



**Airports Economic Regulatory Authority of India**

**Consultation Paper No.3 /2010-11**

**(F. No. AERA/20010/AAI-UDF/2009-10)**

**PROPOSAL OF AAI TO LEVY USER DEVELOPMENT FEE  
(UDF) AT SARDAR VALLABHBHAI PATEL  
INTERNATIONAL AIRPORT, AHMEDABAD**

**New Delhi: 27<sup>th</sup> April, 2010**

**Rajiv Gandhi Bhawan  
Near Safdarjung Airport  
New Delhi – 110003**

**Subject: PROPOSAL OF AAI TO LEVY USER DEVELOPMENT FEE (UDF) AT SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT, AHMEDABAD**

The Airports Authority of India (AAI), is a body constituted under the Airports Authority of India Act, 1994. AAI manages 128 airports including Civil Enclaves. AAI also provides air navigation services over the Indian airspace covering an area of 2.8 million square nautical miles of land mass and the adjoining oceanic area.

2. Sardar Vallabh Bhai Patel International Airport at Ahmedabad, is one of the airports owned and managed by the AAI. The actual annual passenger throughput at this airport during 2008-09 was 28,25,939, which is in excess of 1.5 million passengers per annum (mppa). Hence, Ahmedabad International Airport is a 'major airport' as defined in clause (i) of Section 2 of the Airports Economic Regulatory Authority of India Act, 2008('the Act'). This position has also been stated in the Circular (F.No.AV-24032/03/2009-AAI) dated 12.03.2010 issued by the Ministry of Civil Aviation. As per 2008-09 traffic statistics, the domestic passengers comprised 75.78% of the total passenger throughput. Further, in terms of Sec 13 (1) (b) of the Act, the Authority shall, inter alia, determine the amount of development fees in respect of major airports. Furthermore, Rule 89 of the Aircraft Rules, 1937, provides that the licensee (of an aerodrome) may levy and collect at a major airport the User Development Fee at such rates as may be determined under clause (b) of sub-section (1) of Section 13 of the Act.

3.1 AAI has made an application, on 24.12.2009, to the Authority seeking levy of User Development Fee (UDF), in view of the construction of the New International Terminal Building (NITB), at Ahmedabad Airport. It has been stated that the existing domestic and international terminal buildings have already saturated. With the commissioning of the NITB at Ahmedabad, the peak hour handling capacity would increase from 500 (Arrival 250 & Departure 250) to 1400 (Arrival 600 & Departure 800). The project was approved by the Central Government, at an estimated cost of Rs.290.92 (Phase I Rs.195.92, Phase II Rs.95 crores), vide letter AV.20036/017/2002-AAI dated 09.01.2007 (**Annexure-I**). AAI have stated that the likely completion cost of the project is now estimated at Rs.296.37 crores. It, inter alia, includes the cost of aerobridges, traveller, apron, taxi link, car park and approach road, inter connectivity between the international and domestic terminals etc. AAI had planned that the NITB being constructed under Phase I would be further expanded under Phase II in 2013-14 to meet future traffic growth. However, considering the rapid growth in passenger traffic, the project work under Phase II has been taken up simultaneously with work under Phase I. The NITB will now have an area of 41000 sqmts (Phase I – 27331 sqmts and Phase II – 13669 sqmts) which is an increase of 33616 sqmts as compared to existing international terminal building. AAI have stated that the IRR of the project at the time of approval was 6.2% post tax. Final submissions in respect of the proposal containing requisite details and clarifications were made vide AAI's letters no. AAI/CHQ/REV/AERA/09 dated 12.04.2010 and no. AAI/CHQ/ REV/AERA/UDF/2010 dated 19.04.2010 (**Annexure-II & III**).

3.2 AAI has submitted that the NITB is likely to be commissioned during the month of May, 2010 and in order to make the project viable and to attain a reasonable rate of return the levy of UDF is imperative. AAI has proposed to levy and collect UDF @ Rs.270/- per embarking domestic passenger and @ Rs. 1000/- per embarking international passenger for a period of 10 years. Alternately, AAI has proposed a UDF levy @ Rs.150/- per embarking domestic passenger and @ Rs. 755/- per embarking international passenger for a 15 year period.

3.3 It has been clarified that the existing international and domestic terminal buildings are of 7384 sq. mtrs. and 29422 sq. mtrs. area respectively, i.e.; the total terminal floor area works out to 36806 sq. mtrs. After the commissioning of NITB admeasuring 41000 sq. mtrs., the total terminal floor area would become 77806 sq. mtrs., which represents an increase of 111% over the existing terminal area.

4.1 The Authority is, presently, in the process of finalizing its regulatory philosophy and approach in economic regulation of airports and air navigation services. In this connection, a Consultation paper (No.03/2009-10) has been issued on 26.02.2010 wherein the Authority has set out its tentative positions on various issues before it, including in respect of levy of UDF.

4.2 Rule 89 of the Aircraft Rules, 1937 reads as under:  
*User Development Fee – The licensee may*

*(a) Levy and collect at a major airport the User Development Fees at such rate as may be determined under clause (b) of sub-section (1) of section 13 of the Airports Economic Regulatory Authority of India Act, 2008;*

*(b) levy and collect at any other airport the User Development Fees at such rate as the Central Government may specify.*

However, no methodology has been prescribed in the Aircraft Rules for determining the UDF. The Concession Agreements for Bangalore International Airport Ltd (BIAL) and Hyderabad International Airport Ltd (HIAL) provide for levy of UDF “from embarking domestic and international passengers, for the provision of passenger amenities, services and facilities” and for the UDF to be “used for the development, management, maintenance, operation and expansion of the facilities at the Airport”. The draft guidelines issued by the Ministry of Civil Aviation noted that levy of UDF was to be considered only in cases and years where the target revenue of a major airport was projected to fall short of the admissible expenditure. Hon’ble High Court of Kerala, in its judgement in the case of Commissioner of Central Excise Vs. Cochin International Airport Ltd. [2009 (16) S.T.R. 401 (Ker.)], has noted that the purpose of UDF “is to augment revenue”. Thus, UDF may be taken as a revenue enhancing measure to ensure economic viability of the airport operations.

5. It is noted that:

- (a) The project has an IRR of 6.2%, which is below the benchmark rate of 12% for the public projects.

- (b) The project, including the project cost estimate, has been approved by the Central Government after due consideration.
- (c) The NITB is expected to be commissioned by May'2010. Therefore, a decision regarding levy of UDF needs to be taken immediately.
- (d) The Authority has not yet taken a final position in respect of economic regulation of airports. Therefore, the tariff determination in respect of the Ahmedabad International Airport would take time. In the interim, the revenue enhancement through UDF could be considered, on an ad-hoc basis, as proposed by AAI. In case this is not considered, the target revenue and the loss to be recouped would be higher at the time of tariff determination.

6.1 In the light of the position noted in para 5 above, the submissions made by AAI along with the workings have been examined by the Authority.

6.2 **Return** - AAI have calculated the UDF rate such that the Net Present Value (NPV) of the profit after tax from aeronautical revenues equals the NPV of the expected post tax return on the capital employed. The Targeted Revenue (TR) has been computed as:  $TR = (EA + NA) * 12\%$

EA= Value of the existing assets at Ahmedabad Airport

NA= Value of the New Asset

UDF = TR- Projected Revenue.

This appears to be reasonable

6.3 **Regulated Asset Base (RAB)** - For the purpose of arriving at the RAB, the book value of the assets at Ahmedabad Airport as on 31.03.2009 (Rs.130.02 crores) and value of the NITB (Rs.296.37 crores), totaling to Rs. 426.39 crores has been considered.

6.4 **Traffic Projections** – Following traffic projections have been made in respect of passenger traffic and aircraft movements:

Passenger	Domestic	10% in 2010-11 to 2016-17 & 12% thereafter
	International	10% in 2010-11 to 2011-12, 12% in 2012-13 to 2016-17 and 14% thereafter
Aircraft		5.5% in 2010-11
		8.4% in 2011-12 to 2016-17
		10.4 % thereafter

It is noted that the passenger traffic projections are, broadly, in line with the past national trends viz. domestic traffic grew at a CAGR of 13% over the last 8 years; international traffic @ 13.9 % over the last 8 years. The aircraft movement projections are significantly different from the past trend of growth @ 16.5 % over the 8 year period from 2001-02 to 2008-09. Upon a specific query from the Authority, AAI have confirmed that the traffic forecast for Ahmedabad airport has been made based on econometric analysis, regression analysis and trend analysis. Main reasons for difference in projected growth rate in passenger traffic vis-à-vis the aircraft movements have been stated to be as under:

- (i) Historically the growth in aircraft movement has always been lesser than the growth in passenger movements.
- (ii) During the period from April 2009 to January, 2010 all India growth in passenger movement is around 12.9% whereas the growth in aircraft movement is only 1.1%.
- (iii) Because of increasing level of the traffic, the average size of the aircraft will increase whereby more passengers will be accommodated in lesser number of aircrafts.
- (iv) At Ahmedabad airport, 75% of the traffic is domestic. Because of the economic slow down, the capacity utilization of domestic aircrafts in the last year was low and therefore, the increase in the passenger traffic is accommodated partly by increase in the load factor of the existing fleet.

Since the present determination is proposed to be made on an ad-hoc basis, the projections made by AAI are being accepted for the time being subject to review at the final determination stage.

## **6.5 Revenue**

**6.5.1 Aeronautical Revenue** - The growth rate of aeronautical revenues (landing, housing & parking) and Passenger Service Fee (PSF) are in line with their traffic projections for aircraft and passenger growth. However, no increase in rates of these charges has been contemplated. AAI have not considered any revenue from the Security Component of PSF and have correspondingly excluded the security expenses of the airport from the purview of UDF determination.

**6.5.2** No revenues from Route Navigation Facility Charge (RNFC) and Terminal Navigation Landing Charge (TNLC), for incoming flights at Ahmedabad, have been considered and the corresponding expenses attributed to RNFC & TNLC have also been excluded.

## **6.6 Non-Aeronautical Revenue**

**6.6.1** Based on the increase in the terminal floor space due to the addition of the NITB, AAI has projected its non-aero revenue from trading concessions, rent and services to be up by nearly 80% in the first year of commissioning, i.e., 2010-11. Thereafter, taking in to account the built-in escalation clauses in its commercial agreements, taking a long term view, 10% growth rate has been considered. For non-aeronautical revenues like car parking, admission tickets, portorage, ground handling etc AAI has assumed a 10% increase over the previous year income while for Cargo revenue the growth rate assumed is 5%. Growth in Throughput Charges have been maintained at the same level as that of aircraft movements growth (i.e., 5.5% in 2010-11, 8.4% in 2011-12 to 2016.17 and 10.4% thereafter. Authority will go deeper into these projections at the time of final tariff determination and based upon its final position in this regard.

6.6.2 However, AAI has not considered any revenue from City Side development at Ahmedabad Airport. It has been stated that “*Ahmedabad airport is among the first lot of 10 airports where city side development has been planned, however no concrete plan has been firmed up and no time frame is available for accrual of revenue on this account. Hence no revenue from it has been considered in the calculations.*”

## 6.7 Expenditure

6.7.1 **Pay and Allowances** – An increase of 25% in pay & allowances has been assumed in 2010-2011, 8% p.a from FY 2011-2012 to FY 2019-2020, excepting in FY 2017-2018 where the increase is assumed @ 30%. It has been stated that the effect of increments, increase in DA and promotions works out to approximately 8% and increase in staff expenses on commission of new terminal building by 25% takes care of the regular increase as also deployment of manpower commensurate with size and operation of the NITB. The 30% increase in FY 2017-2018 is estimated due to likely revision of pay scales w.e.f. 2017. It is reasonable to assume that the manpower requirement for managing the much bigger NITB would be on a higher side. The quantum of one time increase would require detailed examination at the tariff determination stage. However, the same are being accepted for the time being as AAI have projected an increase of 25% only when the total terminal area has increased by 111%. Other assumptions also appear to be, prima-facie, reasonable.

6.7.2 **Repairs and Maintenance (R&M)** - A 75% increase in R&M expenses in the year of commissioning (over the previous year actual) has been assumed and thereafter at a regular growth rate of 10% pa. AAI have assumed a higher initial expenditure due to increase in terminal building area by 33616 sqmts involving larger area for upkeep, more civil & electrical repairs and inclusion of new equipments & systems under R&M. The projected increase, therefore, appears to be, prima-facie, reasonable subject to detailed examination at the tariff determination stage.

6.7.3 **Electricity & Water Charges** - AAI have assumed an increase of 70% in the electricity and Water charges (based on actual of previous year) in the year of commissioning and thereafter an increase at a flat growth rate of 10% pa. The higher initial expenditure estimated by AAI is due to increase in terminal building area and consequently the increase in air-conditioning expenses, lighting and electrical & electronic equipments. The projected increase, therefore, appears to be, prima-facie, reasonable subject to detailed examination at the tariff determination stage.

6.7.4 **Interest on Borrowings** – AAI have assumed an interest rate of 9% on a loan of Rs.55 crores (in 2009-10) and Rs.10 crores (in 2010-11) with 25% repayment from the financial year 2013-14 onwards. However, the same is only based on the action plan of AAI and the actual amount of loan and the interest rate may vary. In view of this uncertainty, the cost of debt cannot be determined. Hence, the same is not being provisioned for the present.

**6.7.5 Other miscellaneous expenditure** - AAI have not given any break-up of the miscellaneous expenditure. They have assumed an increase of 25% in the miscellaneous expenditure in the year of commissioning (over the previous year actual) and thereafter at a regular growth rate of 10% pa. Considering the large increase in the size of the NITB, these assumptions appear to be, prima-facie, acceptable subject to detailed examination at a later stage.

**6.7.6 Apportionment of Corporate Head Quarters (CHQ)/Regional Head Quarters RHQ Expenses** - AAI have assumed a uniform growth rate of 7.5% pa except in 2017-18 where a rate of 12% is considered. The expenses of CHQ & RHQ have been apportioned over the airports based on the number of employees, which is as per the existing accounting policy of AAI.

**6.7.7 Depreciation** – The depreciation rate applied by AAI is as per AAI's approved accounting policy considering the useful life of the assets. However, in the instant proposal, AAI has considered depreciation on straight line method at weighted average rate of 10% on the entire RAB (, i.e., existing + new assets) and has claimed depreciation from 2009-10 on the new asset in their calculations. In the Consultation paper (No.03/2009-10) the Authority has stated that it will adopt a capitalised financing approach, which will ensure that users do not have to pay for assets until they have been commissioned and are in use. Hence, the UDF needs to be reworked to capture depreciation from FY 2010-11 onwards for the new asset, i.e., the NITB.

**6.8 Weighted Average Cost of Capital (WACC)** - AAI have assumed a post-tax nominal WACC of 12% which is the bench mark rate for public projects. Authority at this stage refrains from commenting on this benchmark rate since this exercise is for ad-hoc determination of UDF. Tentative position of the Authority in regard to fair rate of return and determination of WACC is put forth in the Consultation Paper dated 26.02.2010 referred to above.

**6.9 Till** – AAI have assumed hybrid till with 30% non aeronautical revenue being considered for the UDF determination. However, the Authority in its Consultation paper (No.o3/2009-10, issued on 26.02.2010) has tentatively decided to adopt “Single Till” approach. Thus, the “Single Till” approach is being adopted in the present case.

**6.10 Corporate Tax** – AAI have considered corporate tax rate @ 33.99%, i.e., standard rate.

**6.11 Discount rate** – AAI have adopted a discount @ 12% to determine the NPV of Target Revenue. Considering that the WACC is being taken @ 12%, the Authority may, for the present, take the discount at the same rate as the WACC rate.

**6.12 Service Tax** – AAI have considered the levy of Service Tax on the UDF and have proposed the rates inclusive of Service Tax. Authority is conscious of the fact that in the case of Commissioner of Central Excise Vs. Cochin International Airport Ltd. (Supra), the Honble High Court of Kerala has held that Service Tax is not leviable on UDF. However, this is an issue to be decided by the relevant tax

authorities based upon the laws of the land. Therefore, UDF rates have been worked out exclusive of Service Tax. In case the same is held to be leviable, the incidence of such tax would be a pass through.

6.13 AAI have stated that the new international terminal is nearing completion and is now expected to be commissioned during the month of May, 2010. They have submitted that the new terminal was envisaged to be used as International terminal building. However, it is now proposed to be used as Domestic Terminal and the existing domestic terminal would be used as International Terminal. The usage of existing international terminal after commissioning of new terminal building has not yet been firmed up.

6.14 To Summarise:

- (i) AAI's projections in respect of traffic (passenger & Aircraft movements), aeronautical revenue, expenditure (except interest on borrowings) are proposed to be accepted, for the present, subject to detailed examination at the final determination stage.
- (ii) The cost of borrowings is not being considered for the time being for reasons explained in para 6.7.4 above.
- (iii) AAI has assumed a WACC of 12%, which is the same as benchmark rate for public projects. Discount rate is proposed at the same rate as the WACC.
- (iv) Single Till is being adopted as against the 30% hybrid till proposed by AAI.
- (v) Corporate tax is considered at the standard rate. Further, UDF rates are calculated net of Service Tax, if any.

7.1 Keeping in view the position explained above, the proposal has been reworked for a 10 year period and 15 year period, respectively, as under (**Annexure-IV & V**):

UDF per embarking Passenger	Domestic	International
Net for 10 year period (Rs)	Rs 111/- (say Rs.110/-)	Rs 411/- (say Rs.415/-)
Net for 15 year period (Rs)	Rs40/-	Rs199/-

7.2.1 It is observed that in terms of Section 13 (2) of the Act, the tariff determination is to be made on a quinquennial basis. Therefore, it is for consideration whether UDF determination could be made for a 10 year or 15 year period.

7.2.2 In a similar proposal relating to levy of UDF at the Trivandrum International Airport, the Authority had observed that:

- (a) UDF is considered a measure of revenue enhancement. From this perspective, the UDF may be determined for a five year time,



recognizing the fact that in the second tariff cycle, UDF will need to be reworked based on the experience of first regulatory cycle and future projections/forecasts for the subsequent ones.

- (b) Balancing the interest of passengers (i.e., keeping the charges as low as possible) and the viability of the project, the UDF rates could be considered on the basis of figures for 10 years period.

The Consultation Paper No. 05/2009-10 issued by the Authority on 26.03.2010 refers, in this regard.

8. In view of the above, the Authority proposes to approve the levy of UDF at the SVP International Airport, Ahmedabad @ Rs. 110/- per embarking domestic passenger and @ Rs. 415/- per embarking international passenger (exclusive of statutory levies, if any) purely on ad-hoc basis, with effect from the date of commissioning of the New Terminal Building, based on the figures for a period of 10 years. This ad-hoc determination would be reviewed at the stage of tariff determination for the first cycle and thereafter at such intervals as the Authority may decide.

9. The Authority solicits feedback, comments and suggestions from stakeholders on the proposal contained in para 8 above. Comments/submissions may please be furnished to the Authority, **latest by Tuesday, the 11<sup>th</sup> May, 2010** at the following address:

**Shri Sandeep Prakash,**  
**Secretary,**  
**Airports Economic Regulatory Authority of India,**  
**Room No. 58, Rajiv Gandhi Bhawan,**  
**New Delhi.**  
**Tel: 011-24616025**  
**Fax: 011-24656214**  
**Email: [sandeep.moca@nic.in](mailto:sandeep.moca@nic.in)**  
**[sandeep.prakash@aera.gov.in](mailto:sandeep.prakash@aera.gov.in)**

**Yashwant S. Bhave**  
**Chairperson**

IMMEDIATE

No. AV. 20036/017/2002-AAI  
Government of India  
Ministry of Civil Aviation  
(AAI Section)

"B" Block, Rajiv Gandhi Bhawan,  
Safdarjung Airport, New Delhi 110 003

Dated: 09/01/2007

To

The Chairman  
(Dr. K. Ramalingam)  
Airports Authority of India  
Rajiv Gandhi Bhawan, "A" Block,  
Safdarjung Airport, New Delhi 110 003

Subject: Construction of New International Terminal Building at  
Ahmedabad Airport at an estimated cost of Rs. 290.92 Crores  
(Phase I - Rs. 195.92 Crores + Phase II - Rs. 95.00 Crores)-Regarding  
NOTE FOR THE CABINET COMMITTEE ON ECONOMIC  
AFFAIRS.

Sir,

I am directed to refer to various communications of even number of this  
Ministry on the above-mentioned subject and to say that the competent authority  
has accorded approval for construction of New International Terminal Building  
at Ahmedabad Airport at an estimated cost of Rs. 290.92 Crores (Phase I - Rs.  
195.92 Crores + Phase II - Rs. 95.00 Crores).

Yours faithfully,

(Sarvesh Kr. Arora)

Under Secretary

Teletax No. 246 40 247

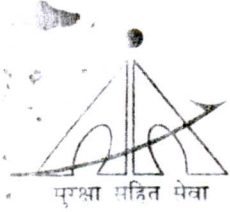
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Chairman



ANNEXURE-II

भारतीय विमानपत्तन प्राधिकरण  
AIRPORTS AUTHORITY OF INDIA

AAI/CHQ/REV/AERA/UDF/2010

12<sup>th</sup> April, 2010

The Secretary,  
Airports Economic Regulatory Authority  
of India,  
Room No. 58, B block,  
Rajiv Gandhi Bhawan,  
New Delhi-110003

Pl. expedite.

5/14/10

250-11

**Sub: Levy of UDF at Ahmedabad Airport.**

SM (ABS)

As discussed.

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6/10

Sir,

Reference is invited to your letter no. AERA/20010/AAI-UDF/2009-10 dated 1<sup>st</sup> April, 2010.

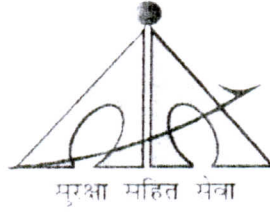
The issues raised vide your above referred letter has been addressed and the revised proposal for levy of UDF at Ahmedabad Airport is enclosed herewith along with key assumptions, justification for growth rates adopted and details of Non-Traffic Revenue.

Since the new terminal building is likely to be commissioned in May/June, 2010 it is requested that approval of AERA for levy of UDF at Ahmedabad Airport may please be conveyed at the earliest, to coincide with the commissioning of new terminal building.

Yours faithfully,

(S.C. Chhatwal)  
Member(Finance)

Encl.: As above.



# **AIRPORTS AUTHORITY OF INDIA**

**Revised proposal for levy of UDF**

**At**

**Ahmedabad Airport**

**FINANCE & ACCOUNTS DIRECTORATE**

## CONTEXT

Airports Authority of India manages 128 airports including Civil Enclaves. AAI also manages the Indian airspace covering an area of 2.8 million square nautical miles of land mass and the adjoining oceanic area as accepted by International Civil Aviation Organization (ICAO). However, very few of these airports are profit making. The airports are being provided and managed to meet the Socio-economic objectives of the Govt. and also to provide connectivity.

AAI has set an ambitious targets of over Rs. 12000 crores for modernization/up-gradation of the airports infrastructure and air navigational services across the country during 11<sup>th</sup> Five Year plan which includes modernization / up gradation of Non-Metro airports and two mega projects at Kolkata & Chennai airports, besides modernizing Air Traffic facilities.

As many of these airports are loss making, it is imperative that UDF is levied to attain a reasonable rate of return.

## **PROJECT BRIEF**

### **1. INTRODUCTION**

1.1 Ahmedabad is a city with a rich blend of Hindu and Islamic architecture. It is regarded as a major centre for textile, pharmaceutical industries and reputed for the country's premier institute of management. Local stalwart in the creation of the India of today was Sardar Vallabh Bhai Patel known as Iron Man of India and remembered in the very name of airport - Sardar Vallabh Bhai Patel International Airport, which is about 8 kms outside Ahmedabad main railway station.

1.2 Ahmedabad Airport having Aerodrome Reference Code of 4E and oriented runway 05-23 of 3505m length. Presently Indian Airlines, Singapore airlines and Malaysian Airlines are operating their schedule service with A-320, A-310, B-772 and A-331 type of aircrafts in international Sector. With the commissioning of new terminal building, more foreign airlines are expected to operate from Ahmedabad Airport.

1.3 The two existing terminals have a total capacity of 7.76 lacs passengers per annum (domestic - 6.40 lacs international - 1.36 lacs) Both the existing Domestic and International Terminals have saturated. The existing apron has space for 13 aircraft stands. Along the existing apron airline maintenance facilities and cargo facilities are operating. The technical buildings like control tower, fire station and other necessary ancillary buildings do exist.

### **2 BACKGROUND**

2.1 Since the International passenger terminal building had already saturated AAI had decided to hold an Architectural competition for design and complete engineering services of a New International passenger Terminal building for Ahmedabad Airport. M/s Kothari & Associates, CPG Consultants Singapore & EIL were declared as the winner of the competition.

### **3. PROJECT DETAILS**

3.1 Govt. of India vide letter no. AV.20036/017/2002-AAI dated 09/01/2007 (copy enclosed) had approved the construction of new International Terminal building at an estimated Project Cost of Rs. 290.92 crores. (Phase-I Rs. 195.92 crores + Phase-II Rs. 95 crores). The new international terminal building will have a total area of 41000 sqm (Phase-I 27331 Sqm & Phase-II - 13669), an increase of 33616 Sqm as compared to existing international terminal building.

The assets-wise breakup of new terminal building project as per approved project cost is enclosed at Annexure-A.

Earlier it was planned that the new international terminal building being constructed under Phase-I would be further expanded under Phase-II in 2013-14 to meet the future traffic growth. However, considering the rapid growth in passenger traffic, the project work under Phase-II has been taken simultaneously along with the work under Phase-I.

The likely project cost has now been worked out at Rs. 296.37 crores, which includes the cost of 4 aerobridges, traveller approach road, car park etc.

3.2 It also includes Apron and Taxi Link for 6 aircraft bays.

3.3 The inter-terminal connectivity between international and domestic terminals has also been provided.

### **4. SALIENT FEATURES OF THE PROJECT**

4.1 With the commissioning of new international terminal building, the peak hour international passenger handling capacity would increase from 500 (Arrival-250 & Departure-250) to 1400

(Arrival-600 & Departure-800.)

- 4.1 Centrally air-conditioned International Passenger Terminal Building having plinth area of 41000 sqm including all passenger facilities.
- 4.2 Construction of 4 in contact and 2 remote bays for wide body aircrafts.
- 4.3 Approach Road and car parking.
- 4.4 Bulk services, sewerage, drainage water and power supply.
- 4.5 Sewerage Treatment Plant.

## **5 PERIOD OF CONSTRUCTION**

The new international terminal is nearing completion and is now expected to be commissioned during the month of May, 2010. Though the new terminal was envisaged to be used as International terminal building, however it is now proposed to be used as Domestic Terminal and the existing domestic terminal would be used as International Terminal. The usage of existing international terminal after commissioning of new terminal building has not yet been firmed up.

## **6 INTERNAL RATE OF RETURN**

- 6.1 The project IRR which was worked out at the time of approval of the Project by the AAI Board was only 6.2% Post tax.
- 6.2 The subject work has been taken up for up-gradation of passenger facilitation. Although the



projected IRR is less than 12% required, the proposal was cleared by PIB considering the prevailing requirements.

## 7. ESSENTIALITY OF THE PROJECT

In pursuit of the corporate mission of AAI "To provide utmost satisfaction to the passengers" and constantly work towards upgradation of the passenger facilities to International standards, the project is being taken up. The guide lines and directives given by Ministry of Civil Aviation to enhance the International passenger facilities at Ahmedabad Airport shall also be met by the implementation of the project. The construction of the new International terminal building will enhance passenger facilities in tune with the International standards. The facilities will attract International tourist, promote tourism, IT professionals and help towards growth of the region.

## **LEGAL FRAMEWORK FOR LEVY OF UDF**

### **I AAI Act:**

As per Section 22A of AAI Act, the Authority may, after the previous approval of the Central Government in this behalf, levy on, and collect from, the embarking passengers at an airport, the development fees at the rate as may be prescribed and such fees shall be credited to the Authority and shall be regulated and utilized in the prescribed manner, for the purposes of :-

- (a) funding or financing the costs of up gradation, expansion or development of the airport at which the fee is collected; or
- (b) establishment or development of a new airport in lieu of the airport referred to in clause (a); or
- (c) investment in the equity in respect of shares to be subscribed by the Authority in companies engaged in establishing, owning, developing, operating or maintaining a private airport in lieu of the airport referred to in clause (a) or advancement of loans to such companies or other persons engaged in such activities.

### **II Aircraft Rules, 1937**

As per Section 89 of the Aircraft Rules, 1937, The licensee may, -

- (i) levy and collect at a major airport the User Development Fee at such rate as may be determined under clause (b) of sub-section (1) of section 13 of the Airports Economic Regulatory Authority of India Act, 2008;
- (ii) levy and collect at any other airport the User Development Fees at such rate as the Central Government may specify.

### **III ICAO Guidelines**

Section 29 of ICAO's Policies on Airport Charges (Doc 9082, 2009 edition) states that "...where an airport is provided for international use, the users shall ultimately bear their full and fair share of the cost of providing the airport..."

Section 30 of the above-mentioned document, among other things, states that:

- a) "...The cost to be shared is the full cost of providing the airport and its essential ancillary services, including appropriate amounts for cost of capital and depreciation of assets, as well as the costs of maintenance, operation, management and administration, but allowing for all aeronautical revenues plus contributions from non-aeronautical revenues accruing from the operation of the airport to its operators
- b) "...airports may produce sufficient revenues to exceed all direct and indirect operating costs (including general administration, etc.) and so provide for a reasonable return on assets at a sufficient level to secure financing on favorable terms in capital markets for the purpose of investing in new or

expanded airport infrastructure and, where relevant, to remunerate adequately holders of airport equity.'

The proposal for levy of UDF is fully compliant with the provision of Section 89 of Aircraft Rules, 1937 and within the ambit of AAI Act & ICAO guidelines on airport charges.

**SOME OF THE FOREIGN AIRPORTS  
WHERE UDF IS BEING CHARGED**

S No	Airport	UDF per passenger Domestic	UDF per passenger International
1	London – Heathrow	GBP 11.50	GBP 19.65
2	London – Gatwick	GBP 7.11	GBP 10.83
3	Frankfurt	EUR 13.65	<ul style="list-style-type: none"> <li>• EUR 9.80 –transfer and transit passengers</li> <li>• EUR 15.20 – EU flights</li> <li>• EUR 16.75 – Non EU European flights</li> <li>• EUR 18.80 – intercontinental flights</li> </ul>
4	Sydney	<ul style="list-style-type: none"> <li>• AUD 4.95 –flights within NSW</li> <li>• AUD 8.15 – others</li> </ul>	AUD 26.06
5	Singapore		<ul style="list-style-type: none"> <li>• SGD 15 – Budget terminal</li> <li>• SGD 28 – Main terminal</li> </ul>
6	Kuala Lumpur	RM 6	<ul style="list-style-type: none"> <li>• RM 45 – Main Terminal</li> <li>• RM 25 – Low cost terminal</li> </ul>

**MAJOR INDIAN AIRPORTS  
WHERE UDF HAS BEEN LEVIED**

[AMT. IN RS.]

<b>S No</b>	<b>Airport</b>	<b>UDF per passenger Domestic</b>	<b>UDF per passenger International</b>
1.	BANGALORE	260	1070
2.	HYDERABAD	375	1000

## CALCULATION OF AD-HOC UDF

The expected date of commencement of New Terminal Building is 15<sup>th</sup> May, 2010 and the levy of UDF has been assumed to be effective from 15.05.2010.

1. Value of total asset base of the airport for the purpose of ad-hoc UDF calculation is computed as Rs 426.39 cr. This comprises Rs 296.37 crores of capital expenditure for the New International Terminal Building and Rs 130.02 crores as book value of existing assets and it includes new Domestic terminals. The computation of return on regulated asset base is shown in Annex-I. Details of existing assets pertaining to airport are presented in Annex -II.
2. The weighted average depreciation rate of the new assets is taken as 10 percent. For calculation purposes, the useful life of the new assets is assumed to be 10 years. The target revenue requirement has, therefore, been projected for a 10 year period.
3. Though apart from the new terminal, Capital investments are likely to be made year to year, the same has not been projected.
4. The revenues from Route Navigation Facility Charge (RNFC) & TNLC for incoming flights at Ahmedabad have not been considered in the calculations as the same forms part of a different nationwide service (Air Navigation

Service), the charges for which would be regulated separately by AERA. Since the revenue from RNFC has not been considered, the corresponding expenses attributed to RNFC have also been excluded.

5. The discount factor for calculating the NPV of net profit and return on capital employed has been taken as 12 percent.
6. The corporate tax rate has been assumed as 33.99 percent and service tax as 10.3 percent. In addition, a collection charge of Rs 5 per departing passenger has been assumed to arrive at the ad-hoc UDF levy.
7. 'Going Concern' approach has been adopted for computation of ad-hoc levy of UDF.
  - (i) An airport is a going concern and it needs to develop airport infrastructure to cater to future demand.
  - (ii) As a going concern for recovery of capital employed at airport, it should take into account book value of existing assets and incremental capital expenditure for new assets being created for users over a period of time.
8. The ad-hoc UDF has been calculated such that Net Present Value(NPV) of the profit after tax equals the NPV of the expected post tax return on the capital employed. The Targeted Rate(TR) has been computed as:  $TR = (EA+NA) * 12\%$   
ER= Existing Assets, NR= New Project Assets  
UDF = TR- Projected Revenue.



The UDF is calculated such that the NPV of the profit after tax(PAT) from aeronautical revenues equals the NPV of the expected returns on capital employed.

9. The other key assumptions employed in the calculations are as per Annex. - III
  
10. AAI request that a UDF of Rs. 270/- per domestic embarking pax and Rs. 1000/- per international embarking pax may be levied at Ahmedabad airport for a period of 10 years. Alternately, UDF may be levied at Ahmedabad Airport @ 150/- per domestic embarking passenger and Rs. 755/- per international embarking passenger for 15 years.

IMMEDIATE

No. AV/20036/017/2002-AAI  
Government of India  
Ministry of Civil Aviation  
(AAI Section)

"B" Block, Rajiv Gandhi Bhawan,  
Safdarjung Airport, New Delhi 110 003

Dated: 09/01/2007

To:  
The Chairman  
(Dr. K. Ramalingam)  
Airports Authority of India  
Rajiv Gandhi Bhawan, "B" Block,  
Safdarjung Airport, New Delhi - 110 003

Subject: Construction of New International Terminal Building at  
Ahmedabad Airport at an estimated cost of Rs. 290.92 Crores  
(Phase I - Rs. 195.92 Crores + Phase II - Rs. 95.00 Crores)-Regarding  
NOTE FOR THE CABINET COMMITTEE ON ECONOMIC  
AFFAIRS.

Sir,

I am directed to refer to various communications of even number of this  
Ministry on the above-mentioned subject and to say that the competent authority  
has accorded approval for construction of New International Terminal Building  
at Ahmedabad Airport at an estimated cost of Rs. 290.92 Crores (Phase I - Rs.  
195.92 Crores + Phase II - Rs. 95.00 Crores).

Yours faithfully,

(Sarvesh Kr. Arora)

Under Secretary

Teletax No. 246 40 27

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**CONSTRUCTION OF PROPOSED INTERNATIONAL PASSENGER TERMINAL BUILDING  
AT AHMEDABAD**

**SUMMARY**

ITEMS	amount in crores
1A MAIN TERMINAL BUILDING	Rs. 123.96
1B SERVICE AND ANCILLARY BUILDING	Rs. 12.52
1C FURNISHING	Rs. 2.32
1D SITE DEVELOPMENT	Rs. 5.59
1E WORKS RELATED TO EQUIPMENT DIRECTORATE	Rs. 6.38
1F WORKS RELATED TO COMMUNICATION DIRECTORATE	Rs. 0.15
<b>1 TOTAL COST OF BUILDING (i/c- aerobridges, carpark, approach road)</b>	<b>Rs. 150.92</b>
2 APRON, TAXI LINK	Rs. 15.00
3 EXPENDITURE ON PRE PROJECT ACTIVITIES	Rs. 10.00
SEMI GROUND COVERED PARTHWAY-INTER TERMINAL LINK WITH 4 WALKATHONS	Rs. 20.00
<b>SUB TOTAL OF THE PROJECT IN PHASE-1</b>	<b>Rs. 195.92</b>
EXPENDITURE ON LINEAR EXPANSION OF TERMINAL BUILDING IN 5 2013-14 IN PHASE-II	Rs. 95.00
<b>TOTAL COST OF THE ULTIMATE PROJECT</b>	<b>Rs. 290.92</b>

**AHMEDABAD AIRPORT**  
**Snapshot of Ad-hoc UDF Computation**

(For 10 years period)		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Particulars	Unit										
ROCE (Aero)	Rs. Cr										
RB*WACC (Aero ROCE)	#	47.05	41.93	36.82	31.70	26.58	21.47	16.35	11.23	6.12	1.78
Discount Factor	Rs. Cr	1.00	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36
PV of Aero ROCE	Rs. Cr	47.05	37.44	29.35	22.56	16.89	12.18	8.28	5.08	2.47	0.64
NPV of Aero ROCE		181.95									
<b>PAT (Aero)</b>	Rs. Cr										
LHPC	Rs. Cr	40.66	44.08	47.78	51.79	56.14	60.86	65.97	72.83	80.40	88.77
PSF- only px facilitation	Rs. Cr	13.16	14.48	16.00	17.68	19.53	21.59	23.85	26.84	30.20	33.99
Total Revenue	Rs. Cr	53.82	58.56	63.78	69.47	75.68	82.44	89.82	99.67	110.61	122.75
ADD:30% of Non-Aero Revenue	Rs. Cr	14.26	15.68	17.23	18.94	20.83	22.90	25.17	27.68	30.44	33.48
ADD: UDF (10 yr Stream)	Rs. Cr	59.81	75.19	83.53	92.80	103.12	114.58	127.33	144.06	163.00	184.45
Projected Revenue	Rs. Cr	127.89	149.42	164.54	181.22	199.62	219.92	242.33	271.42	304.05	340.68
Projected Expenses	Rs. Cr	83.74	90.68	98.24	105.03	112.56	120.90	130.15	151.75	165.28	180.03
EBITD	Rs. Cr	44.15	58.74	66.30	76.19	87.05	99.02	112.18	119.67	138.77	160.64
Less Depreciation	Rs. Cr	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.66	29.64
PBT	Rs. Cr	1.52	16.11	23.66	33.55	44.42	56.38	69.54	77.03	96.12	131.01
Less: income Tax	Rs. Cr	0.51	5.46	8.02	11.37	15.06	19.11	23.58	26.11	32.58	44.41
Less: income tax - condition	Rs. Cr	0.51	5.46	8.02	11.37	15.06	19.11	23.58	26.11	32.58	44.41
PAT	Rs. Cr	1.00	10.65	15.64	22.18	29.36	37.27	45.97	50.92	63.53	86.60
Discount Factor	#	1.00	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36
PV of PAT	Rs. Cr	1.00	9.51	12.47	15.79	18.66	21.15	23.29	23.03	25.66	31.23
NPV of PAT	Rs. Cr	181.77									

GROSS UDF (inclusive of Service tax and Coll. Ch.)		[Amt. in Rs]	
NET UDF	NET UDF+ S.TAX @ 10.30%	GROSS UDF (UDF+ST+COLL CHARGE Rs. 5)	
UDF CALCULATION	239.00	264	(Say Rs. 270/-)
DOMESTIC	903.00	996	(Say Rs. 1000/-)
INTERNATIONAL		1001	

**AHMEDABAD AIRPORT**

Snapshot of the ad-hoc UDF computation  
(15 years period)

Particulars	Units	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
10 Year UDF Stream	Rs. Cr	59.81	75.19	83.53	92.80	103.12	114.58	127.33	144.06	163.00	184.45					
Discounting Factor		1.00	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36					
PV of UDF	Rs. Cr	59.81	67.13	66.59	66.06	65.53	65.02	64.51	65.17	65.83	66.51					
NPV of 10 Year UDF	Rs. Cr	<b>652.16</b>														
Domestic Passengers	# in million	1.30	1.43	1.57	1.72	1.90	2.09	2.30	2.57	2.88	3.22	3.55	3.90	4.29	4.72	5.19
International Passengers	# in million	0.41	0.46	0.51	0.57	0.64	0.72	0.80	0.91	1.04	1.19	1.33	1.49	1.67	1.87	2.10
Total Passengers	# in million	1.71	1.88	2.08	2.30	2.54	2.80	3.10	3.49	3.92	4.41	4.88	5.39	5.96	6.59	7.29
15 yr UDF - Dom	per pax	<b>132</b>														
15 yr UDF - Int'l	per pax	<b>680</b>														
UDF Collection -Dom	Rs Cr	14.97	18.81	20.69	22.76	25.04	27.54	30.30	33.93	38.01	42.57	46.82	51.51	56.06	62.32	66.56
UDF Collection -Int'l	Rs Cr	24.63	30.97	34.68	38.85	43.51	48.73	54.56	62.22	70.93	80.86	90.56	101.43	113.60	127.23	142.50
Total UDF		39.60	49.78	55.38	61.61	68.55	76.27	84.88	96.15	108.94	123.43	137.39	152.94	170.26	189.56	211.06
Discounting Factor		1.00	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36	0.32	0.29	0.26	0.23	0.20
PV of 15 yr UDF	Rs. Cr	39.60	44.45	44.15	43.85	43.56	43.28	43.00	43.49	44.00	44.51	44.23	43.97	43.70	43.44	43.19
NPV of 15 yr UDF	Rs. Cr	<b>652.42</b>														

GROSS UDF(After service tax and colln. charges)		[Amt. in Rs]	
	UDF + Service Tax@10.3 %		GROSS UDF(UDF+ST+COLL CHARGE Rs. 5)
UDF CALCULATION	NET UDF	132.00	151
DOMESTIC	680.00	750	755
INTERNATIONAL			

(Say Rs. 150/-)

**AHMEDABAD AIRPORT**

**Computation of UDF at Varying Rates**

Particulars	Unit	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Domestic Passengers	#	1295674	1425241	1567766	1724542	1856996	2066656	2295366	2570809	2879507	3224823
Rate of UDF	Rs	239.00	239.00	239.00	239.00	239.00	239.00	239.00	239.00	239.00	239.00
Total UDF (D)	Rs. in Crs	30.97	34.06	37.47	41.22	45.34	49.87	54.86	61.44	68.62	77.07
International Passengers	#	414020	455422	510073	571281	639835	716615	802609	914974	1043071	1169101
Rate of UDF	Rs	903.00	903.00	903.00	903.00	903.00	903.00	903.00	903.00	903.00	903.00
Total UDF (I)	Rs. in Crs	37.39	41.12	46.06	51.59	57.78	64.71	72.48	82.62	94.19	107.58
<b>Grand Total of UDF (D + I)</b>		<b>59.81</b>	<b>75.19</b>	<b>83.53</b>	<b>92.80</b>	<b>103.12</b>	<b>114.58</b>	<b>127.33</b>	<b>144.06</b>	<b>163.00</b>	<b>184.45</b>
Calculation of PSF (Facilitation)		13.16	14.48	16.00	17.68	19.53	21.59	23.65	26.64	30.20	33.99

Note: UDF in FY 10-11 considered from 15 May 2010 coinciding with likely date of commissioning of new terminal building

**AHMEDABAD AIRPORT**

**Computation of Return on Capital Employed**

(Regulated Asset Base\*WACC)

Particulars	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Old Assets</b>												
Opening Balance	Rs. Cr	130.02	117.02	104.02	91.02	78.02	65.02	52.02	39.02	26.02	13.02	0.00
Depreciation @ 10% (D1)	Rs. Cr	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.02	0.00
Closing Balance	Rs. Cr	117.02	104.02	91.02	78.02	65.02	52.02	39.02	26.02	13.02	0.00	0.00
Average Block --- A	Rs. Cr	123.52	110.52	97.52	84.52	71.52	58.52	45.52	32.52	19.52	6.51	0.00
<b>New Assets</b>												
Opening Balance	Rs. Cr	0.00	296.37	266.73	237.10	207.46	177.82	148.19	118.55	88.91	59.27	29.64
Depreciation @ 10% (D2)	Rs. Cr	0.00	29.64	29.64	29.64	29.64	29.64	29.64	29.64	29.64	29.64	29.64
Closing Balance	Rs. Cr	0.00	266.73	237.10	207.46	177.82	148.19	118.55	88.91	59.27	29.64	0.00
Average Block --- B	Rs. Cr	0.00	281.55	251.91	222.28	192.64	163.00	133.37	103.73	74.09	44.46	14.82
<b>Regulated Asset Base - (RB)</b>												
Average Block (A + B)	Rs. Cr	123.52	392.07	349.43	306.80	264.16	221.52	178.89	136.25	93.61	50.97	14.82
Post Tax WACC ---C	%	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
<b>RB*WACC = (A+B)*C</b>	Rs. Cr	<b>14.82</b>	<b>47.05</b>	<b>41.93</b>	<b>36.82</b>	<b>31.70</b>	<b>26.58</b>	<b>21.47</b>	<b>16.35</b>	<b>11.23</b>	<b>6.12</b>	<b>1.78</b>
<b>TOTAL DEP (D1+D2)</b>	Rs. Cr	13.00	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.66	29.64

**AHMEDABAD AIRPORT**

Particulars	Unit	Computation of Expenditure										
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Pay & Allowances	Rs. Cr	15.43	19.29	20.83	22.50	24.30	26.24	28.34	30.61	39.79	42.97	46.41
Other Staff Benefits	Rs. Cr	5.41	6.76	7.30	7.88	8.51	9.20	9.93	10.73	13.94	15.06	16.26
Repair & Maintenance	Rs. Cr	9.67	16.92	18.61	20.48	22.52	24.78	27.25	29.98	32.98	36.27	39.90
Consumption of Stores&Spares	Rs. Cr	0.63	1.09	1.17	1.25	1.34	1.43	1.53	1.64	1.76	1.88	2.01
Financing charges	Rs. Cr	0.00	5.85	5.85	5.85	4.39	2.93	1.46	0.00	0.00	0.00	0.00
Electricity & Water Charges	Rs. Cr	8.38	14.25	15.67	17.24	18.96	20.86	22.94	25.24	27.76	30.54	33.59
Other Exp (other than Dep & Security)	Rs. Cr	6.09	7.61	8.37	9.20	10.12	11.14	12.25	13.47	14.82	16.30	17.94
Apportionment of Expenses provided at CHQ for Ahmedabad Airport	Rs. Cr	11.14	11.98	12.87	13.84	14.88	15.99	17.19	18.48	20.70	22.25	23.92
<b>Grand Total</b>	<b>Rs. Cr</b>	<b>56.74</b>	<b>83.74</b>	<b>90.68</b>	<b>98.24</b>	<b>105.03</b>	<b>112.56</b>	<b>120.90</b>	<b>130.15</b>	<b>151.75</b>	<b>165.28</b>	<b>180.03</b>
Depreciation		13.00	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.64	42.66	29.64



AHMEDABAD												
COMPUTATION OF NON-TRAFFIC REVENUE												
Particulars	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Trading Concessions</b>												
Restaurant/Snackbars	Rs. Cr	1.50	2.70	2.97	3.27	3.59	3.95	4.35	4.78	5.26	5.79	6.37
T.R. Stall	Rs. Cr	0.64	1.15	1.27	1.39	1.53	1.69	1.86	2.04	2.24	2.47	2.72
Hoarding & Display	Rs. Cr	5.53	9.95	10.95	12.04	13.25	14.57	16.03	17.63	19.40	21.34	23.47
Duty Free Shop	Rs. Cr	1.53	2.75	3.03	3.33	3.67	4.03	4.44	4.88	5.37	5.90	6.49
Others	Rs. Cr	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>9.20</b>	<b>16.56</b>	<b>18.22</b>	<b>20.04</b>	<b>22.04</b>	<b>24.25</b>	<b>26.67</b>	<b>29.34</b>	<b>32.27</b>	<b>35.50</b>	<b>39.05</b>
<b>Rent and Services</b>												
Land Lease	Rs. Cr	3.58	3.94	4.33	4.76	5.24	5.77	6.34	6.98	7.67	8.44	9.29
Building (Residential)	Rs. Cr	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03
Building (Non-Residential)	Rs. Cr	6.63	11.93	13.13	14.44	15.88	17.47	19.22	21.14	23.26	25.58	28.14
Income from Other Services	Rs. Cr	1.57	1.79	1.97	2.17	2.38	2.62	2.88	3.17	3.49	3.84	4.22
<b>Total</b>		<b>11.80</b>	<b>17.68</b>	<b>19.45</b>	<b>21.39</b>	<b>23.53</b>	<b>25.88</b>	<b>28.47</b>	<b>31.32</b>	<b>34.45</b>	<b>37.89</b>	<b>41.68</b>
<b>Miscellaneous</b>												
Car Parking	Rs. Cr	4.00	4.08	4.49	4.94	5.43	5.97	6.57	7.23	7.95	8.75	9.62
Porterage	Rs. Cr	0.57	0.64	0.70	0.77	0.85	0.94	1.03	1.13	1.25	1.37	1.51
Admission Tickets	Rs. Cr	0.79	0.89	0.98	1.08	1.18	1.30	1.43	1.58	1.73	1.91	2.10
Ground handling	Rs. Cr	1.36	1.50	1.65	1.81	1.99	2.19	2.41	2.65	2.92	3.21	3.53
Throughput Charges	Rs. Cr	0.65	0.70	0.76	0.83	0.90	0.97	1.05	1.14	1.26	1.39	1.54
Cargo	Rs. Cr	0.42	0.44	0.46	0.49	0.51	0.54	0.56	0.59	0.62	0.65	0.68
Others	Rs. Cr	4.39	5.04	5.54	6.10	6.71	7.38	8.12	8.93	9.82	10.80	11.88
<b>Total</b>		<b>12.18</b>	<b>13.29</b>	<b>14.59</b>	<b>16.01</b>	<b>17.57</b>	<b>19.29</b>	<b>21.18</b>	<b>23.25</b>	<b>25.55</b>	<b>28.08</b>	<b>30.86</b>
<b>Total Non-Aero Revenues</b>	<b>Rs. Cr</b>	<b>33.18</b>	<b>47.53</b>	<b>52.25</b>	<b>57.44</b>	<b>63.15</b>	<b>69.42</b>	<b>76.32</b>	<b>83.90</b>	<b>92.27</b>	<b>101.47</b>	<b>111.59</b>

**BOOK VALUE OF OLD ASSETS - AHMEDABAD AIRPORT**  
(as on 31st March, 2009)

S. NO.	PARTICULARS	Net Block (Rs. In Crores)
1	Runways	0.53
2	Taxiways	3.15
3	Apron	20.33
4	Roads, Bridges & Culverts	1.91
5	Building -Terminal & Others	53.25
6	Computers & IT Hardwares	0.29
7	Machinery & Equipments	8.98
8	Tools & Plant	0.21
9	Office Furnitures & Fixtures	0.13
10	Vehicles - Others	0.64
11	Vehicles - Motor Cars/Jeeps	0.1
12	Electrical Installations	27.55
13	X-Baggage Inspection Sys.	9.89
14	Office Equipments	0.07
15	Typewriters & Other Office Appliances	0.8
16	Crash Fire Tenders/Fire fighting Eqpt.	0.05
17	Boundary Wall	1.92
18	Computer Softwares	0.22
	<b>TOTAL</b>	<b>130.02</b>

## Key Assumptions (Ahmedabad)

Sl no	Parameters	Assumptions	Basis of assumption
<b>1</b>	<b>Traffic</b>		
i	Passenger growth rate per annum	Domestic: 10% in 10-11 to 16-17 & 12% thereafter	Adopted forecast made by CPMS
	(as per Forecast made by CPMS)	International: 10% in 10-11, 11-12 & 12% in 12-13 to 16-17 & 14% thereafter	Adopted forecast made by CPMS
ii	Combinded growth rate (Dom+Intl.) of aircraft momements per annum (as per Forecast made by CPMS)	5.5% in 10-11, 8.4% in 11-12 to 16-17 then 10.4% thereafter	Adopted forecast made by CPMS
iii	Date of commencement of operation for new terminal	May/June, 2010	
iv	Percentage of departing passengers	50% total passengers handled at the airport	
<b>2</b>	<b>Revenue</b>		
i.	Growth rate of Landing, housing & Parking Revenue	8.4% in 11-12 to 16-17 then 10.4% thereafter	As per the aircraft movements projected by CPMS
ii	Growth rate of passenger service fee	Same as passenger growth rate mentioned above	As per the passenger movements projected by CPMS
iii	Passenger service fee (Security)	Security component of PSF not considered similarly security expenses not included in the calculations	
<b>3</b>	<b>Non-Traffic Revenue</b>		
i	Trading Concessions including Restaurant, Hoarding & display, Duty Free shop	80% increase in 2010-11 on commissioning of new terminal building. 10% increase afterwards	Higher initial increase in 10-11 due to increase in area available for commercial activities. Further, Built-in escalation in the commercial agreements vary from 7.5% to 10% Hence a uniform rate of 10% assumed from 11-12 onwards.
ii	Rent and Services including Land lease and building non-residential	80% increase in Building rent(Non-Residential) in 2010-11 on commissioning of new terminal building. 10% growth rate assumed thereafter.	Higher initial increase in 10-11 due to increase in area available for commercial activities. Further, Built-in escalation in the commercial agreements vary from 7.5% to 10% Hence a uniform rate of 10% assumed from 11-12 onwards.
iii	Miscellaneous revenue including Car Parking, Throughput charges, Ground handling, Cargo etc.	10% increase over previous year in respect of Car parking, Admission Tickets, Porterage, Ground handling. 8.4% increase in throughput charges, 5% in Cargo	Misc. revenue during 2009-10 estimated to decrease by 5.9% over previous year. However, taking a longer term view 10% growth rate has been adopted for the most of the revenue sources. Growth rate in throughput charges assumed to be same as that of aircraft movements mentioned above.
iv	Revenue from City Side Development	Revenue from City Side developments not considered.	Ahmedabad airport is among the first lot of 10 airports where city side development has been planned, however no concrete plan has been firmed up and no time frame is available for accrual of revenue on this account. Hence no revenue from it has been considered in the calculations.
v	Till adopted	Hybrid till (30% of non-traffic revenue considered in calculations)	AAI is maintaining a number of airports which are loss making and not self sustaining. Following of Hybrid Till will help in cross subsidy of these airports.
<b>4</b>	<b>Expenses</b>		

i	Growth rate of pay and allowances FY11 onwards	25% increase in pay & allowances in 2010-11, 8% from FY 11-12 to FY 19-20, except FY 17-18 where it is 30%	The effect of increments, increase in DA and promotions comes to approx 8%. Increase in staff expenses on commission of new terminal building by 25% takes care of the regular increase as well as deployment of manpower commensurate with size and operation of new terminal building. 30% increase in FY17-18 is estimated due to likely revision of pay scales w.e.f. 2017
ii	Growth rate of repairs and maintenance FY 11 onwards	75% in the year of commissioning and thereafter regular growth rate of 10%	Higher initial expenditure estimated due to increase in terminal building area from 36806 Sqm to 77806 Sqm (old+new) involving larger area for upkeep and maintenance and more civil & electrical repairs and new equipments & systems under R&M
iii	Growth rate of consumption of stores	75 % increase in year of commissioning and thereafter regular growth rate of 7%	As above.
iv	Electricity & Water Charges	70% increase in the year of commissioning thereafter flat growth rate of 10%	Higher initial expenditure estimated due to increase in terminal building area from 36806 Sqm to 77806 Sqm Increase in air-conditioning expenses, lighting and electrical & electronic equipments.
v	Interest on Borrowings	9% on loan of Rs. 55 crores (09-10) & Rs. 10 crores (10-11) with 25% repayment of loan amount from 13-14 onwards	as per the action plan of AAI
vi	Security expenses	Not considered	
vii	Other miscellaneous expenditure	25% in first year of commission thereafter flat growth rate of 10%	Higher initial expenditure estimated due to increase in terminal building area from 36806 Sqm to 77806 Sqm and increase in operations
	Apportionment of Expenses provided at CHQ	A uniform growth rate of 7.5% assumed except in 2017-18 where 12% growth is considered.	The expenses provided at CHQ for the airports have been apportioned over the airports based on the number of employees which is, as per the existing methodology and policy of AAI
<b>5</b>	<b>Tax rates</b>		
i	Corporate tax		33.99%
ii	Service tax		10.30%
<b>6</b>	<b>Assets</b>		
i	Value of the new International Terminal Building to be capitalised	Rs. 296.37 crores	The project cost was approved by Govt. at an estimated cost of Rs. 290.92 crores. It inter alia, includes the cost of Inter Terminal link, Apron etc. The likely expenditure is estimated at Rs. 296.37 crores.
ii	Opening balance for old assets	Rs. 130.02 crores (09-10)	
iii	Depreciation rate		10% Depreciation rate followed by AAI is as per accounting policy approved by AAI Board considering the useful life of the assets. However, in the instant proposal depreciation has been considered on straight line method at weighted avg rate of 10%

7	<b>Post tax nominal WACC</b>	12%	The post tax nominal WACC has been kept at 12% which is the minimum requirement for any project for approval by the PIB/GoI
8	<b>Ad-hoc UDF Assumption</b>		
	UDF collection charge per passenger	Rs 5	
9	<b>Borrowings</b>		
i	Loan for the Project	Rs 65 crores	
ii	Rate of interest	9%	
iii	Schedule of repayment	25% repayment from FY 13-14 onwards	



No.AAI/CHQ/REV/AERA/UDF/2010

Dated: 19.4.2010

To

The Secretary,  
Airports Economic Regulatory Authority of India,  
Room No. 58, B Block,  
Rajiv Gandhi Bhawan,  
New Delhi- 110 003.

ESD-II

CM (Shri Saxena)

19/4

**Subject: Levy of UDF at Ahmedabad- regarding**

Sir,

In continuation our discussions on 19.4.2010, the following points are clarified:

1. **Through put charges:**

It is confirmed that, growth in Throughput Charges have been maintained at the same level as that of combined aircraft movements growth (i.e. 5.5% in 2010,11, 8.4% in 2011-12 to 2016-17 and 10.4% thereafter). This has already been indicated in column 3 (iii) – Basis of assumptions. However in the second column – Assumptions, only 8.4% have been shown which is for longer duration.

2. **Traffic Forecast:**

The traffic forecast was done by our Corporate Planning Directorate using econometric modeling. A copy of the forecast given by them is enclosed for information.

3. **Cargo Revenue:**

The Cargo handled at Ahmedabad Airport during the last 3 years is given below:

<u>YEAR</u>		<u>MT</u>
2007-08	-	23576
2008-09	-	23033
2009-10	-	18196 ( upto Jan '10)

It may be seen that during 2008-09 Cargo had a negative growth of 2% and during 2009-10 the growth was – 8.8%. However, taking the long term growth in view, a growth of 5% is adopted.

4. **AREA**

The increases in Area at Ahmedabad Airport is 111% as given below:

	<b><u>Existing</u></b>	<b><u>After Commissioning</u></b> ( in sq.mtrs)
International	7384	7384
Domestic	29422	29422
New Terminal	-	41000
<b>Total</b>	<b>36806</b>	<b>77806</b>

Increase % = 111%

Against the increase in area by 111% the non traffic revenue has been increased by 80% in the year of commissioning.

Hope this clarifies the position.

Yours faithfully,



(M.Ravi Varma)  
General Manager (F&A)

**Encls: As above**

**AHMEDBAD AIRPORT  
TRAFFIC FORECAST**

YEAR	PASSENGERS(IN NOS.)		
	INT'L	DOM	TOTAL
2008-09 (BASE YEAR)	684330	2141609	2825939
GROWTH RATE	10.0%	10.0%	10.0%
2009-10	752763	2355770	3108533
GROWTH RATE	10.0%	10.0%	10.0%
2010-11	828039	2591347	3419386
GROWTH RATE	10.0%	10.0%	10.0%
2011-12	910843	2850482	3761325
GROWTH RATE	12.0%	10.0%	10.5%
2012-13	1020144	3135530	4155674
2013-14	1142562	3449083	4591644
2014-15	1279669	3793991	5073660
2015-16	1433229	4173390	5606620
2016-17	1605217	4590729	6195946
GROWTH RATE	14.0%	12.0%	12.5%
2017-18	1829947	5141617	6971564
2018-19	2086140	5758611	7844751
2019-20	2378200	6449644	8827843
2020-21	2711148	7223601	9934749
2021-22	3090708	8090433	11181141

Updated 30/03/2010

**AHMEDBAD AIRPORT  
TRAFFIC FORECAST**

YEAR	AIRCRAFT(IN NOS.)		
	INT'L	DOM	TOTAL
2008-09 (BASE YEAR)	5635	26043	31678
GROWTH RATE	5.0%	3.0%	3.4%
2009-10	5917	26824	32741
GROWTH RATE	8.0%	5.0%	5.5%
2010-11	6390	28166	34556
GROWTH RATE	10.0%	8.0%	8.4%
2011-12	7029	30419	37448
GROWTH RATE	10.0%	8.0%	8.4%
2012-13	7732	32852	40584
2013-14	8505	35480	43986
2014-15	9356	38319	47675
2015-16	10291	41384	51676
2016-17	11320	44695	56016
GROWTH RATE	12.0%	10.0%	10.4%
2017-18	12679	49165	61844
2018-19	14200	54081	68281
2019-20	15904	59489	75394
2020-21	17813	65438	83251
2021-22	19950	71982	91932





## UDF Calculation

All numbers are in Million Rs

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Aeronautical Revenue	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12	Yr. 13	Yr. 14	Yr. 15
Non Aeronautical Revenues	AR	694	756	827	905	990	1,084	1,186	1,322	1,473	1,642	1,830	2,041	2,276	2,538	2,831
Admissible Capital Base	NAR	312	453	499	548	603	663	729	801	881	969	1,066	1,172	1,289	1,417	1,559
O&M cost	C	1,235	2,513	3,642	3,216	2,790	2,363	1,937	1,511	1,084	658	231	9	-	-	-
Depreciation	OMA	568	779	848	924	1,007	1,097	1,195	1,302	1,518	1,653	1,801	1,962	2,137	2,329	2,538
Tax payable	D	130	278	426	426	426	426	426	426	426	426	426	426	426	426	426
	T	47	31	-	9	26	44	65	88	88	123	163	348	405	464	530
WACC	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Admissible Expenditure E = CKROCE + OMA + OMNA + D + T	893	1,389	1,712	1,745	1,793	1,851	1,919	1,998	2,162	2,282	2,418	2,328	2,542	2,792	3,068	3,371
Target Revenue R = AR+NAR	837	1,147	1,255	1,376	1,508	1,653	1,813	1,988	2,203	2,442	2,708	3,002	3,330	3,693	4,097	4,545
Target Deficit TD = E - R	56	242	457	369	285	198	106	10	(41)	(160)	(289)	(674)	(787)	(901)	(1,029)	(1,175)
NPV of target deficit	56	242	408	294	203	126	60	5	(18)	(65)	(104)	(217)	(226)	(231)	(236)	(240)
Domestic departing Pax	1,30	1,43	1,57	1,72	1,90	2,09	2,30	2,57	2,88	3,22	3,61	4,05	4,53	5,07	5,68	6,37
International departing Pax	0,41	0,46	0,51	0,57	0,64	0,72	0,83	0,91	1,04	1,19	1,36	1,55	1,76	2,01	2,29	2,66
UDF Incremental Revenue - Domestic	51	57	62	68	75	83	91	102	114	128	143	161	180	202	226	256
UDF Incremental Revenue - International	82	90	101	113	127	142	159	182	207	236	269	307	350	399	455	519
Net Incremental revenue - UDF	134	147	164	182	202	225	251	284	321	364	413	468	530	600	680	775
Domestic UDF in Rs.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International UDF in Rs.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Existing UDF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UDF after Increase	40	199	363	555	757	969	1,190	1,426	1,677	1,942	2,221	2,514	2,821	3,142	3,478	3,829