.46 Crores,
- Construction of Bus Parking, Fire Section and Medical Centre - ₹7.63 Crores.

The Authority also notes that AAI had approved the construction of Administrative Block for AAI staff, but had not initiated this project during the First Control Period. As the projects executed by AAI are essential for security/ operational purposes and within the approved limits, the Authority proposes to consider the same for true up of the First Control Period.

A12, B27, A7 and B22: Plant & Machinery: AAI had incurred the CAPEX of ₹ 31.55 Crores towards Plant & Machinery as against approved expenditure of ₹ 40.18 Crores (₹ 22.35 Crores for ILBS and ₹17.83 Crores for Plant & Machinery). The Authority had approved provision of 2 Passenger Boarding Bridges, AVDGS, Runway mechanical Sweeper and other miscellaneous assets at the time of tariff determination of the First Control Period. AAI had incurred the following CAPEX:

- SITC of Inline X-BIS - ₹ 13.47 Crores,
- Implementation of Digi Yatra - ₹ 7.20 Crores,
- Runway Edge lighting - ₹ 1.22 Crores,
- Construction of Passenger Boarding Bridges and AVDGS - ₹ 8.88 Crores,
- Shifting of GLF Cables and other miscellaneous assets - ₹ 0.78 Crores.

It is noted that AAI had incurred approved Capital Expenditure to meet Operational, Security requirements and better passenger facilitation. It is also noted that the unplanned CAPEX includes implementation of Digi Yatra scheme amounting to ₹ 7.20 Crores and same is as per Government of India initiative to reduce the time taken for security check and to enhance passenger experience. Considering the essentiality of CAPEX and taking into account reasonability of cost, based on review of completion cost/ prevailing market rates, the Authority proposes to consider the above CAPEX for true up of the First Control Period.

A11: Furniture & Fixtures- Trolley: The Authority had approved the Capital Expenditure of ₹ 2.02 Crores for Furniture & Fixtures- Trolley against which AAI had incurred ₹ 2.12 Crores of CAPEX. The Authority notes that AAI had procured 1,240 passenger baggage trolleys for Varanasi International Airport during FY 2023-24 and as the same are needed for operational requirements, the Authority proposes to consider it for true-up of the First Control Period.

A13 and B28: CFT: The Authority had approved the Capital Expenditure of ₹ 4.52 Crores whereas AAI had incurred only ₹ 0.25 Crore towards transfer of 1 CFT to VIA. It is noted that the proposal for procurement of new CFT (1 no.) had been postponed.

B24: Office Furniture: AAI had incurred ₹ 3.10 Crores towards purchase of furniture such as chairs, tables, check-in counters, almirah and cabinets for the Terminal Building and other areas. The above procurement is considered for smooth operations of the airport. Based on essentiality and reasonableness of costs based on prevailing market rates, the Authority proposes to consider the same for true up of the First control Period.

B26: Other Vehicles: The Authority notes that ₹ 6.40 Crores were incurred by AAI towards purchase of Rubber Removal Machine, Ambulances, Tractors, Grass Cutting Machines and Car. The Authority notes that the above CAPEX was incurred for operational purposes. Considering the essentiality and reasonableness of costs (by comparing with the costs incurred by other similar airports), the Authority proposes to consider the above assets for True up of the First control Period.

Upon analysis of the above capital expenditure, the Authority notes that most of these expenses were incurred by VIA either for Passenger facilitation or Security purposes or on operational needs. Therefore, the Authority proposes to consider the same for true up of the capital expenditure of the First Control Period.

4.4.6 Based on the above factors, the Authority proposes to consider the actual CAPEX amounting to ₹ 124.04 Crores for the purpose of true up for the First Control Period. The same is detailed as follows:

Table 10: Capital additions proposed by the Authority for True up of the First Control Period

(₹ Crores)

S. No	Asset category	FY	FY	FY	FY	FY	Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
A. CAPEX incurred towards projects approved by AERA for First Control Period							
1	Road, Bridges & Culverts	-	-	-	-	-	-
2	Runway, Taxiway and Aprons	10.04	-	0.81	2.85	5.12	18.81
3	Building- Terminal	-	2.78	-	-	3.51	6.28
4	Building – Residential	-	-	-	-	-	-
5	Boundary Wall- Operational	-	-	-	-	-	-
6	Other Buildings-Unclassified	-	2.99	-	3.46	7.32	13.77
7	Plant & Machinery	6.42	6.12	-	0.78	1.47	14.80
8	Tools & Equipment	-	-	-	0.60	-	0.60
9	Electrical Installations	-	-	-	-	-	-
10	Furniture & Fixtures: Other than Trolleys	-	-	-	-	-	-
11	Furniture & Fixtures: Trolleys	-	-	-	-	2.12	2.12
12	X Ray Baggage System	13.47	-	-	-	-	-
13	CFT/Fire Fighting Equipment	-	-	-	-	-	-
	Total Approved CAPEX (A)	29.93	11.87	0.81	7.69	19.53	69.82
B. Unplanned/ Unapproved CAPEX incurred by Varanasi International Airport during First Control Period							
14	Runway, Taxiway and Aprons	8.01	-	-	1.74	10.05	19.80
15	Road, Bridges & Culverts	-	-	-	2.22	-	2.22
16	Building- Terminal	1.21	0.49	-	-	0.23	1.92
17	Building – Residential	-	-	-	-	2.40	2.40
18	Boundary Wall- Operational	-	0.65	-	-	1.56	2.21

S. No	Asset category	FY	FY	FY	FY	FY	Total
		2019-20	2020-21	2021-22	2022-23	2023-24	
19	Other Buildings-Unclassified	0.06	0.15	1.31	-	0.30	1.82
20	computer: End User Services	0.02	0.20	-	0.23	0.14	0.58
21	Intangibles: Software	-	-	0.01	-	0.04	0.05
22	Plant & Machinery	0.12	0.02	0.31	10.30	-	10.74
23	Tools & Equipment	0.73	0.15	0.48	0.13	0.43	1.92
24	Office Furniture	1.29	0.79	0.12	0.00	0.88	3.10
25	Other Office Equipment	0.75	0.00	0.01	0.03	-	0.80
26	Other Vehicles	0.67	5.33	0.41	-	-	6.40
27	CFT/Fire Fighting Equipment	-	-	0.25	-	-	0.25
	Total Unapproved CAPEX incurred (B)	12.86	7.77	2.89	14.66	16.03	54.22
	Total CAPEX incurred (A+B)	42.79	19.64	3.70	22.35	35.57	124.04

4.4.7 The Authority proposes to consider CAPEX of ₹ 124.04 Crores as claimed by AAI for True up of the First Control Period. The CAPEX considered by the Authority for true up of the First Control Period (₹ 124.04 Crores) includes unplanned/unapproved CAPEX of ₹ 67.69 Crores. From the review of unplanned CAPEX, the Authority notes that the same was incurred by AAI for VIA for passenger facilitation and/or security purposes and operational requirements. The CAPEX of ₹ 124.04 Crores has been arrived, after factoring the Terminal Building ratio of 90:10 as approved by the Authority, at the time of determination of tariff for the First Control Period. The same has also been considered by AAI, while submitting the true up of CAPEX for First Control Period.

4.4.8 With respect to Authority's decision no. 4(iii) of the Tariff Order for the First Control Period, which states "*The Authority decides to rework the RAB of the Airport Operator for the Second Control Period, by reducing the RAB by 1% of the cost of the Terminal Building, if the Airport Operator (AAI/prospective PPP builder) fails to commission and capitalize the new Terminal Building by November 2023*", the Authority notes that the project on Terminal Building has been postponed to the Second Control Period on account of the factors such as adverse impact of COVID 19 pandemic, requirement of statutory approval from PIB, as mentioned in para 4.4.5 (A3, A9 and B16) (refer page 25). Therefore, the Authority proposes not to reduce the RAB by 1% of the cost of Terminal Building, while determining true up of the Capital Expenditure for the First Control Period for Varanasi Airport.

True up of Depreciation for the First Control Period

4.4.9 The Authority notes that while submitting the True up for the First Control Period, AAI has taken cognizance of the rates of depreciation as per Order No. 35/ 2017-18 dated January 12, 2018 read with Amendment No. 01 to Order No. 35/ 2017-18 on 'Determination of Useful Life on Airport Assets'. Accordingly, the rates of depreciation approved by AERA have been applied by AAI from FY 2018-19 onwards.

4.4.10 The Authority observed that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposes to consider the depreciation based on the date of capitalization of the asset and compute the depreciation accordingly, instead of considering 50% of the depreciation in the year of capitalization of the assets. As per the consistent approach of the Authority followed for all major airports, Depreciation in the year of capitalisation (for True up purpose) is calculated considering the actual date of capitalisation of assets as reflected in the Fixed Assets Register maintained by the Airport Operator. Therefore, the Authority proposes to consider depreciation on capital additions for the First Control Period for Varanasi Airport, based on the date of the date of capitalization/

date of asset being “put to use” by the Airport Operator.

4.4.11 Based on the above factors, the Authority has re-computed the depreciation as ₹ 58.00 Crores against the depreciation amounting to ₹ 57.59 Crores proposed by AAI and the same is presented below:

Table 11 : Depreciation proposed by the Authority for True up of the First Control Period

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.31	0.62	0.63	0.70	1.05	3.31
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	-	-	-
Road, Bridges & Culverts	0.05	0.05	0.04	0.21	0.26	0.62
Building- Terminal	2.74	2.83	2.87	2.93	2.99	14.35
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.01	0.01	-	-	0.06	0.08
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.06	0.06	0.07	0.07	0.20	0.46
Boundary Wall – Residential	0.01	0.01	0.01	0.00	-	0.02
Other Buildings-Unclassified	0.22	0.28	0.34	0.44	0.56	1.84
Computer & Peripherals	0.10	0.13	0.09	0.12	0.13	0.58
Computer Servers and networks	-	-	0.00	0.00	0.01	0.01
Intangible Assets- Software	0.00	0.00	-	-	-	0.00
Plant & Machinery	1.70	2.13	2.27	2.58	3.02	11.70
Tools & Equipment	0.79	0.81	0.84	0.89	0.92	4.25
Office Furniture	0.47	0.63	0.66	0.61	0.69	3.07
Furniture & Fixtures: Other than Trolley	0.01	0.01	0.00	0.00	-	0.01
Furniture & Fixtures: Trolley	0.08	-	-	-	0.04	0.12
Environment Management Works	-	-	-	-	-	-
Other Vehicles	0.13	0.49	0.88	0.88	0.87	3.25
Vehicle- Cars & Jeeps	-	-	-	-	-	-
Electrical Installations	1.64	1.04	0.93	0.86	0.84	5.31
Other Office Equipment	0.13	0.16	0.16	0.16	0.16	0.77
X Ray Baggage System	0.25	0.25	0.24	0.24	0.24	1.22
CFT/Fire Fighting Equipment	1.33	1.33	1.33	1.34	1.34	6.66
Total	10.01	10.84	11.37	12.05	13.39	57.66

Note: Variance in the depreciation proposed by the Authority (₹ 57.66 Crores) and that claimed by AAI (₹ 57.59 Crores) is on account of shifting of the Widening of Perimeter Road from Runways to Roads, Bridges and Culverts and re-computation of depreciation in the year of capitalisation based on the date of capitalization of the asset, instead of 50% claimed by AAI as part of its true up submission for the First Control Period.

4.4.12 The RAB for true up of the First Control Period is provided in the Table below:

Table 12: RAB proposed by the Authority for True up of the First Control Period

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Opening RAB (A)*	74.80	107.57	116.37	108.70	122.73	
Additions (B) (refer Table 10)	42.79	19.64	3.70	26.08	31.84	124.04
Disposal/Transfers (C)	-	-	-	-	-	-
Depreciation (D) (Refer Table 11)	10.01	10.84	11.37	12.05	13.39	57.66
Closing RAB (E) = [(A) +(B) – (C) – (D)]	107.57	116.37	108.70	122.73	141.18	
Average RAB = [(A) + (E)]/2	91.18	111.97	112.53	115.72	131.96	

* Opening RAB has been obtained from Table No. 58 of Tariff Order 59/2020-21 dated December 31, 2020.

4.5 True up of Fair Rate of Return

- 4.5.1 The Authority notes that AAI has claimed 14% as Fair Rate of Return as part of its True up submission for the First control period.
- 4.5.2 The Authority notes that AAI has not availed any debt during the First Control Period.
- 4.5.3 At the time of determination of tariff for the First Control Period, the Authority had decided to consider the FRoR for VIA as 14% for first 4 years and 13.18% for last tariff year (assuming that AAI may avail debts for construction of Terminal Building in the last tariff year). As the construction of Terminal Building has been shifted to Second Control Period and no debts were availed in the First Control Period. Therefore, the Authority proposes to consider the FRoR as 14% for true up of the First Control Period as considered for other similar Airports.

4.6 True up of Non-aeronautical revenues

- 4.6.1 The Authority notes that the actual non-aeronautical revenue submitted by AAI for VIA for true up of the First Control Period is ₹ 91.68 Crores and the same has been presented in the table below:

Table 13: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for VIA

(₹ Crores)

Revenue Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	TOTAL
Restaurant / Snack Bars	4.25	1.64	1.09	3.08	4.05	14.11
T.R. Stall	6.76	2.74	4.58	7.05	6.07	27.20
Hoarding & Display	3.77	1.54	1.54	4.11	4.49	15.46
Land Leases	0.00	0.00	0.04	0.23	0.30	0.57
Building (Residential)	0.02	0.02	0.02	0.02	0.02	0.11
Building (Non-Residential)	1.44	1.69	1.52	1.39	1.90	7.95
Car Rentals	1.13	0.44	0.47	0.47	0.83	3.34
Car Parking	2.23	1.04	2.58	2.81	3.02	11.68
Admission Tickets	0.24	0.02	0.03	0.04	0.05	0.38
Other Income/ Sale Of Scrap	2.85	0.81	1.06	2.34	3.83	10.89
TOTAL	22.70	9.95	12.94	21.53	24.56	91.68

4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period was ₹ 96.29 Crores. Component wise details of the Non-aeronautical revenue approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 14: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period

(₹ Crores)

S. No.	Revenue Category	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	TOTAL
1	Restaurant / Snack Bars	3.89	1.95	2.73	3.89	4.67	17.14
2	T.R. Stall	5.68	2.84	3.98	5.68	6.81	24.99
3	Hoarding & Display	3.77	1.89	2.64	3.77	4.53	16.60
4	Building (Residential)	0.04	0.04	0.04	0.04	0.04	0.21
4	Building (Non-Residential)	1.75	0.88	1.23	1.75	2.10	7.71
5	Car Rentals	0.77	0.38	0.54	0.77	0.92	3.38
6	Car Parking	2.34	0.90	1.26	1.80	2.16	8.46
7	Admission Tickets	0.31	0.16	0.22	0.31	0.37	1.37
8	Other Income/ Sale of Scrap	2.96	3.10	3.26	3.42	3.59	16.34
	TOTAL	21.54	12.16	15.91	21.46	25.23	96.29

Authority's examination and proposal regarding true up of Non-aeronautical revenues of the First Control Period:

4.6.3 The Authority notes that the actual Non-aeronautical revenue (₹ 91.68 Crores) submitted by AAI for VIA for the First Control Period is lower than the NAR approved by AERA in the tariff order for the First Control Period (₹ 96.29 Crores). The Authority examined variances between projected and actual revenue of Restaurants and Snack bar, hoardings and displays, admission tickets and notes that the same is on account of decline in passenger traffic due to adverse effects of COVID 19 pandemic during FY 2020-21 and FY 2021-22.

4.6.4 The Authority notes that AAI in their MYTP submission had already excluded the Space rental from Airlines amounting to ₹ 3.22 Crores from Non-Aeronautical revenue and included the same as part of the Aeronautical revenue, which is in line with its decisions of the Authority in other similar airports..

4.6.5 Based on the above analysis, the Authority proposes to consider the actual Non-aeronautical revenue as presented in Table 13 for the purpose of true up of the First Control Period.

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

The Authority notes that the actual O&M expenses submitted by AAI for VIA for true up of the First Control Period is ₹ 410.87 Crores and the same has been presented in the table below:

Table 15: Actual O&M expenses submitted by AAI for VIA for the First Control Period

(₹ Crores)

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Payroll expenses	16.93	18.38	19.82	20.18	21.59	96.90
2	Retirement Benefit of employees of Varanasi Airport.	4.87	1.77	1.48	0.02	2.98	11.12
A	Total Payroll Expenditure(A)	21.80	20.15	21.30	20.20	24.57	108.02
3	Admin & Gen Expenses(Non CHQ /RHQ)	5.50	4.78	10.84	6.92	11.28	39.32

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
4	Admin & Gen Expenses (CHQ/RHQ)	29.46	27.30	35.73	37.52	39.39	169.40
B	Total Administration & General Expenditure (B)	34.96	32.08	46.57	44.44	50.68	208.73
C	Total R&M Expenses (C)	12.45	14.93	14.29	11.15	12.13	64.95
5	Power	4.57	3.72	4.16	5.42	5.57	23.44
6	Water	-	-	-	-	-	-
7	Consumption of Stores and Spares	0.35	0.32	0.69	0.51	0.48	2.35
8	Other charges	0.16	0.32	0.15	0.47	0.49	1.59
D	Utilities & outsourcing (D)	5.08	4.36	5.00	6.40	6.55	27.39
E	Other Outflow- Collection charges on UDF (E)	0.63	(0.04)	0.07	0.07	1.04	1.77
	TOTAL (A+B+C+D+E)	74.93	71.48	87.23	82.26	94.97	410.87

4.7.1 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 313.26 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 16: O&M expenses as per the Tariff Order for the First Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2019-20	2020-21	2021-22	2022-23	2023-24	
Payroll exp- Non CHQ/RHQ	13.44	14.12	14.82	15.56	17.90	75.84
Payroll exp- CHQ/RHQ	1.83	1.92	2.02	2.12	2.43	10.31
Total Payroll Expenditure(A)	15.27	16.04	16.84	17.68	20.33	86.15
Admin & Gen Expenses -Non CHQ/RHQ	3.44	3.78	4.16	4.58	5.04	21.00
Admin & Gen Expenses CHQ/ RHQ	16.23	17.05	17.90	18.79	19.73	89.70
Total Administration & General Expenditure (B)	19.67	20.83	22.06	23.37	24.77	110.7
R&M Expenses (C)	15.39	16.35	17.39	13.15	15.27	77.54
Utilities & outsourcing (D)	4.88	5.97	6.74	6.80	10.97	35.35
Other Outflow- Collection charges on UDF (E)	0.76	0.48	0.59	0.76	0.91	3.50
TOTAL (A+B+C+D+E)	55.98	59.66	63.62	61.76	72.25	313.26

Authority's examination and proposal regarding true up of O&M expenses of the First Control Period:

4.7.2 There is a variance of ₹ 97.61 Crores (31.16%) between the actual O&M expenses incurred by the VIA and that approved by the Authority in the Tariff Order for the First Control Period. The Authority has examined the variances and the same has been explained in the below-mentioned paragraphs

4.7.3 The analysis of the Authority on variances between the projected and actual expenses for true up in respect of various components of O&M expenses as discussed in below paragraphs:

4.7.4 **Payroll expenses:** The Authority notes that the actual payroll expenses other than CHQ/ RHQ submitted by AAI for VIA (₹ 96.90 Crores) are much higher than the expense approved by the Authority in the Tariff Order of the First Control Period (₹ 75.84 Crores). The above variance is due to the fact that AAI had proposed 7% increase Y-o-Y for the First Control Period, whereas the Authority had only

approved 5% increase for Y-o-Y increase in payroll expenses. Further there was an increase in overtime rates in FY 2019-20 which is another factor for increase in payroll expenses. In view of the above, the Authority proposes to consider 6% increase Y-o-Y from FY 2020-21 to FY 2023-24 for true up of the First Control Period (by considering FY 2019-20 as the base), in line with the approach followed in other similar airports.

4.7.5 Retirement Benefits of employees: AAI had submitted ₹ 4.87 Crores towards retirement benefits for FY 2019-20 which was significantly higher than the amount submitted for the other tariff years in the First Control Period. This was on account of payment of arrears for Non-Executives. Also, as part of its examination, the Authority notes that AAI had submitted ₹ 2.98 Crores towards retirement benefits for FY 2023-24, which was higher than the previous tariff year, due to a clerical error. The actual amount incurred in FY 2023-24 was only ₹ 1.69 Crores. The Authority has taken cognizance of the same while truing up the O&M expenses for the First Control Period.

4.7.6 Apportionment of Administration & General expenditure of CHQ/RHQ:

The Authority notes that AAI has claimed 30% increase in the allocation of CHQ/ RHQ expenses in FY 2021-22, as compared to the previous FY and 5% Y-o-Y increase for the remaining tariff years in the First Control Period.

In this regard, the Authority has received a report on the study of allocation of expenses incurred at CHQ/RHQ, vide letter dated 21st August 2024 from AAI. The Study report summarizes the observations on the existing process and provides recommendations for refining the methodology to be followed by AAI for allocation of CHQ/RHQ expenses to all airports, which includes the following:

- i. Adoption of Weighted Average which includes quantitative factors that drive revenue such as ATM and PAX, cost of employees working at the respective airports, as against the existing process of allocating CHQ/RHQ expenses on the basis of revenue achieved by the airports.
- ii. Identifying and booking of Legal expenses relatable to respective profit centers i.e. AAI Airports, JVCs, PPP etc.
- iii. Create separate cost Centre/segment for booking of expenses and revenue related to non-aeronautical assets.
- iv. Penalties and Interest on delays should be excluded from the allocable CHQ/RHQ expenses

However, AAI has not provided detailed workings (component wise) to substantiate the allocable expenses of CHQ/ RHQ derived for FY 2021-22 based on the above study report. Therefore, the Authority is unable to draw any conclusion/ outcome regarding the computation of CHQ/ RHQ expenses that have been allocated to the AAI Airports. Hence, the Authority has relied and adopted the existing methodology of computing CHQ/ RHQ expenses as being uniformly applied across all AAI airports, for determining the Administration and General CHQ/ RHQ expenses, allocable to Varanasi Airport. The same has been explained in the subsequent paragraphs.

The Authority also reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to VIA 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 has been reiterating in all its Tariff Orders of AAI Airports that the above process followed by AAI for allocating the expenses is on a higher side and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.

The Authority proposes the following towards allocation of CHQ and RHQ expenses:

a. 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 of HR, Finance, Civil, Terminal Management (Housekeeping), etc. pertaining to the aforesaid departments (ANS and Cargo)
- 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:

- i. Support services provided by CHQ/RHQs to ANS, Cargo and Commercial departments at various airports.
- ii. Officials of Directorate of Commercial.

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

b. 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, the Authority proposes to not consider interest/penalties appearing in AAI submission.

4.7.7 The Authority is of the view that the users should pay only for the services availed by them. This view is also consistent with the International Civil Aviation Organization's (ICAO) principle of 'Cost-relatedness'. Based on the above principles, the Authority has rationalized the CHQ/ RHQ expenses being allocated to Varanasi International Airport.

4.7.8 The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is on higher side, as it brings large variation in such expenses Y-o-Y, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the Major Airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. 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 has derived the revised allocation of CHQ and RHQ expenses, based on the methodology, explained in the above-mentioned paragraphs and the same is presented in the table below:

Table 17: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed by the Authority for the First Control Period

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
CHQ/ RHQ – Admin & General expenses (approved in the Tariff Order of the First Control Period)	16.23	17.05	17.90	18.79	19.73	89.70
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	29.46	27.30	35.73	37.52	39.39	169.40
Revised allocation of CHQ/ RHQ expenses proposed by the Authority = B	24.98	23.75	24.93	26.18	27.49	127.32
Variance (A-B)	4.48	3.55	10.80	11.34	11.90	42.08

4.7.9 **Administration expenses (Other than CHQ/ RHQ):** There is significant variance between the Administration Expenses approved in the Tariff Order of the First Control Period (₹ 21.00 Crores) and actual expense claimed by AAI (₹ 39.32 Crores). The major components of the actual Administration expenses (other than CHQ/ RHQ), includes

- Upkeep expenses amounting to ₹ 15.25 Crores,
- CSR expenses amounting to ₹ 7.38 Crores,
- Manpower expenses for Inline baggage and other works amounting to ₹ 8.90 Crores and,
- Travelling expenses amounting to ₹ 2.62 Crores, etc.

The Authority notes that such increase in Administration Expenses is due to awarding of new contract from FY 2019-20 onwards which entailed higher upkeep expenses, installation of ‘May I Help You’ counters etc.

CSR expenses

The Authority notes that AAI has incurred ₹ 7.38 Crores towards CSR expenses during the First Control Period (i.e., ₹ 1.99 Crores in FY 2019-20, ₹ 1.48 Crores in FY 2020-21, ₹ 2.86 Crores in FY 2021-22, ₹ 0.49 Crores in FY 2022-23 and projected ₹ 0.54 Crores in FY 2023-24). In this regard, the Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided as under:

Section 135 (1) of Companies Act, 2013 states that ‘Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.’ Further section 135(5) states that ‘The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility’.

In this regard, the Authority is of the view that as the CSR is a mandatory Social Responsibility of the Companies (covered under Section 135(1) of Companies Act). As the CSR expenditure is to be incurred by Companies out of their net profits, it is to be regarded as an element of appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as a pass-through expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

Section 37(1) of Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity.

In view of the above, the Authority will not consider CSR expenses under the O&M Expenditure.

Interest on Loan

Further, Administration and General expenses (other than CHQ/ RHQ and upkeep expenses), includes Interest on Loan amounting to ₹ 1.56 crores, apportioned to Varanasi Airport, from the total interest on loan incurred by AAI on the debts availed by AAI as a whole, for all airports. The Authority notes that AAI has not availed any debts for Varanasi Airport. Therefore, the Authority proposes not to consider the above interest on loan apportioned to Varanasi Airport by AAI.

Based on the above factors, the Authority proposes to consider the Administration expenses - other than CHQ/ RHQ amounting to ₹ 30.14 Crores, for true up of the First Control Period.

4.7.10 Repair and Maintenance (R&M) expenses: The Authority notes that the actual repair and maintenance cost for the First Control Period amounts to ₹ 64.95 Crores and the same is within the limit of ₹ 77.54 Crores approved by AERA in the Tariff Order for the First Control Period. The Authority notes that the said Repairs & Maintenance had been incurred by AAI mainly for operational requirements and maintenance of Aeronautical Infrastructure including AMC's for Electrical Installation including following:

- i Runway Recarpeting charges of ₹ 16.50 Crores had been charged off to expenses in FY 2019-20 to FY 2021-22.
- ii R&M Electrical amounting to ₹ 0.48 Crores were incurred towards Solar Power plant and replacement of damaged panel, ₹ 0.75 Crores towards E&M installation at Terminal Building and Sub Station and ₹ 0.15 Crores towards supply of electrical spares.

Based on the above factors, the Authority proposes to consider the actual R&M expenses amounting to ₹ 64.95 Crores incurred by AAI for True up of the First Control Period.

4.7.11 Utilities & Outsourcing Expenses: These expenses include Power charges, Fees paid to outsiders, water charges, hire charges of Car/Jeep & Consumption of Stores & Spares. AAI has incurred actual Utilities & Outsourcing Expenses of ₹ 27.39 Crores during the First Control Period, which is lower than the expense of ₹ 35.35 Crores approved in the Tariff Order for the First Control Period.

Power Expenses: AAI has incurred actual power charges of ₹ 27.90 Crores during First Control Period, out of which ₹ 4.45 Crores has been recovered from the Concessionaires and has claimed the net power charges of ₹ 23.44 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:-

Table 18: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Electricity Consumed (in 000')	3,989	3,001	3,351	4,368	4,487	
Total power costs (A)	5.43	4.42	5.07	6.19	6.80	27.90
Recoveries from Concessionaires (B)	0.86	0.69	0.91	0.76	1.23	4.45

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Recoveries (%) = (B/A%)	16%	16%	18%	12%	18%	
Net power costs (A-B)	4.57	3.72	4.16	5.42	5.57	23.44

However, the actual power charges claimed by AAI (₹ 23.44 Crores) are within the approved limit of ₹ 35.35 Crores. Based on the above factors, the Authority proposes to consider the actual power costs incurred by AAI for Varanasi International Airport for true up of the First Control Period.

Consumption of Stores and Spares and other charges: The Authority notes that the actual expenses amounting to ₹ 2.35 Crores for the consumption of Stores & Spares expenses include petrol expenses for Jeep/ Car and other consumables. Expenses towards consumption of stores and spares has not been separately approved in the Tariff Order for the First Control Period. The Authority notes the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposes to consider the same for true up of the First Control Period.

Other charges: The Other charges include Consultancy/ Advisory fees paid for the Consultancy services availed for Land/ Terminal Management services, ACI ASQ Survey Fees and hire charges-car/jeep & others by AAI for VIA. The Authority notes that the actual expenses amounting to ₹ 1.59 Crores incurred by AAI on such expenses towards consultancy has not been separately approved in the Tariff Order for the First Control Period. Based on the nature and essentiality of services, the Authority proposes to consider for true up of the First Control Period.

4.7.12 Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the First Control Period is provided in the table below:

Table 19: O&M expenses as proposed by the Authority for True up of the First Control Period

(₹ Crores)

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
1	Pay roll expenditure of VIA	16.93	17.95	19.03	20.17	21.38	95.46
2	Expenditure for VIA employee's retirement benefits allocated at CHQ	4.87	1.77	1.48	0.02	1.69	9.84
A	Total Payroll expenditure (1+2)	21.80	19.72	20.51	20.19	23.07	105.30
3	Administrative and General Expenditure	3.45	3.22	7.81	6.24	9.41	30.14
4	Apportionment of Administration & General expenditure of CHQ/RHQ	24.98	23.75	24.93	26.18	27.49	127.32
B	Total Administration and General expenditure (3+4)	28.43	26.97	32.74	32.42	36.90	157.46
C	Repair & Maintenance Expenditure (Total)	12.45	14.93	14.29	11.15	12.13	64.95
5	Power Charges	4.57	3.72	4.16	5.42	5.57	23.44
6	Consumption of Stores and Spares	0.35	0.32	0.69	0.51	0.48	2.35

S. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
7	Other charges	0.16	0.32	0.15	0.47	0.49	1.59
D	Utility and Outsourcing Expenditure (5+6+7)	5.08	4.36	5.00	6.40	6.55	27.39
E	Other Outflows	0.63	(0.04)	0.07	0.07	1.04	1.77
	Total (A+B+C+D+E)	68.39	65.95	72.61	70.23	79.69	356.87

4.7.13 Reasons for variance in O&M expenses as submitted by AAI ₹ 410.87 Crores and as proposed by the Authority ₹ 356.87 Crores for true up of the First Control Period is as follows:

- **Administration & General Expenses (CHQ/RHQ)** – Rationalization of expenses by ₹ 42.08 crores based on methodology followed for other similar airports.
- **Administration & General Expenses (Other than CHQ/RHQ)** – Rationalization by ₹ 9.18 crores due to non-consideration of CSR expenses and interest on loan.
- **Payroll Expenses (Other than CHQ/RHQ) & Payroll Expenses (CHQ/RHQ)** – Rationalization of ₹ 2.72 Crores due to consideration of 6% increase Y-o-Y as against 7% Y-o-Y increase considered by AAI.

4.8 True up of Taxation

4.8.1 AAI has submitted taxation for the First Control Period as follows:

Table 20: Taxation submitted by AAI for VIA

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	TOTAL
REVENUE						
Aeronautical Revenue	66.24	30.39	52.82	81.22	98.65	329.32
Total Revenue (A)	66.24	30.39	52.82	81.22	98.65	329.32
EXPENSES						
O&M expenses	74.93	71.48	87.23	82.26	94.96	410.86
Dep. As WDV As Per Income Tax	13.71	15.90	15.37	15.25	16.53	76.76
Total Expenses (B)	88.64	87.38	102.60	97.51	111.49	487.62
Profit /Loss (A-B)	(22.40)	(56.99)	(49.79)	(16.29)	(12.84)	(158.30)
Tax Rates (D)	25.17%	25.17%	25.17%	25.17%	25.17%	
TAX (C*D)	-	-	-	-	-	

4.8.2 The Authority has re-computed Aeronautical Taxation based on Regulatory Building Blocks as discussed in the previous paragraphs and the same is as follows:

Table 21 : Taxation proposed to be considered by the Authority

(in ₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Revenue (A)						
Aeronautical Revenue	66.24	30.39	52.82	81.22	98.65	329.32
Total (A)	66.24	30.39	52.82	81.22	98.65	329.32
Expenses (B)						

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
O&M expenses (Refer Table 19)	68.39	65.95	72.61	70.23	79.69	356.87
Depreciation (as per Income Tax Act, 1961)	13.71	15.90	15.37	15.25	16.53	76.76
Total (B)	0.06	0.08	0.17	0.19	1.07	
Profit /Loss (C=A-B)	82.16	81.92	88.15	85.67	97.28	435.19
Set off of prior period tax losses (D)	-15.93	-51.53	-35.34	-4.44	1.36	-105.87
Profit/ Loss after set off of prior period tax losses (E)	-15.93	-51.60	-35.46	-4.53	0.00	
Tax Rates (F)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax (E*F)	0.00	0.00	0.00	0.00	0.00	0.00

4.8.3 The Authority notes that AAI has incurred losses during the First Control Period i.e., from FY 2019-20 to FY 2022-23 and profit of ₹ 1.36 Crores for FY 2023-24, which would be set off against the losses incurred in the prior period. The Authority proposes to consider Aeronautical Tax as NIL for true up of the First Control Period, as shown in Table 21.

4.9 True up of Aeronautical Revenue

4.9.1 AAI has submitted the actual Aeronautical revenue for the First Control Period for VIA, which is as follows:

Table 22: Aeronautical revenue submitted by AAI for VIA

(₹ Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Parking & Housing Charges Revenue						
Landing (Domestic + International)	16.42	9.61	14.99	19.89	23.62	84.53
Parking & Housing	0.03	0.09	0.06	0.03	0.44	0.64
PSF and UDF Charges						
PSF(Facilitation)-Domestic + International	11.61	5.63	0.15	-	-	17.39
UDF (Domestic + International)	32.05	11.29	34.30	55.30	66.31	199.24
Other Revenue						
Throughput Charges	1.50	0.05	-	-	-	1.55
Land Lease	0.56	0.56	0.59	0.64	0.80	3.14
Ground Handling Charges	0.84	0.47	0.59	1.43	2.18	5.52
Royalty from CUTE Charges	2.12	1.68	1.42	2.67	3.55	11.44
Space Rental from Airlines	0.82	0.71	0.29	0.64	0.76	3.22
Royalty cargo revenue-30%	0.28	0.31	0.44	0.62	0.99	2.64
Total	66.24	30.39	52.82	81.22	98.65	329.32

4.9.2 The Authority compared the actual Aeronautical Revenue submitted by AAI with the Aeronautical Revenues as per the Tariff Order for the First Control Period and the same is detailed below:

Table 23: Comparison of Aeronautical Revenue as submitted by AAI with Tariff Order of the First Control Period

(₹ Crores)

Particulars	Reference	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
As per Tariff Order	A	66.88	39.32	76.03	100.92	122.85	406.01
As per True-up by AAI	B	66.24	30.39	52.82	81.22	98.65	329.32
Difference	C=B-A	-0.64	-8.93	-23.21	-19.70	-24.20	-76.69
Change %	D=C/A	-0.96%	-22.71%	-30.53%	-19.52%	-19.70%	-18.89%

4.9.3 The Authority notes that there is a significant variance between actual Aeronautical Revenues and Aeronautical Revenues as approved by the Authority in Tariff Order for the First Control Period for FY 2020-21 to FY 2022-23, which is attributable to lower passenger traffic and ATMs due to the adverse impact of the COVID-19 pandemic on the aviation sector.

4.9.4 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2019-20 to FY 2022-23) and Actuals (Unaudited) for FY 2023-24 and noted no deviations. Therefore, the Authority proposes to consider the Aeronautical revenue as per Table 22 for True up of the First control period.

4.10 True up of Aggregate Revenue Requirement (ARR) for the First Control Period

4.10.1 Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority has derived the ARR for true up of the First Control Period which is enumerated in the table below:

Table 24: ARR proposed by the Authority for True up of the First Control Period

(₹ Crores)

Particulars	Ref.	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Average RAB (refer Table 12)	(a)	91.18	111.97	112.53	115.72	131.96	
FRoR (refer para 4.5.3)	(b)	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on Average RAB	(c)= (a) * (b)	12.77	15.68	15.75	16.20	18.47	78.87
Depreciation (refer Table 11)	(d)	10.01	10.84	11.37	12.05	13.39	57.66
O&M expenses (refer Table 19)	(e)	68.39	65.95	72.61	70.23	79.69	356.87
Tax (refer Table 21)	(f)	0.00	0.00	0.00	0.00	0.00	-
Interest on Working Capital	(g)	0.85	1.21	1.63	0.41	-	4.10
Gross ARR	(h) = (c+ d+ e+ f+ g)	92.02	93.67	101.35	98.90	111.55	497.49
NAR (refer Table 13)		22.70	9.95	12.94	21.53	24.56	91.68
Less 30% NAR	(i)	6.81	2.98	3.88	6.46	7.37	27.50
Net ARR	(j) = (h)-(i)	85.21	90.69	97.47	92.44	104.18	469.99
Actual Aeronautical Revenue (refer Table 22)	(k)	66.24	30.39	52.82	81.22	98.65	329.32
Under/ (Over) recovery of First Control Period	l=(j-k)	18.97	60.29	44.66	11.21	5.53	140.67
Discount Factor (@14.00%)	(m)	1.93	1.69	1.48	1.30	1.14	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(l)*(m)	36.53	101.83	66.16	14.57	6.31	225.41
True up of Under Recovery of First Control Period as on March 31, 2024		225.41					

4.10.2 The Authority has re-computed the under-recovery of ₹ 225.41 Crores in the First Control Period as against ₹ 305.36 crores (refer Table 3) claimed by AAI and proposes to readjust the same in the ARR

computation of the Second Control Period.

- 4.10.3 The variation between the ARR proposed by the Authority and that claimed by AAI are attributable to following factors:
- i. Rationalisation of O&M expenses such as CHQ/ RHQ expenses, Administration expenses, etc. amounting to ₹ 53.99 Crores.
 - ii. Rationalisation resulting in reduction in Interest on Working Capital amounting to ₹ 1.90 Crores.
 - iii. Impact of compounding on net ARR (as per discounting factor) due to rationalization of O&M expenses.

4.11 Authority's proposal regarding True up of the First Control Period

Based on the material before it and its analysis, the Authority proposes the following with respect to true up of the First Control Period for VIA:

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as 14% for the purpose of true up of the First Control Period.
- 4.11.5 To consider the non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider O&M expenses as detailed in Table 19 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 22 for true up of the First Control Period for VIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 24 for true up of the First Control Period for VIA and readjust the shortfall for the Second Control Period.

**EVALUATION OF MYTP FOR THE SECOND
CONTROL PERIOD**

5 TRAFFIC FOR THE SECOND CONTROL PERIOD

5.1 AAI’s Submission on Traffic for the Second Control Period for VIA

5.1.1 The historical passenger traffic² and ATM at the airport has been shown in the table below:

Table 25: Historical passenger and ATM traffic at VIA (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	18,11,617	1,04,837	19,16,454	14,019	1,016	15,035
2017-18	19,36,616	1,50,965	20,87,581	14,323	1,335	15,658
2018-19	25,86,311	1,98,704	27,85,015	19,984	1,834	21,818
2019-20	27,78,972	2,31,730	30,10,702	21,987	2,069	24,056
2020-21	14,48,155	18,563	14,66,718	14,227	169	14,396
2021-22	16,53,082	55,138	17,08,220	15,650	493	16,143
2022-23	24,12,023	1,09,419	25,21,442	18,218	940	19,158
2023-24	28,79,994	1,16,704	29,96,698	19,544	976	20,520

5.1.2 The traffic growth rates (Y-o-Y) and traffic as submitted by AAI for the Second Control Period are as follows:

Table 26: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates (based on FY 23-24)						
2024-25	18.00%	45.00%	19.45%	12.00%	39.97%	13.70%
2025-26	15.00%	25.00%	15.65%	12.00%	22.04%	12.75%
2026-27	15.00%	25.00%	15.70%	12.00%	21.98%	12.80%
2027-28	10.00%	15.00%	10.38%	9.50%	14.00%	9.90%
2028-29	10.00%	15.00%	10.40%	9.50%	14.01%	9.91%
Traffic						
2024-25	34,15,425	2,37,986	36,53,411	22,853	1,842	24,695
2025-26	39,27,738	2,97,483	42,25,221	25,595	2,248	27,843
2026-27	45,16,899	3,71,854	48,88,753	28,666	2,742	31,408
2027-28	49,68,589	4,27,632	53,96,221	31,390	3,126	34,516
2028-29	54,65,448	4,91,776	59,57,224	34,372	3,564	37,936

5.1.3 AAI has submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.

5.2 Authority’s examination regarding Traffic for the Second Control Period of VIA

5.2.1 As part of its examination of AAI’s forecast of traffic at VIA, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2019-20 to FY 2023-24 (5-year CAGR) and FY 2021-22 to FY 2023-24 (3-year CAGR).

² Source: Traffic News from AAI website

5.2.2 The Authority notes that 5-year CAGR of Domestic and International passenger and ATM is significantly low due to the COVID 19 pandemic. The CAGR details so computed have been provided in the table below:

Table 27: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
Passengers:		
Domestic	1%	32%
International	-8%	72%
ATM:		
Domestic	-2%	20%
International	-11%	179%

5.2.3 The Authority notes that the wide variation in traffic in the recent past, had caused the 3-year CAGR to be the highest for International Passenger Traffic and ATM.

5.2.4 The Authority notes that VIA has growth of 19% and 7% in domestic passenger traffic and domestic ATM traffic respectively for FY 2023-24 (over previous financial year). Similarly, there is a growth of 7% and 4% international passenger traffic and international ATM traffic respectively for FY 2023-24 (over previous financial year).

Derivation of traffic forecasts by the Authority

The traffic forecasts have been computed by the Authority, after considering the study and analysis by the following agencies regarding future air traffic demand and same is as follows:

5.2.5 Airports Council International (ACI)

ACI in its recent report has analysed air travel outlook revealing global passenger traffic expected to reach 9.4 billion passengers:

- *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. The region is expected to reach approximately 3.4 billion passengers in 2024.*
- *Global passenger volume in 2023 is expected to reach 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).*
- *The gap between the Business as Usual (BAU) forecast from 2019 and the current recovery projections reveal that the percentage of lost traffic continues to decrease on a quarterly basis, from -23% in Q1 2023 to -13% in Q4 2024.*

5.2.6 International Air Transport Association (IATA)

IATA in its report on July 03, 2024 had enumerated that:

- *Industry total Revenue Passenger-Kilometres (RPK) maintained a positive trajectory in May growing 10.7% annually, slightly outpacing the 8.5% Y-o-Y growth in Available Seat-Kilometre (ASK). Passenger load factors (PLF) were higher than in comparison to previous years indicating*

stronger demand for air travel as industry wide traffic continues to rise.

- *Domestic traffic rose 4.7% over the year. PR China remained the fastest growing market among those monitored with 7.6% Y-o-Y growth. Japan RPK contracted for two (2) consecutive months; wherein May figures be 1.8% lower than the previous year.*
- *International traffic continued to show resilient momentum in May with 14.6% Y-o-Y growth in RPK across the region. Traffic from Asia Pacific still surges at a rapid pace with 27.0% Y-o-Y, while the remaining regions saw consistent results in regard of the previous month.*
- *India domestic passenger traffic continue to climb at a stable rate, increasing 4.6% Y-o-Y.*
- *Industry total Revenue Passenger-Kilometers (RPK) maintained a positive trajectory in March growing 13.8% annually, mostly carried by strong momentum of international traffic. Passenger load factors (PLF) were higher than in comparison to previous years while available seat capacity continue to follow increases in demand.*
- *Domestic traffic rose 6.6% over the year. PR China remained the fastest growing market among those monitored with 17.6% Y-o-Y growth.*
- *International traffic continued to show resilient momentum in March with 18.9% Y-o-Y growth in RPK across the entire industry. Traffic from Asia Pacific still surges at a rapid pace, while the remaining regions saw consistent results in regard of the previous month.*
- *India passenger traffic continue to climb at a stable rate, increasing 3.8% Y-o-Y.*

Conclusion on traffic forecasts based on the above assumptions

5.2.7 The Authority has taken into consideration the forecast/data published by ACI and IATA cited in para 5.2.5 and para 5.2.6 above, which indicate stable domestic passenger growth for India (4.6% Y-o-Y, as stated in IATA's recent report). The positive outlook has been taken into consideration for determining traffic projections for Varanasi Airport, which is currently expanding its Airport infrastructure and is poised to handle higher passenger traffic.

5.2.8 The Authority notes that AAI has projected the following growth rates in traffic

- 10%-18% growth for domestic passenger traffic
- 15%-49% growth for international passenger traffic
- 10%-12% growth for domestic ATM
- 14%-40% growth for international ATM

The Authority takes cognizance of the rebounding of domestic passenger traffic in FY 2022-23, where it has reached the pre COVID level of FY 2019-20.

5.2.9 Further, Varanasi being a tourist destination and with the commissioning of New Terminal Building in the current Control Period, the Authority is of the view that VIA would be able to handle higher passenger traffic in the Second Control Period.

Based on the above factors, the Authority finds the traffic projections of AAI for VIA to be reasonable and proposes to consider the same for the Second Control Period.

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

Table 28: Traffic proposed to be considered by the Authority for the Second Control Period

Domestic Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for VIA	3.42	3.93	4.52	4.97	5.47	22.29
As proposed by the Authority	3.42	3.93	4.52	4.97	5.47	22.29
Y-o-Y growth of Domestic PAX submitted by AAI for VIA	18.00%	15.00%	15.00%	10.00%	10.00%	
Y-o-Y growth of Domestic PAX proposed by the Authority	18.59%	15.00%	15.00%	10.00%	10.00%	
International Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for VIA	0.24	0.30	0.37	0.43	0.49	1.83
As proposed by the Authority	0.24	0.30	0.37	0.43	0.49	1.83
Y-o-Y growth of International PAX submitted by AAI for VIA	48.74%	25.00%	25.00%	15.00%	15.00%	
Y-o-Y growth of International PAX proposed by the Authority	48.74%	25.00%	25.00%	15.00%	15.00%	
Total Passengers (in Millions)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
As submitted by AAI for VIA	3.65	4.23	4.89	5.40	5.96	24.12
As proposed by the Authority	3.65	4.23	4.89	5.40	5.96	24.12
Y-o-Y growth of Total PAX submitted by AAI for VIA	19.45%	15.65%	15.70%	10.38%	10.40%	
Y-o-Y growth of Total PAX proposed by the Authority	21.91%	15.65%	15.70%	10.38%	10.40%	
Domestic ATM (in '000)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Domestic ATM submitted by AAI for VIA	22.85	25.60	28.67	31.39	34.37	142.88
Domestic ATM proposed by the Authority	22.85	25.60	28.67	31.39	34.37	142.88
Y-o-Y growth of Domestic ATM submitted by AAI for VIA	12.00%	12.00%	12.00%	9.50%	9.50%	
Y-o-Y growth of Domestic ATM proposed by the Authority	16.93%	12.00%	12.00%	9.50%	9.50%	
International ATM (in '000)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
International ATM submitted by AAI for VIA	1.84	2.25	2.74	3.13	3.56	13.52
International ATM proposed by the Authority	1.84	2.25	2.74	3.13	3.56	13.52
Y-o-Y growth of International ATM submitted by AAI for VIA	39.97%	22.04%	21.98%	14.00%	14.01%	
Y-o-Y growth of International ATM proposed by the Authority	88.73%	22.04%	21.98%	14.00%	14.01%	
Total ATM (in '000)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Total ATM submitted by AAI for VIA	24.70	27.84	31.41	34.52	37.94	156.40
Total ATM proposed by the Authority	24.70	27.84	31.41	34.52	37.94	156.40
Y-o-Y growth of Total ATM submitted by AAI for VIA	13.70%	12.75%	12.80%	9.90%	9.91%	
Y-o-Y growth of Total ATM proposed by the Authority	20.35%	12.75%	12.80%	9.90%	9.91%	

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

5.3 Authority's Proposal regarding Traffic for the Second Control Period

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

- 5.3.1 To consider the ATM and passenger traffic for the Second Control Period for VIA as per Table 28.
- 5.3.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.

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

The Authority has presented its analysis on CAPEX in the following order:

- Allocation of Gross block of assets into Aeronautical and Non-aeronautical.
- Capital Expenditure proposed for Second Control Period
- Depreciation for the Second Control Period
- Regulatory Asset Base for the Second Control Period

6.1 Allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.1.1 AAI has submitted for VIA the following allocation of gross block of assets as on April 1, 2024, between Aeronautical and Non-aeronautical services:

Table 29: Allocation of opening gross block of assets for April 1, 2024, between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Cargo	Non-Aero Assets	Pure Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	%
							Aero	Non-Aero		Aeronautical
	A= B+ C+ D+E+ F	B	C	D	E	F = G+H	G	H	I= E+G	J=I/A
Land	0.31	-	-	-	0.31	-	-	-	0.31	100.00%
Runway, Taxi Way & Apron	44.74	-	-	-	44.74	-	-	-	44.74	100.00%
Road, Bridge & Culverts.	2.77	0.07	-	-	2.69	-	-	-	2.69	97.29%
Other Buildings	5.03	1.52	-	-	3.05	0.46	0.46	0.01	3.51	69.63%
Terminal Building	88.54	0.26	-	-	-	88.28	79.45	8.83	79.45	89.74%
Buildings – Temporary	1.18	-	-	-	1.18	-	-	-	1.18	100.00%
Buildings – Residential	0.83	0.37	-	-	0.11	0.36	0.35	0.00	0.46	55.10%
Security Fencing- Temporary	0.11	-	-	-	0.11	-	-	-	0.11	100.00%
Boundary Wall- Operational	2.21	-	-	-	2.21	-	-	-	2.21	100.00%
Boundary Wall-Residential	0.17	0.09	-	-	-	0.09	0.08	0.00	0.08	48.34%
Computers & Peripherals- End User Devices	1.10	0.08	-	-	1.03	-	-	-	1.03	92.94%
Computer Software	1.02	0.00	-	-	1.01	0.01	0.01	0.00	1.01	99.38%
Plant and Machinery	55.11	31.16	0.38	-	23.35	0.22	0.20	0.02	23.55	42.73%
Tools & Equipment	4.57	0.57	-	-	3.22	0.78	0.70	0.08	3.92	85.76%
Vehicles	1.20	0.05	-	-	1.15	-	-	-	1.15	95.90%
Electrical Installations	45.26	1.80	-	-	7.91	35.55	32.00	3.56	39.90	88.17%
Office Equipment	0.49	0.01	-	-	-	0.48	0.46	0.02	0.46	94.40%
Furniture & Fixtures-Other than Trolley	1.84	0.09	-	-	1.74	0.00	0.00	0.00	1.74	94.92%
Furniture & Fixtures – Trolleys	0.36	-	-	-	0.36	-	-	-	0.36	100.00%
X-Ray Baggage System	5.83	0.21	-	-	5.62	-	-	-	5.62	96.46%
CFT & Firefighting equipment	19.06	-	-	-	19.06	-	-	-	19.06	100.00%
Total	281.74	36.29	0.38	-	118.85	126.22	113.71	12.51	232.56	82.55%

Authority's examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.1.2 The Authority notes that the common assets within the Terminal Building have been apportioned to Aeronautical and Non-aeronautical activities by AAI for VIA in the Terminal Building ratio of 90%:10% for the First Control Period, which was also considered in the Tariff Order for the First Control Period. Therefore, the Authority proposes to consider the same Terminal Building ratio (90:10) for allocation of common assets within the Terminal Building for the Second Control Period.

6.1.3 The Authority considers the allocation of Gross Block of assets submitted by AAI as reasonable. Based on the above, the Authority has presented the allocation of Gross Block of assets as on April 1, 2024 between Aeronautical and Non-aeronautical as per table below:

Table 30: Allocation of Opening Gross Block of Assets as on April 1, 2024 between Aeronautical and Non-aeronautical proposed by the Authority

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Cargo	Non-Aero Assets	Aero-nautical Assets	Common Assets	Common Assets		Total Aero Assets	% Aeronautical
							Aero	Non-Aero		
	A= B+ C+ D+E+ F	B	C	D	E	F = G+H	G	H	I= E+G	J=I/A
Land	0.31	-	-	-	0.31	-	-	-	0.31	100.00%
Runway, Taxi Way & Apron	44.74	-	-	-	44.74	-	-	-	44.74	100.00%
Road, Bridge & Culverts.	2.77	0.07	-	-	2.69	-	-	-	2.69	97.29%
Other Buildings	5.03	1.52	-	-	3.05	0.46	0.46	0.01	3.51	69.63%
Terminal Building	88.54	0.26	-	-	-	88.28	79.45	8.83	79.45	89.74%
Buildings – Temporary	1.18	-	-	-	1.18	-	-	-	1.18	100.00%
Buildings – Residential	0.83	0.37	-	-	0.11	0.36	0.35	0.00	0.46	55.10%
Security Fencing- Temporary	0.11	-	-	-	0.11	-	-	-	0.11	100.00%
Boundary Wall- Operational	2.21	-	-	-	2.21	-	-	-	2.21	100.00%
Boundary Wall-Residential	0.17	0.09	-	-	-	0.09	0.08	0.00	0.08	48.34%
Computers & Peripherals-End User Devices	1.10	0.08	-	-	1.03	-	-	-	1.03	92.94%
Computer Software	1.02	0.00	-	-	1.01	0.01	0.01	0.00	1.01	99.38%
Plant and Machinery	55.11	31.16	0.38	-	23.35	0.22	0.20	0.02	23.55	42.73%
Tools & Equipment	4.57	0.57	-	-	3.22	0.78	0.70	0.08	3.92	85.76%
Vehicles	1.20	0.05	-	-	1.15	-	-	-	1.15	95.90%
Electrical Installations	45.26	1.80	-	-	7.91	35.55	32.00	3.56	39.90	88.17%
Office Equipment	0.49	0.01	-	-	-	0.48	0.46	0.02	0.46	94.40%
Furniture & Fixtures-Other than Trolley	1.84	0.09	-	-	1.74	0.00	0.00	0.00	1.74	94.92%
Furniture & Fixtures – Trolleys	0.36	-	-	-	0.36	-	-	-	0.36	100.00%
X-Ray Baggage System	5.83	0.21	-	-	5.62	-	-	-	5.62	96.46%
CFT & Firefighting equipment	19.06	-	-	-	19.06	-	-	-	19.06	100.00%
Total	281.74	36.29	0.38	-	118.85	126.22	113.71	12.51	232.56	82.55%

6.1.4 The total Gross block of Aeronautical assets, as on April 1, 2024 is ₹ 232.56 Crores.

AAI's Submission on Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period

6.2 Capital expenditure for the Second Control Period

6.2.1 AAI has proposed capital expenditure of ₹ 3,005.65 Crores for the Second Control Period for VIA, which has been summarized in the table below:

Table 31: Summary of Capital Expenditure projects submitted by AAI on 30th May 2024 (MYTP) for VIA for Second Control Period

(₹ Crores)

Project/Group	No.	Particulars	Amount
Capital expenditure proposed for the Second Control Period	1	Runway, Taxiways & Aprons	690.14
	2	Road, Bridges & Culverts	562.29
	3	Building- Terminal	1,375.16
	4	Boundary Wall -Operational	27.11
	5	Other Buildings-Unclassified	44.34
	6	Plant & Machinery	7.50
	7	Office Furniture	1.39
	8	X-BIS	1.50
			Capital expenditure proposed for the Second Control Period
Financing allowance (FA)			296.22
Total (including FA)			3,005.65

Authority's examination of Capital Expenditure (CAPEX) for the Second Control Period

6.2.2 The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Second Control Period, has appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which is absolutely required to cater current and future traffic demand for the smooth operations of the Airport, as explained in the following paragraphs.

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

- Reviewed construction plan submitted by AAI for Varanasi Airport, including various technical details, Airport Master Plan, BOQs, Letter of Award (LOA), Work Orders etc.. The Independent Consultant also considered the responses of AAI to the clarification sought in relation with CAPEX plan from time to time.
- Sought documentary evidence and the process of approval of capital addition projects including

process for award of various work orders to the contractors, wherever applicable.

- The consultants also visited VIA for a site visit on 29th & 30th June, 2024, focusing specifically on review of current airport operations and proposed airport development plans.

Based on the review of documents as stated above and the essentiality and necessity for Airport operations, the Authority had rationalized the cost of various CAPEX projects submitted by AAI and also shifted the capitalization date of some of the projects, based on the project progress, verification of item rates and optimization of the capacity augmentation proposed by AAI for various assets.

Further, the Authority tried to ensure that there is no excessive capacity creation in this Control Period as it would result in higher tariff and would have no link to the actual utilization of 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 had examined the entire CAPEX plan in detail including CWIP projects and the new CAPEX for VIA, 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 Second Control Period with a view to maintain a balanced approach between the sustainable operations of VIA and the interest of the airport users.

- 6.2.3 The Authority notes that AAI has conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure for Construction of New Terminal Building to meet the requirements of robust traffic growth and passenger facilitation at Varanasi International Airport. The same has been approved in the AUCC meeting no AAI/APD/VNS-2019/ dated November 25, 2019.

Subsequently, AAI had also obtained approval of PIB through note no. 27(03)/ PFC-1/ 2024 dated February 20, 2024 for major capital projects such as the new Terminal Building, extension of Runway, NHAI Underpass.

- 6.2.4 The capital additions proposed by AAI for the Second Control Period have been segregated into the following categories:
- A. Capital Addition projects shifted from the First Control Period to the Second Control Period.
 - B. New Capital Addition projects proposed by AAI for Varanasi International Airport for the Second Control Period.

- 6.2.5 The Authority, based on its site visit through its Independent Consultant and review of the documents submitted by AAI has considered the revised projections submitted by AAI, for its further analysis of the CAPEX proposed by Airport Operator for the Second Control Period.

- The Authority through its Independent Consultant has raised various queries from time to time regarding CAPEX submitted by AAI. In this regard, AAI has submitted the revised estimates/ additional details for some of its key projects such as Construction of Terminal Building and Extension of Runway etc. vide email dated August 07, 2024.
- The Authority also notes that AAI had projected green energy initiatives along with multiple projects. The Authority has combined them under the head Environment Management Works, while examining the CAPEX proposed for the Second Control Period.

The capital additions, as projected by AAI has been grouped and explained in the table below:

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

Table 32: Project wise revised Capital Expenditure submitted by AAI on August 7, 2024 for VIA for Second Control Period

(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Revised project cost	Financing allowance	Total CAPEX (incl. FA)
			(includes design, PMC, Pre- operative expenses etc)	(FA)	
A. Capital additions projects shifted from the First Control Period to the Second Control Period					
A1 Building- Terminal					
i)	Construction of Terminal Building	2027-28	1,375.16	151.06	1,526.22
A2 X-BIS					
i)	X-BIS	2024-25	1.50	-	1.50
A3 Environment Management Work					
i)	Solar Power	2027-28	20.60	-	20.60
ii)	Rain Water Harvesting	2027-28	1.00	-	1.00
iii)	Solid Waste Plant	2027-28	0.50	-	0.50
iv)	Corporate Environment Responsibility	2027-28	3.50	-	3.50
TOTAL (A)			1,402.26	151.06	1,553.32
B. New Capital Addition projects proposed by AAI for the Second Control Period					
B1 Runways, Taxiways & Apron					
i)	Extension of Runway	2027-28	521.50	57.29	578.79
ii)	CAT- III lighting, apron flood lighting (Electrical)	2027-28	126.80	18.52	145.32
B2 Road, Bridges & Culverts					
i)	Recarpeting of Perimeter Road	2024-25	2.42	-	2.42
ii)	Construction of Elevated Road	2027-28	50.02	4.56	54.48
iii)	Construction of National Highway Under Pass	2027-28	360.99	56.94	417.93
B3 Boundary Wall					
i)	Construction of B/Wall	2027-28	27.12	2.98	30.10
B4 Other Buildings					
i)	Box Culvert, LLZ, GP, DVoR Security Watch Tower	2027-28	11.58	1.27	12.85
ii)	Sub Station	2027-28	34.75	3.60	38.35
B5 Plant and Machinery					
i)	Body Scanner	2025-26	7.50	-	7.50
B6 Office Furniture					
i)	Providing Baggage checking table stamping and frisking stand	2024-25	1.39	-	1.39
TOTAL (B)			1,144.07	145.16	1,289.23
Capital expenditure proposed for the Second Control Period		TOTAL (A+B)	2,546.33	296.22	2,842.55

6.2.6 The Authority has examined the CAPEX projects submitted by AAI, in the following manner:

A. Capital additions projects shifted from the First Control Period to the Second Control Period

A1 Terminal Building (TB)

The Authority examined the capital expenditure for Terminal Building approved in the First Control Period and identified that major CAPEX has not been executed in the First Control Period due to COVID-19 pandemic. AAI has proposed to shift the said CAPEX on Terminal Building from the First Control Period to the Second Control Period. The Authority on its examination has noted the following:

i. **Background:**

AAI has initially proposed construction of a new Terminal Building (TB) in the First Control Period, by integrating it with the existing Terminal Building having an area of 24,000 sqm. The new Terminal Building area as per the initial plan was 52,000 sqm along with 15,000 sqm basement, totalling to 67,000 sqm, with an estimated cost of ₹ 948 Crores and capacity of 4.5 MPPA. Additionally, a separate Utility building of 4,800 sqm has been proposed by AAI.

The Authority had assessed the proposed CAPEX of new Terminal Building of ₹676.48 crore for the First Control Period, including IDC. Due to anticipated capacity redundancy, only 75% was considered for RAB, reducing it to ₹ 507.36 crore (₹329.78 crore Civil, ₹177.58 crore Electrical), scheduled for capitalization in FY 2023-24. However, AAI had not commenced with the construction of Terminal Building as approved and reasons for the same had not been stated in its MYTP submission. With current traffic exceeding pre-COVID levels, AAI has revised its proposal based on updated trends and forecasts.

The Authority notes from the Detailed Project Report (DPR) submitted by AAI to PIB in December 2023, that the proposal for the new Terminal Building has been revised. The new Terminal Building has been proposed as a standalone structure with 75,000 sqm built-up area, designed for 5,000 Peak Hour Passengers, with capacity of 6 MPPA. The new Terminal Building is separated from the existing Terminal Building and AAI has proposed to use the existing Terminal Building for international operations. Traffic forecasts show total traffic would reach 6 MPPA by FY 2028-29, with domestic traffic surpassing this threshold in FY 2029-30.

ii. **EPC contract awarded for Terminal Building**

The Authority notes that AAI has awarded the contract on EPC basis for ₹ 893.48 Crores towards the construction of Terminal Building and allied works. The above contract includes the Civil and Electrical works proposed to be carried out for construction of Terminal Building.

However, the following works have been excluded from the Scope of Work of the above EPC contract, such as:

- a. Inline Baggage Handling System.
- b. Passenger Boarding Bridge.
- c. X-BIS HB with Automatic Tray Retrieval System.
- d. Dual View X-BIS HB & RB.
- e. Full Body Scanner.
- f. ETD, DFMD, HHMD.
- g. VHF FM System.
- h. Entertainment TV, In building Solutions etc.
- i. Interiors of Leased Spaces for Retail/ Commercial Spaces inside the Terminal Building.

j. In flooring for all applicable building services within each leased space.

iii. **Challenges in completing the Project**

AAI has projected the timeline for completing the new Terminal Building project as 36 months. However, the Authority based on the site visit through its Independent Consultant, notes challenges in the completion and commissioning of this project within the above-mentioned timelines, due to the following reasons:

- State Highway SH 98, connecting the airport to the Babatpur railway station and NH 28 intersects the proposed Multi Level Car Parking (MLCP), city side of Terminal Building, Apron, and PTT areas.
- Successful completion of this project depends on diverting or closing this road, requiring finalization of a layout plan and land acquisition by the State government.
- It is understood that the State govt is yet to firm up a concrete proposal for closing or diverting this highway.
- Further, AAI proposes to take up the works excluded in EPC tender by inviting tenders through other agencies potentially resulting in delays in the overall completion of the project.

Based on the above factors, the Authority is of the view that the new Terminal Building may be commissioned by June 2028 (FY 2028-29). Accordingly, the Authority proposes to consider the Commissioning of Terminal Building in FY 2028-29.

iv. **Inflation adjusted normative cost determination**

- a. 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-I 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 connecting 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.
- b. Considering the superior specifications, fit & finishes, processes, and the architectural features of modern Terminal Buildings, the Authority has considered a normative cost for construction of Terminal Building @ ₹ 1,00,000 per sqm for FY 2020-21. Inflation adjusted normative cost of terminal building is being uniformly considered for other airports. In view of the same, the Authority in case of VIA, proposes to consider ₹ 100,000 per sqm in the base year FY 2021 for terminal building works.
- c. The Authority has worked out the inflation adjusted normative rates for the CAPEX proposed in the Second Control Period by considering the rate of inflation as follows:
 - The authority noted that the inflation rates as the press release dated April 18th ,2022 Department of Promotion and Industry & Internal Trade, Govt. of India for FY 2201-22 to FY 2022-23 as under:

FY 2020-21	-	1.29%
FY 2021-22	-	12.97%
FY 2022-23	-	9.42%

- The Authority also noted that 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 that inflation rate for FY 2021-22 is on the higher side due to the unprecedented impact due to COVID, AERA views that the rate has to be rationalized. Hence, the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and FY 2021-22 (12.97%) which works to 7.14% as the inflation for FY 2021-22 in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic.
- The inflation rates for the FY 2023-24 to FY 2026-27 has been considered as per 89th round of survey of professional forecasters a macroeconomic indicator as under:
 - a) FY 2023-24 - 3.00 %
 - b) FY 2024-25 - 3.00 %
 - c) FY 2025-26 - 3.20 %*

* (The same rate has been considered for the remaining years of the Control Period)

- d. 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 service taxes applicable at that time i.e. 12%. Subsequently, GST had been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost was worked out below by adding another 6% to ensure the total GST rate of 18% was considered in the cost. The Authority, in this regard noted that the proposed normative cost of ₹ 1,00,000 per sqm (for FY 2020-21) is inclusive of GST. This rate is adjusted for inflation in subsequent years and after adding 6% GST, the Normative rate has been determined as ₹1,44,734 per sqm for FY 2028-29, as detailed in the table below:

Table 33: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building

Financial Year	Inflation Rate	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative cost (including GST) (in ₹ per sqm.)
FY 2020-21	-	1,00,000	1,05,357
FY 2021-22	7.14%	1,07,140	1,12,880
FY 2022-23	9.42%	1,17,233	1,23,513
FY 2023-24	0.30%	1,17,584	1,23,883
FY 2024-25	3.00%	1,21,112	1,27,600
FY 2025-26	3.20%	1,24,987	1,31,683
FY 2026-27	3.20%	1,28,987	1,35,897

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

Financial Year	Inflation Rate	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative cost (including GST) (in ₹ per sqm.)
FY 2027-28	3.20%	1,33,115	1,40,246
FY 2028-29	3.20%	1,37,374	1,44,734

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

As shown in the above table the normative rate (inclusive of GST) for FY 2028-29 is ₹ 1,44,734 per Sqm.

v. **Comparison of cost of Terminal Building submitted by AAI and Normative cost derived by Authority**

Cost of construction of Terminal Building submitted by AAI

The estimated costs of construction of Terminal Building submitted by AAI in its MYTP is as follows:

Table 34: Cost of construction of Terminal Building submitted by AAI (₹ Crores)

Particulars	Formula	Estimated cost for capitalisation in FY 2027-28	Normative rate	
Terminal Building Area (Sq.m)	A	77,660.00		
Cost Estimated (₹ Cr.)	B	1,375.15		
Less:- Additional Works	C			
i. Solar Energy		15.00		
ii. Dual View X-Bis-HB CTX with ATR		91.00		
iii. Self-Baggage Drop system		7.00		
iv. Deposit with Electricity Board		15.00		
Estimated Cost for TB excluding additional works	B-C	1,247.15		
Cost excluding GST (₹ In Cr.)	D = CX100 /118	1,056.91		
Cost of PMC @ 2.54%	E	26.18		
Cost excluding PMC (₹ Cr.)	F	1,030.73		
Cost per SQM (₹ Rs.)	F / A	1,32,722.94		1,42,617

Particulars	Formula	Estimated cost for capitalisation in FY 2027-28	Normative rate
Cost proposed by AAI (₹ Cr.)		1,375.15	

For a meaningful comparison, the Authority has considered the cost of following works as a part of Terminal Building, whereas these works have been claimed separately by AAI.

- Substation building (refer B4 (ii) in Table 32) – Substation is considered as part of Normative cost as per AERA Guidelines.
- Elevated roads (refer B2 (ii) in Table 32) – As Elevated Road is considered essential as per design of the new Terminal Building at VIA. Therefore, the same has been proposed to be considered along with the cost of new Terminal Building.

The re-computed cost of Terminal Building based on by AAI’s submission is as follows:

Table 35: Recomputed cost of construction of Terminal Building based on AAI’s Submission
(₹ Crores)

Particulars of CAPEX	Amount
Aeronautical Cost of Construction of Terminal Building (refer Table 35) = A	1,375.15
Aeronautical Cost of Substation building = B	34.75
Aeronautical Cost of Elevated Roads = C	50.02
Total Aeronautical cost of Terminal Building as per AAI’s submission (A+B+C)	1,459.92

Normative cost of Terminal Building as per the Authority

The total area considered for computation of normative costing is as follows:

- Area excluding Basement = 75,220 sqm.
- Fixed wing of PBB = 1,640 sqm
- Area of Substation/ Utility Building = 4,485 sqm
- **Total = 81,345 sqm.**

The Authority proposes to consider the area of 81,345 sqm. for deriving Normative cost, which amounts to ₹ **1,177.34 Crores** (81,345 sqm. x ₹ 1,44,734 per sqm.)

The Authority notes that the above normative cost, derived based on Normative rate as per Table 33, includes costs for civil work, electrical works, airport system, IT system, infrastructure, etc. However, by drawing inference from past experience in other similar airports, the Authority notes that there are certain exclusions to the normative costs such as Art work, PMC, etc.

The details of inclusions/ exclusions from normative costs of Terminal Building, considered, based on details furnished by AAI vide email dated August 7, 2024, have been explained in the table below:

Table 36: Normative cost of Terminal Building proposed by the Authority for Varanasi International Airport

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

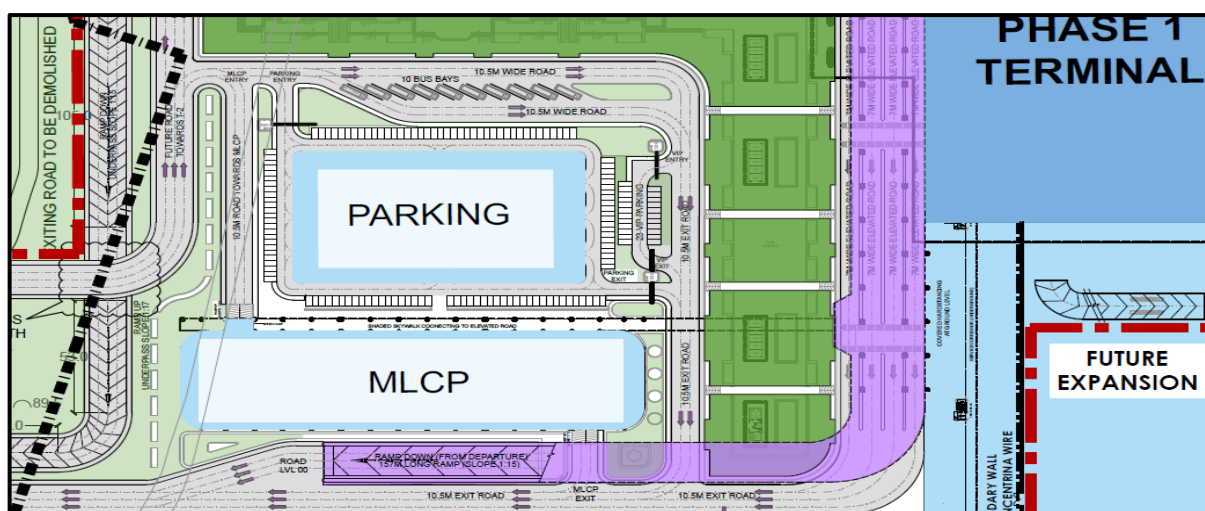
(in ₹ Crores)

S. No	Particulars	Amount	Remarks
1)	Cost as per Normative Rate	1,177.34	(refer para above)
2)	Add:		
	i. CTX machine	91.00	Refer Note below
	ii. Artwork	10.00	
	iii. PMC charges	26.18	
	iv. Skywalk from MLCP	9.54	
	v. Underground water tank	6.90	
	vi. Roads and footpaths	41.29	
	vii. Underpass for road crossing	18.77	
	viii. Elevated Road	50.02	
	Total (2)	253.70	
	Total (1+2)	1,431.04	
	Aeronautical cost of Terminal Building derived by the Authority, by considering TB ratio of 90:10 (refer para 6.2.10)	1,287.94	

Notes:

- As CTX is a new technology and essential from Security perspective, the Authority proposes to consider the same as part of Terminal Building, in addition to the normative costs.
- Art Work – As Varanasi is an important tourist destination and religious place, in order to depict the rich heritage of Varanasi city, CAPEX for Artworks amounting to ₹10 crores has been proposed.
- PMC – PMC – During project clearance by PIB, it was conveyed that MoCA/ AAI should ensure that the PMC charges are restricted at 2.54% of estimated cost/ awarded cost/ completion cost, whichever is lowest. AAI has considered PMC as ₹ 26.18 Crores which is within 2.54% of the estimated cost.
- Skywalk from Multi Level Car Parking (MLCP) to TB- Link Bridge from the MLCP to departure level of the Terminal Building is required for facilitation/ convenience of the users of Terminal Building. The Authority through its Independent Consultant notes that the estimated cost amounting to ₹ 9.54 Crores is reasonable as per the CPWD norms/ market rates.

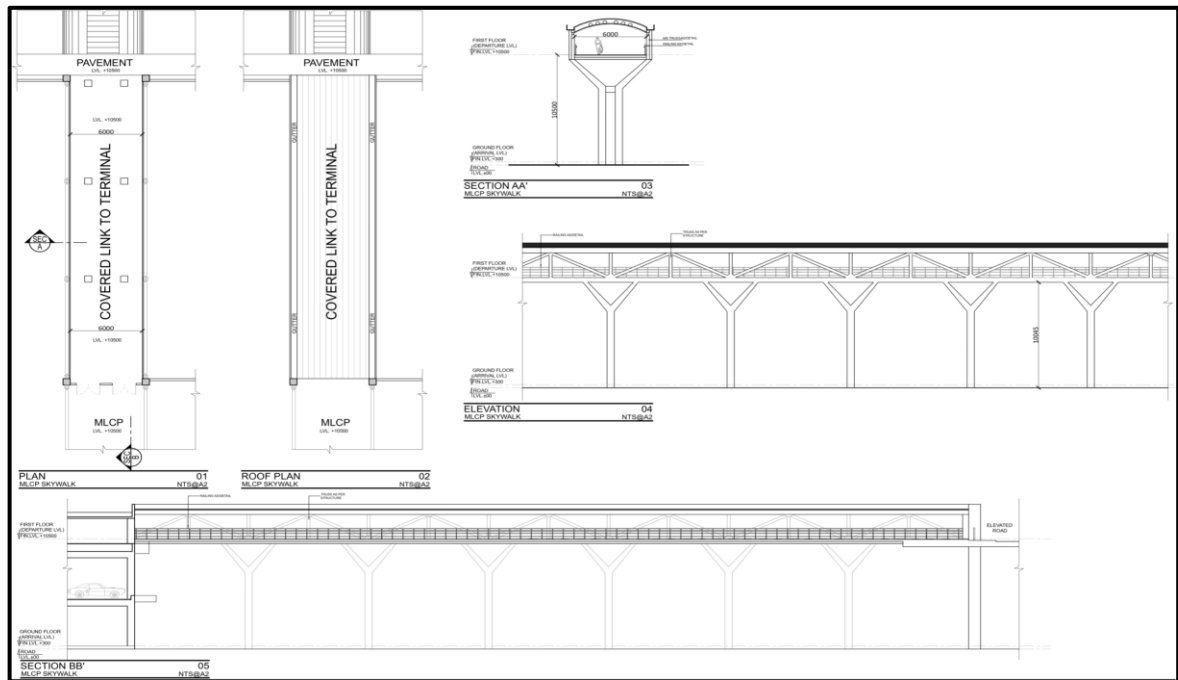
Layout map of Terminal Building – MLCP is given below:



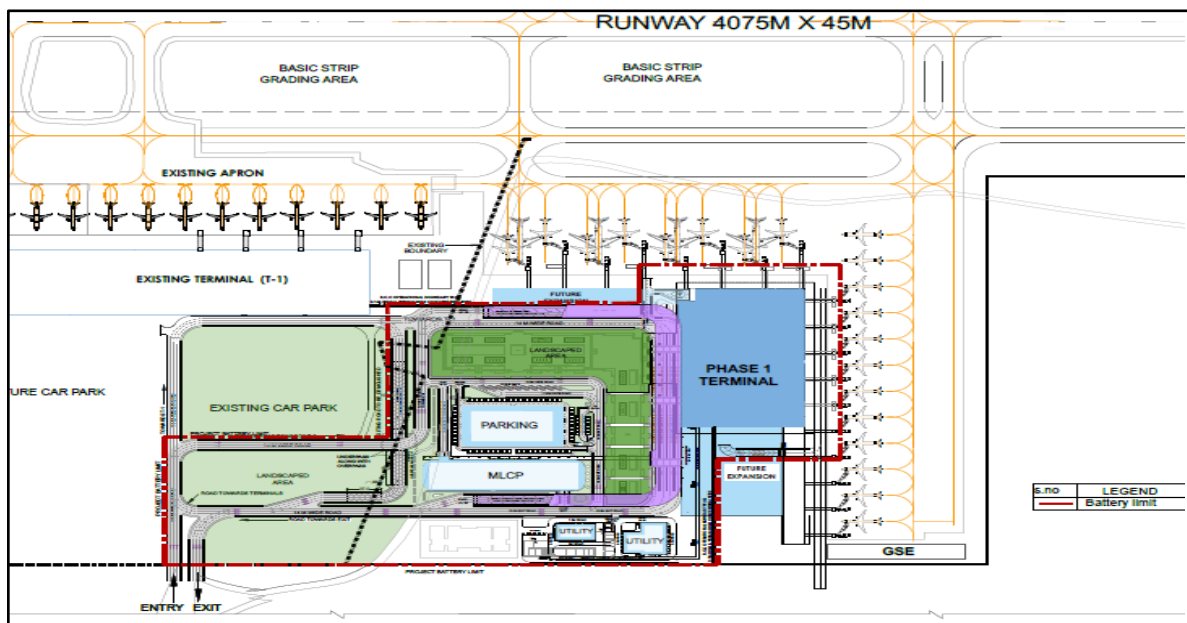
- Under Ground Water Tank – AAI has proposed for construction of an Under Ground Water Tank of 23 lakh liters capacity. This is not only for the Terminal Building, but for the overall airport and has not been considered

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

as part of the normative costs. Based on the essentiality, the cost estimates were checked based on market rates and the same is considered to be reasonable.



- vi. Roads and Footpaths – Roads & Footpaths are not part of the Normative cost and are considered separately (Ref. Table 36). The cost estimates, in this regard have been checked as per the CPWD norms/ market rates by the aviation expert of the independent consultant and found to be reasonable.
- vii. Underpass for road crossing – The existing Entry Road to the New Terminal Building is crossing the Exit Road of Old Terminal Building, for smooth flow of traffic and the same is considered an essential requirement. It is proposed to have an Underpass, as shown in the map below:.



The cost estimates have been checked as per the CPWD norms/ market rates by the aviation expert of the independent consultant and found to be reasonable.

The Authority based on the above analysis, proposes to consider the aeronautical cost of construction

of Terminal Building and other works for capitalization in FY 2028-29 as ₹ 1,287.94 Crores, as shown in Table 36.

A2 - X-BIS

- i X-BIS: AAI has proposed ₹ 1.50 Crores towards the procurement of Double view XBIS (RB-3 no's and HB – 6 no's) to replace the Single view XBIS in the existing TB. The Authority notes that single view type X-BIS are available in existing Terminal Building. According to BCAS circular 11/2017, new X-BIS machines must be equipped with dual view image technology. This requirement extends to the computer-based programs associated with these machines, which should also incorporate dual view image capabilities as a standard feature. This directive aims to enhance security screening effectiveness by providing multiple perspectives of scanned items. Based on the above factors, the Authority considers the proposal as justifiable and the estimated cost as reasonable, based on prevailing market rates, for capitalization in FY 2024-25.

A3 - Environment Management Works

The Authority notes that AAI has considered multiple Environment Management Works along with the estimate of new Terminal Building, which is as follows:

- a. Solar Power: AAI has proposed a 5 MW Roof top solar power plant above MLCP amounting to ₹ 20.60 Crores and it is comparable to costs considered for other similar airports.
- b. Rain Water Harvesting: AAI has proposed to provide Rain Water harvesting along with drains amounting to ₹ 1.00 Crore. The cost estimates have been checked as per the CPWD norms/ market rates by the aviation expert of the independent consultant and found to be reasonable.
- c. Solid Waste Management Plant: AAI has provisioned ₹ 0.50 Crore for Solid Waste Management Plant. The cost estimates have been checked as per the CPWD norms/ market rates by the aviation expert of the independent consultant and found to be reasonable.
- d. Corporate Environment Responsibility: AAI has projected ₹ 3.50 Crores for Corporate Environment Responsibility as a statutory requirement to spend 0.25% of the project cost outside the Airport for Environmental works.

The Authority on the above lines proposes to consider ₹ 25.60 Crores towards Environment Management Works, as the same are part of Green Initiatives for reduction of carbon footprints which has been accorded high priority by the Government too that are recognized by the Authority.

New Capital Addition projects proposed by AAI for the Second Control Period

B1 – Runways, Taxiways and Apron

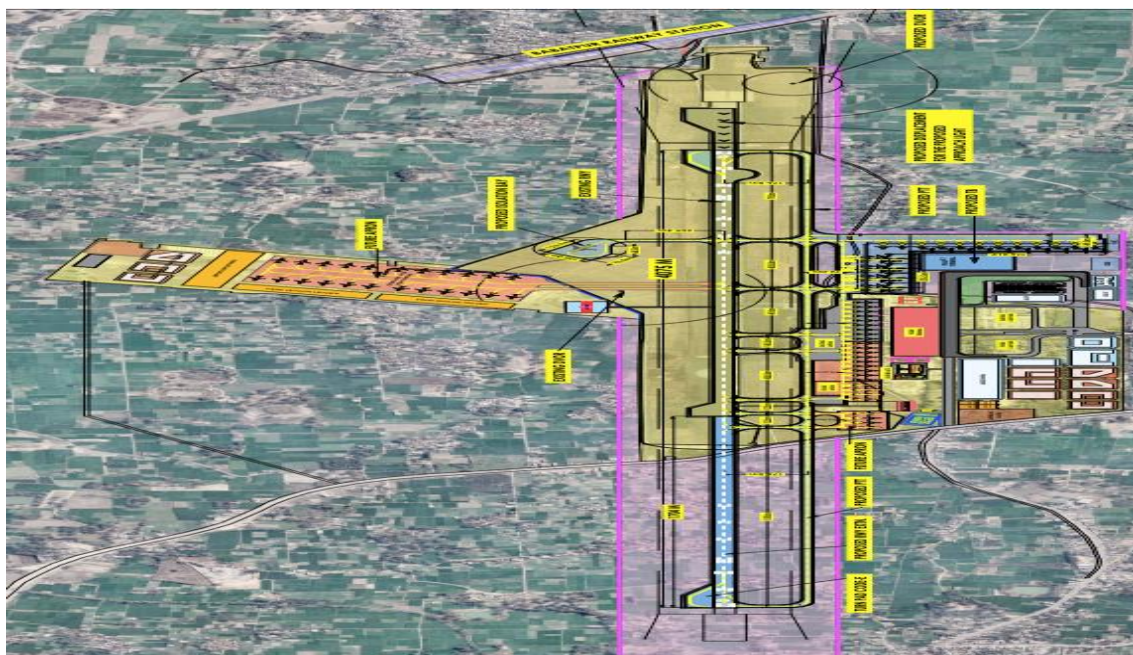
- i **Extension of Runway:** AAI has proposed the Capital Expenditure of ₹ 521.50 Crores towards Extension of Runway for capitalisation in FY 2027-28.

Currently, the Airport features a single 2,745-meter asphalt runway (09/27) capable of accommodating B-767 and A-321 aircraft. The proposed plan of AAI, aims to extend the runway to 4,075 meters, enabling operations for larger Code E aircraft like the B-777. Also, the Authority notes that extension involves shifting the eastern threshold 374 meters westward to accommodate a CAT-I Approach Lighting System (upgradable to CAT-III) and adding 1,704 meters to the western end.

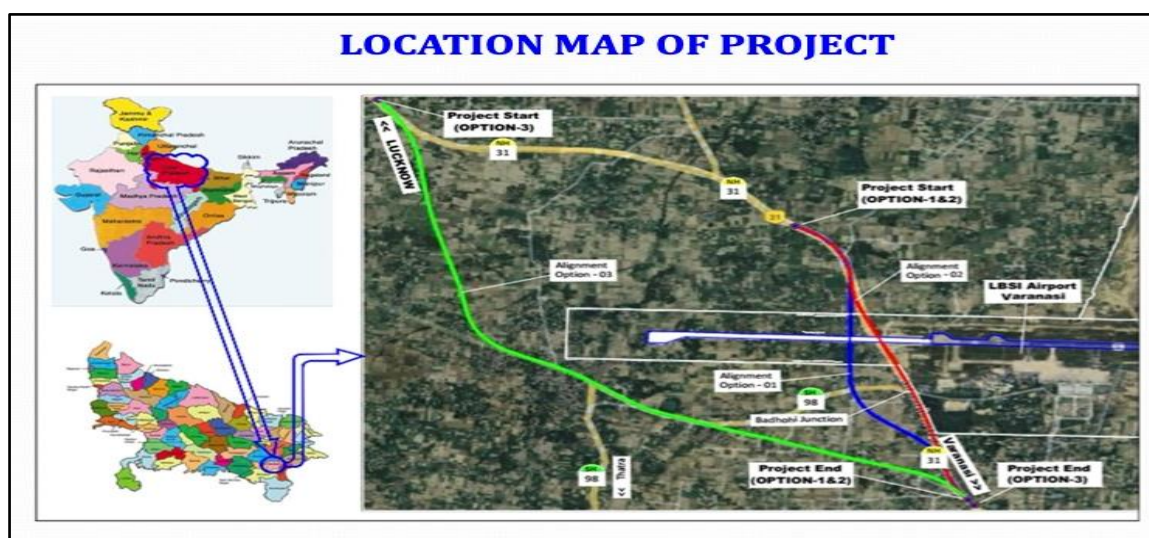
Additional improvements proposed by AAI encompass a Runway End Safety Area (RESA), a Code E Runway Turning Pad, enhanced runway strip grading and a new drainage system.

Infrastructure upgrades include a perimeter road, strengthening of existing Runway and Taxiways, an isolated parking bay for Code E aircraft, an expanded apron for 20 A321 aircraft, new link taxiways, a 3,400-meter parallel taxiway, and rapid exit taxiways. This approach aims to modernize Varanasi Airport, significantly enhancing its operational capacity, safety, and efficiency to meet growing aviation demands.

The Master Plan provided below illustrates the layout and locations of the proposed works, explaining how the airport's infrastructure will be transformed to meet future aviation needs.



The Authority through the site visit conducted by its Independent Consultant notes that the project requires addressing the issues connected with National Highway (NH-31) that intersects the area proposed for the Runway Extension work. Pictorial representation of the same has been presented below:



In order to facilitate the execution of this project, two options were considered such as:

- diversion of the highway or

- construction of an underpass.

NHAI had provided the cost estimates for both the options and after evaluation, AAI has opted for construction of underpass. In order to avoid the skewing of the underpass and have smooth traffic flow it has been suggested to provide a separate alignment, as shown in the Layout Plan below:



NHAI has finalized plans for the underpass to accommodate the runway extension at Varanasi airport and the same necessitates acquisition of approximately 10.70 hectares (26.44 acres) of land. AAI has requested the State Government to acquire this land and transfer it to NHAI for the project. As the underpass is essential for the runway extension at the initial stage, AAI agreed to bear the costs associated with its construction. On April 26, 2024, NHAI provided AAI the following cost estimates for the Underpass project.

- a. Cost of land acquisition of 10.70 Hectares land, including cost of effected structure = ₹ 154.49 Crores
- b. Cost of Construction = ₹ 360.99 Crores (Initially, NHAI had given the estimated cost as ₹ 518.39 Crores, based on which the projections made in the MYTP)

The Authority notes that the State Government is yet to commence the process of land acquisition for NHAI/ AAI. It is understandable that NHAI would be able to proceed with the underpass construction only after acquiring the entire land and after removing any affected structures. Completion of the underpass and associated roadwork is necessary before traffic can be re-routed from the current National Highway and transferred it to AAI for runway extension work. The Authority through its Independent Consultant has assessed that 18 months to 24 months are required for completion of Underpass project, after the acquisition and transfer of encumbrance free land to NHAI.

Based on the above factors, it can be discerned that the runway extension can be commenced only upon acquisition of land, after resolving all encumbrances. Also, the PIB's recommendation emphasizes the need for encumbrance-free land and obtaining necessary statutory clearances before awarding the contract. Typically, runway extension work requires a minimum of 24 to 30 months. As AAI has not provided a project schedule or PERT chart, the Authority is of the view that the runway extension project may be completed only in the next Control Period. However, if the same work gets completed in the current Control Period, the Authority will consider such projects on actual incurrence basis subject to efficiency and reasonability at the time of

determination of tariff of the next Control Period.

The Authority notes that there are **other associated works** which have been included under the Runway Extension project and the same are as follows:

a) Provision of RESA on extended end of Runway measuring 240 m x 90 m.

The Authority notes that this project is integral for the commissioning of **Runway Extension**, since the Civil Aviation Requirement (CAR) of DGCA stipulates that for all licensed airports, RESA of specified dimension needs to be provided. For the runway at Varanasi, with IFR and proposed Code E operations, the RESA of size 240m X 90m is required along with the Runway extension. Considering that the runway extension can be completed and commissioned only in the next Control Period, the Authority, therefore proposes to shift this project to the next Control Period.

b) Provision of Runway Turning Pad for Code E.

The Turning Pad at the west side is integral to the **Runway Extension**, therefore, the Authority proposes to shift this project to the next Control Period. The Turning Pad at the east side of the Runway is linked with the shifting of the threshold for the Approach Lighting System. Therefore, the Authority proposes to consider this work along with the “Strengthening of Existing Runway”.

c) Development of Runway Strip with suitable grading

Runway strip is needed for the project on **Runway Extension** and hence, the Authority proposes to shift it to the next Control Period.

d) Provision of drainage system

Drainage/ rain water disposal system is available for the existing operational area. Upon **Runway Extension** and additional infrastructure construction, there would be a need for redesign and construction of a proper drainage system. As this work relates to the project on extension of Runway, the Authority proposes to shift it to the next Control Period.

e) Perimeter Road

AAI has proposed to extend the runway on the west side and widen the existing Runway Strip on the east side. The total length of the Perimeter Road is 8,900 m, out of which, 3,460 m is in the operational area, where the land is available. However, with the widening of the Runway Strip, the perimeter road will need to be realigned and reconstructed closer to the new boundary. The Authority through its Independent Consultant notes that the road within the runway extension area can be completed along with the runway extension in the next Control Period, while the proposed perimeter road on the east side may be completed along with the project on Apron in FY 2028-29.

AAI has estimated the total cost for the perimeter road at ₹ 26.70 crore i.e. ₹ 15.46 Crores for the road in the **Runway Extension** area and ₹ 11.24 Crores for the road on the east side. Based on the above factors, the Authority proposes to consider ₹ 11.24 Crores for Perimeter Road on the East side, which is reasonable based on the prevailing market rates, for capitalisation in the Second Control Period.

As elaborated, the Runway Extension is totally dependent upon acquisition of additional land by following the due process of land acquisition as per the stipulated timeline and hence if the above associated works or its part directly related to Runway Extension as mentioned above at para (a), (b), (c), (d) and (e) gets started and then fully completed and capitalised in the current Control Period then the Authority shall consider such projects on actual

incurrence basis subject to efficiency and reasonableness at the time of determination of tariff of the next Control Period.

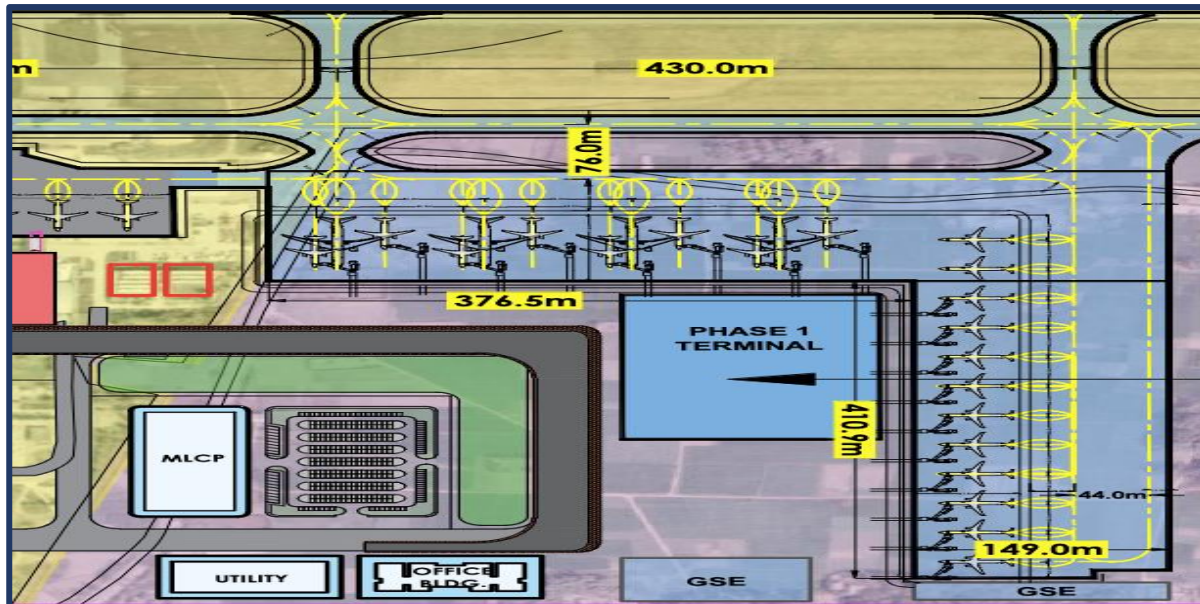
f) Strengthening and Recarpeting of existing Runway and Taxiways

AAI proposes to develop the operational area to accommodate Code E aircraft. This involves extending the existing runway, as previously mentioned, and strengthening both the runway and taxiways to support Code E operations. Additionally, any necessary corrections to the runway surface profile will also be undertaken. The last recarpeting of the runway had been carried out in December 2017. Typically, recarpeting is needed, on an average of every 10 years, based on the number of ATMs and therefore it is likely to be due within this Control Period. As the strengthening of runway needs to be completed before recarpeting, the Authority is of the view that this project can be undertaken and completed within this Control Period. AAI has provided estimates for various components of the project, based on which the cost of this project has been derived as ₹ 26.20 crore. The Authority considers the same as reasonable, based on review of prevailing market rates and proposes to consider capitalisation of this project in FY 2028-29.

g) Construction of Apron for 20 Nos A-321 and Isolation Bay

The Authority notes that currently there are 9 parking bays, suitable for parking of A-321. In the approved scope of work, the construction of Apron adjacent to the proposed new Terminal Building for parking of 20 Nos A-321 type of aircraft in Power in - Push back configuration has been considered. The layout plan of the same is shown below:

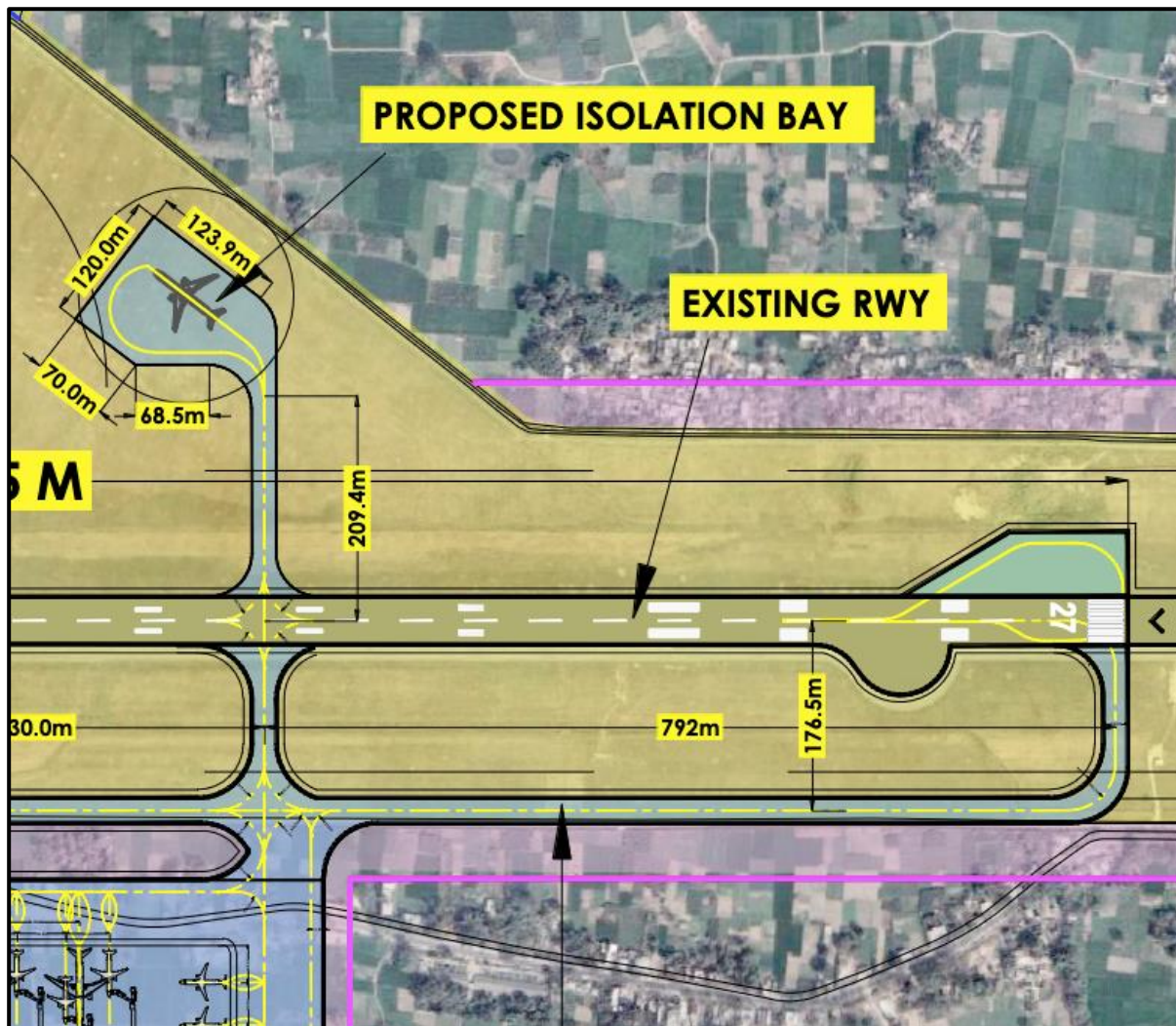
Figure 1: Layout Map of new Apron & proposed Parking bays



The Authority notes that out of the 20 bays, 8 parking bays would be designated for parking 4 nos. of Code E aircrafts or 8 nos. of A-321 type of aircrafts (Multiple Aircrafts Ramp System -MARS). The structural design of the Apron and its connecting Taxiways is for Code E operations. The Authority notes the importance of balancing Terminal Building capacity with Airside capacity. The new Terminal Building (TB) will increase the terminal capacity to accommodate up to 5,000 passengers during peak hours. To support this capacity, both Runway and Apron capacities must

be enhanced. Considering the need for more contact bays and the optimal positioning of remote bays for efficient operations, constructing 20 bays for A-321 aircraft near the new Terminal Building is justified.

A new Isolated Parking Bay suitable for parking B-777 aircraft has been proposed by AAI at the North side of runway, as shown in the diagram below:



The Authority observes that the current Isolated Parking Bay obstructs the Parallel Taxi Track and the future Apron expansion. Moreover, it can only accommodate Code C aircraft. Considering the limitations, there is a need to construct a new Isolated Parking Bay in a more suitable location. Therefore, the Authority proposes to consider the proposal to build a new Isolated Parking Bay on the north side of the runway.

The estimated cost of Apron and Isolation Bay considered by AAI in the MYTP amounts to ₹ 208 Crores. The area of various pavements, taken by AAI in the estimate are given in Table below:

Table 37: Estimated area (sqm.) of Apron and Isolation Bay submitted by AAI

Sl. No.	Particulars	Area (Sqm.)	Remarks
1(a)	Isolation Bay	15,000	
(b)	Shoulder of Isolation Bay	3,975	

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

Sl. No.	Particulars	Area (Sqm.)	Remarks
2(a)	Apron-1	61,047	Apron 1 and 2 are not included in the Scope of Work of AAI and hence, no justification is available to consider them in Second Control Period.
(b)	Shoulder	12,209	
3(a)	Apron-2	28,607	
(b)	Shoulder	5,721	
4(a)	Apron- 3&4	1,29,295	
(b)	Shoulder	15,998	
	Total	2,71,852	

The Authority notes that the total area of Apron and Isolation Bay, including Shoulders, was derived by AAI as 2,71,852 sqm, for cost estimation purpose including Apron-1, a proposed 13-bay A-321 accommodation north of the existing ATC tower, and Apron-2, a planned 4-bay A-321 facility west of the new Fire Station. However, current traffic data suggests these additions may be premature.

In FY 2022-23, the annual aircraft movement was 19,158, efficiently handled by the existing 9 bays without congestion. Projections for FY 2033-34 indicate 60,277 movements, which can be managed by adding 20 bays to the current capacity. Furthermore, Apron-1 and Apron-2 were not included in the project's approved Scope of Work or the DPR submitted to PIB. Consequently, Apron-1 and Apron-2 have been removed from the current plan. The revised proposal now focuses on Apron-3, Apron-4, and the Isolation Bay for this phase of development.

The State Government has acquired and transferred the land necessary for Apron construction. However, the diversion or closure of State Highway 98 is yet to be carried out, as detailed in para 6.2.6 A1 on the project on new Terminal Building. Considering that the Apron's utility is directly related to the new Terminal Building, the Authority proposes to consider commissioning of both Apron and Isolation Bay in FY 2028-29, along with capitalisation of the new Terminal Building.

AAI has consolidated the estimated costs for various civil works in the operational area under the project title "Extension of Runway". To determine the costs of individual assets, the Authority has extracted figures from the abstract of cost and detailed estimates. These extracted costs have been compared against Normative costs, with the results presented in the Table below:

Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) considered by the Authority for Apron

Financial Year	Inflation Rate	Inflation adjusted normative rate (in ₹ per sqm)	Inflation adjusted Normative rate (in ₹ per sqm.) incl. GST
FY 2022-23		6,198*	6,530
FY 2023-24	0.30%	6,217	6,550
FY 2024-25	3.00%	6,403	6,746
FY 2025-26	3.20%	6,608	6,962
FY 2026-27	3.20%	6,819	7,185
FY 2027-28	3.20%	7,038	7,415
FY 2028-29	3.20%	7,263	7,652

**Derived based on AERA Order on Normative Cost of TB & Apron*

Note:

Inflation adjusted base amount (inclusive of 12% GST) (A)	= Rs. 6,198 per sqm
Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)	= Rs. 5,534 per sqm
Add GST @ 18% (C=B*18%)	= Rs. 996 per sqm
Normative cost for FY 2023 including GST (D = B+C)	= Rs. 6,530 per sqm

As shown in the above table the normative rate (inclusive of GST) for FY 2028-29 is ₹ 7,652 Sqm.

Table 39: Normative cost of Apron considered by the Authority for Varanasi International Airport

Work	Derived from Estimated Cost of AAI (₹ in Crores)	Normative Cost proposed by the Authority (₹ in Crores)
Apron 3&4 and Isolation Bay.	125.84 [#]	125.70 [*]
Work below subgrade		4.60
Add 3% extra for cost escalation for one year	3.78	
Cost of GSE area	3.75	3.75
Total	133.37	134.05

[#] The estimated cost of AAI for pavements of area 2,71,852 sqm, including painting is ₹ 208.25 Crores. The proportionate amount derived from the estimate cost, for 1,64,268 sqm (sum of sl. 1a, 1b, 4a and 4b of Table 37) is ₹ 125.84 Crores.

^{**}The Normative cost for pavements of area 1,64,268 sqm @ Rs 7,652/sqm is ₹ 125.70 Crores.

The Authority notes that AAI had derived cost which is lesser than the Normative costs as per AERA guidelines and is therefore found to be reasonable. Therefore, the Authority proposes to consider ₹ 133.37 Crores for this project for capitalization in FY 2028-29.

h) Taxiway System Works

The above works include Link Taxiways, Entry & Exit Taxiways and Parallel Taxi Tracks (PTT), developed in phases to optimize construction costs while meeting near-term capacity needs.

Currently, Varanasi Airport's limited taxiway infrastructure results in extended runway occupancy times, with restricted capacity of 10-12 movements per hour, which is sufficient for the present Peak Hour Passengers (PHP), which is 1,050.

The new Terminal Building is proposed to increase capacity to 5,000 PHP, necessitating at least 30 movements per hour, within 7-8 years, to prevent congestion.

The Authority notes that AAI's proposal to enhance the Taxiway System is justified, though some adjustments are needed. Considering the delays in land acquisition and construction of Underpass, the Authority proposes to consider the PTT only for the existing runway in this Control Period. The Authority is of the view that as RETs is currently not in the Master Plan and same may be taken up in the next Control Period based on future traffic demand.

The State Government has acquired land for the PTT of the existing runway. However, due to the challenges in the process of diversion of State Highway SH 98, the commissioning of PTT may likely to be delayed. Based on the above factors, the Authority proposes to consider 1,700m PTT

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

for the existing runway, Entry/Exit Taxiways for the existing runway, two Link Taxiways to the new Apron, and a Link Taxiway to the Isolation Bay, in the current Control Period, for capitalisation in FY 2028-29.

AAI has not prepared the estimated cost of various assets separately. The areas of different pavements submitted in the estimate provided by AAI have been examined by the Authority and the same are as follows:

Table 40: Area (sqm.) considered by the Authority for Taxiway system for Second Control Period

S. No	Particulars	Area(sqm) taken by AAI	Area(sqm) taken by Authority	Remarks
1(a)	PTT	78,200	39,100	PTT for existing Runway considered
(b)	Shoulder of PTT	51,000	25,500	
2(a)	Entry/Exit/Link Taxiways	26,565	15,180	These are in the existing runway area and hence considered
(b)	Fillets	5,313	3,036	
(c)	Shoulder	17,325	9,900	
(d)	Shoulder Fillets	3,465	990	20% estimated by AAI. 10% considered by the Authority
3(a)	Link Taxiway to Isolation Bay	6,383	6,383	
(b)	Fillets	1,276	1,276	
(c)	Shoulders	4,163	4,163	
(d)	Shoulders Fillets	832	416	
4(a)	Runway & Turning Pad Shoulder and Blast Pad	31,403		Shifted to the next Control Period
5(a)	RET	9,200		Not considered as it is not part of Master Plan and approved Scope of Work
(b)	Fillets	1,840		
(c)	Shoulders	6,000		
(d)	Shoulders Fillets	1,200		
	Total	2,44,165	1,05,944	

Based on the above factors and details given in Table 40, the Authority proposes to consider Taxiway area of 1,05,944 sqm for the Second Control Period.

AAI has consolidated the cost estimates under two main project headings: "Extension of Runway" for various civil works in the operational area, and "Electrical works - CAT-iii Lighting, apron floodlighting etc" for all electrical works in the same area. To determine individual asset costs, figures have been extracted by the Authority's Independent Consultant, from the abstract of cost and detailed estimates. These extracted costs have been compared against Normative costs, with the results presented in the table below:

Table 41: Normative Cost of Parallel Taxi Track derived by the Authority for Varanasi International Airport

Work	Estimated Cost of AAI (₹ in Crores)	Normative Cost
PTT/Entry-Exit & Link Taxiways/ Isolation Bay Taxiway		
Taxiways (64975 sqm)	49.20	81.06
Shoulders (40969 sqm)	16.57	
Add: cost of earthwork	-	2.97
Add: 3% cost escalation one year	1.97	
Total	67.74	84.03

The Authority through its Independent Consultant has reviewed the cost estimates provided by AAI for the Taxiway System Works and found them to be reasonable and within normative costs. Therefore, the Authority proposes to consider ₹ 67.74 Crores for this project, for capitalisation in FY 2028-29.

As mentioned in the earlier paragraphs, AAI had grouped all civil works in the operational area under the broad heading "Ext of Runway" with a total projected cost of ₹ 521.50 Crores in the MYTP. For a better understanding of the cost of individual projects, the Authority has derived individual asset costs based on additional information provided by AAI from time to time. This breakdown, along with the costs of projects proposed to be considered by the Authority, is presented in the table below:

Table 42: Cost of Runway extension and associated works derived by the Authority for Varanasi International Airport

S. No	Particulars	Estimated Cost (₹ in Crores)		Remarks
		Projected by AAI	Proposed by the Authority	
	Runway Extension	123.70		All the items from S. No i to iv are integral to the Runway Extension. Therefore, the Authority proposes to shift these to the next Control Period.
i.	Extension of Runway			
ii.	Provision of RESA			
iii.	Turning Pad			
iv.	Grading of Runway Strip			
v.	Drainage System	5.80		Shifted to the next Control Period.
vi.	Perimeter Road	26.70	11.24	Partially considered in the Second Control Period.
vii.	Strengthening & Recarpeting of Existing Road	26.20	26.20	
	Apron and Isolation Bay	208.25	133.37	AAI has taken 37 bays in the estimate, which is beyond
viii.	Isolation Bay			

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

S. No	Particulars	Estimated Cost (₹ in Crores)		Remarks
		Projected by AAI	Proposed by the Authority	
ix.	Apron for 20 Bays			the approved scope of work of 20 bays. Therefore, the same has been rationalised.
	Taxiway System	130.85	67.74	PPT and Link Taxiways for the Runway Extension portion have been shifted to the next Control Period. Hence, the area has been reduced from 2,44,165 Sqm to 1,05,944 sqm and cost rationalised accordingly.
x.	Link/ Entry-Exit Taxiways			
xi.	Parallel Taxi Track (PTT)			
xii.	RETs			
	Total	521.50	238.55	

The Authority as per the above table has considered ₹ 238.55 Crores for capitalization of assets pertaining to the runway extension and associated works in this Control Period. It has been ascertained at the ground level that Runway Extension and the Underpass are dependent on the acquisition of additional land and also consequent relief and rehabilitation of some of the oustees on the said land. At present the land acquisition process is yet to progress significantly on the ground. In the said background, if the required land is made available to AAI and NHAI for undertaking the projects related to Underpass and the Extension of Runway & other associated works as illustrated above and the work on these projects are initiated by the NHAI and AAI in this Control Period, then such works would be considered on actual incurrence basis, subject to efficiency and reasonableness at the time of determination of tariff for the next Control Period.

- ii. **CAT III lighting, Apron flood lighting (Electrical):** AAI has proposed ₹ 168.40 Crores towards the construction of CAT III lighting, Apron flood lighting and other miscellaneous electrical works to be capitalized in October 2027. The Authority notes that AAI had not provided any detailed breakup but subsequently, AAI had submitted revised estimates for Electrical works vide email dated August 7, 2024 which are as follows:

Table 43: Breakup of Electrical works as submitted by AAI for the Second Control Period

S. No.	Particulars	Amount (₹ in Crores)
1.	AGL i/c CAT-III Approach Lighting System	107.50
2.	Apron Flood Lighting and Perimeter Lighting	10.50
3.	NAV-AIDS Electrical	8.80
	Total	126.80

The Authority notes that implementation of the Runway extension project at Varanasi Airport is

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

undergoing delays due to time lag in land acquisition for both the runway and the proposed underpass. Consequently, several associated projects may not be completed in the Second Control Period including the Advanced Ground Lighting (AGL) system with CAT-III Approach Lighting, and navigational aids like electrical perimeter lighting for the extended runway portion.

However, the Authority is of the view that the following works within the existing operational area may be undertaken during the Second Control Period:

Table 44: Electrical works proposed by the Authority for the Second Control Period

(₹ in Crores)

S. No.	Particulars	Submission by AAI	Proposed by the Authority	Variance	Remarks
1.	AGL i/c CAT-III Approach Lighting System	107.50	42.20	65.30	The works relating to (AGL) that pertain to the area under extension of Runway have not been considered, as the project on Extension of Runway is proposed to be shifted to the next Control Period. Therefore, the cost of the remaining areas (after excluding the areas/ pavements that pertain to Runway extension) have been considered for capitalization in this Control Period.
2.	Apron Flood Lighting and Perimeter Lighting	10.50	6.60	3.90	The proportionate costs of the works in the operational area (excluding those pertaining to area under extension of Runway) such as Apron Flood Lighting and Perimeter Lighting at the East portion of the operational area have been considered in this Control Period.
3.	NAV-AIDS Electrical	8.80	-	8.80	This work is required for facilitating the extension of Runway. Since the runway extension project, is shifted to the next Control Period, the subject work has also been shifted.
		126.80	48.80	78.00	

Hence, the Authority proposes to consider the CAPEX of ₹ 48.80 Crores towards CAT III lighting, Apron flood lighting (Electrical) for capitalization in FY 2027-28. However, if the balance project works amounting to ₹ 78 Crores (₹ 126.80 Crores less ₹ 48.80 Crores), is undertaken by AAI in this Control Period, then the same would be considered by the Authority, on actual incurrence

basis, subject to efficiency and reasonableness during the determination of tariff for the next Control Period.

B2 - Road, Bridges & Culverts

- i **Recarpeting of Perimeter Road:** The Authority notes that AAI has proposed ₹2.42 Crores for recarpeting of Perimeter Road in FY 2024-25. Based on the assessment of its Independent Consultant, as per the Authority, the recarpeting of perimeter road is a part of maintenance work and hence, proposes to shift the above-mentioned CAPEX as part of Repair & maintenance expenses under Operation and Maintenance expenses for the Second Control Period.
- ii **Elevated Road:** The Authority notes that AAI has proposed ₹ 41.48 Crores towards the construction of Elevated Road to be commissioned in October 2027. Subsequently, AAI vide email dated August 07, 2024, has revised the cost of the Elevated Road including Civil and Electrical works to ₹ 50.02 Crores. The Authority notes that the Elevated Road is integral to the New Terminal Building and same can be commissioned along with the capitalization of the new Terminal Building. Therefore, the Authority has considered the cost of Elevated Roads (which seems to be reasonable as per prevailing market rates), along with the cost of new Terminal Building (refer Table 36).
- iii **National Highway Underpass:**
 - a. AAI has proposed ₹ 518.39 Crores towards the construction of National Highway Underpass to facilitate work of Runway Extension and same is considered by AAI under the asset class 'Roads, Bridges and Culverts'.

The Authority noted from the letter No. 27(03)/PFC-I/2024 dated February 20, 2024 of PIB, wherein it is stated that *MoCA has proposed ₹518.39 Cr. for an Underpass, to be constructed by NHAI and this is also proposed to be included for calculation of return on RAB.* Further, PIB has recommended MoCA to make submission before AERA to examine the appropriateness regarding inclusion of the road for consideration in RAB and the appropriate rate of return to be allowed on it as per extant guidelines.

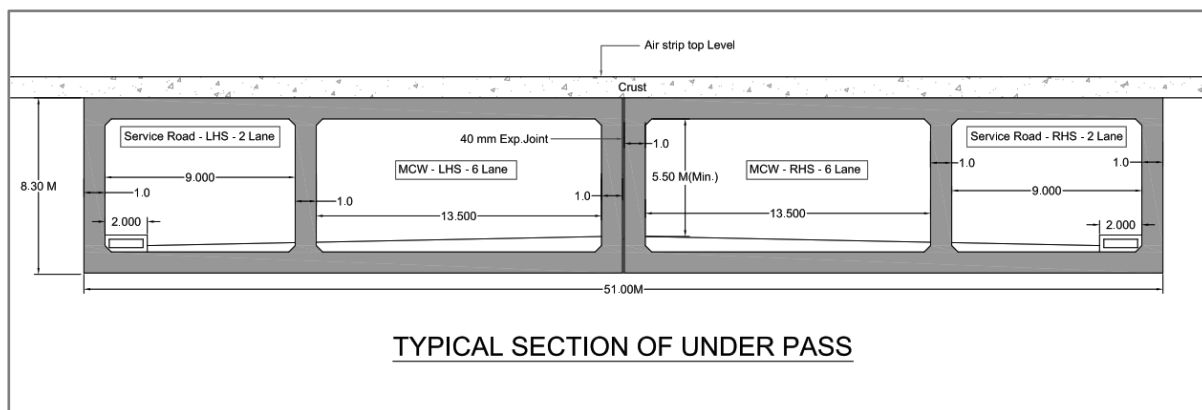
- b. The Authority through the site visit conducted by its Independent Consultant notes that the project requires to address the issues related to National Highway (NH-31) that intersects the proposed area for Runway Extension. It was noted that a portion of the National Highway is an obstacle in the Approach of Runway-09, due to which the runway threshold has been displaced by approximately 230 m; which implies that the 230m is not usable for landing of aircraft from the west side of the present runway.

To facilitate the execution of this project, two options were considered such as:

- diversion of the highway or
- construction of an Underpass

NHAI had provided the cost estimates for both the options and after evaluation, AAI has opted for the construction of the Underpass.

- c. The Authority notes that on April 26, 2024, NHAI has provided revised cost estimates of ₹154.49 crore for land acquisition and ₹360.99 Crores for construction of Underpass and connecting roads.



- d. NHAI had requested 10.70 hectares of land from the Government of Uttar Pradesh, to be provided free of cost and without encumbrances, for the construction of proposed underpass, which is primarily for the connecting road segments. For the proposed land acquisition, State Government as per Section 3 of NH Act, 1956 is processing the matter against which confirmation is awaited. After obtaining the fund sanction, the Land Acquisition proceedings and the Rehabilitation & Resettlement (R&R) shall commence.
- e. Further, PIB's recommendation emphasizes the need for encumbrance-free land and obtaining necessary statutory clearances before award of the work. Taking into consideration the above requirement of obtaining statutory approvals and also, the time required for the acquisition of land, the Authority is of the view that the Underpass project is likely to be completed only in the next Control Period. However, if this project is undertaken in this Control Period, the same would be considered by the Authority, on actual incurrence basis, subject to efficiency and reasonableness during the determination of tariff for the next Control Period.

Capitalisation in AAI's books and NHAI's books:

- f. It is pertinent to note that the bridge / culvert is required to support the runway and its strip and the same would be in the land acquired for AAI. Therefore, the Box Culvert/Underpass can be capitalized by AAI in its books, to facilitate its maintenance in future.
- g. However, the connecting roads on both sides of the Box Culvert, which is also part of the Underpass would be on the land acquired for NHAI. Therefore, the same may be capitalized in the books of NHAI.
- h. Although the Underpass is constructed to facilitate the extension of the Runway, there also seems to be potential benefits for NHAI and avenues for cost savings as detailed below:
- For any construction work undertaken by NHAI in future, the resurfacing of the part of the road connecting the Underpass need not be carried out for the next few years, thereby resulting in potential cost savings for NHAI.
 - Further, for new road alignment, the gradients would be smoothened, facilitating better drive and comfort.
 - Some portion of the existing road alignment, which may be cut off/ corrected (after the Underpass is constructed), can be used by NHAI for alternative purposes such as parking of vehicles

Project Execution and cost sharing – can be a collaborative effort

- i. It is noted that NHAI is collecting toll from the vehicles making use of the NH-31 between

Babatpur and Jaunpur at the Hauj Toll Plaza to compensate the expenses on the construction, maintenance and operation of the National Highway and the toll fee is determined in accordance with the National Highways Fee (Determination of Rates and Collections) Rules. As per the above Rules, there is provision for annual revision, subject to conditions provided in the Concession Agreement.

- j. As the Underpass would be part of NH-31, the cost of constructing the roads to the Underpass, may be recovered through a nominal increase in toll charges, as the number of Road/ Highway users are more as compared to the Airport Users.
- k. Further, it is understandable that such facilities, be it Underpass or Extension of Runway are created to facilitate the general public and the State Government is also extending its support by providing necessary land at free of cost.

As both NHAI or AAI are Govt. of India Undertakings, the Authority is of the view that such facilities may be created by both the regulatory bodies in a collaborative manner such that there is no excessive burden on the end users through levy of high tariffs.

As explained in the above para, as users of this Underpass may be higher as compared to the Airport, with a nominal increase in toll charges, NHAI would be able to recover its costs, unlike Varanasi Airport, which may have to increase its aeronautical tariffs substantially to recover its investment in assets.

- l. Therefore, the Authority in response to PIB's recommendations, proposes to consider a balanced view, by suggesting AAI/NHAI to consider capitalization of Box Culvert/connecting road of Underpass in the next Control Period since in order to extend the Runway there is a need of additional land overlapping/intersecting the current alignment of the NH-31 thereby entailing the shifting of the affected alignment of NH-31 stretch in the form of an Underpass, under the boundary/perimeter of the airport with connecting approach road that will connect to the existing NH-31. It is therefore proposed that NHAI should bear the cost of constructing the connecting roads to the Underpass and also work out with AAI the modalities of sharing of the cost of the Box Culvert/Underpass. This view is also consistent with the International Civil Aviation Organization's (ICAO) principle of 'Cost-relatedness' such that the airport passengers or road users pay only for services that are availed by them.
- m. AAI and NHAI should work out the modalities for sharing of project cost relating to construction of Box Culvert/Underpass. It is to be noted that as NHAI would earn revenues through toll collection for the National Highway, which also includes this particular stretch where the cost of the Box Culvert/Underpass is proposed to be met by AAI in view of the factors mentioned above and as mentioned in the PIB minutes. Therefore, AAI should discuss with NHAI about compensating AAI for the expenses incurred towards the same by working out a proportionate share of the Toll revenues for a certain period of time which may at least take care of the General maintenance of the Box Culvert/Underpass. AERA seeks specific comments of the stakeholders on the above proposal.

B3 – Boundary Wall

Boundary Wall: The Authority notes that AAI has proposed ₹ 27.12 Crores towards the construction of Boundary Wall. AAI has requested 350 acres of land from the Government of Uttar Pradesh for Varanasi Airport's expansion, including runway extension, new Terminal Building construction, and other facilities. As of July 28, 2024, 266.10 acres of land have been acquired, primarily in the operational area. The wall, spanning 9,524 meters (3,998m east, 5,526m

west), is deemed necessary for security purposes. However, based on the analysis conducted by Aviation Expert of the Independent Consultant, the Authority, draw inference from the cost estimates of other similar airports including CPWD norms, considers the estimated cost of above work at ₹ 20 Crores as a reasonable. Based on the essentiality of the CAPEX from Security perspective, the Authority proposes to consider capitalization of this project in FY 2027-28.

B4 – Other Buildings

- i Box Culvert, LLZ, DVoR, Security Watch Tower:** The Authority notes that AAI has proposed ₹ 11.58 Crores towards the construction of Box Culverts and other enabling works such as LLZ. This includes construction of six box culverts across the extended runway portion, installing 600mm NP3 pipes for cable and pipeline crossings, relocating existing LLZ and GP systems to accommodate the runway extension and CAT-III Approach Lighting System, shifting of the DVOR to allow for future Apron construction on the runway's north side, and erecting 20 security watch towers along the new perimeter/operational wall. However, since all these components are directly related to the runway extension project, the Authority proposes to shift the capitalization of these projects to the next Control Period, in line with the proposed capitalization of the project on extension of Runway. However, if the same work gets started and then fully completed and Capitalized in the current Control Period, then the Authority shall consider this project on actual incurrence basis subject to efficiency and reasonableness at the time of determination of tariff of the next Control Period.
- ii Sub-Station:** The Authority notes that AAI has initially submitted ₹ 32.76 Crores towards the construction of Sub-station to be commissioned in October 2027. Further, AAI vide email dated August 07, 2024 has revised the estimated cost of Sub-Station as ₹ 34.75 Crores. However, as per the AERA Order on Normative cost of Terminal Building, Substation is part of the Normative costs (as stated in para 6.2.6 A1). Therefore, the Authority has considered the capital costs of Substation, while determining the normative cost of constructing the Terminal Building (refer Table 36) and proposes not to consider the cost of Sub-station separately under this head.

B5 – Plant & Machinery

Body Scanner: The Authority notes that AAI has proposed ₹ 7.50 Crores towards the procurement of Body Scanners. The Authority notes that as per BCAS guidelines Full Body Scanners (FBS) are to be provided in hypersensitive and sensitive airports. AAI has proposed to capitalize 3 nos. of Body Scanners for ₹ 7.50 Crores in FY 2025-26.

BCAS has mandated the installation of at least one FBS at airports with annual traffic exceeding five million passengers. Terminal Buildings serving both domestic and international flights must have a minimum of one FBS for each security checkpoint. The Authority acknowledges that FBS technology is relatively new and in its nascent stage in Indian airports and suggests a phased implementation.

The Authority further notes that AAI hasn't specified the location for FBS, hence, it's assumed they're intended for the existing Terminal Building (TB). Considering the BCAS guidelines, space constraints in the current Terminal Building, and the proposal for making use of the existing Terminal Building for International operations once the new Terminal Building commissioned, the Authority proposes to consider capitalization of one FBS for ₹2.50 Cr (in line with the cost considered by the Authority for other similar airports) in FY 2025-26.

B6 - Office Furniture

Providing Baggage checking table and stamping and frisking stand: The Authority notes AAI

has proposed ₹1.39 Crores towards Baggage checking table and stamping and frisking stand to be commissioned by June 2024. The Authority notes that the work is in progress and is expected to be completed by September 2024. The Authority further notes that the expected expenditure is ₹ 1 Crore. Therefore, the Authority proposes to consider capitalization of this project amounting to ₹ 1 Crore in FY 2024-25.

6.2.7 The Authority notes that VIA has claimed Financing allowance of ₹ 296.22 Crores as part of the CAPEX proposed for the Second Control Period.

6.2.8 The Authority has examined the AAI's claim towards Financing Allowance and has the following views:

- The Authority considers 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.
- 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.
- Furthermore, the project should generate adequate returns in future to cover the cost of equity during the construction stage. The AO 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.
- 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 and any airport of AAI, 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.
- 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.

Therefore, based on the above analysis, the Authority proposes not to allow the Financing allowance of ₹ 296.22 Crores claimed by AAI for the Second Control Period.

6.2.9 The Authority proposes to readjust (reduce) 1% of the uncapitalized 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 Airport Operator 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

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

Period. The readjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by VIA and is also encouragement for VIA to commission/ capitalize the proposed assets as per the approved CAPEX plan/schedule.

6.2.10 The Authority notes that AAI has submitted the Terminal Building ratio of 93%: 7% (Aeronautical: Non-Aeronautical) for apportionment of common assets within the Terminal Building at VIA for the Second Control Period. The Authority notes that AAI had revised the Terminal Building ratio from 90%:10% (as submitted initially in the MYTP by AAI) to 93%:7% due to shifting of Space allocated to Airlines from Non-Aeronautical to Aeronautical. As per the Authority, the space allotted to airlines by virtue of its nature of usage is part of Aeronautical portion. Therefore, the Authority proposes to consider this Terminal Building ratio of 90%:10% (Aeronautical: Non-Aeronautical) as reasonable, in accordance with the decision considered in the Tariff Order for the First Control Period for Varanasi International Airport. Further, the above ratio of 90%:10% is also in line with the optimum non-aeronautical area allocation of 8% to 12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA).

6.2.11 In accordance with above, the Authority proposes the capital expenditure for the Second Control Period as per the table below:

Table 45: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period
(₹ Crores)

S. No	Description of the Project	Year of Capitalisation		Capitalisation			
		Submitted by AAI	Proposed by the Authority	Initial estimate of AAI (1)	Revised estimates of AAI (2)	Proposed by Authority (3)	Difference (4)=(3)-(2)
A1 Terminal Building							
i)	Construction of Terminal Building	2027-28	2028-29	1,375.16	1,375.16	1,287.94	(87.22)
A2 X-BIS							
i)	X-BIS	2024-25	2024-25	1.50	1.50	1.50	-
A3 Environment Management Work							
i)	Solar Power	2027-28	2028-29	-	20.60	20.60	-
ii)	Rain Water Harvesting	2027-28	2028-29	-	1.00	1.00	-
iii)	Solid Waste Plant	2027-28	2028-29	-	0.50	0.50	-
iv)	Corporate Environment Responsibility	2027-28	2028-29	-	3.50	3.50	-
TOTAL (A)				1,376.66	1,402.26	1,315.04	(87.22)
B. New Capital Addition projects proposed by AAI for the Second Control Period							
B1. Runways, Taxiways & Apron							
i)	Extension of Runway (includes PTT, Apron, Link Taxiways, etc.) (refer Table 42)	2027-28	2028-29	521.50	521.50	238.55	(282.95)
ii)	CAT- III lighting, apron flood lighting (Electrical) (refer Table 43)	2027-28	2027-28	168.64	126.80	48.80	(78.00)
B2 Road, Bridges & Culverts							

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

S. No	Description of the Project	Year of Capitalisation		Capitalisation			
		Submitted by AAI	Proposed by the Authority	Initial estimate of AAI (1)	Revised estimates of AAI (2)	Proposed by Authority (3)	Difference (4)=(3)-(2)
i)	Recarpeting of Perimeter road	2024-25	-	2.42	2.42	-	(2.42)
ii)	Construction of Elevated Road*	2027-28	2028-29	41.48	50.02	-	(50.02)
iii)	Construction of National Highway Under Pass	2027-28	-	518.39	360.99	-	(360.99)
B3	Boundary Wall						
i)	Construction of Boundary Wall	2027-28	2027-28	27.12	27.12	20.00	(7.12)
B4	Other Buildings						-
i)	Box Culvert, Security Watch Tower and relocation of LLZ, GP, DVoR	2027-28	-	11.58	11.58	-	(11.58)
ii)	Sub Station*	2027-28	2028-29	32.76	34.75	-	(34.75)
B5	Plant & Machinery						
i)	Body Scanner	2025-26	2025-26	7.50	7.50	2.50	(5.00)
B6	Office Furniture						
i)	Providing Baggage checking cable stamping and frisking stand	2024-25	2024-25	1.39	1.39	1.00	(0.39)
	TOTAL(B)			1332.78	1,144.07	310.85	(833.22)
	GRAND TOTAL (A+B)			2,709.44	2,546.33	1,625.89	(920.44)
Year-wise Capitalisation of Assets is as follows (₹ Crores)							
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
		2.50	2.50	-	68.80	1,552.09	1,625.89

*Included as part of cost of Terminal Building

Note: The Authority proposes to consider capitalization schedule of Aeronautical expenditure for VIA for the Second Control Period as ₹ 1,625.89 Crores, against CAPEX proposed by AAI amounting to ₹ 2,546.33 Crores (exclusive of Financing Allowance). Major reasons for variance in CAPEX is due to the following factors:

- i. Rationalization of Terminal Building based on Normative costs resulting in reduction of CAPEX by ₹ 87.22 Crores
- ii. Shifting of Capitalization of projects such as Underpass, Extension of Runway to the Third Control Period resulting in reduction of CAPEX by ₹ 643.94 Crores.
- iii. Rationalization of cost of CAT-III lighting and apron flood lighting by ₹ 78.00 Crores.
- iv. Shifting of Capitalisation amounting to ₹ 84.77 Crores in respect of sub-station and elevated road (connecting to Terminal Building) to FY 2028-29.
- v. Rationalization of cost of body scanners by ₹ 5 crores. Shifting of expenses relating to recarpeting of Perimeter Road from CAPEX to O&M expenses amounting to ₹ 2.42 Crores.

The Authority proposes to consider capitalization of Aeronautical expenditure for VIA for the Second

Control Period as ₹ 1,625.89 Crores.

The Authority also proposes to consider some projects as illustrated in the earlier paras on actual incurrence basis including works relating to Underpass, Runway extension & other allied works such as RESA, Turning Pad, AGL works, etc. subject to efficiency and reasonableness at the time of tariff determination in the next Control Period.

6.3 Depreciation for the Second Control Period

AAI's Submission on Depreciation for the Second Control Period for VIA

- 6.3.1 VIA follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for VIA, AAI has taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (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'). Accordingly, the rates of depreciation approved by the Authority have been applied by VIA from FY 2017-18 onwards.
- 6.3.2 Depreciation has been computed separately on opening block of assets and on the proposed additions.
- 6.3.3 The depreciation amount proposed by VIA for the Second Control Period has been presented in the table below:

Table 46: Depreciation proposed by AAI for VIA for the Second Control Period

(₹ Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Land	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways	1.21	1.21	1.21	10.84	20.48	34.95
Taxiway	0.00	0.00	0.00	0.00	0.00	0.00
Aprons	0.00	0.00	0.00	3.12	6.23	9.35
Road, Bridges & Culverts	0.16	0.25	0.24	31.31	62.38	94.33
Building- Terminal	2.99	2.99	2.99	26.90	51.27	87.14
Building – Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Building – Residential	0.08	0.08	0.08	0.08	0.08	0.40
Security Fencing - Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall -Operational	0.22	0.22	0.22	1.73	3.23	5.62
Boundary Wall - Residential	0.00	0.00	0.00	0.00	0.00	0.00
Other Buildings-Unclassified	0.73	0.73	0.73	1.54	2.36	6.08
Computer & Peripherals: End User Devices	0.00	0.00	0.00	0.00	0.00	0.00
Computer & Peripherals: Servers & Networks	0.00	0.00	0.00	0.00	0.00	0.00
Intangible Assets- Software	0.01	0.01	0.01	0.01	0.00	0.04
Plant & Machinery	3.02	3.27	3.52	3.51	3.51	16.83
Tools & Equipment	0.93	0.88	0.88	0.88	0.88	4.44
Office Furniture	0.80	0.90	0.90	0.90	0.30	3.79
Furniture & Fixtures: Other Than Trolley	0.03	0.00	0.00	0.00	0.00	0.03

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

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Furniture & Fixtures: Trolley	0.84	0.78	0.00	0.00	0.00	1.63
Other Vehicles	0.85	0.85	0.85	0.85	0.24	3.66
Vehicles- Car & Jeep	0.00	0.00	0.00	0.00	0.00	0.00
Electrical Installations	0.84	0.74	0.39	0.15	0.00	2.12
Other Office equipment	0.10	0.00	0.00	0.00	0.00	0.10
X Ray Baggage System	0.29	0.34	0.34	0.34	0.34	1.64
CFT/Fire Fighting Equipment	1.34	1.34	1.34	1.34	1.34	6.71
Total	14.44	14.58	13.70	83.50	152.65	278.87

Authority's examination of Depreciation for the Second Control Period

- 6.3.4 The Authority notes that the VIA has calculated the depreciation for the Second Control Period based on the useful life of the asset with the Order No. 35/ 2017-18 dated January 12, 2018. The Authority has reviewed the depreciation submitted by AAI for the Second Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.3.5 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposes the following depreciation for the Second Control Period.

Table 47: Depreciation proposed by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	1.30	1.30	1.30	1.30	5.28	10.49
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	0.81	1.63	2.44
Road, Bridges & Culverts	0.26	0.23	0.22	0.22	0.22	1.15
Building- Terminal	2.99	2.99	2.99	1.49	21.90	32.35
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.08	0.08	0.08	0.08	0.08	0.40
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.22	0.22	0.22	1.22	2.22	4.11
Boundary Wall – Residential	-	-	-	-	-	-
Other Buildings-Unclassified	0.73	0.73	0.73	0.73	0.73	3.63
Computer & Peripherals : End User Devices	0.12	0.07	0.01	-	-	0.20
Computer Servers & networks	0.01	0.01	0.01	0.01	0.00	0.04
Intangible Assets- Software	-	-	-	-	-	-
Plant & Machinery	3.11	3.19	3.27	3.26	3.26	16.09
Tools & Equipment	0.93	0.88	0.88	0.88	0.88	4.44
Office Furniture	0.80	0.85	0.55	0.39	0.29	2.87
Furniture & Fixtures: Other Than Trolley	-	-	-	-	-	-
Furniture & Fixtures: Trolley	0.07	0.07	0.07	0.07	0.07	0.35
Environment management Works	-	-	-	-	0.51	0.51
Other Vehicles	0.85	0.84	0.80	0.76	0.39	3.64

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

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Vehicles- Car & Jeep	-	-	-	-	-	-
Electrical Installations	0.84	0.74	0.39	0.35	0.15	2.47
Other Office Equipment	0.04	0.01	0.01	0.00	-	0.06
X Ray Baggage System	0.29	0.27	0.27	0.27	0.27	1.38
CFT/Fire Fighting Equipment	1.34	1.34	1.34	1.34	1.34	6.71
Total	13.98	13.81	13.15	13.19	39.21	93.34

Note: The Authority proposes to consider depreciation for VIA for the Second Control Period as ₹ 93.34 Crores. The above depreciation is lesser than that proposed by AAI of ₹ 278.87 Crores, the difference is mainly on account of the following factors:

- i. Due to non-consideration of depreciation on Financing Allowance of ₹ 296.22 Crores.
- ii. Impact on depreciation due to rationalization of CAPEX by ₹ 920.44 Crores by shifting of Capitalisation in respect of certain capital projects to the subsequent tariff years within the Second Control Period and to the Third Control Period.

6.4 Regulatory Asset Base (RAB) for the Second Control Period

AAI's Submission on RAB for VIA for the Second Control Period

6.4.1 AAI's Submission on RAB for the Second Control Period for VIA is as follows:

Table 48: RAB submitted by AAI for VIA for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Opening RAB	141.12	131.74	124.39	110.45	3,019.54	
Additions	5.31	7.50	-	2,992.84	-	3,005.65
Disposal/Transfers	-	-	-	-	-	
Depreciation	14.69	14.84	13.95	83.75	152.91	280.15
Closing RAB	131.74	124.39	110.45	3,019.54	2,866.63	
Average RAB	136.43	128.07	117.42	1,564.99	2,943.08	

Authority's examination of RAB for VIA for the Second Control Period

6.4.2 The Authority proposes to adopt the capitalization of Aeronautical Expenditure in accordance with Table 45 and the depreciation amounts in accordance with Table 47.

6.4.3 Based on the above factors, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

Table 49: RAB proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Opening RAB (A) (refer Table 12)	141.18	129.70	118.39	105.24	160.86	
Additions (B) (Refer Table 45)	2.50	2.50	-	68.80	1,552.09	1,625.89
Disposal/Transfers (C)	-	-	-	-	-	-
Depreciation (D) (refer Table 47)	13.98	13.81	13.15	13.19	39.21	93.34
Closing RAB (E) = [(A) + (B) – (C) – (D)]	129.70	118.39	105.24	160.86	1,673.73	
Average RAB = [(A) + (E)]/2	135.44	124.05	111.82	133.05	917.29	

The Authority proposes to consider Average RAB for the VIA for the Second Control Period as detailed in Table 49.

6.5 Authority’s proposal regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period.

- 6.5.1 To consider allocation of gross block of assets as on April 1, 2024, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.5.2 To adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period in accordance with Table 45.
- 6.5.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.5.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI 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 Third Control Period.
- 6.5.5 To consider depreciation as per Table 47 for the Second Control Period.
- 6.5.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for VIA as per Table 49.
- 6.5.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

7 FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

7.1 AAI's Submission on Fair Return of Return for the Second Control Period for VIA

7.1.1 AAI has submitted that Varanasi International Airport would primarily utilize internally accrued funds to fund the capital expenditure that have been projected for the Second Control Period.

7.1.2 AAI has considered Fair rate of Return (FRoR) as 14% based on the Authority's decision for the First Control Period.

7.2 Authority's examination of FRoR for the Second Control Period

7.2.1 The Authority notes that AAI has submitted that the capital expenditure proposed for the Second Control Period will be funded through internal accruals and hence no debt component was projected by AAI in its MYTP submission.

7.2.2 The Authority acknowledges the recommendations made by the Public Investment Board (PIB) in their Minutes of Meeting dated February 20, 2024 (No. 27 (03)/ PFC-I/ 2024), wherein, the PIB has stated that *"the Authority would also consider other factors while assessing fair rate of return in cases where there is a low level of gearing with the underlying objective of protecting the reasonable interests of Users"*. This recommendation emphasizes the need to balance financial considerations, with a view to protect the Airport Users' interests.

7.2.3 The Authority in its past Tariff Orders of other similar Airports of AAI, has noted that the capital structure of AAI is not is not efficient and has asked AAI to make its capital gearing efficient by raising debt funds. Further, the Authority had also proposed to use the notional Debt-Equity ratio for AAI Airports in future, in line with the PPP Airports.

7.2.4 Based on the above factors, the Authority has proposed FRoR, by adopting a notional gearing ratio of 48:52 (Debt : Equity), by taking inference from independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL) through a premier institute, namely IIM Bangalore and the same is being followed by AERA for PPP airports uniformly. The Cost of Debt, Cost of Equity considered by the Authority for determination of FRoR have been explained as follows:

Cost of Debt

7.2.5 The Authority has determined the Cost of Debt for the Second Control Period, based on one-year Marginal Cost of Funds based Lending Rate (MCLR) of the State Bank of India (SBI) as on October 15, 2024, which stands at 8.95%. The Authority has also taken into consideration the increasing trend in the MCLR rates (for one/ two/ three years) and based on the same, the Authority proposes to consider an average 9% as the Cost of Debt for the Second Control Period.

Cost of Equity

7.2.6 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 Varanasi Airport for the Second Control Period.

7.2.7 The above referred independent study reports have drawn reference from the experience of international airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. Based on this analysis, the average Cost of Equity for these airports was determined to be 15.18%. This benchmark provides a useful reference point for evaluating airport financing strategies and equity costs in the Indian context.

7.2.8 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

7.2.9 The above study report applies a methodology that factors in sovereign and business risks through components like the risk-free rate and business volatility, establishing a fair cost of equity within the FRoR calculation. This provides a relevant benchmark for estimating Varanasi Airport’s cost of equity in the Second Control Period, given the similar business environment, risk profile and policy framework.

7.2.10 Based on the above reports, the Authority proposes to consider the Cost of Equity as 15.18% for Varanasi International Airport for the Second Control Period.

Fair Rate of Return (FRoR)

7.2.11 Based on the above, the Authority proposes to consider FRoR as per table below for Varanasi International Airport for the Second Control Period:

Table 50: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period

Parameter	%
Weighted Average gearing of Equity (A)	52.00%
Weighted Average gearing of Debt (B)	48.00%
Cost of Equity (C)	15.18%
Cost of Debt (D)	9.00%
Fair Rate of Return for the Second Control Period (E= A*C+(1-A)*D)	12.21%

7.3 Authority’s proposal regarding Fair Rate of Return (FRoR) for the Second Control Period

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

7.3.1 To consider FRoR of 12.21 % for VIA for the Second Control Period as per Table 50.

7.3.2 To true up the FRoR while determining tariff for the next Control Period considering all the relevant factors.

8 INFLATION FOR THE SECOND CONTROL PERIOD

8.1 AAI's Submission on Inflation for the Second Control Period for VIA

8.1.1 AAI has not made any submission related to inflation as part of its MYTP submission for VIA for the Second Control Period.

8.2 Authority's examination on inflation for the Second Control Period

8.2.1 The Authority proposes to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89" released on August 08, 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposes to consider the mean of WPI inflation forecasts (All Commodities) for FY 2025 till FY 2029 as given in the 89th round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority has assumed that the inflation rate would be stable and has considered WPI Forecast for FY 2026-27 onwards based on forecast for FY 2025-26. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Second Control Period.

Table 51: Inflation rates proposed by the Authority for the Second Control Period for VIA

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
WPI inflation	3.00%	3.20%	3.20%	3.20%	3.20%

8.3 Authority's proposal regarding inflation For the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Inflation for the Second Control Period:

8.3.1 To consider Inflation for the Second Control Period for VIA as detailed in Table 51.

9 OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

9.1 AAI's Submission on Operation and Maintenance expenses for the Second Control Period for VIA

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

- Payroll Expenses,
- Admin and General Expenditure,
- Repair and Maintenance Expenditure,
- Utilities and Outsourcing Expenditure, and
- Other outflows, i.e., Collection Charges on UDF

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

9.1.3 AAI has segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses have been further segregated into Aeronautical and Non-aeronautical based on the relevant Ratios.

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

9.1.5 The summary of Aeronautical O&M expenses proposed by VIA for the Second Control Period has been presented in the table below:

Table 52: Operation and Maintenance (O&M) expenditure submitted by AAI for VIA

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Payroll Costs	23.10	24.72	26.45	35.32	37.79	147.38
Retirement benefits of employees at VIA	3.18	3.41	3.65	4.81	5.15	20.20
Repair & Maintenance	13.35	14.68	16.15	20.24	22.26	86.68
Utilities & Outsourcing Expenses	6.81	7.09	7.39	8.92	9.28	39.49
Admin. & Other Expenses - Excluding CHQ/RHQ	12.28	13.33	14.49	16.59	18.03	74.72
Admin. & Other Expenses - CHQ/RHQ	41.36	43.43	45.60	47.88	50.28	228.55
Other Outflows	0.38	0.44	0.51	0.56	0.62	2.52
Total O&M Expenditure	100.47	107.09	114.23	134.33	143.42	599.54

9.1.6 The summary of growth rates assumed by AAI for the O&M expenses have been presented in the table below:

Table 53: Growth rates in O&M expenditure submitted by VIA

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
Payroll Costs	7%	7%	7%	34%	7%
Retirement Benefits of employees at VIA	7%	7%	7%	32%	7%
Utilities & Outsourcing Expenses	4%	4%	4%	21%	4%

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
Admin. & Other Expenses - Excluding CHQ/RHQ	9%	9%	9%	14%	9%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%

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

Table 54: Allocation of O&M expenses submitted by AAI for VIA for FY 2023-24

Particulars	Aeronautical	Non-aeronautical
Payroll Costs	97.20%	2.80%
Retirement Benefits of employees at VIA	97.20%	2.80%
Repair & Maintenance – Civil	100%	0%
Repair & Maintenance – Electrical works	96.41%	3.59%
Repair & Maintenance – Electronics	97.39%	2.61%
Utilities	100%	0%
Upkeep Expenses	96.41%	3.59%
Admin. & Other Expenses - Excluding CHQ/RHQ	97.39%	2.61%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	0%

9.2 Authority’s examination of Operation and Maintenance expenses for the Second Control Period

9.2.1 AAI has proposed ₹ 599.54 Crores towards Operation and Maintenance expenses for the Second Control Period.

9.2.2 The Authority observes that the O&M expenses approved in the Tariff Order for the First Control Period for VIA was for ₹ 313.26 Crores (refer Table 16), against which actual expenses of ₹ 410.87 Crores (refer Table 15) was submitted by AAI for VIA for true up of the First Control Period. The Authority examined the above actual O&M expenses and has proposed ₹ 358.48 Crores (refer Table 19) to be trued up for the First Control Period. However, AAI has submitted its projected O&M expenses for VIA for the Second Control Period as ₹ 599.54 Crores, which is 67% higher than the O&M expenses approved by the Authority for true up of the First Control Period (which is for ₹ 358.48 Crores).

Allocation of O&M expenses to Aeronautical and Non-aeronautical activities

9.2.3 The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for VIA. The same is explained in the following paragraphs.

9.2.4 AAI has segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 97.20%: 2.80% for FY 2022-23, which was derived based on the headcount of Aeronautical and Non-Aeronautical employees within the Airport. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI for

allocation of expenses into Aeronautical and Non-Aeronautical as appropriate.

9.2.5 AAI has segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. Based on the review of the above assumptions, the Authority considers the basis of apportionment by AAI to be appropriate.

9.2.6 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Electrical) have been apportioned in the ratio of Terminal Building by AAI which is 93.16%: 6.84%. However, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as detailed in para 6.2.10.

9.2.7 Repairs & Maintenance (Civil) have been considered as 100% Aero by AAI. However, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 90%:10%, as followed in other similar airports.

9.2.8 Repair and Maintenance expenses – Electronics includes Surveillance equipment, security equipment has been apportioned in the Employee ratio of 97.39%: 2.61% as per AAI. The Authority’s analysis shows that these expenses pertain to passenger facilitation. Further, the Authority notes that it also includes hardware maintenance expenses of computers and other electronic items, which has been apportioned based on the headcount of IT Department engaged for Aeronautical purposes. As most of these equipment are located in the Terminal Building, the Authority proposes to re-allocate the above expenses in the Terminal Building ratio of 90%:10%.

9.2.9 Administration expenses of CHQ/ RHQ have been allocated based on methodology defined in para 4.7.2 (a) and (b).

9.2.10 Based on the above factors, the Authority has considered the following basis for allocation of expenses, which is as follows:

Table 55: Allocation of O&M expenses proposed to be considered by Authority for VIA for FY 2023-24

Particulars	Aeronautical	Non-aeronautical
Payroll Costs	97.20%	2.80%
Retirement Benefits of employees at VIA	97.20%	2.80%
Repair & Maintenance – Civil	90.00%	10.00%
Repair & Maintenance – Electrical Works	90.00%	10.00%
Repair & Maintenance – Electronics	90.00%	10.00%
Utilities	100%	0%
Upkeep Expenses	90.00%	10.00%
Admin. & Other Expenses – Excluding CHQ/RHQ	95%	5%
Other Outflows	100%	0%

Payroll expenses (Other than CHQ/RHQ)

9.2.11 AAI considered a growth rate of 7% in payroll expenses for the period 2024-25 to 2028-29. Further, an additional 5% increase (half year) has been proposed by AAI due to additional Staff Cost in FY 2027-28 as the New Terminal Building is proposed to be operationalized w.e.f. October 2027 as per AAI. Furthermore, AAI has proposed an additional growth rate 20% in FY 2027-28 taking into

consideration, the implementation of increase in payroll on account of recommendations of the 8th Pay Commission. However, the Authority proposes to consider a growth rate of 6% year on year from FY 2024-25 to FY 2028-29 in the payroll expenses (other than CHQ and RHQ), Growth rate of 6% Y-o-Y growth rates in payroll expenses is uniformly followed by the Authority in all AAI airports. The Authority upon taking cognizance of its proposal to shift the capitalization of the new terminal building to FY 2028-29, proposes to consider the additional increase of 10% in payroll (for full year) in FY 2028-29.

Further, the Authority proposes not to consider the additional increase 20% in payroll expenses submitted by AAI for FY 2027-28 on account of 8th pay commission for determining tariff for the Second Control Period for VIA and proposes to consider the same on actual incurrence basis.

CHQ/ RHQ Administration and General expenses

9.2.12 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Varanasi Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.6 (a) and (b) of this Consultation Paper, the Authority has rationalized the CHQ and RHQ-Administration and General Expenses, projected by AAI for VIA for the Second Control Period, considering 5% Y-o-Y increase, based on the amount considered for true-up of FY 2023-24. The same is presented in Table 57.

Repairs and Maintenance expenses

9.2.13 The Authority notes that VIA has incurred cost of ₹ 2.42 Crores towards Perimeter Road Recarpeting in FY 2024-25 and same has been considered as CAPEX by AAI in its MYTP submission. However, the Authority has considered it as Repair & Maintenance Expenses, as it does not lead to increase in the useful life of the Perimeter Road.

9.2.14 The Authority notes that AAI has proposed an increase of 10% year- on- year on repair and maintenance expenditure for the Second Control Period and an additional increase of 40% is proposed during FY 2027-28 for R&M -Electrical and Electronics. The Authority notes that AAI has claimed the total Repairs & Maintenance expenses of ₹ 86.68 Crores for the Second Control Period.

9.2.15 The Authority notes that the additional increase of 40% is due to commissioning of New Terminal Building in FY 2027-28. The Authority based on its analysis done by its Independent Consultant, has shifted the capitalization of new Terminal Building to FY 2028-29 and most of the assets are expected to be newly constructed/ installed and are also covered under warranty clauses, and may need only minimum maintenance in FY 2028-29. Hence, the Authority proposes not to consider the additional increase of 40% in R&M expenses during the Second Control Period.

9.2.16 The Authority notes that R&M expenses proposed by AAI for the Second Control Period, are higher than the cap of 6% of the Opening RAB (net block of that year) generally considered by the Authority, for capping of R&M Expenses to the ceiling limit. Accordingly, the Authority, at this stage proposes to cap R&M Expenses at 6% of opening RAB (Net Block) as per Table 56.

9.2.17 However, the Authority on the aspect of capping of R&M Expenses of the airport at 6% of Opening RAB (Net Block) of the related tariff years, notes the submission of AAI, during the tariff determination process of other airports, wherein AO submitted that capping of R&M Expenses to 6% of Opening RAB (Net Block) needs review. As per the stakeholders, considering that the RAB (Net Block) of the airports, particularly smaller airports, with no major CAPEX additions, gradually decrease due to depreciation, whereas, due to normal wear & tear & aging of Assets, R&M Expenses tend to increase over a period of time. The stakeholder (AAI) has requested the Authority to review

the capping of R&M Expenses at 6% of Opening RAB (Net Block) appropriately, as capping of R&M Expenses as per present mechanism impacts adversely the AO due to lower ARR being considered (airports with low Regulatory Asset Base).

The Authority, taking note of the above submission, is of the view that existing approach across all the airports towards capping of R&M expenses to 6% of opening RAB (Net Block) of respective tariff years needs to be revisited and the Authority would look into alternative methodology/ benchmarks for evaluation of reasonableness of R&M expenses proposed by Airport Operators.

The Authority seeks the specific views of the stakeholders on the capping of R&M Expenses at 6% of opening RAB (Net Block). The Authority will take a final view in the matter considering the views/ inputs from the stakeholders.

Table 56: Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period

(in Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	TOTAL
Expenses Claimed by AAI (Other than Perimeter Road Recarpeting) (A)	13.35	14.68	16.15	20.24	22.26	86.68
Perimeter Road Recarpeting (B)	2.42	0	0	0	0	2.42
Total (C= A+B)	15.77	14.68	16.15	20.24	22.26	89.10
Opening RAB (D) (refer Table 49)	141.18	129.70	118.39	105.24	160.86	
6% of Opening RAB (E= D*6%)	8.47	7.78	7.10	6.31	9.65	
Allowable expenses (F= 6% of Opening RAB or A, whichever is lesser)	8.47	7.78	7.10	6.31	9.65	39.32
Total R&M Expenses allowed by the Authority (G= F + B)	10.89	7.78	7.10	6.31	9.65	41.74
Difference (H= A-G)	2.46	6.90	9.05	13.93	12.61	44.94

Administration and General expenses (other than CHQ/ RHQ and upkeep expenses)

9.2.18 The Authority notes that AAI has projected a 10% increase year-on-year in Administration and General expenses (other than CHQ/ RHQ and upkeep expenses) for FY 2024-25 to FY 2026-27 and FY 2028-29. An additional 10% increase has been submitted by AAI for FY 2027-28 on account of construction of New Terminal Building. The Authority proposes to shift the additional 10% increase from FY 2027-28 to FY 2028-29, in line with its proposal of shifting the capitalization of Terminal Building to FY 2028-29.

Interest on Loan

Administration and General expenses (other than CHQ/ RHQ and upkeep expenses), includes Interest on Loan amounting to ₹ 4.04 crores, apportioned to Varanasi Airport, from the total interest on loan incurred by AAI on the debts availed by AAI as a whole, for all airports. The Authority notes that AAI has not availed any debts for Varanasi Airport. Therefore, the Authority proposes not to consider the above interest on loan apportioned to Varanasi Airport by AAI

CSR Expenses

9.2.19 The Authority notes that AAI has claimed ₹ 3.65 Crores towards CSR expenses for the Second Control Period. The Authority has examined the AAI's claim towards CSR and the views of the Authority in this regard may be referred to in para 4.7.9 Accordingly, the CSR expense has not been

considered by the Authority for the Second Control Period.

Expenses towards Utilities and Outsourcing Expenses

9.2.20 The Authority examined the expenses towards utilities and noted the following:

Power expenses: AAI has projected an increase of 3% per year after, netting off the recoveries made from the Concessionaires (which is assumed to be 3% of the total power costs). AAI has also claimed additional 20% increase in power expenses for FY 2027-28 due to operationalization of new Terminal Building. The Authority notes that the power recovery percentage is reasonably higher than that of comparable airports (recovery from Concessionaires was 17% in FY 2022-23).

The Authority notes that AAI has increased the net power costs of FY 2023-24 by 3% year-on-year for the Second Control Period, which the Authority considers reasonable. Hence, the Authority proposes to consider increase of 3% y-o-y for FY 2024-25 to FY 2027-28 and shift the increase of 20% to FY 2028-29, in line with its decision on capitalization New Terminal Building in FY 2028-29.

Outsourcing expenses: The Authority observes the outsourcing expenses have been projected by AAI towards consultancy charges (which includes consultation and professional service charges for Airport Council for ACI- Asia, ASQ Rating Survey Fees and other associated services. The Authority notes that the above projections are based on actual expenses incurred by AAI in FY 2023-24. The Authority is of the view all outsourcing expenses may not increase by 10%, as proposed by AAI Y-o-Y. Therefore, the Authority proposes to consider a 5% increase Y-o-Y as done in other similar airports.

Upkeep expenses

9.2.21 The Authority observes that for upkeep expenses, AAI has proposed 10% increase year-on-year for the Second Control Period. The Authority notes that these are contractual expenses, wherein the rates have been finalized for the entire contract period (which is 3 years), and it includes the cost of materials, equipment and labour (including statutory benefits such as PF, ESI, Bonus etc) and increase in minimum wages is being reimbursed to the contractors on actual basis. As manpower expense is a significant component and the revision of Minimum wages is based on statutory requirements, the Authority proposes to consider a 5% year-on-year increase towards Upkeep expenses across the Second Control Period, for Varanasi International Airport.

Other Outflows- Collection charges on UDF

9.2.22 For other outflows, i.e., Collection Charges on UDF, AAI has considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same fundamental approach, as it finds the same to be a reasonable driver.

9.2.23 Based on the above observations, the Authority has determined the O&M expenses, which it proposes to consider in the Second Control Period. The same has been presented as follows:

Table 57: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Payroll Costs	23.01	24.39	25.85	27.70	32.13	133.08
Retirement Benefits of Employees at VIA	1.79	1.90	2.02	2.14	2.48	10.33
Repair & Maintenance	10.89	7.78	7.10	6.31	9.65	41.74

(₹ Crores)

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Utilities & Outsourcing Expenses	6.80	7.07	7.35	7.66	9.22	38.10
Upkeep Expenses	4.65	4.89	5.13	5.39	5.66	25.71
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	5.41	5.95	6.54	7.04	7.92	32.86
Admin. & Other Expenses - CHQ/RHQ	28.86	30.31	31.82	33.41	35.08	159.48
Other Outflows	1.26	1.46	1.69	1.87	2.06	8.35
Total O&M Expenditure	82.69	83.75	87.51	91.52	104.20	449.67

Note: The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 449.67 Cr.) and that claimed by AAI (₹ 599.54 Cr.) is on account of the following:

- i. Rationalization of payroll expenses by ₹ 14.30 Crores.
- ii. Rationalization of allocation of Admin CHQ/ RHQ expenses by ₹ 69.07 Crores and Retirement benefits of employees by ₹ 9.87 Crores.
- iii. Rationalization of Repair and Maintenance expenses amounting to ₹ 44.94 Crores.

The Authority expects AAI to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles

9.2.24 Based on above considerations, the Authority proposes the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

Table 58: Growth rates in O&M expenses considered by the Authority for the Second Control Period

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Payroll Costs	6%	6%	6%	6%	16%
Retirement Benefits of Employees at VIA	6%	6%	6%	6%	16%
Utilities Expenses (Power expenses)	3%	3%	3%	3%	23%
Upkeep Expenses	5%	5%	5%	5%	5%
Other Outsourcing Expenses	5%	5%	5%	5%	5%
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	10%	10%	10%	10%	20%
Admin. & Other Expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Other Outflows	22%	16%	16%	10%	10%

9.3 Authority's proposal regarding Operation and Maintenance expenses for the Second Control Period

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

9.3.1 To consider O&M expenses for the Second Control Period for VIA as per Table 57.

9.3.2 To consider the O&M expenses incurred by AAI for VIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

10 NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**10.1 AAI's Submission on Non-Aeronautical Revenue for the Second Control Period for VIA**

10.1.1 AAI has forecasted revenue from services other than Aeronautical services for VIA as per table given below:

Table 59: Non-aeronautical revenue projections for the Second Control Period submitted by AAI for VIA
(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
1. Passenger related revenue						
Restaurant / snack bars	4.45	4.90	5.39	6.46	7.11	28.31
T.R. stall	6.67	7.34	8.08	9.69	10.66	42.44
Hoarding & display	4.94	5.43	5.97	7.17	7.88	31.39
Car rentals	0.92	1.01	1.11	1.33	1.47	5.83
Car parking	3.32	3.65	4.02	4.82	5.30	21.11
Admission tickets	0.06	0.06	0.07	0.07	0.08	0.34
2. Other Revenue						
Land leases	0.30	0.35	0.35	0.35	0.35	1.71
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.10
Building (non-residential)	2.04	2.19	2.36	2.77	2.98	12.34
Other Misc. Income	4.02	4.22	4.43	4.66	4.89	22.22
Total	26.74	29.17	31.79	37.34	40.74	165.78

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

Table 60: Growth rates assumed by AAI for VIA for Non-aeronautical revenue

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
1. Passenger related revenue					
Restaurant / snack bars	10.00%	10.00%	10.00%	20.00%	10.00%
T.R. stall	10.00%	10.00%	10.00%	20.00%	10.00%
Hoarding & display	10.00%	10.00%	10.00%	20.00%	10.00%
Car rentals	10.00%	10.00%	10.00%	20.00%	10.00%
Car parking	10.00%	10.00%	10.00%	20.00%	10.00%
Admission tickets	10.00%	10.00%	10.00%	10.00%	10.00%
2. Other Revenue					
Land leases	0.00%	15.00%	0.00%	0.00%	0.00%
Building (residential)	0.00%	0.00%	0.00%	0.00%	0.00%
Building (non-residential)	7.50%	7.50%	7.50%	17.50%	7.50%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%

10.2 Authority's examination of non-aeronautical revenue for the Second Control Period

10.2.1 The Authority reviewed sample contracts executed with the Concessionaires by AAI during FY 2023-24 and considered the NAR for FY 2023-24 as the basis, to assess the non-aeronautical revenue

projected by AAI for the Second Control Period.

Revenue from Passenger related services

- 10.2.2 The Authority notes that the total NAR projected by AAI for the Second Control Period, that is ₹ 165.78 Crores is 83% higher than NAR of ₹90.63 Crores achieved in the First Control Period by AAI for Varanasi Airport. Further, the revenue from Passenger services (other than Rent and Services) projected for the Second Control Period amounts to ₹ 129.42 Crores, which is 79% higher than ₹ 72.17 Crores achieved by AAI in the First Control Period.
- 10.2.3 The Authority takes cognizance of the fact that the New Terminal Building is proposed to be commissioned only by the end of the current Control Period. Therefore, the Authority is of the view that the projected NAR submitted by AAI for the Second Control Period is commensurate with the traffic growth projected for the Second Control Period. Further, the Authority notes that AAI has projected a growth of 10% Y-o-Y in the passenger related revenues and an additional 10% increase in FY 2027-28, due to operationalization of the Terminal Building. The Authority, based on the above factors, proposes to consider the 10% Y-o-Y increase projected by AAI for the FY 2024-25 to FY 2027-28 and shift the additional increase of 10% to FY 2028-29, in line with its proposal to consider capitalization of the New Terminal Building in FY 2028-29.
- 10.2.4 Varanasi being a tourist destination and with the commissioning of new Terminal Building during the Second Control Period, the Authority is of the view that passenger traffic will grow substantially leading to the growth in non-aeronautical revenue also.

Other revenue – Rent and Services

- 10.2.5 The Authority has examined the Revenue from other services proposed by AAI as follows: -
- i Revenue from Building (residential): The Authority notes that AAI has assumed revenue from Building (residential) to be constant for the Second Control Period and the Authority proposes to consider the same.
 - ii Land Lease: AAI has proposed nil growth for FY 2024-25 as the land rental rates are revised after the period of 3 years. The last revision was done in FY 2022-23 as per the land management Circular No. 166 dated June 4, 2022. Further, the Authority proposes to consider the land lease rate growth of 15% in FY 2025-26 as projected by AAI.
 - iii Building (Non-Residential): AAI has projected increase of 7.50% increase from FY 2024-25 to FY 2026-27 and FY 2028-29. Further, AAI has projected an additional increase of 10% for FY 2027-28 for Building (Non- Residential) due to operationalization of the New Terminal Building. The Authority proposes to consider the increase of 7.5% Y-O-Y from FY 2024-25 to FY 2027-28 and shift the additional increase of 10% to FY 2028-29, in line with its proposal to consider capitalization of the New Terminal Building in FY2028-29.
- 10.2.6 Based on the Authority's examination of NAR proposed to be considered for VIA for the Second Control Period have been presented in the table below:

Table 61: Non-aeronautical revenues proposed by the Authority for VIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
1. Passenger related revenue						
Restaurant / snack bars	4.45	4.90	5.39	5.93	7.11	27.78

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
T.R. stall	6.67	7.34	8.08	8.88	10.66	41.63
Hoarding & display	4.94	5.43	5.97	6.57	7.88	30.79
Car Rentals	0.92	1.01	1.11	1.22	1.47	5.72
Car parking	3.32	3.65	4.02	4.42	5.30	20.70
Admission tickets	0.06	0.06	0.07	0.07	0.08	0.34
Other Misc. Income	4.02	4.22	4.43	4.66	4.89	22.22
2. Other Revenue						
Land Leases	0.30	0.35	0.35	0.35	0.35	1.71
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.10
Building (non-residential)	2.04	2.19	2.36	2.53	2.98	12.10
Total (1+2)	26.74	29.17	31.79	34.65	40.74	163.09

Note: The NAR derived by the Authority ₹ 163.09 Cr (as per above table) is lesser than that projected by AAI which is ₹ 165.78 Cr, due to shifting of one-time increase in some revenue components from FY 2027-28 to FY 2028-29, on account of operationalization of the Terminal Building in FY 2028-29

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

Table 62: Growth rates in non-aeronautical revenue proposed by the Authority

Particulars	FY	FY	FY	FY	FY
	2024-25	2025-26	2026-27	2027-28	2028-29
1. Passenger related revenue					
Restaurant / snack bars	10.00%	10.00%	10.00%	10.00%	20.00%
T.R. stall	10.00%	10.00%	10.00%	10.00%	20.00%
Hoarding & display	10.00%	10.00%	10.00%	10.00%	20.00%
Car Rentals	10.00%	10.00%	10.00%	10.00%	20.00%
Car parking	10.00%	10.00%	10.00%	10.00%	20.00%
Admission tickets	10.00%	10.00%	10.00%	10.00%	10.00%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%
2. Other Revenue					
Land Leases	0.00%	15.00%	0.00%	0.00%	0.00%
Building (residential)	0.00%	0.00%	0.00%	0.00%	0.00%
Building (non-residential)	7.50%	7.50%	7.50%	7.50%	17.50%

10.3 Authority's proposal regarding non-aeronautical revenues for the Second Control Period

Based on the material before it and based on its analysis, the Authority proposes the following with regard to non-aeronautical revenue for the Second Control Period.

10.3.1 To consider non-aeronautical revenues for the Second Control Period for VIA in accordance with Table 61.

10.3.2 To consider actual non-aeronautical revenue achieved by AAI for VIA for the Second Control Period, while determining tariff for the next Control Period.

11 TAXATION FOR THE SECOND CONTROL PERIOD

11.1 AAI's Submission on Taxation for the Second Control Period for VIA

11.1.1 AAI has calculated the revenue generated from regulated services, Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. 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 VIA are shown in the table below:

Table 63: Tax Expense submitted by AAI for VIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Aeronautical Revenue with Revised Rates	200.46	327.14	380.99	424.73	473.94	1,807.26
O&M expenses	100.47	107.09	114.23	134.33	143.42	599.54
Interest on working capital	-	-	-	-	-	-
Depreciation	16.35	15.20	13.89	161.83	295.02	502.30
Profit Before Tax	83.64	204.85	252.87	128.57	35.50	705.42
Set-off of prior period tax losses	(83.64)	(74.66)	0.00	0.00	0.00	(158.30)
PBT after set-off of prior period losses	0.00	130.19	252.87	128.57	35.50	547.12
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	32.77	63.65	32.36	8.93	137.71

11.2 Authority's examination of Taxation for the Second Control Period

11.2.1 The Authority notes that VIA has calculated income tax based on the projected Aeronautical revenues. The Authority has re-computed the taxes based on the revised regulatory blocks for the Second Control Period proposed in the previous chapters. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 64: Taxation proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Aeronautical Revenue (refer Table 71)	128.66	174.37	209.60	240.98	276.94	1,030.56
Less: O&M expenses (refer Table 57)	82.69	83.75	87.51	91.52	104.20	449.67
Less: Depreciation (as per Income Tax Act, 1961)	16.21	14.56	12.96	14.82	92.87	151.42
Less: Interest on Loan	1.05	0.97	0.82	0.67	0.52	4.05
Profit Before Tax	29.77	76.07	109.13	134.64	79.87	429.47
Set-off of prior period tax losses*	28.72	75.09	2.05	0.00	0.00	105.87
PBT after set-off of prior period tax losses	0.00	0.00	106.25	133.96	79.34	319.56
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	0.00	26.74	33.72	19.97	80.43

*Prior period losses pertain to those incurred during FY 2019-20 to FY 2022-23.

11.3 Authority's proposal regarding Taxation for the Second Control Period

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

- 11.3.1 To consider the Taxation for the Second Control Period for VIA as per Table 64.
- 11.3.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

12.1 AAI’s Submission on Quality of Service for the Second Control Period for VIA

12.1.1 VIA has not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI’s website (station-wise).

12.2 Authority’s examination regarding Quality of Service for the Second Control Period

12.2.1 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.*”

12.2.2 The Authority noted from AAI’s website that the ACI ASQ survey results for VIA for the years 2018 to 2024(Q1) have been in the range of 4.77 to 4.95 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.81

Table 65: ASQ rating for VIA for the years 2018-2024

Calendar Year (CY)	ASQ rating
2018	4.77
2019	4.80
2020	4.94
2021	-
2022	4.95
2023	4.90
2024 (Q1)	4.88

12.2.3 The Authority notes that the ASQ ratings achieved by VIA is by and large higher than the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the year 2019-20 and noted that the ASQ rating target for the year 2019-20 was 4.68. The actual ASQ rating achieved by Varanasi International Airport for CY 2019 was 4.80 which is higher than the target rating. The ASQ rating for CY 2021 is not available as the survey was not conducted to COVID 19 pandemic. Further, the Authority notes that now MoU between AAI and MoCA does not contain parameter on ASQ ratings.

12.2.5 The Authority does not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by VIA, as the Airport has already achieved 4.95 rating.

12.3 Authority’s proposal regarding Quality of Service for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Quality of Service for the Second Control Period:

12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

13.1 AAI's Submission on Aggregate Revenue Requirement for the Second Control Period for VIA

13.1.1 AAI has submitted ARR and Yield per Passenger (YPP) for the Second Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and YPP has been presented in the table below.

Table 66: ARR submitted by AAI for VIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Average RAB	136.43	128.07	117.42	1564.99	2943.08	4890.00
Fair Rate of Return	14%	14%	14%	14%	14%	
Return on average RAB	19.10	17.93	16.44	219.10	412.03	684.60
O&M expenses	100.47	107.09	114.23	134.33	143.42	599.54
Depreciation	14.69	14.84	13.95	83.75	152.91	280.15
Tax expense	0.00	32.77	63.65	32.36	8.93	137.71
True up shortfall of First Control Period claimed by AAI	305.36	-	-	-	-	305.36
Less: 30% NAR	8.02	8.75	9.54	11.20	12.22	49.73
ARR per year (₹ Crores)	431.60	163.88	198.73	458.34	705.07	1957.62
Discount factor (@ 14%)	1.00	0.88	0.77	0.67	0.59	
PV of ARR	431.60	143.75	152.92	309.37	417.46	1455.10
Sum Present value of ARR (₹ Crores)	1,455.10					1,455.10
Total Traffic (million passengers)	12.06					12.06
Yield per passenger (YPP) (₹)	1,206.55					1,206.55

13.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Second Control Period

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. Consequent to detailed examination of each regulatory building block, the Authority proposes the following ARR and YPP, as presented in the table below.

Table 67: ARR proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	Table	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Average RAB (A)	49	135.44	124.05	111.82	133.05	917.29	
Fair Rate of Return (B)	50	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on average RAB (C)= (A)*(B)		16.54	15.15	13.65	16.25	112.00	173.58
Depreciation (D)	47	13.98	13.81	13.15	13.19	39.21	93.34
O&M expenses (E)	57	82.69	83.75	87.51	91.52	104.20	449.67
Tax expense (F)	64	-	-	26.74	33.72	19.97	80.43

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

Particulars	Table	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total	
Shortfall carried forward from First Control Period (G)	24	225.41					225.41	
Gross ARR (H)= SUM (C:G)		338.61	112.71	141.05	154.68	275.38	1,022.43	
NAR (I)	61	26.74	29.17	31.79	34.65	40.74	163.09	
Less: 30% NAR (J= I*30%)		8.02	8.75	9.54	10.40	12.22	48.93	
Net ARR = (K= H - J)		330.59	103.96	131.51	144.28	263.16	973.50	
Discount factor (@ 12.21%)		1.00	0.89	0.79	0.71	0.63	4.02	
PV of ARR (₹ Crores)		330.59	92.64	104.45	102.12	166.00	795.80	
Sum Present value of ARR (₹ Crores)		795.80						795.80
Total Traffic (MPPA)	28				24.12			24.12
Yield per passenger on Total Traffic (YPP) (₹)					329.92			329.92
Departing passenger (MPPA)					12.06			12.06
Yield per Departing Passenger (₹)					659.84			659.84

13.2.2 AERA has determined Net Present Value (NPV) of ARR as ₹ 795.80 Crores, as against the NPV of ARR of ₹ 1,455.10 Crores proposed by AAI. The variation of ₹ 659.30 Crores between the ARR proposed by the Authority and that claimed by AAI are attributable to following factors:

- i Rationalization of CAPEX (refer Table 45) amounting to ₹ 920.44 Crores, resulting in reduction of depreciation and Return on RAB.
- ii Determination of FRoR by the Authority as 12.21% as against 14% claimed by AAI.
- iii Rationalization of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. amounting to ₹ 149.87 Crores.
- iv Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority (based on the proposed Tariff Rate card of the Authority) amounting to ₹ 57.28 Crores.

13.3 Authority's proposal regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

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

13.3.1 To consider the ARR and Yield for the Second Control Period for VIA in accordance with Table 67.

13.3.2 To true up the ARR of Second Control Period at the time of tariff determination of Third Control Period.

14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

14.1 AAI's Submission on Aeronautical Revenue for the Second Control Period for VIA

14.1.1 AAI has proposed to increase the Aeronautical tariffs with effect from October 1, 2024 as per the schedule below:

- **Landing charges** – For domestic and international ATM, AAI has proposed a one-time increase of 60% from the existing charges w.e.f. October 1, 2024 and thereafter by 6% year on year
- **Parking charges** - For domestic and international ATM, AAI has proposed a one-time increase of 110% from the existing charges w.e.f. October 1, 2024 and thereafter by 6% year on year.
- **User Development Fee (UDF)** – AAI has proposed the one time increase in UDF rates from the existing rates of ₹ 400 (Domestic) and ₹ 1,300 (International) for the Second Control Period as per the Table given below:

Table 68: Increase in UDF rates proposed by AAI

Particulars	FY 2024-25 (October 1, 2024 to March 31, 2025)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Domestic UDF (in ₹)	1,223	1,223	1,223	1,223	1,223
Domestic UDF (%)	205.75%	0.00%	0.00%	0.00%	0.04%
International UDF (in ₹)	1,620	1,620	1,620	1,620	1,620
International UDF (%)	24.62%	0.00%	0.00%	0.00%	0.00%

Table 69: Aeronautical revenue submitted by AAI for VIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2024-25	2025-26	2026-27	2027-28	2028-29	
Parking charges	0.53	0.61	0.71	0.79	0.89	3.54
Landing	27.01	30.53	34.53	38.00	41.82	171.90
UDF charges	80.95	94.54	110.54	122.73	136.31	545.08
Land Lease	0.80	0.92	0.92	0.92	0.92	4.47
Ground Handling charges	2.48	2.80	3.16	3.47	3.82	15.73
CUTE charges	4.24	4.90	5.67	6.26	6.91	27.98
Revenue Share from AAICLAS	1.04	1.10	1.15	1.21	1.27	5.77
Space rent from Airlines	0.82	0.88	0.94	0.69	0.74	4.07
Total Revenue	117.87	136.28	157.63	174.08	192.68	778.55

14.1.2 For revenues based on agreements i.e., Land lease from oil companies and Ground handling companies, AAI has proposed to consider the same revenue of FY 2025-26 for FY 2026-27 to FY 2028-29.

14.2 Authority's examination of Aeronautical Revenue for the Second Control Period

14.2.1 The Authority notes that domestic traffic of VIA had surpassed the pre-COVID levels of FY 2019-20 and there has been a reasonable growth in passenger traffic (domestic and international) in the current Financial Year.

14.2.2 Based on the above, the Authority proposes to increase the Landing and Parking charges in a staggered

manner from FY 2024-25 (w.e.f December 1, 2024) on the following basis:

- i. One time increase of 40% in Domestic and International Landing charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.
- ii. One time increase of 40% in Domestic and International Parking charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.

14.2.3 The Authority proposes to rationalize the increase in UDF considered by AAI. Accordingly, UDF proposed by Authority for the Second Control Period for VIA is as follows:

Table 70: UDF charges proposed by the Authority for VIA for the Second Control Period

Passenger	FY 2024-25 (April 1, 2024 to November 30, 2024) (existing rates)	FY 2024-25 (December 1, 2024 to March 31, 2025)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Domestic (in ₹)	400	440	480	500	520	540
% increase proposed		10%	9%	4%	4%	4%
International (in ₹)	1,300	1,350	1,360	1,370	1,380	1,390
% increase proposed		4%	1%	1%	1%	1%

14.2.4 The Authority has determined the Aeronautical revenue based on the proposed Aeronautical charges as follows:

Table 71: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period

(₹ Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 67)	795.80					795.80
Aeronautical Revenue						
Parking and Housing Charges (₹ in Crores)	0.70	1.07	1.32	1.56	1.85	6.50
UDF Domestic (₹ in Crores)	86.25	114.49	138.39	158.69	181.75	679.58
Landing Charges (₹ in Crores)	32.92	48.83	58.69	68.54	80.06	289.05
CUTE charges (₹ in Crores)	4.33	5.00	5.79	6.39	7.05	28.56
Ground handling charges (₹ in Crores)	2.63	2.96	3.34	3.68	4.04	16.65
Royalty from AAICLAS (₹ in Crores)	1.04	1.10	1.15	1.21	1.27	5.77
Land Lease – Oil Companies / Ground Handling Companies (₹ in Crores)	0.80	0.92	0.92	0.92	0.92	4.47
Total Revenue (b)	128.67	174.38	209.61	240.99	276.94	1,030.58
PV factor	1.00	0.89	0.79	0.71	0.63	
PV of Aero Revenue (c)	128.67	155.40	166.47	170.57	174.69	795.80
∑ PV Projected Aero Revenue (d)	795.80					795.80
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)	0.00					0.00

14.2.5 As can be observed from the above table, as per the Authority's proposals, AAI is entitled to recover an ARR of ₹ 795.80 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 795.80 Crores (in NPV

terms), which is equivalent to Target Revenue/ ARR determined by the Authority for the Second Control Period.

14.3 Authority's proposal regarding Aeronautical Revenue for the Second Control Period

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

- 14.3.1 To consider Aeronautical revenue for the Second Control Period for VIA as per Table 71.
- 14.3.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.

15 SUMMARY OF AUTHORITY'S PROPOSALS

Chapter 4: True Up of the First Control Period

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as 14% for the purpose of true up of the First Control Period.
- 4.11.5 To consider the non-aeronautical revenues as presented in Table 13 for the purpose of true up of the First Control Period.
- 4.11.6 To consider O&M expenses as detailed in Table 19 for the purpose of true up of the First Control Period.
- 4.11.7 To consider actual Aeronautical revenue as per Table 22 for true up of the First Control Period for VIA.
- 4.11.8 To consider ARR and Under-recovery as detailed in Table 24 for true up of the First Control Period for VIA and readjust the shortfall for the Second Control Period.

Chapter 5: Traffic for the Second Control Period

- 5.3.1 To consider the ATM and passenger traffic for the Second Control Period for VIA as per Table 28.
- 5.3.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.

Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.5.1 To consider allocation of gross block of assets as on April 1, 2024, between Aeronautical and Non-aeronautical assets as detailed in Table 30.
- 6.5.2 To adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period in accordance with Table 45.
- 6.5.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.5.4 To reduce (adjust) 1% of the uncaptured project cost from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.5.5 To consider depreciation as per Table 47 for the Second Control Period.
- 6.5.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.5.7 To consider average RAB for the Second Control Period for VIA as per Table 49.
- 6.5.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

Chapter 7: Fair Rate of Return for the Second Control Period

- 7.3.1 To consider FRoR of 12.21 % for VIA for the Second Control Period as per Table 50.
- 7.3.2 To true up the FRoR while determining tariff for the next Control Period considering all the relevant factors.

Chapter 8: Inflation for the Second Control Period

- 8.3.1 To consider Inflation for the Second Control Period for VIA as detailed in Table 51.

Chapter 9: Operation and Maintenance expenses for the Second Control Period

- 9.3.1 To consider O&M expenses for the Second Control Period for VIA as per Table 57
- 9.3.2 To consider the O&M expenses incurred by AAI for VIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 10: Non-aeronautical revenue for the Second Control Period

- 10.3.1 To consider non-aeronautical revenues for the Second Control Period for VIA in accordance with Table 61.
- 10.3.2 To consider actual non-aeronautical revenue achieved by AAI for VIA for the Second Control Period, while determining tariff for the next Control Period.

Chapter 11: Taxation for the Second Control Period

- 11.3.1 To consider the Taxation for the Second Control Period for VIA as per Table 64.
- 11.3.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

Chapter 12: Quality of Service for the Second Control Period

- 12.3.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Service.

Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period

- 13.3.1 To consider the ARR and Yield for the Second Control Period for VIA in accordance with Table 67.
- 13.3.2 To true up the ARR of Second Control Period at the time of tariff determination of Third Control Period

Chapter 14: Aeronautical revenue for the Second Control Period

- 14.3.1 To consider Aeronautical revenue for the Second Control Period for VIA as per Table 71.
- 14.3.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.

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 various 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 proposal made in this Consultation Paper, latest by 25.11.2024.

**Secretary,
Airports Economic Regulatory Authority of India
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(Chairperson)

17 LIST OF ANNEXURES

17.1 Annexure I: Annual Tariff proposal submitted by AAI for VIA for the Second Control Period

17.1.1 As part of the Multi-year Tariff proposal, AAI submitted a Tariff Card for all five years of the Second Control Period. The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this Consultation Paper in the previous Chapters.

17.1.2 The tariff card proposed by AAI for the Second Control Period has been reproduced here. For purposes of comparison, the existing Aeronautical charges have been provided along with the charges proposed by AAI.

i. Landing charges (Domestic)

Table 72: Existing Landing charges

Weight of the Aircraft	Domestic (₹)	International (₹)
Up to 25 MT	211.20 per MT	355.10 per MT
Above 25 MT to 50 MT	5,280.00 + 380.10 per MT in excess of 25 MT	8,877.50 + 719.20 per MT in excess of 25 MT
Above 50 MT to 100 MT	14,782.50 + 391.90 per MT in excess of 50 MT	26,857.50 + 804.30 per MT in excess of 50 MT
Above 100 MT to 200 MT	34,377.50 + 396.40 per MT in excess of 100 MT	67,072.50 + 915.30 per MT in excess of 100 MT
Above 200 MT	74,017.50 + 382.60 per MT in excess of 200 MT	1,58,602.50 + 944.60 per MT in excess of 200 MT

Table 73: Landing charges (domestic) proposed by AAI for the Second Control Period

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	338 per MT	358 per MT	380 per MT	402 per MT	427 per MT
Above 25 MT up to 50 MT	8,448 + 608 in excess of 25 MT	89,55 + 645 in excess of 25 MT	9,492 + 683 in excess of 25 MT	10,062 + 724 in excess of 25 MT	10,665 + 768 in excess of 25 MT
Above 50 MT up to 100 MT	23,652 + 627 in excess of 50 MT	25,071 + 665 in excess of 50 MT	26,575 + 705 in excess of 50 MT	28,170 + 747 in excess of 50 MT	29,860 + 792 in excess of 50 MT
Above 100 MT to 200 MT	55,004 + 634 in excess of 100 MT	58,304 + 672 in excess of 100 MT	61,802 + 713 in excess of 100 MT	65,511 + 755 in excess of 100 MT	69,441 + 801 in excess of 100 MT
Above 200 MT	1,18,428 + 612 in excess of 200 MT	1,25,534 + 649 in excess of 200 MT	1,33,066 + 688 in excess of 200 MT	1,41,050 + 729 in excess of 200 MT	1,49,513 + 773 in excess of 200 MT

Table 74: Landing charges (international) proposed by AAI for the Second Control Period

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	568 per MT	602 per MT	638 per MT	677 per MT	717 per MT
Above 25 MT up to 50 MT	14204 + 1151 in excess of 25 MT	15056 + 1220 in excess of 25 MT	15960 + 1293 in excess of 25 MT	16917 + 1371 in excess of 25 MT	17932 + 1453 in excess of 25 MT
Above 50 MT up to 100 MT	42972 + 1287 in excess of 50 MT	45550 + 1364 in excess of 50 MT	48283 + 1446 in excess of 50 MT	51180 + 1533 in excess of 50 MT	54251 + 1625 in excess of 50 MT
Above 100 MT to 200 MT	107316 + 1464 in excess of 100 MT	113755 + 1552 in excess of 100 MT	120580 + 1645 in excess of 100 MT	127815 + 1744 in excess of 100 MT	135484 + 1849 in excess of 100 MT
Above 200 MT	253764 + 1511 in excess of 200 MT	268990 + 1602 in excess of 200 MT	285129 + 1698 in excess of 200 MT	302237 + 1800 in excess of 200 MT	320371 + 1908 in excess of 200 MT

Notes:

- No Landing Charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
- “A minimum Landing charge of Rs.4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable”.
- Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

ii. Parking Charges

Table 75: Existing Parking charges (domestic ATM)

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	3.00 Per Hour per MT	6.00 Per Hour per MT
Above 25 MT up to 50 MT	75.00 + 4.60 per Hour per MT in excess of 25 MT	150.00 + 9.20 per Hour per MT in excess of 25 MT

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Above 50 MT up to 100 MT	190.00 + 5.50 per Hour per MT in excess of 50 MT	380.00 + 11.00 per Hour per MT in excess of 50 MT
Above 100 MT to 200 MT	465.00 + 8.80 per Hour per MT in excess of 100 MT	930.00 + 17.60 per Hour per MT in excess of 100 MT
Above 200 MT	1,345.00 + 9.00 per Hour per MT in excess of 200 MT	2,690.00 + 18.00 per Hour per MT in excess of 200 MT

Table 76: Parking charges (domestic ATM) proposed by AAI for the Second Control Period (up to four hours after first two free hours)

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	12.6 Per Hour Per MT	13.36 Per Hour Per MT	14.16 Per Hour Per MT	15.01 Per Hour Per MT	15.91 Per Hour Per MT
Above 25 MT up to 50 MT	315 + 19.32 per MT per hour in excess of 25 MT	333.9 + 20.48 per MT per hour in excess of 25 MT	353.93 + 21.71 per MT per hour in excess of 25 MT	375.17 + 23.01 per MT per hour in excess of 25 MT	397.68 + 24.39 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	798 + 23.1 per MT per hour in excess of 50 MT	845.88 + 24.49 per MT per hour in excess of 50 MT	896.63 + 25.96 per MT per hour in excess of 50 MT	950.43 + 27.51 per MT per hour in excess of 50 MT	1007.46 + 29.16 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1953 + 36.96 per MT per hour in excess of 100 MT	2070.18 + 39.18 per MT per hour in excess of 100 MT	2194.39 + 41.53 per MT per hour in excess of 100 MT	2326.05 + 44.02 per MT per hour in excess of 100 MT	2465.62 + 46.66 per MT per hour in excess of 100 MT
Above 200 MT	5649 + 37.8 per MT per hour in excess of 200 MT	5987.94 + 40.07 per MT per hour in excess of 200 MT	6347.22 + 42.47 per MT per hour in excess of 200 MT	6728.05 + 45.02 per MT per hour in excess of 200 MT	7131.73 + 47.72 per MT per hour in excess of 200 MT

Table 77: Parking charges (domestic ATM) proposed by AAI for the Second Control Period (beyond first four hours)

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	25.2 Per Hour Per MT	26.71 Per Hour Per MT	28.31 Per Hour Per MT	30.01 Per Hour Per MT	31.81 Per Hour Per MT
Above 25 MT up to 50 MT	630 + 38.64 per MT per hour in excess of 25 MT	667.8 + 40.96 per MT per hour in excess of 25 MT	707.87 + 43.42 per MT per hour in excess of 25 MT	750.34 + 46.02 per MT per hour in excess of 25 MT	795.36 + 48.78 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	1596 + 46.2 per MT per hour in excess of 50 MT	1691.76 + 48.97 per MT per hour in excess of 50 MT	1793.27 + 51.91 per MT per hour in excess of 50 MT	1900.86 + 55.02 per MT per hour in excess of 50 MT	2014.91 + 58.33 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	3906 + 73.92 per MT per hour in excess of 100 MT	4140.36 + 78.36 per MT per hour in excess of 100 MT	4388.78 + 83.06 per MT per hour in excess of 100 MT	4652.11 + 88.04 per MT per hour in excess of 100 MT	4931.24 + 93.32 per MT per hour in excess of 100 MT
Above 200 MT	11298 + 75.6 per MT per hour in excess of 200 MT	11975.88 + 80.14 per MT per hour in excess of 200 MT	12694.43 + 84.94 per MT per hour in excess of 200 MT	13456.1 + 90.04 per MT per hour in excess of 200 MT	14263.46 + 95.44 per MT per hour in excess of 200 MT

Table 78: Existing Parking charges (international ATM)

Weight of Aircraft	Parking Charges Rates per Hour (₹) (up to four hours after first two free hours)	Parking Charges Rates per Hour (₹) (beyond first four hours)
Up to 25 MT	3.00 Per Hour per MT	6.00 Per Hour per MT
Above 25 MT up to 50 MT	75.00 + 4.60 per Hour per MT in excess of 25 MT	150.00 + 9.20 per Hour per MT in excess of 25 MT
Above 50 MT up to 100 MT	190.00 + 5.50 per Hour per MT in excess of 50 MT	380.00 + 11.00 per Hour per MT in excess of 50 MT
Above 100 MT to 200 MT	465.00 + 8.80 per Hour per MT in excess of 100 MT	930.00 + 17.60 per Hour per MT in excess of 100 MT
Above 200 MT	1,345.00 + 9.00 per Hour per MT in excess of 200 MT	2,690.00 + 18.00 per Hour per MT in excess of 200 MT

Table 79: Parking charges (international ATM) proposed by AAI for the Second Control Period (up to four hours after first two free hours)

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	13.02 Per Hour Per MT	13.8 Per Hour Per MT	14.63 Per Hour Per MT	15.51 Per Hour Per MT	16.44 Per Hour Per MT
Above 25 MT up to 50 MT	325.5 + 22.26 per MT per hour in excess of 25 MT	345.03 + 23.6 per MT per hour in excess of 25 MT	365.73 + 25.01 per MT per hour in excess of 25 MT	387.68 + 26.51 per MT per hour in excess of 25 MT	410.94 + 28.1 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	882 + 28.14 per MT per hour in excess of 50 MT	934.92 + 29.83 per MT per hour in excess of 50 MT	991.02 + 31.62 per MT per hour in excess of 50 MT	1050.48 + 33.52 per MT per hour in excess of 50 MT	1113.5 + 35.53 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	2289 + 42.84 per MT per hour in excess of 100 MT	2426.34 + 45.41 per MT per hour in excess of 100 MT	2571.92 + 48.14 per MT per hour in excess of 100 MT	2726.24 + 51.02 per MT per hour in excess of 100 MT	2889.81 + 54.08 per MT per hour in excess of 100 MT
Above 200 MT	6573 + 43.26 per MT per hour in excess of 200 MT	6967.38 + 45.86 per MT per hour in excess of 200 MT	7385.42 + 48.61 per MT per hour in excess of 200 MT	7828.55 + 51.52 per MT per hour in excess of 200 MT	8298.26 + 54.61 per MT per hour in excess of 200 MT

Table 80: Parking charges (international ATM) proposed by AAI for the Second Control Period (beyond first four hours)

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Up to 25 MT	26.04 Per Hour Per MT	27.6 Per Hour Per MT	29.26 Per Hour Per MT	31.01 Per Hour Per MT	32.87 Per Hour Per MT
Above 25 MT up to 50 MT	651 + 44.52 per MT per hour in excess of 25 MT	690.06 + 47.19 per MT per hour in excess of 25 MT	731.46 + 50.02 per MT per hour in excess of 25 MT	775.35 + 53.02 per MT per hour in excess of 25 MT	821.87 + 56.21 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	1764 + 56.28 per MT per hour in excess of 50 MT	1869.84 + 59.66 per MT per hour in excess of 50 MT	1982.03 + 63.24 per MT per hour in excess of 50 MT	2100.95 + 67.03 per MT per hour in excess of 50 MT	2227.01 + 71.05 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	4578 + 85.68 per MT per hour in excess of 100 MT	4852.68 + 90.82 per MT per hour in excess of 100 MT	5143.84 + 96.27 per MT per hour in excess of 100 MT	5452.47 + 102.05 per MT per hour in excess of 100 MT	5779.62 + 108.17 per MT per hour in excess of 100 MT

Weight of the Aircraft	Rates per Hour (₹) (01.04.2024 to 31.03.2025)	Rates per Hour (₹) (01.04.2025 to 31.03.2026)	Rates per Hour (₹) (01.04.2026 to 31.03.2027)	Rates per Hour (₹) (01.04.2027 to 31.03.2028)	Rates per Hour (₹) (01.04.2028 to 31.03.2029)
Above 200 MT	13146 + 86.52 per MT per hour in excess of 200 MT	13934.76 + 91.71 per MT per hour in excess of 200 MT	14770.85 + 97.21 per MT per hour in excess of 200 MT	15657.1 + 103.05 per MT per hour in excess of 200 MT	16596.52 + 109.23 per MT per hour in excess of 200 MT

Notes-

- 1 No Parking Charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- 2 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- 3 Charges shall be calculated on the basis of nearest MT.
- 4 Charges for each parking period shall be rounded off to nearest rupee.
- 5 At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- 6 It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at VIA if the State Government has brought the rate of tax (VAT) on ATF $\leq 5\%$. The above waiver of night parking charges will be made applicable from the date of implementation of $<5\%$ tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.
- 7 Flights operating under Regional Connectivity Scheme shall be completely governed by AIC issued on this subject by DGCA.
- 8 For unauthorized overstay of Aircraft on Ground, an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rates as approved by the Authority.

iii. User Development Fees (UDF)*Table 81: UDF Proposed by AAI (per embarking passenger)**Rate in (₹)*

Passenger	Existing UDF	FY 2024-25 (01.10.2024 to 31.03.2025)	FY 2025-26 (01.04.2025 to 31.03.2026)	FY 2026-27 (01.04.2026 to 31.03.2027)	FY 2027-28 (01.04.2027 to 31.03.2028)	FY 2028-29 (01.04.2028 to 31.03.2029)
Domestic	400.00	1,223.00	1,223.00	1,223.00	1,223.00	1,223.00
International	1,300.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00

Notes:

- a) Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at Rs 5 per departing pax is payable by AAI to Airline operators. No collection charges shall be payable if the operator fails to pay the UDF to AAI within the prescribed credit period or in case of part payment.
- b) No collection charges are payable to casual operator/non-scheduled operators.
- c) For conversion of US\$ into INR the rate as on the 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted
- d) Revised UDF charges will be applicable on tickets issued on or after 01/12/2024 for FY 2024-25 and thereafter applicable on date of travel from 1st April 2025 to 31st March 2028.

iv. Aviation Security Fee:

- a) Aviation Security Fee (ASF) shall be levied as per GOI Order issued from time to time.

v. Exemption from levy and collection from UDF/ASF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI and vide Letter no. AV.13024/659/2015-AS dated November 30, 2011 and June 13, 2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF/ASF.

- a) Children (under-age of 2 years),
- b) Holders of Diplomatic Passport,
- c) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

vi. General Condition:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flight operating under regional connectivity scheme will be completely exempted from charges as per Order No.20/2018-19 dated March 31, 2017 of the Authority from the date the scheme is operationalized by GoI.

17.2 Annexure II: Annual Tariff proposed by the Authority for Consultation process

17.2.1 As detailed in Table 71 (Chapter 14), VIA is entitled to recover an ARR of ₹ 795.80 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges is ₹ 795.80 Crores (in NPV terms), which is equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.

17.2.2 The Authority has examined the Annual Tariff Proposal submitted by AAI for VIA. After its examination as detailed in para 14.2, the Authority proposes the following Aeronautical tariffs for VIA for the Second Control Period for consultation process:

17.2.3 Landing charges proposed by the Authority for Varanasi International Airport for the Second Control Period is as follows:

*Table 82: Landing charges(domestic) proposed by the Authority for VIA for the Second Control Period
(Rates in ₹)*

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	296 per MT	314 per MT	333 per MT	353 per MT	374 per MT
Above 25 MT up to 50 MT	7,400 + 532 per MT in excess of 25 MT	7,850 + 564 per MT in excess of 25 MT	8,325 + 598 per MT in excess of 25 MT	8,825 + 634 per MT in excess of 25 MT	9,350 + 672 per MT in excess of 25 MT
Above 50 MT up to 100 MT	20,700 + 549 per MT in excess of 50 MT	21,950 + 582 per MT in excess of 50 MT	23,275 + 617 per MT in excess of 50 MT	24,675 + 654 per MT in excess of 50 MT	26,150 + 693 per MT in excess of 50 MT
Above 100 MT to 200 MT	48,150 + 555 per MT in excess of 100 MT	51,050 + 588 per MT in excess of 100 MT	54,125 + 623 per MT in excess of 100 MT	57,375 + 660 per MT in excess of 100 MT	60,800 + 700 per MT in excess of 100 MT
Above 200 MT	1,03,650 + 536 per MT in excess of 200 MT	1,09,850 + 568 per MT in excess of 200 MT	1,16,425 + 602 per MT in excess of 200 MT	1,23,375 + 638 per MT in excess of 200 MT	1,30,800 + 676 per MT in excess of 200 MT

Notes:

- The Authority has proposed one time increase of 40% in Domestic Landing charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
- Existing tariff will continue up to November 30, 2024.

*Table 83: Landing charges(international) proposed by the Authority for VIA for the Second Control Period
(Rates in ₹)*

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	497 per MT	527 per MT	559 per MT	593 per MT	629 per MT
Above 25 MT up to 50 MT	12,425 + 1,007 per MT in excess of 25 MT	13,175 + 1,067 per MT in excess of 25 MT	13,975 + 1,131 per MT in excess of 25 MT	14,825 + 1,199 per MT in excess of 25 MT	15,725 + 1,271 per MT in excess of 25 MT

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Above 50 MT up to 100 MT	37,600 + 1,126 per MT in excess of 50 MT	39,850 + 1,194 per MT in excess of 50 MT	42,250 + 1,266 per MT in excess of 50 MT	44,800 + 1,342 per MT in excess of 50 MT	47,500 + 1,423 per MT in excess of 50 MT
Above 100 MT to 200 MT	93,900 + 1,281 per MT in excess of 100 MT	99,550 + 1,358 per MT in excess of 100 MT	1,05,550 + 1,439 per MT in excess of 100 MT	1,11,900 + 1,525 per MT in excess of 100 MT	1,18,650 + 1,617 per MT in excess of 100 MT
Above 200 MT	2,22,000 + 1,322 per MT in excess of 200 MT	2,35,350 + 1,401 per MT in excess of 200 MT	2,49,450 + 1,485 per MT in excess of 200 MT	2,64,400 + 1,574 per MT in excess of 200 MT	2,80,350 + 1,668 per MT in excess of 200 MT

Notes:

1. The Authority has proposed one time increase of 40% in International Landing charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
2. Existing tariff will continue up to November 30, 2024.

Notes:

1. No Landing Charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b)helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
 2. All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
 3. Domestic leg of international routes of foreign carriers shall be treated as international flights.
 4. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
 5. "A minimum Landing charge of Rs.4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable".
 6. Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.
- 17.2.4 Parking charges proposed by the Authority for VIA for the Second Control Period is as follows:

Table 84: Parking charges (per hour) (Domestic ATM) up to four hours after first two free hours for the Second Control Period proposed by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	4.20 Per Hour Per MT	4.45 Per Hour Per MT	4.70 Per Hour Per MT	5.00 Per Hour Per MT	5.30 Per Hour Per MT
Above 25 MT up to 50 MT	105.00 + 6.45 per MT per hour in excess of 25 MT	111.25 + 6.85 per MT per hour in excess of 25 MT	117.50 + 7.25 per MT per hour in excess of 25 MT	125.00 + 7.70 per MT per hour in excess of 25 MT	132.50 + 8.15 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	266.25 + 7.70 per MT per hour in excess of 50 MT	282.50 + 8.15 per MT per hour in excess of 50 MT	298.75 + 8.65 per MT per hour in excess of 50 MT	317.50 + 9.15 per MT per hour in excess of 50 MT	336.25 + 9.70 per MT per hour in excess of 50 MT

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Above 100 MT to 200 MT	651.25 + 12.30 per MT per hour in excess of 100 MT	690.00 + 13.05 per MT per hour in excess of 100 MT	731.25 + 13.85 per MT per hour in excess of 100 MT	775 + 14.70 per MT per hour in excess of 100 MT	821.25 + 15.60 per MT per hour in excess of 100 MT
Above 200 MT	1,881.25 + 12.60 per MT per hour in excess of 200 MT	1,995.00 + 13.35 per MT per hour in excess of 200 MT	2,116.25 + 14.15 per MT per hour in excess of 200 MT	2,245.00 + 15.00 per MT per hour in excess of 200 MT	2,381.25 + 15.90 per MT per hour in excess of 200 MT

Note:

- The Authority has proposed one time increase of 40% in Parking charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
- Existing tariff will continue up to November 30, 2024.

Table 85: Parking charges (Domestic ATM) beyond first four hours for the Second Control Period proposed by the Authority

(Rates in ₹)

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	8.40 Per Hour Per MT	8.90 Per Hour Per MT	9.40 Per Hour Per MT	10.00 Per Hour Per MT	10.60 Per Hour Per MT
Above 25 MT up to 50 MT	210.00 + 12.90 per MT per hour in excess of 25 MT	222.5 + 13.70 per MT per hour in excess of 25 MT	235.00 + 14.50 per MT per hour in excess of 25 MT	250.00 + 15.40 per MT per hour in excess of 25 MT	265.00 + 16.30 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	532.50 + 15.40 per MT per hour in excess of 50 MT	565.00 + 16.30 per MT per hour in excess of 50 MT	597.50 + 17.30 per MT per hour in excess of 50 MT	635.00 + 18.30 per MT per hour in excess of 50 MT	672.50 + 19.40 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,302.50 + 24.60 per MT per hour in excess of 100 MT	1,380.00 + 26.10 per MT per hour in excess of 100 MT	1,462.50 + 27.70 per MT per hour in excess of 100 MT	1,550.00 + 29.40 per MT per hour in excess of 100 MT	1,642.50 + 31.20 per MT per hour in excess of 100 MT
Above 200 MT	3,762.50 + 25.20 per MT per hour in excess of 200 MT	3,990.00 + 26.70 per MT per hour in excess of 200 MT	4,232.50 + 28.30 per MT per hour in excess of 200 MT	4,490.00 + 30.00 per MT per hour in excess of 200 MT	4,762.50 + 31.80 per MT per hour in excess of 200 MT

Note:

- The Authority has proposed one time increase of 40% in Parking charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
- Existing tariff will continue up to November 30, 2024.

Table 86: Parking charges (per hour) (International ATM) up to four hours after first two free hours for the Second Control Period proposed by the Authority

(rates in ₹)

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	4.35 Per Hour Per MT	4.60 Per Hour Per MT	4.90 Per Hour Per MT	5.20 Per Hour Per MT	5.50 Per Hour Per MT

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Above 25 MT up to 50 MT	108.75 + 7.40 per MT per hour in excess of 25 MT	115.00+ 7.85 per MT per hour in excess of 25 MT	122.50 + 8.30 per MT per hour in excess of 25 MT	130.00 + 8.80 per MT per hour in excess of 25 MT	137.50 + 9.35 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	293.75 + 9.40 per MT per hour in excess of 50 MT	311.25 + 9.95 per MT per hour in excess of 50 MT	330.00 + 10.55 per MT per hour in excess of 50 MT	350.00 + 11.20 per MT per hour in excess of 50 MT	371.25 + 11.85 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	763.75 + 14.30 per MT per hour in excess of 100 MT	808.75 + 15.15 per MT per hour in excess of 100 MT	857.50 + 16.05 per MT per hour in excess of 100 MT	910.00 + 17.00 per MT per hour in excess of 100 MT	963.75 + 18.00 per MT per hour in excess of 100 MT
Above 200 MT	2,193.75 + 14.40 per MT per hour in excess of 200 MT	2,323.75 + 15.25 per MT per hour in excess of 200 MT	2,462.50 + 16.15 per MT per hour in excess of 200 MT	2,610.00 + 17.10 per MT per hour in excess of 200 MT	2,763.75 + 18.15 per MT per hour in excess of 200 MT

Note-

1. The Authority has proposed one time increase of 40% in Parking charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
2. Existing tariff will continue up to November 30, 2024.

Table 87: Parking charges (International ATM) beyond first four hours for the Second Control Period proposed by the Authority

(rates in ₹)

Weight of the Aircraft	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
	Tariff w.e.f. 01.12.2024	Tariff w.e.f. 01.04.2025	Tariff w.e.f. 01.04.2026	Tariff w.e.f. 01.04.2027	Tariff w.e.f. 01.04.2028
Up to 25 MT	8.70 Per Hour Per MT	9.20 Per Hour Per MT	9.80 Per Hour Per MT	10.40 Per Hour Per MT	11.00 Per Hour Per MT
Above 25 MT up to 50 MT	217.50 + 14.80 per MT per hour in excess of 25 MT	230.00 + 15.70 per MT per hour in excess of 25 MT	245.00 + 16.60 per MT per hour in excess of 25 MT	260.00 + 17.60 per MT per hour in excess of 25 MT	275.00 + 18.70 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	587.50 + 18.80 per MT per hour in excess of 50 MT	622.50 + 19.90 per MT per hour in excess of 50 MT	660.00 + 21.10 per MT per hour in excess of 50 MT	700.00 + 22.40 per MT per hour in excess of 50 MT	742.50 + 23.70 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,527.50 + 28.60 per MT per hour in excess of 100 MT	1,617.50 + 30.30 per MT per hour in excess of 100 MT	1,715.00 + 32.10 per MT per hour in excess of 100 MT	1,820.00 + 34.00 per MT per hour in excess of 100 MT	1,927.50 + 36.00 per MT per hour in excess of 100 MT
Above 200 MT	4,387.50 + 28.80 per MT per hour in excess of 200 MT	4,647.50 + 30.50 per MT per hour in excess of 200 MT	4,925.00 + 32.30 per MT per hour in excess of 200 MT	5,220.00 + 34.20 per MT per hour in excess of 200 MT	5,527.50 + 36.30 per MT per hour in excess of 200 MT

Note:

1. The Authority has proposed one time increase of 40% in Parking charges with effect from December 1, 2024 and 6% increase Y-o-Y thereafter till FY 2028-29.
2. Existing tariff will continue up to November 30, 2024.

Notes:

1. No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
 2. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
 3. Charges shall be calculated on the basis of nearest MT.
 4. Charges for each period parking shall be rounded off to nearest rupee.
 5. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
 6. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Varanasi Airport if the State Government has brought the rate of tax (VAT) on ATF $\leq 5\%$. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of $\leq 5\%$ tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
 7. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
 8. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.
- 17.2.5 **User Development Fees (UDF):** UDF charges proposed by the Authority for VIA for the Second Control Period is as follows:

Applicable rates for travel date from December 1, 2024 to March 31, 2025*(Rate in ₹)*

Type of Passenger	Domestic	International
Embarking passenger	440	1,350

Applicable rates for travel date from April 1, 2025 to March 31, 2026*(Rate in ₹)*

Type of Passenger	Domestic	International
Embarking passenger	480	1,360

Applicable rates for travel date from April 1, 2026 to March 31, 2027*(Rate in ₹)*

Type of Passenger	Domestic	International
Embarking passenger	500	1,370

Applicable rates for travel date from April 1, 2027 to March 31, 2028*(Rate in ₹)*

Type of Passenger	Domestic	International
Embarking passenger	520	1,380

Applicable rates for travel date from April 1, 2028 to March 31, 2029*(Rate in ₹)*

Type of Passenger	Domestic	International
Embarking passenger	540	1,390

Notes:

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
4. No UDF will be levied for transit passengers.
5. Revised UDF charges will be applicable on tickets issued on or after 01/12/2024 for FY 2024-25 and thereafter applicable on date of travel from 1st April 2025 to 31st March 2029.
6. The existing UDF charges will be applicable on the tickets issued till November 30, 2024

17.2.6 Exemption from levy and collection from UDF at the Airports.

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

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

17.2.7 Aviation Security Fee: Rates and Exemption as prescribed by MoCA from time to time.**17.2.8 General Condition:**

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to above charges.
- b) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2018-19 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GoI.