

Consultation Paper No. 03/2018-19



Airports Economic Regulatory Authority of India

**In the matter of determination of aeronautical tariffs in
respect of Sardar Vallabhbhai Patel International Airport,
Ahmedabad (SVPIA) for the second Control Period
(01.04.2016 – 31.03.2021)**

23rd April, 2018

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

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1. Introduction

1.1. Ahmedabad is the largest city in the state of Gujarat. Located on the banks of the Sabarmati River, Ahmedabad is one of the largest trading centres for cotton in India. It is the commercial capital and a major industrial centre of Gujarat and has been classified as a Mega City. It is the largest supplier of denim and one of the largest exporters of gems and jewellery in the country.

1.2. The Sardar Vallabhbhai Patel International Airport, Ahmedabad (SVPIA) is an international airport owned and managed by AAI. The traffic handled by SVPIA during the 1st control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1st control period at SVPIA

| Year | Dom. Pax (mn) | Int. Pax (mn) | Total Pax (mn) | Dom. ATMs | Int. ATMs | Total ATMs |
|------|---------------|---------------|----------------|-----------|-----------|------------|
| 2012 | 4.0 | 0.7 | 4.7 | 34,911 | 5,595 | 40,506 |
| 2013 | 3.3 | 0.8 | 4.2 | 32,405 | 5,884 | 38,289 |
| 2014 | 3.6 | 1.0 | 4.6 | 34,687 | 7,542 | 42,229 |
| 2015 | 3.8 | 1.2 | 5.1 | 30,621 | 8,176 | 38,797 |
| 2016 | 4.9 | 1.6 | 6.5 | 36,779 | 10,416 | 47,195 |

1.3. SVPIA, with a traffic of more than 1.5 mppa, is a major airport as defined in Section 2 (i) of AERA Act. Accordingly, tariff determination of aeronautical services at the airport is undertaken by AERA.

1.4. Technical and Terminal building details of SVPIA are provided in the table below:

Table 2 – Technical and Terminal building details of SVPIA

| Technical Details of SVPIA | |
|-------------------------------|--|
| Particulars | Details |
| Total airport area | 987 Acres |
| Runway orientation and length | 05/23; 3,505 meters x 45 meters |
| No. of Taxi Tracks | 8 |
| No. of Apron Bays | 33 |
| Aerodrome Category | 4E |
| Navigational Aids | ILS-RWY 23 with Cat-I Approach Lighting, RWY 05 Simple Approach lighting System, RADAR - ASR / SSR (Mode S), ADS-B, Automation System with Software Support Facility, Simulator (INDRA), DVOR, DME, VHF/RCAG/VCCS/DVTR |

| | | |
|---------------------------------|----------------|----------------------|
| Operational hours | 24 | |
| | | |
| Terminal building Details | | |
| Particulars | Domestic (T-I) | International (T-II) |
| Terminal Building Area | 29,413 Sq.m. | 41,000 Sq.m. |
| Immigration Counters | - | 33 |
| Customs Counters | - | 4 |
| Security Counters | 9 | 5 |
| Departure Conveyor | 1 | 2 |
| Arrival Conveyor | 3 | 5 |
| Peak hour passenger capacity | 1,200 | 1,600 |
| No. of Check-in Counters (CUTE) | 23 | 32 |
| Total Area of Car Parking | 10,787 Sq.m. | 17,621 Sq.m. |

2. Methodology for Tariff determination

- 2.1. The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 ("Airport Order") and Direction No. 5/2010/11 dated 28.02.2011 ("Airport Guidelines"), has issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.
- 2.2. The tariff determination process consists of true-up for 1st control period and determination of building blocks for 2nd control period. The Authority proposes to undertake true-up of 1st control period based on actual financials and traffic data under Single Till (as was applicable during 1st control period) and determination of building blocks for 2nd control period under Hybrid Till.
- 2.3. The Aggregate Revenue Requirement (ARR) under regulatory framework of Authority is calculated as under

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$
$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - \alpha \times NAR_t$$

Where

- 2.3.1. t is the Tariff Year in the control period;
- 2.3.2. ARR_t is the Aggregate Revenue Requirement for year t;
- 2.3.3. FRoR is the Fair Rate of Return for the control period;
- 2.3.4. RAB_t is the Aeronautical Regulatory Asset Base for year t;
- 2.3.5. D_t is the Depreciation corresponding to the Aeronautical RAB for year t;
- 2.3.6. O_t is the Aeronautical Operation and Maintenance Expenditure for year t, which include all expenditures incurred by the Airport Operator(s) towards aeronautical activities including expenditure incurred on statutory operating costs and other mandatory operating costs;
- 2.3.7. T_t is the Tax in year t, which includes payments by Airport Operator in respect of corporate tax on income from assets/ amenities/facilities/services taken into consideration for determination of ARR for year t;
- 2.3.8. α is 30% cross subsidy factor for revenue from services other than aeronautical services under Hybrid Till for 2nd control period. α is 100% cross

subsidy factor under Single Till for 1st control period; and

2.3.9. NAR_t is the revenue from services other than aeronautical services (Non-Aeronautical Revenues or NAR) for year t.

2.4. Based on ARR, Yield per Passenger is calculated as per formula given below:

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

Where,

2.4.1. Present value (PV) of ARR_t for a tariff year t is calculated at the beginning of the control period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority.

2.4.2. VE_t is the Traffic volume in a tariff year t as estimated by the Authority

2.4.3. ARR_t is the Aggregate Revenue Requirement for tariff year t.

2.5. While determining building blocks and ARR for SVPIA, Authority proposes to-

2.5.1. Allocate CHQ/ RHQ overhead expenses on revenue basis as per the approach followed by the Authority while determining tariffs for Guwahati and Lucknow airports during 1st control period

2.5.2. Adopt depreciation rates consistent with Companies Act and for assets not defined in the Companies Act at 3.33% till FY 2017-18.

2.5.3. Adopt depreciation rates consistent with Authority's order "In the matter of Determination of Useful life of Airport Assets" (Order No. 35/2017-18) from FY 2018-19 onwards.

2.6. The Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator. The Authority's approach on the above is detailed in subsequent sections.

2.7. The true-up for 1st control period and determination of building blocks for 2nd control period are detailed in subsequent sections.

2.8. It is to be noted that some of the numbers in the order are rounded off for ease in representation.

3. Multi Year Tariff Proposal for SVPIA

- 3.1. In the 1st control period, the Authority, vide its Order No. 14/2015-16 dated 17.04.2015 had decided that the tariffs at SVPIA would continue at the existing level on ad-hoc basis and advised AAI to submit MYTP for the 2nd control period well in time along with the actual financials till FY 2014-15 and the aggregate revenue requirements for the 1st control period.
- 3.2. AAI had earlier made MYTP submission to the Authority for determination of tariffs for 2nd control period under Single Till. The Authority had issued the Consultation Paper No. 11/2015-16 on 16.03.2016 to determine the Aeronautical Tariffs at Ahmedabad Airport for 2nd control period and the stakeholder consultation process was completed. While the Authority was finalizing the tariff order and undertaking discussions on appropriate methodology for apportionment of CHQ/ RHQ expenses, the National Civil Aviation Policy, 2016 was released in June, 2016. AAI made submissions dated 11.01.2017 to the Authority for determination of tariffs for 2nd control period under Hybrid Till in line with the new policy. AAI has not considered cargo related revenues, expenses and assets in the MYTP for 2nd control period and submitted that AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) would file proposal for cargo tariffs for 2nd control period. The Authority has considered the model submitted by AAI on 11.01.2017 and subsequent submissions and its approach is detailed in discussions in the CP. This new consultation paper shall supersede the earlier Consultation Paper No. 11/2015-16. The major differences between the Consultation Papers are mainly with regard to treatment of depreciation, Till mechanism, estimation of traffic, land cost, etc. These are given in detail in the relevant sections of the Consultation Paper.
- 3.3. AAI provides Air Navigation Services (ANS) services in addition to landing, parking and other aeronautical services at SVPIA. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of ANS. This consultation paper discusses the determination of tariffs for aeronautical services at the airport excluding ANS.
- 3.4. The Authority is aware of the ongoing bid process for privatization of O&M of the terminal and in case of any major changes following privatization, AERA will consider

the revised proposal, if required.

- 3.5. AAI has informed that accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI airports, regional/ field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for SVPIA. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

4. True-up for First control period

4.1. True-up for 1st control period is calculated as difference between

4.1.1. Permissible aeronautical revenue calculated based on actual traffic and financials

4.1.2. Actual aeronautical revenue received by AAI for 1st control period

4.2. AAI has submitted opening RAB for the 1st control period under Single Till at ₹ 386.5 crores.

Table 3 – Opening RAB for the 1st control period as per AAI – Single Till

| S. No. | Particulars | Amount (₹ crore) |
|--------|---|------------------|
| 1 | Original Cost of Airport Assets excluding ANS related assets as on 01.04.2011 | 577.0 |
| 2 | Accumulated Depreciation as on 01.04.2011 | 190.6 |
| 3 | Opening RAB[(1)-(2)] as on 01.04.2011 | 386.5 |

Permissible aeronautical revenues

4.3. AAI has calculated Aggregate Revenue Requirement of ₹ 695.1 crores (PV of ARR is ₹ 547.9 crores as on 01.04.2011) for 1st control period.

Table 4 - ARR as per AAI for the 1st control period – Single Till

| Details (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|--------------|--------------|--------------|--------------|--------------|
| Opening RAB | 386.5 | 344.5 | 300.3 | 255.2 | 212.4 |
| Assets capitalized during the year | 5.5 | 3.2 | 1.5 | 2.3 | 14.0 |
| Disposals/ Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Depreciation | 47.5 | 47.3 | 46.7 | 45.1 | 45.2 |
| Closing RAB | 344.5 | 300.3 | 255.2 | 212.4 | 181.2 |
| Average RAB | 365.5 | 322.4 | 277.8 | 233.8 | 196.8 |
| Return on Average RAB@14% | 51.2 | 45.1 | 38.9 | 32.7 | 27.6 |
| Operating Expenditure | 79.3 | 86.9 | 87.8 | 82.9 | 89.1 |
| Depreciation | 47.5 | 47.3 | 46.7 | 45.1 | 45.2 |
| Corporate Tax | 6.9 | 6.6 | 10.2 | 19.1 | 35.2 |
| Less- Revenue from services other than Regulated services | 36.7 | 41.9 | 44.8 | 56.4 | 56.3 |
| ARR as per AAI | 148.2 | 144.0 | 138.7 | 123.5 | 140.7 |
| Total ARR as per AAI | 695.1 | | | | |
| Discounted ARR | 148.2 | 126.3 | 106.7 | 83.4 | 83.3 |
| PV of ARR for the control period as on 01.04.2011 | 547.9 | | | | |

Actual aeronautical revenues

4.4. AAI has submitted that it has earned aeronautical revenues of ₹ 596.4 crores during the 1st control period. Correspondingly, AAI has submitted that it has a shortfall of ₹ 200.1 crores (future value as on 01 April 2017) during the 1st control period. The aeronautical revenues for the 1st control period is shown below:

Table 5 - Aeronautical revenue earned for the 1st control period as per AAI Submission – Single Till

| No. | Particulars (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| A | Revenues from Regulated Services | | | | | |
| 1 | Landing Charges: | | | | | |
| 1.1 | Domestic | 29.4 | 27.8 | 28.7 | 25.3 | 33.0 |
| 1.2 | International | 9.7 | 9.2 | 11.8 | 12.8 | 16.5 |
| 1.3 | Total Landing Charges | 39.1 | 37.0 | 40.5 | 38.2 | 49.5 |
| 2 | Parking and Housing Charges: | 0.7 | 0.8 | 0.8 | 0.4 | 0.4 |
| 3 | PSF(Facilitation Charges(FC)): | | | | | |
| 3.1 | Domestic | 16.8 | 14.0 | 15.2 | 15.9 | 22.3 |
| 3.2 | International | 2.7 | 2.4 | 3.0 | 3.2 | 3.6 |
| 3.3 | Total PSF (FC) | 19.5 | 16.4 | 18.2 | 19.1 | 25.9 |
| 4 | User Development Fees (UDF): | | | | | |
| 4.1 | Domestic | 22.7 | 18.1 | 19.4 | 20.1 | 25.9 |
| 4.2 | International | 15.6 | 16.8 | 20.7 | 21.9 | 28.2 |
| 4.3 | TOTAL UDF | 38.3 | 34.9 | 40.1 | 42.0 | 54.1 |
| 5 | Fuel Throughput Charges | 1.0 | 1.0 | 0.9 | 1.2 | 1.3 |
| 6 | Ground Handling Charges | 4.5 | 10.9 | 10.0 | 8.8 | 12.0 |
| 7 | Cargo revenues | 2.4 | 2.9 | 2.6 | 2.4 | 6.8 |
| 8 | CUTE services | 0.8 | 2.0 | 2.5 | 2.6 | 3.6 |
| | Total Aeronautical Revenues | 106.4 | 105.8 | 115.7 | 114.7 | 153.8 |

Table 6 - ARR and its resultant shortfall as per AAI for 1st control period – Single Till

| No. | Components (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total |
|-----|--|-------------|-------------|-------------|------------|--------------|--------------|
| 1 | ARR for year | 148.2 | 144.0 | 138.7 | 123.5 | 140.7 | 695.1 |
| 2 | Aeronautical Revenue | 106.4 | 105.8 | 115.7 | 114.7 | 153.8 | 596.4 |
| 3 | Shortfall (+)/ excess (-) | 41.8 | 38.2 | 23.0 | 8.8 | -13.1 | 98.7 |
| 4 | Future Value of shortfall (+)/ excess (-) as on 01.04.2017 | 91.7 | 73.5 | 38.9 | 13.1 | -17.0 | 200.1 |

Authority's Examination

4.5. The Authority proposes adjustments on the following building blocks for calculating true-up of 1st control period

4.5.1. Adjustment of depreciation

4.5.2. Adjustment of non-aeronautical revenues

4.5.3. Apportionment of CHQ/RHQ costs and change in tax calculation

4.5.4. Correction of present value factor for shortfall calculation

Adjustment for Depreciation

4.6. AAI has used depreciation rates as per the accounting policy approved by AAI board.

The depreciation rates used by AAI for key assets are –

Table 7 - Depreciation rates as submitted by AAI

| No. | Asset Class | As per AAI |
|-----|------------------------------|------------|
| 1 | Land | 0% |
| 2 | Leasehold Land | 0% |
| 3 | Runways | 13% |
| 4 | Taxiway | 13% |
| 5 | Aprons | 13% |
| 6 | Road, Bridges & Culverts | 13% |
| 7 | Building- Terminal | 8% |
| 8 | Building – Temporary | 100% |
| 9 | Building – Residential | 5% |
| 10 | Security Fencing – Temporary | 100% |
| 11 | Boundary Wall –Operational | 8% |
| 12 | Boundary Wall – Residential | 5% |
| 13 | Other Buildings-Unclassified | 8% |
| 14 | Computer & Peripherals | 20% |
| 15 | Intangible Assets- Software | 20% |
| 16 | Plant & Machinery | 11% |

| | | |
|----|--|-----|
| 17 | Tools & Equipment | 20% |
| 18 | Office Furniture | 20% |
| 19 | Other Vehicles | 14% |
| 20 | Vehicle - Cars & Jeeps | 14% |
| 21 | Electrical Installations | 11% |
| 22 | Other Office equipment | 18% |
| 23 | Furniture & Fixtures-Other than office | 20% |
| 24 | X Ray Baggage System | 11% |
| 25 | CFT/Fire Fighting Equipment | 13% |

4.7. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider the following regarding the depreciation rates:

4.7.1. To consider the depreciation values on additions as per the certification of AAI with the exception of the rate considered for the specific assets of terminal building, runway, taxiway and apron for the first and second control periods.

4.7.2. To adopt a rate of 3.33% based on useful life of 30 years for the specific assets of terminal building, runway, taxiway and apron added during the first and second control period

4.8. In this revised Consultation Paper, the Authority proposes the following depreciation rates:

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

4.8.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 28.

4.9. Depreciation for the 1st control period has been calculated on the basis of actual date of capitalization of assets. The capitalization of assets for the 1st control period has been taken as per actual values.

4.10. The revised depreciation for the 1st control period under Single Till is given below:

Table 8 – The Authority’s consideration of depreciation for 1st control period – Single Till

| No. | Details (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total |
|-----|-------------------|---------|---------|---------|---------|---------|--------------|
| 1 | As per AAI | 47.5 | 47.3 | 46.7 | 45.1 | 45.2 | 231.7 |
| 2 | As per Authority | 14.4 | 14.5 | 14.4 | 27.8 | 28.2 | 99.2 |

4.11. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider land cost as part of RAB for the purpose of tariff determination.

4.12. AAI has taken the cost of land in to RAB. In respect of cost of land, the Authority notes that land is not a depreciable asset and if taken into RAB, the return over it has to be paid perpetually. Besides, if the principle of FRoR based on cost of capital is applied on cost of land, the aeronautical charges may have to be fixed at exorbitantly high rates. However, the Authority realizes that unless some kind of return is given on land, future land acquisitions for airport purposes could become a major hurdle for airport development. Therefore, it is proposed to conduct a study based on which the treatment to be given to cost of land can be determined.

4.13. In the case of SVPIA, it is therefore proposed to exclude the existing cost of land (₹ 1.15 crores in FY 2011-12) from the RAB till a final decision is taken on the issue in this revised Consultation Paper.

4.14. The change in depreciation rates and exclusion of land from RAB results in a change in average RAB of the 1st control period as shown below –

Table 9 – The Authority’s consideration of average RAB for 1st control period – Single Till

| No | Details (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|----|-------------------------|--------------|--------------|--------------|--------------|--------------|
| 1 | As per AAI | | | | | |
| | Opening RAB | 386.5 | 344.5 | 300.3 | 255.2 | 212.4 |
| | Additions | 5.5 | 3.2 | 1.5 | 2.3 | 14.0 |
| | Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Depreciation | 47.5 | 47.3 | 46.7 | 45.1 | 45.2 |
| | Closing RAB | 344.5 | 300.3 | 255.2 | 212.4 | 181.2 |
| | Average RAB | 365.5 | 322.4 | 277.8 | 233.8 | 196.8 |
| 2 | As per Authority | | | | | |
| | Opening RAB | 385.3 | 376.5 | 365.2 | 352.4 | 326.9 |
| | Additions | 5.5 | 3.2 | 1.5 | 2.3 | 14.0 |
| | Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|
| | Depreciation | 14.4 | 14.5 | 14.4 | 27.8 | 28.2 |
| | Closing RAB | 376.5 | 365.2 | 352.4 | 326.9 | 312.7 |
| | Average RAB | 380.9 | 370.8 | 358.8 | 339.7 | 319.8 |

Adjustment for Non-Aeronautical revenues

4.15. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider revenue other than regulated services for the 1st control period as per actual upto 31.03.2015 and as per projections for the year FY 2015-16. In this revised Consultation Paper, the Authority proposes to consider revenue other than regulated services for the 1st control period as per actual for FY 2015-16.

4.16. The Authority noted that AAI has considered lease rental and rent revenues from cargo, ground handling agencies and oil companies as non-aeronautical revenues during the 1st control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling, oil companies and cargo are aeronautical services.

4.17. The Authority proposes to consider the revenues from cargo, ground handling services and supply of fuel to aircraft including land lease rentals and building rent as aeronautical revenue.

Table 10 – Comparison of NAR as considered by AAI and the Authority for 1st control period

| NAR (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|----------------|----------------|----------------|----------------|----------------|
| NAR as submitted by AAI (1) | 36.7 | 41.9 | 44.8 | 56.4 | 56.3 |
| Adjustment | | | | | |
| <i>Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)</i> | 2.4 | 2.6 | 2.9 | 3.7 | 5.0 |
| NAR as per Authority (3 = 1 - 2) | 34.3 | 39.3 | 41.9 | 52.6 | 51.3 |

Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

4.18. Total CHQ/ RHQ expenses for AAI is as shown in table below. AAI has requested the apportionment of CHQ/ RHQ expenses while determining tariffs of major airports. CHQ/ RHQ expenses allocation for SVPIA consist of two components – Expenditure for SVPIA employee's retirement benefit allocated at CHQ and overheads at CHQ/RHQ. The CHQ/RHQ overheads expense considered for apportionment have been netted off

against the income received by CHQ/RHQ.

4.19. The retirement benefit is allocated on the basis of number of employees at SVPIA.

The Authority proposes to allocate the CHQ overhead expenses for the airport services after excluding the ANS expenses on revenue basis which is consistent with the approach adopted by the Authority in MYTP of 1st Control Period for Guwahati and Lucknow airports. The Authority observes that as per the above methodology the CHQ overhead expenses are allocated in proportion to the capacity of the airport to absorb higher cost of CHQ/RHQ. Under this methodology, a portion of CHQ expenses are allocated to Delhi and Mumbai airports based on revenue received by AAI from these airports.

Table 11 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1st control period

| No. | in ₹ cr. | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--|--------------|--------------|--------------|--------------|--------------|
| Apportionment of CHQ/ RHQ overheads | | | | | | |
| 1 | CHQ Expenses | 259.3 | 331.2 | 303.8 | 397.3 | 404.6 |
| 2 | Less - CHQ Revenue | 93.8 | 152.6 | 183.5 | 236.8 | 227.7 |
| 3 | Net CHQ Expenses (1-2) | 165.6 | 178.7 | 120.3 | 160.5 | 176.9 |
| | | | | | | |
| 1 | Western Region - RHQ Expenses | 61.9 | 126.3 | 152.6 | 78.1 | 72.6 |
| 2 | Less – Western Region - RHQ Revenues | 7.1 | 32.4 | 1.6 | 9.0 | 16.5 |
| 3 | Net Western Region RHQ Expenses (1-2) | 54.7 | 93.9 | 151.0 | 69.1 | 56.1 |
| | CHQ/ RHQ Overheads allocated to SVPIA | 17.7 | 23.1 | 25.8 | 14.6 | 13.9 |
| | | | | | | |
| Apportionment of Retirement Benefits at CHQ | | | | | | |
| | Total provision of retirement benefits at CHQ | 159.7 | 289.4 | 160.0 | 275.2 | 182.9 |
| | Provision of Retirement Benefits at CHQ for SVPIA | 4.9 | 5.8 | 3.7 | 6.3 | 4.3 |

4.20. In view of the above, the O&M expenditure for 1st control period is given in table below.

Table 12 - Summary of O&M expenditure as per the Authority for 1st control period -Single Till

| No. | Particulars (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|----------|---|-------------|-------------|-------------|-------------|-------------|
| 1 | Pay roll Expenditure of SVPIA | 16.7 | 16.7 | 18.6 | 20.8 | 26.0 |
| 2 | Expenditure for SVPIA employees' retirement benefits allocated at CHQ | 4.9 | 5.8 | 3.7 | 6.3 | 4.3 |
| 3 | Common employees related to ANS | 1.7 | 2.2 | 1.9 | 2.2 | 2.2 |
| A | Total Pay roll Expenditure (1+2-3) | 19.9 | 20.3 | 20.4 | 25.0 | 28.1 |

| No. | Particulars (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|----------|--|-------------|-------------|-------------|-------------|-------------|
| 4 | Administrative and General Expenditure | 6.7 | 4.6 | 5.1 | 5.5 | 5.6 |
| 5 | Apportionment of administration & General expenditure of CHQ | 17.7 | 23.1 | 25.8 | 14.6 | 13.9 |
| B | Total Administration & General Expenditure(4+5) | 24.4 | 27.6 | 30.8 | 20.1 | 19.6 |
| C | Repairs and Maintenance Expenditure | 16.2 | 10.3 | 9.0 | 12.8 | 14.9 |
| 6 | Power Charges | 14.7 | 17.2 | 17.0 | 20.9 | 22.8 |
| 7 | Water Charges | 0.4 | 0.2 | 0.2 | 0.2 | 0.5 |
| 8 | Other expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| D | Utility and Outsourcing Expenditure | 15.1 | 17.4 | 17.2 | 21.2 | 23.3 |
| E | Other Outflows | 1.7 | 0.6 | 0.5 | 0.6 | 0.5 |
| | Total (A+B+C+D+E) | 77.3 | 76.2 | 78.0 | 79.6 | 86.4 |

Adjustment in base year for calculating present value of shortfall

4.21. The Authority noted that the present value factor considered by AAI for the shortfall in aggregate revenue collection in comparison to allowable aggregate revenue for the 1st control period (refer to Table 6) is calculated as on 01.04.2017 instead of 01.04.2016. The Authority proposes to consider the present value of shortfall as on 01.04.2016.

Tax calculation for 1st control period

4.22. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider tax as actually paid/apportioned towards calculations of aeronautical tariff determination. Accordingly the Authority had proposed to account for taxes actually paid by AAI for FY 2011-12 to FY 2014-15. The Authority had also proposed to consider corporate income tax rate @ 34.60% for the remaining period of the first control period and the entire duration of the second control period as estimated by AAI towards taxes.

4.23. The tax calculation as submitted by AAI for 1st control period apportions actual tax liability of AAI based on the profit before tax of SVPIA and profit before tax of AAI.

4.24. For this Consultation Paper, the Authority noted that the tax liability of AAI would include tax as a result of income from Delhi and Mumbai airports. Therefore, in this revised Consultation Paper, the Authority proposes to determine tax for SVPIA by applying provisional tax rate on the standalone profit before tax of the airport. In

addition, for calculation of tax, the Authority proposes to determine depreciation considering the depreciation rates applicable under Income Tax laws.

4.25. AAI has submitted revised tax calculations based on standalone financials of SVPIA.

The Authority proposes to consider the tax calculation as given below.

Table 13 – Revised amount of Tax as considered by Authority for the 1st control period

| Particular (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|----------------|----------------|----------------|----------------|----------------|
| Aeronautical Revenues | 108.8 | 108.4 | 118.5 | 118.4 | 158.8 |
| Non-Aeronautical Revenues | 34.3 | 39.3 | 41.9 | 52.6 | 51.3 |
| O&M (excluding retirement benefits and CHQ/ RHQ Overheads) | 54.7 | 47.3 | 48.5 | 58.7 | 68.1 |
| Retirement benefits and CHQ/ RHQ Overheads | 22.6 | 28.9 | 29.4 | 20.9 | 18.2 |
| Depreciation as per IT Act | 47.5 | 41.7 | 36.6 | 32.4 | 30.0 |
| Profit Before Tax (PBT) | 18.3 | 29.8 | 45.9 | 59.0 | 93.7 |
| Tax | 5.9 | 9.7 | 15.6 | 20.1 | 32.4 |

Revised Aggregate Revenue Requirement

4.26. The ARR for the 1st control period has been revised based on adjustments detailed above.

4.26.1. Change in depreciation rates as per Table 28

4.26.2. Apportionment of CHQ/RHQ costs and change in tax calculation

4.26.3. Lease rentals/rents from cargo, ground handling agencies and oil companies to be treated as aeronautical revenues

4.26.4. Correction of present value factor for shortfall calculation

Table 14 - ARR as per the Authority for the 1st control period – Single Till

| Details (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|----------------|----------------|----------------|----------------|----------------|
| Average RAB | 380.9 | 370.8 | 358.8 | 339.7 | 319.8 |
| Return on Average RAB@14% | 53.3 | 51.9 | 50.2 | 47.6 | 44.8 |
| Operating Expenditure | 77.3 | 76.2 | 78.0 | 79.6 | 86.4 |
| Depreciation | 14.4 | 14.5 | 14.4 | 27.8 | 28.2 |
| Corporate Tax | 5.9 | 9.7 | 15.6 | 20.1 | 32.4 |
| Less- Revenue from services other than Regulated services | 34.3 | 39.3 | 41.9 | 52.6 | 51.3 |
| ARR as per Authority | 116.7 | 112.9 | 116.2 | 122.4 | 140.5 |
| Total ARR as per Authority | 608.6 | | | | |

| Details (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------|---------|---------|---------|---------|
| Discounted ARR | 116.7 | 99.0 | 89.4 | 82.6 | 83.2 |
| PV of ARR for the control Period as on 01.04.2011 | 470.9 | | | | |

4.27. Correspondingly, the shortfall during the 1st control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 15 - ARR, yield and shortfall as per Authority for 1st control period – Single Till

| No. | Components (₹ crore) | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Total |
|-----|--|---------|---------|---------|---------|---------|-------|
| 1 | ARR for year (refer Table 14) | 116.7 | 112.9 | 116.2 | 122.4 | 140.5 | 608.6 |
| 2 | Aeronautical Revenue | 108.8 | 108.4 | 118.5 | 118.4 | 158.8 | 612.9 |
| 3 | Shortfall/(Excess) | 7.9 | 4.5 | -2.3 | 4.0 | -18.3 | -4.3 |
| 4 | Future Value of Shortfall/ (Excess) as on 01.04.2016 | 15.1 | 7.6 | -3.5 | 5.2 | -20.9 | 3.6 |

Proposal No. 1. True-up for the 1st control period

- 1.a. The Authority proposes to true-up the 1st control period on the basis of Single Till
- 1.b. The Authority proposes to apportion CHQ/RHQ overheads on revenue basis.
- 1.c. The Authority proposes to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.
- 1.d. The Authority proposes the following depreciation rates.
 - a. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards
 - b. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 28.
- 1.e. The Authority proposes to consider short fall of ₹ 3.6 crores in the 1st control period to be added to ARR for the 2nd control period.

5. Traffic forecast

5.1. The traffic growth rates as submitted by AAI for 2nd control period are as follows:

Table 16 - Traffic Growth rates assumed by AAI for the 2nd control period

| YEAR | Passenger | | | ATM | | |
|---------|-----------|---------------|----------|----------|---------------|----------|
| | Domestic | International | Combined | Domestic | International | Combined |
| 2016-17 | 12% | 20% | 14% | 10% | 18% | 12% |
| 2017-18 | 10% | 15% | 11% | 8% | 14% | 9% |
| 2018-19 | 10% | 15% | 11% | 8% | 14% | 9% |
| 2019-20 | 10% | 15% | 11% | 8% | 14% | 10% |
| 2020-21 | 10% | 15% | 11% | 8% | 14% | 10% |

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5.2. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to consider traffic numbers for the 1st control period as per actuals upto 31.03.2015 and as per projections for the year FY 2015-16. In this revised Consultation Paper, the Authority proposes to consider traffic numbers for the 1st control period as per actuals for FY 2015-16.

5.3. The Authority observed that the actual traffic data is available for FY 2016-17 for SVPIA. Accordingly, AAI submitted that traffic growth rate for FY 2016-17 can be revised by the Authority based on actual traffic during FY 2016-17. The Authority proposes to revise traffic growth rates for FY 2016-17 as per Table 18.

5.4. The authority also proposes to extrapolate traffic for FY 2017-18 based on actual data available till January 2018 and revise traffic growth rates for FY 2017-18 as per Table 18.

5.5. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM and passenger traffic from FY 2010-11 to FY 2015-16 (5 year CAGR) and from FY 2005-06 to FY 2015-16 (10 year CAGR) for SVPIA. The details have been provided in table below:

Table 17 - CAGR for Traffic at SVPIA

| | Growth rates as per AAI (FY18 to FY21) | 10 Year CAGR (FY06 to FY16) | 5 Year CAGR (FY11 to FY16) |
|------------------|--|-----------------------------|----------------------------|
| Passenger | | | |
| Domestic | 10% | 13% | 9% |
| International | 15% | 13% | 14% |
| ATM | | | |
| Domestic | 8% | 8% | 5% |

| | Growth rates as per AAI (FY18 to FY21) | 10 Year CAGR (FY06 to FY16) | 5 Year CAGR (FY11 to FY16) |
|------------------|---|--------------------------------|-------------------------------|
| Passenger | | | |
| International | 14% | 8% | 11% |

5.6. After evaluation of 5 and 10 year CAGR of passenger traffic, the Authority is of the view that growth rates proposed by AAI for international passenger and ATM traffic are more or in line with the CAGR of 5 years. Hence, the Authority proposes to adopt growth rates for international passenger and ATM traffic from FY 2018-19 to FY 2020-21 based on AAI projections.

5.7. However, due to high growth in recent years for domestic passenger and ATM traffic, the Authority proposes to adopt growth rates based on 10 years CAGR for domestic passenger and ATM traffic from FY 2018-19 to FY 2020-21.

Table 18 - Traffic growth rates and Traffic as considered by Authority for the 2nd control period

| | Passenger | | | Air Traffic Movements (ATM) | | |
|---------------------|------------------|----------------------|-----------------|------------------------------------|----------------------|-----------------|
| YEAR | Domestic | International | Combined | Domestic | International | Combined |
| Growth Rates | | | | | | |
| 2016-17 | 14% | 14% | 14% | 5% | 19% | 8% |
| 2017-18 | 32% | 2% | 24% | 32% | 8% | 27% |
| 2018-19 | 13% | 15% | 13% | 8% | 14% | 9% |
| 2019-20 | 13% | 15% | 13% | 8% | 14% | 10% |
| 2020-21 | 13% | 15% | 13% | 8% | 14% | 10% |
| Traffic | | | | | | |
| 2016-17 | 5,619,373 | 1,785,909 | 7,405,282 | 38,762 | 12,345 | 51,107 |
| 2017-18 | 7,393,128 | 1,818,631 | 9,211,760 | 51,318 | 13,351 | 64,669 |
| 2018-19 | 8,358,824 | 2,091,426 | 10,450,251 | 55,589 | 15,220 | 70,809 |
| 2019-20 | 9,450,660 | 2,405,141 | 11,855,801 | 60,216 | 17,351 | 77,567 |
| 2020-21 | 10,685,112 | 2,765,912 | 13,451,024 | 65,227 | 19,781 | 85,008 |

5.8. The Authority proposes to true-up traffic as per actual growth achieved during the current control period at the time of determination of tariff for 3rd control period as explained in earlier orders of the Authority.

Proposal No. 2. Traffic Forecast

2.a. The Authority proposes to consider the ATM and passenger traffic as per Table 18.

2.b. The Authority proposes to true up the traffic volume (ATM and Passengers) based on

actual traffic in 2nd control period while determining tariffs for the 3rd control period.

6. Allocation of Assets (Aeronautical and Non-Aeronautical)

6.1. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed to determine aeronautical tariffs under Single Till for 1st and 2nd control period. In this revised Consultation Paper, the Authority proposes to determine aeronautical tariffs for 1st control period under Single till and for 2nd control period under Hybrid Till.

6.2. Under Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base. As a result of the shift from Single Till to Hybrid Till at the end of 1st control period, the assets need to be segregated and opening RAB for 2nd control period needs to be recalculated.

6.3. For the allocation of assets between aeronautical and non-aeronautical services, AAI had divided assets into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following ratios:

- a) Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets)
- b) Employee Ratio - ratio of staff providing aeronautical services (173 employees) and total staff (177 employees)
- c) Quarter ratio for residential building – Based on quarters allotted to employees providing aeronautical services (50 employees) and quarters allotted to total 51 employees

6.4. The allocation of gross block of assets as on 01.04.2016 as submitted by AAI is given in the table below:

Table 19 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as submitted by AAI

| Sr. No. | Assets | Aero Assets (₹ crore) | Total Assets (₹ crore) | % Aero |
|----------------|---------------|----------------------------------|-----------------------------------|---------------|
| 1 | Land | 1.2 | 1.2 | 100.0% |
| 2 | Runway | 45.7 | 45.7 | 100.0% |

| Sr. No. | Assets | Aero Assets (₹ crore) | Total Assets (₹ crore) | % Aero |
|---------|------------------------------|--------------------------|---------------------------|--------------|
| 3 | Taxiways | 13.7 | 13.7 | 100.0% |
| 4 | Apron | 23.9 | 23.9 | 100.0% |
| 5 | Road, Bridge & Culverts | 16.0 | 16.0 | 100.0% |
| 6 | Building - Terminal | 260.9 | 271.9 | 96.0% |
| 7 | Building - Temporary | 0.4 | 0.4 | 100.0% |
| 8 | Building - Residential | 3.4 | 3.4 | 100.0% |
| 9 | Security Fencing - Temporary | 0.1 | 0.1 | 100.0% |
| 10 | Building - Other | 10.0 | 10.2 | 98.4% |
| 11 | Computer & Peripherals | 1.6 | 1.6 | 100.0% |
| 12 | Plant & Machinery | 8.6 | 8.6 | 100.0% |
| 13 | Tools & Equipment | 2.4 | 2.4 | 99.6% |
| 14 | Office Furniture | 0.5 | 0.5 | 99.9% |
| 15 | Other Vehicles | 1.4 | 1.4 | 100.0% |
| 16 | Electrical Installations | 153.4 | 156.1 | 98.2% |
| 17 | Other Office Equipment | 0.5 | 0.5 | 97.7% |
| 18 | Furniture & Fixtures | 3.2 | 3.2 | 100.0% |
| 19 | X-ray Baggage System | 13.6 | 13.6 | 100.0% |
| 20 | CFT/Fire Fighting Equipment | 22.8 | 22.8 | 100.0% |
| 21 | Boundary Wall –Operational | 5.9 | 5.9 | 100.0% |
| 22 | Intangible Assets- Software | 0.3 | 0.3 | 100.0% |
| 23 | Vehicle- Cars & Jeeps | 0.3 | 0.3 | 100.0% |
| | Total | 589.7 | 603.6 | 97.7% |

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Allocation based on Terminal Area Ratio

6.5. AAI submitted the workings for the calculation of aeronautical area to non-aeronautical area ratio vide its submission dated 11.01.2017.

Table 20 – Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16

| S.No. | Category | Domestic Terminal Building (Sq.m) | International Terminal Building (Sq.m) |
|-------|--------------------------|--|---|
| 1 | Restaurant / Snack Bars | 641.4 | 333.6 |
| 2 | T.R. Stall | 316.6 | 55.1 |
| 3 | Duty Free Shop | 0.0 | 39.0 |
| 4 | Hoarding & Display | 237.3 | 44.0 |
| 5 | Building Non-Residential | 952.8 | 1,144.5 |
| 6 | Admission Tickets | 12.5 | 4.7 |

| | | | |
|---|---------------------------------------|----------------|----------------|
| 7 | Other Miscellaneous | 8.8 | 5.0 |
| | Total Non-aeronautical area | 2,169.3 | 1,625.9 |
| | Total Terminal area | 29,413 | 41,000 |
| | Combined Non-aeronautical area | | 3,795 |
| | Combined Terminal area | | 70,413 |
| | TB Ratio | | 5.39% |

6.6. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. The Authority proposes to adopt 92.5% as aeronautical area for asset allocation of Terminal related assets to encourage growth of non-aeronautical revenues which would cross-subsidize aeronautical charges.

6.7. Specific assets under Office furniture, Plant & Machinery, Tools & Equipment, other office equipment and Furniture & Fixtures inside and Electrical installations related to the Terminal Building have been considered as aeronautical by AAI. The Authority proposes to allocate these assets in the ratio of 92.5% to 7.5%.

6.8. The Authority proposes to consider car park related assets as non-aeronautical assets and the same have been excluded from aeronautical RAB for 2nd control period.

6.9. Assets related to residential building have been considered as purely aeronautical assets by AAI. The Authority proposes to allocate residential building assets based on Quarters' ratio proposed by AAI.

6.10. The Authority had noted that few cargo related assets have been separately considered by AAI in RAB while preparing the MYTP for 1st and 2nd control period. As part of the clarifications provided dated 01.02.2018 and 16.02.2018, AAI submitted that no cargo assets have been considered while calculating RAB in the 1st and 2nd control period. As per AAI clarifications, AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) is managing cargo activities at SVPIA, which is 100% subsidiary of AAI. AAICLAS would file cargo MYTP of SVPIA separately. As per AAI's submission dated 01.02.2018, the Authority notes that the accounts for cargo operations are now booked (FY 2017-18) under AAICLAS for SVPIA. Hence, the Authority proposes to include cargo assets, revenues and operational expenditure from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021 while determination of tariff in the second control period. Further, the Authority notes that there is no clarity on the

transfer of cargo assets to AAICLAS as of now. The Authority will take a view on this while truing up in the 3rd control period based on the decisions taken by the AAI.

6.11. The asset allocation proposed by the Authority is tabulated below:

Table 21 – Change in allocation of gross block of assets existing as on 01.04.2016 between aeronautical and non-aeronautical services proposed by the Authority

| Sr. No. | Particulars | Aero Assets | Justification |
|---------|---------------------------|-------------|---|
| 1 | Road, Bridge and Culverts | 82.1% | Total assets are ₹ 16.0 crores out of which ₹ 13.1 crores are purely aeronautical assets. Cargo and car park related assets are not considered. |
| 2 | Terminal Building | 92.7% | Total assets are ₹ 271.9 crores out of which ₹ 16.7 crores are purely aeronautical assets and common assets are ₹ 254.4 crores. Common assets are allocated based on 92.5% ratio as aeronautical assets for assets related to terminal building. |
| 3 | Building Residential | 98.0% | Total assets are ₹ 3.4 crores which are allocated based on ratio of quarters occupied by employees providing aeronautical services. |
| 4 | Other building | 94.0% | Total assets are ₹ 10.2 crores out of which ₹ 2.1 crores are purely aeronautical assets and common assets are ₹ 7.6 crores. Common assets are allocated based on ratio of area used for different activities in integrated office complex. |
| 5 | Electrical Installations | 96.7% | Total assets are ₹ 156.1 crores out of which ₹ 94.4 crores are purely aeronautical assets and common assets are ₹ 61.1 crores. Common assets are allocated based on 92.5% ratio as aeronautical assets for assets related to terminal building. Car park related assets have not been considered. |

6.12. The cost of land has been excluded from the RAB of 2nd control period as mentioned in Para 4.12.

6.13. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation is given in the table below:

Table 22 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as considered by the Authority

| Sr. No. | Assets | Aero Assets (₹ crore) | Total Assets (₹ crore) | % Aero |
|---------|------------------------------|-----------------------|------------------------|--------------|
| 1 | Land | - | 1.2 | - |
| 2 | Runway | 45.7 | 45.7 | 100.0% |
| 3 | Taxiways | 13.7 | 13.7 | 100.0% |
| 4 | Apron | 23.9 | 23.9 | 100.0% |
| 5 | Road, Bridge & Culverts | 13.1 | 16.0 | 82.1% |
| 6 | Building - Terminal | 252.1 | 271.9 | 92.7% |
| 7 | Building - Temporary | 0.4 | 0.4 | 95.3% |
| 8 | Building - Residential | 3.4 | 3.4 | 98.0% |
| 9 | Security Fencing - Temporary | 0.1 | 0.1 | 100.0% |
| 10 | Building - Other | 9.6 | 10.2 | 94.0% |
| 11 | Computer & Peripherals | 1.6 | 1.6 | 100.0% |
| 12 | Plant & Machinery | 8.6 | 8.6 | 100.0% |
| 13 | Tools & Equipment | 2.4 | 2.4 | 99.3% |
| 14 | Office Furniture | 0.5 | 0.5 | 99.8% |
| 15 | Other Vehicles | 1.4 | 1.4 | 100.0% |
| 16 | Electrical Installations | 151.0 | 156.1 | 96.7% |
| 17 | Other Office Equipment | 0.5 | 0.5 | 97.6% |
| 18 | Furniture & Fixtures | 3.2 | 3.2 | 100.0% |
| 19 | X-ray Baggage System | 13.6 | 13.6 | 100.0% |
| 20 | CFT/Fire Fighting Equipment | 22.8 | 22.8 | 100.0% |
| 21 | Boundary Wall –Operational | 5.9 | 5.9 | 100.0% |
| 22 | Intangible Assets- Software | 0.3 | 0.3 | 100.0% |
| 23 | Vehicle- Cars & Jeeps | 0.3 | 0.3 | 100.0% |
| | Total | 573.8 | 603.6 | 95.1% |

Proposal No. 3. Allocation of assets between Aeronautical and Non-aeronautical services

3.a.The Authority proposes the allocation of assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 22.

7. Opening Regulatory Asset Base for Second control period

7.1. Opening RAB for 2nd control period under Hybrid Till as per AAI submission dated 11.01.2017 is ₹ 175.5 crores

Table 23 - Calculation of opening RAB as on 1st April 2016 as per AAI submission – Hybrid Till

| S. No. | Particulars | Amount (₹ crore) |
|--------|--|------------------|
| 1 | Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011 | 563.5 |
| 2 | Aeronautical asset addition during the 1 st control period | 26.2 |
| 3 | Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016 | 589.7 |
| 4 | Accumulated Depreciation as on 01.04.2016 | 414.2 |
| 5 | Opening RAB[(3)-(4)] as on 01.04.2016 | 175.5 |

7.2. The Authority proposes to adopt depreciation rates as detailed earlier in Para 4.7 for calculating RAB for 2nd control period till FY 2017-18. Additionally, the Authority proposes to adopt depreciation rates consistent with Authority's order "In the matter of Determination of Useful life of Airport Assets" (Order No. 35/2017-18) from FY 2018-19 onwards.

7.3. The Authority proposes the allocation of assets between aeronautical and non-aeronautical assets as detailed in Table 22.

7.4. Based on revised depreciation rates and revised asset allocation, the opening RAB for 2nd control period considered by the Authority under Hybrid Till is ₹ 294.9 crores.

Table 24 - Calculation of opening RAB as on 1st April 2016 as per the Authority – Hybrid Till

| S. No. | Particulars | Amount (₹ crore) |
|--------|--|------------------|
| 1 | Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011 | 548.1 |
| 2 | Aeronautical asset addition during the 1 st control period | 25.7 |
| 3 | Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016 | 573.8 |
| 4 | Accumulated Depreciation as on 01.04.2016 | 278.9 |
| 5 | Opening RAB[(3)-(4)] as on 01.04.2016 | 294.9 |

Proposal No. 4. Opening Regulatory Asset Base for the 2nd control period

4.a. The Authority proposes to consider the opening regulatory base for the 2nd control period under Hybrid Till as ₹ 294.9 crores.

8. Capital Expenditure for Second control period

8.1. AAI has in their submissions dated 11.01.2017 submitted aeronautical capital expenditure of ₹ 119.6 crores for the 2nd control period and revised the total aeronautical capital expenditure to ₹ 304.2 crores for the 2nd control period as per the clarifications provided dated 01.02.2018 and 16.02.2018 as shown below:

Table 25 – Aeronautical assets to be capitalized at SVPIA for 2nd control period as per AAI

| S.N. | Particulars (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|----------------------------------|-------------|------------|-------------|-------------|--------------|
| 1 | Runway | - | - | - | - | - |
| 2 | Taxiway | - | - | - | - | - |
| 3 | Aprons | 0.1 | - | - | 46.5 | - |
| 4 | Road, Bridges & Culverts | 0.1 | - | - | - | - |
| 5 | Building- Terminal | 0.6 | - | - | 32.0 | - |
| 6 | Building – Residential | 0.1 | - | - | - | 24.0 |
| 7 | Security Fencing | 0.0 | - | - | - | - |
| 8 | Tools & Equipment | 0.0 | - | - | - | - |
| 9 | Boundary Wall | 2.0 | - | - | - | - |
| 10 | Electrical Installations | 14.2 | - | - | - | - |
| | Total (₹ 119.6 crores) | 17.1 | - | - | 78.5 | 24.0 |
| Revised capital expenditure submitted by AAI dated 01.02.2018 and 16.02.2018 | | | | | | |
| 1 | Runway | - | - | 4.5 | - | - |
| 2 | Taxiway | - | - | 2.3 | - | 22.0 |
| 3 | Aprons | - | - | 0.8 | - | 139.8 |
| 4 | Road, Bridges & Culverts | - | - | - | - | - |
| 5 | Building- Terminal | 3.2 | - | 3.0 | - | 71.6 |
| 6 | Building – Residential | - | 0.1 | - | 0.8 | - |
| 7 | Building – Other | 0.1 | 0.5 | - | - | - |
| 8 | Security Fencing | 0.0 | - | - | - | - |
| 9 | Computer & IT Hardware | 0.2 | - | 0.4 | 0.2 | 0.2 |
| 10 | Plant & Machinery | 4.1 | - | 3.0 | 0.0 | 0.0 |
| 11 | Tools & Equipment | 0.7 | 0.0 | - | - | - |
| 12 | Boundary Wall | 1.7 | 0.1 | - | - | - |
| 13 | Electrical Installations | 4.0 | 8.1 | 22.8 | 6.0 | 0.0 |
| 14 | Other Vehicles | 0.2 | - | - | - | - |
| 15 | Office Equipment | 0.0 | 0.0 | 0.0 | 0. | 0.0 |
| 16 | X- Ray Baggage Inspection System | 2.9 | 0.9 | - | - | - |
| 17 | Intangible Asset | 0.1 | - | - | - | - |
| | Total (₹ 304.2 crores) | 17.1 | 9.7 | 36.8 | 7.0 | 233.6 |

8.2. AAI has submitted following details of the proposed major capital works to be

undertaken during the control period:

8.2.1. Taxiway

8.2.1.1. Construction of part parallel taxi along with angular Taxiway (₹ 22.0 crores in FY 2020-21)

Ahmedabad is currently a single runway airport. In order to optimise the efficiency of runway, it is necessary to have full length parallel taxi track to maximize the aircraft operation. Construction of part parallel taxi proposal is to enhance length of PTT to the extent possible to increase the present capacity of aircraft operation.

8.2.2. Aprons

8.2.2.1. Extension of aprons for parking (₹ 139.8 crores under Apron in FY 2020-21)

Extension of aprons are proposed to be undertaken as air traffic at Ahmedabad Airport recorded a higher growth rate and expected to growth at a similar rate. Availability of night parking facility and being diversionary airport during the adverse climate condition, the existing parking bays are inadequate to meet the present and future aircraft demand.

8.2.3. Terminal Building

8.2.3.1. Modifications in domestic terminal (₹ 71.6 crores under Terminal Building in FY 2020-21)

The existing design capacity of Domestic Terminal is about 4.1 million passenger per annum. Against this Ahmedabad Airport is presently handling about 7.5 million passenger per annum. In order to increase the present capacity, modification of terminal building will be undertaken to enhance the floor area of the Terminal Building including electrical installations such as escalator, lift etc.

8.3. Plant and Equipment

8.3.1. SITC of design based solar power plant (₹ 3.4 crores in FY 2016-17) and SITC of PA system (₹ 3 crores in FY 2018-19)

SITC of Design based Solar Power Plant is proposed to be undertaken for

reducing energy consumption of the airport. The proposal for SITC of PA System will be undertaken as the existing PA system is around 15 years old and spares of the same are not available. Hence, SITC of new PA system is proposed to replace the existing PA system for improving passenger facilitation at the airport.

Authority's Examination

- 8.4. The Authority requested AAI to submit the aeronautical capital expenditure to be incurred in FY 2016-17 and in 2nd control period based on actual capital expenditure in FY 2016-17. In response to this, AAI vide submission dated 01.02.2018 provided the revised aeronautical capital expenditure to be incurred in 2nd control period. AAI further revised the aeronautical capital expenditure to be incurred vide submission dated 16.02.2018.
- 8.5. AAI vide submission dated 16.02.2018 has submitted that the total cost of ₹ 7.5 crores for wall to wall grading along with drainage in operational area to be divided between runway (60%), taxiway (30%) and apron (10%). The Authority proposes to consider aeronautical capital expenditure towards wall to wall grading along with drainage in operational area for runway, taxiway and apron (₹ 7.5 crores in FY 2018-19 total, ₹ 4.5 crores for runway, ₹ 2.25 crores for taxiway and ₹ 0.75 crores for apron) as submitted by AAI dated 16.02.2018.
- 8.6. The Authority noted that the total capital expenditure for part parallel taxi track along with angular taxiway is ₹ 22.0 crores in FY 2020-21 with total area of 32,060 Sq.m and per Sq.m cost is ₹ 6,862 which is more than the inflation adjusted normative benchmark for taxiways.
- 8.7. The Authority requested justification from AAI for higher than normative costs for construction of part parallel taxi track along with angular taxiway. AAI, vide its submission on 19.03.2018, provided clarification that the proposed per sq. m. cost of ₹ 6,862 includes the cost of earth work required for the construction of part parallel taxi track along with angular taxiway. AAI further clarified that per Sq.m. cost proposed is higher than the normative benchmark because of concentration of electrical installations in the limited extended floor area.

- 8.8. The Authority noted that the total capital expenditure for extension of aprons is ₹ 139.8 crores in FY 2020-21 with total area of 243,600 Sq.m and per Sq.m cost is ₹ 5,740 which is less than the inflation adjusted normative benchmark for aprons. The Authority proposes to consider aeronautical capital expenditure towards extension of aprons as submitted by AAI.
- 8.9. The Authority noted that AAI has proposed capital expenditure of ₹ 2.5 crores towards construction of integrated office complex. The Authority proposes to consider aeronautical capital expenditure towards construction of integrated office complex as submitted by AAI under Terminal Building.
- 8.10. The Authority requested justification from AAI for using 100% of proposed capital expenditure for Terminal Building related assets as aeronautical assets. AAI vide its submission on 19.03.2018 clarified that Terminal Ratio can be applied for considering aeronautical capital expenditure for Terminal Building assets.
- 8.11. The Authority noted that AAI has considered minor capital expenditure related to terminal building as purely aeronautical assets (₹ 0.5 crores in FY 2016-17 and ₹ 3.0 crores in FY 2018-19). The Authority proposes to consider aeronautical capital expenditure towards terminal related assets based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 0.46 crores in FY 2016-17 and ₹ 2.8 crores in FY 2018-19) under Terminal Building.
- 8.12. The Authority noted that AAI has considered capital expenditure towards development of additional parking area (₹ 0.3 crores in FY 2016-17). The Authority requested AAI to clarify if the asset is related to car park. AAI vide submission dated 16.02.2018 stated that the development of additional parking area is made in apron side and not related to car parking. The Authority proposes to consider aeronautical capital expenditure towards development of additional parking area as submitted by AAI under Terminal Building.
- 8.13. The Authority noted that the total capital expenditure for proposed modification in domestic terminal is ₹ 71.6 crores in FY 2020-21 with total area of 3,780 Sq.m and per Sq.m cost is ₹ 189,392 which is more than the inflation adjusted normative benchmark for terminal building.

- 8.14. The Authority noted that AAI has considered capital expenditure related to SITC of design based solar power plant as purely aeronautical assets (₹ 3.4 crores in FY 2016-17). The Authority proposes to consider aeronautical capital expenditure towards SITC of design based solar power plant based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 3.1 crores in FY 2016-17) under Plant & Machinery.
- 8.15. The Authority noted that AAI has submitted capital expenditure towards SITC of PA system (₹ 3.0 crores in FY 2018-19) and other minor capital expenditure for Plant & machinery. The Authority proposes to consider aeronautical capital expenditure towards SITC of PA system and other minor capital expenditure for Plant & Machinery as submitted by AAI.
- 8.16. The Authority noted that AAI has submitted electrical installation capital expenditure for terminal related assets as purely aeronautical assets (₹ 1.4 crores in FY 2016-17, ₹ 1.7 crores in FY 2017-18, ₹ 15.1 crores in FY 2018-19 and ₹ 6.0 crores in FY 2019-20). The Authority proposes to consider aeronautical capital expenditure towards electrical installation related to terminal building based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 1.3 crores in FY 2016-17, ₹ 1.6 crores in FY 2017-18, ₹ 14.0 crores in FY 2018-19 and ₹ 5.6 crores in FY 2019-20) under Electrical Installation.
- 8.17. The Authority noted that AAI has submitted other electrical installation related assets as ₹ 2.5 crores in FY 2016-17, ₹ 6.4 crores in FY 2017-18 and ₹ 7.8 crores in FY 2018-19 as purely aeronautical assets. The Authority proposes to consider aeronautical capital expenditure towards Electrical Installation as submitted by AAI.
- 8.18. The Authority proposes to consider other minor aeronautical capital expenditure for Building residential, security fencing, other building, computer IT & hardware, tools & equipment, other vehicles, office equipment, X ray baggage inspection system, boundary wall and intangible assets as submitted by AAI dated 01.02.2018 and 16.02.2018 (Total amount is ₹ 8.9 crores during the 2nd control period).
- 8.19. The Authority requested justification from AAI for using 100% of proposed capital expenditure for Residential Building as aeronautical assets. AAI vide its submission on 19.03.2018 clarified that out of total 89 quarters, ANS employees are occupying 19 quarters while no quarters are currently occupied by commercial employees. Hence the

Authority proposes to consider aeronautical capital expenditure for Residential Building based on a ratio of 70/89, excluding the expenditure pertaining to ANS employees.

8.20. The Authority noted AAI's submission on capital expenditure for extension of apron and modification of domestic terminal building as per normative order. The Authority proposes to revise the capital expenditure for extension of apron based on normative benchmarks for FY 2015-16 and increase the benchmarks by WPI of 4.2% per annum till the year of capitalization. Additionally, the Authority proposes to consider capital expenditure towards modification of domestic terminal building based on cost per Sq.m benchmark available as per normative cost studies conducted for other major airports.

The total capital expenditure arrived at by the Authority is shown in Table 26.

Table 26 – Capital expenditure for apron and domestic terminal building as proposed by the Authority

| Sr. No. | Asset | Year | Area (sq. m.) | Inflation adjusted normative benchmark cost per unit area (₹ per sq. m.) | Allowed Capex (₹ cr.) |
|---------|---|------------|---------------|--|-----------------------|
| 1 | Construction of part parallel taxi along with angular Taxiway | FY 2020-21 | 32,060 | 5,773 | ₹ 18.5 |
| 2 | Proposed modifications in Domestic Terminal-1 | FY 2020-21 | 3,780 | 100,000 [#] | ₹ 37.8 |

[#]as per study conducted by the Authority for major airports

8.21. The Authority also proposes to consider aeronautical capital expenditure towards modification in domestic terminal 1 based on 92.5% ratio towards aeronautical capital expenditure (revised to ₹ 35.0 crores in FY 2020-21).

8.22. The Authority proposes to consider the total aeronautical capital expenditure to be capitalized and added to RAB at ₹ 261.6 crores.

Table 27 - Revised aeronautical capital expenditure for 2nd control period as considered by the Authority

| S.N. | Particulars (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|------|-------------------------|---------|---------|---------|---------|---------|
| 1 | Runway | 0.0 | 0.0 | 4.5 | 0.0 | 0.0 |
| 2 | Taxiways | 0.0 | 0.0 | 2.3 | 0.0 | 18.5 |
| 3 | Apron | 0.0 | 0.0 | 0.8 | 0.0 | 139.8 |
| 4 | Road, Bridge & Culverts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----|-------------------------------|-------------|------------|-------------|------------|--------------|
| 5 | Terminal Building | 3.2 | 0.0 | 2.8 | 0.0 | 35.0 |
| 6 | Building Residential | 0.0 | 0.1 | 0.0 | 0.6 | 0.0 |
| 7 | Security Fencing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 8 | Building Other | 0.1 | 0.5 | 0.0 | 0.0 | 0.0 |
| 9 | Computer & IT Hardware | 0.2 | 0.0 | 0.4 | 0.2 | 0.2 |
| 10 | Plants & Machinery | 3.8 | 0.0 | 3.0 | 0.0 | 0.0 |
| 11 | Tools & Equipment | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| 12 | Other Vehicles | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| 13 | Electrical Installation | 3.9 | 8.0 | 21.7 | 5.6 | 0.0 |
| 14 | Office Equipment | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 15 | X-Ray Baggage Insp Sys | 2.9 | 0.9 | 0.0 | 0.0 | 0.0 |
| 16 | Boundary Wall | 1.6 | 0.1 | 0.0 | 0.0 | 0.0 |
| 17 | Intangible Asset | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total (₹ 261.6 crores) | 16.7 | 9.6 | 35.4 | 6.4 | 193.6 |

8.23. The Authority notes that the cost of the planned works is indicative. The Authority proposes to consider the addition to aeronautical assets during the 2nd control period as given in Table 27 subject to true-up of RAB based on actual aeronautical asset addition, outcome of the study and the actual costs as per the tender while determining tariffs for the 3rd control period.

8.24. In the 2nd control period, project works related to construction of part parallel taxi track, extension of apron and modification in domestic terminal are proposed to be taken up. These require user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as part of the consultation process with users.

Proposal No. 5. Capital Expenditure

5.a. The Authority proposes to consider project cost of ₹ 261.6 crores and accordingly to reckon the amount of ₹ 261.6 crores as addition for total assets during the 2nd control period.

5.b. AAI should undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.

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

9. Depreciation

9.1. AAI has submitted that the depreciation rates used are as per AAI's approved accounting policy. The salient aspects of AAI's depreciation policy being followed are as under:

9.1.1. Method of depreciation: straight line;

9.1.2. 100% of depreciation rates of assets if assets are used in a financial year for 180 days or more. If the assets are used for less than 180 days in a year the depreciation is charged at 50% of the depreciation rates. This policy is effective from the financial year 2012-13;

9.1.3. Residual value for each asset is taken as Re.1 balance to be provided by way of depreciation as per prescribed rates.

Authority's Examination

9.2. In the earlier Consultation Paper No. 11/2015-16 issued on 16.03.2016, the Authority had proposed depreciation rates as mentioned in Para 4.7.

9.3. The Authority notes that the depreciation policy of AAI is not in accordance with the depreciation rates adopted by the Authority in other private airports. AAI is a statutory body established under the AAI Act and it does not come under the Companies Act. The Board of AAI has approved the depreciation policy that has been adopted by AAI.

9.4. The Authority notes that on some of the assets the depreciation charged by AAI is not in line with the Companies Act 2013. The Authority is of the view that adoption of depreciation rates as prescribed under the Companies Act at any point of time is appropriate, considering the variation in policies adopted by the airport operators. The Authority further notes that there is no specific mention of the classes of assets viz. apron, taxiway and runway in the Companies Act 2013 or 1956 or in the Income Tax Act 1961.

9.5. In light of above, for the categories of assets (runway, taxiway and apron) where no specific depreciation rate/ useful life has been mentioned in the Companies Act, the Authority proposes to adopt depreciation rate of 3.33%. This rate is proposed to be applied on runway, taxiway and apron assets existing as on 01.04.2011 and on these assets added during 1st and 2nd control period from FY 2011-12 to FY 2017-18.

9.6. The Authority proposes to adopt the depreciation rates mentioned under Companies Act for assets as per the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 till FY 2017-18 as the effective date of implementation of the Companies Act 2013 is 01.04.2014.

9.7. The Authority vide its Order No. 35/2017-18 dated 12.01.2018 released the applicable depreciation rates on aeronautical assets. The Authority proposes to consider the depreciation rates as mentioned in the order from FY 2018-19 onwards.

9.8. The Authority proposes that for the new assets to be capitalized in the 2nd control period, depreciation is charged at 50% of the depreciation rates in the year of capitalization.

9.9. The depreciation rates as submitted by AAI and as considered by the Authority during the 1st and 2nd control period are given below:

Table 28 - Depreciation rates as submitted by AAI and as considered by the Authority till FY 2017-18

| No. | Asset Class | As per AAI | As per Authority till FY 2014 | As per Authority from FY 2015 till FY 2018 |
|-----|------------------------------|------------|-------------------------------|--|
| 1 | Land | 0% | 0% | 0% |
| 2 | Leasehold Land | 0% | 0% | 0% |
| 3 | Runways | 13% | 3.33% | 3.33% |
| 4 | Taxiway | 13% | 3.33% | 3.33% |
| 5 | Aprons | 13% | 3.33% | 3.33% |
| 6 | Road, Bridges & Culverts | 13% | 1.63% | 3.33% |
| 7 | Building- Terminal | 8% | 1.63% | 3.33% |
| 8 | Building – Temporary | 100% | 100% | 33% |
| 9 | Building – Residential | 5% | 1.63% | 3.33% |
| 10 | Security Fencing - Temporary | 100% | 100% | 33% |
| 11 | Boundary Wall -Operational | 8% | 1.63% | 3.33% |
| 12 | Boundary Wall - Residential | 5% | 1.63% | 3.33% |
| 13 | Other Buildings-Unclassified | 8% | 1.63% | 3.33% |
| 14 | Computer & Peripherals | 20% | 16.21% | 16.67% |
| 15 | Intangible Assets- Software | 20% | 20.00% | 20.00% |
| 16 | Plant & Machinery | 11% | 4.75% | 6.67% |
| 17 | Tools & Equipment | 20% | 4.75% | 6.67% |
| 18 | Office Furniture | 20% | 6.33% | 10% |

| No. | Asset Class | As per AAI | As per Authority till FY 2014 | As per Authority from FY 2015 till FY 2018 |
|-----|--|------------|-------------------------------|--|
| 19 | Other Vehicles | 14% | 9.50% | 12.50% |
| 20 | Vehicle- Cars & Jeeps | 14% | 9.50% | 12.50% |
| 21 | Electrical Installations | 11% | 4.75% | 10.00% |
| 22 | Other Office equipment | 18% | 4.75% | 20.00% |
| 23 | Furniture & Fixtures-Other than office | 20% | 6.33% | 10% |
| 24 | X Ray Baggage System | 11% | 4.75% | 6.67% |
| 25 | CFT/Fire Fighting Equipment | 13% | 4.75% | 6.67% |

9.1. The depreciation rates considered by the Authority from FY 2018-19 are given below:

Table 29- Depreciation rates considered by Authority from FY 2018-19 onwards

| No. | Asset Class | As per Authority from FY 2019 |
|-----|--|-------------------------------|
| 1 | Terminal building (including VIP Terminal, Bus Terminal, Haj Terminal) | 3.33% |
| 2 | Building in operational area | 3.33% |
| 3 | Utility building | 3.33% |
| 4 | Cargo complex | 3.33% |
| 5 | Residential building | 3.33% |
| 6 | Main access roads, Roads in operational area, Boundary wall, Security fencing | 10.00% |
| 7 | Baggage handling/Escalators/Elevators/Travellite/HVAC equipment/Cargo ASRS/ETV equipment | 6.67% |
| 8 | X-ray machine, RT Set, DFMD, HHMD, Security equipment | 6.67% |
| 9 | Office equipment | 20.00% |
| 10 | Furniture & fixtures - Other than trolleys | 14.29% |
| 11 | Furniture & fixtures - trolleys | 33.33% |
| 12 | Cargo equipment, Dollies, PPT | 6.67% |
| 13 | Computers- End user devices | 33.33% |
| 14 | Computers - Servers and Networks | 16.67% |
| 15 | CUTE equipment | 16.67% |
| 16 | Electrical installation and equipment - Electrical fittings, including Runway lightning system Gen-set/Power equipment | 10.00% |
| 17 | Flight information system, AOCC equipment | 10.00% |
| 18 | Light motor vehicles and heavy motor vehicles | 12.50% |
| 19 | Crash fire tenders/Other fire equipment including pumps, sprinklers | 6.67% |
| 20 | Intangible assets - Computer software | 20.00% |

| No. | Asset Class | As per Authority from FY 2019 |
|------------|----------------------|--------------------------------------|
| 21 | Runway/Taxiway/Apron | 3.33% |
| 22 | Hangar | 3.33% |

9.2. The revised depreciation for the 2nd control period as per Hybrid Till as proposed by the Authority is given below:

Table 30 - Authority's consideration on depreciation for the 2nd control period – Hybrid Till

| No. | Details (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
|------------|--------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| 1 | As per AAI | 41.9 | 36.3 | 32.6 | 30.8 | 32.0 | 173.6 |
| 2 | As per Authority | 26.6 | 27.2 | 29.5 | 29.0 | 31.2 | 143.5 |

Proposal No. 6. Treatment of Depreciation

6.a. The Authority proposes to adopt depreciation rates as per Table 28 and Table 29 and depreciation for the 2nd control period as per Table 30.

10. RAB for Second control period

10.1. AAI has submitted Regulatory Asset Base for 2nd control period under Hybrid Till as follows:

Table 31 - Summary of the RAB and Depreciation for SVPIA (Airport Services) as per AAI for the 2nd control period

| | Details (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|--|--------------|--------------|-------------|--------------|--------------|
| A | Opening Aeronautical RAB | 175.5 | 150.6 | 114.3 | 81.7 | 129.4 |
| B | Aeronautical Additional Assets capitalized during the year | 17.1 | 0.0 | 0.0 | 78.5 | 24.0 |
| C | Disposals/Transfers | | | | | |
| D | Depreciation | 41.9 | 36.3 | 32.6 | 30.8 | 32.0 |
| E | Closing Aeronautical RAB (A+B-C-D) | 150.6 | 114.3 | 81.7 | 129.4 | 121.4 |
| | Average RAB (A+E)/2 | 163.0 | 132.4 | 98.0 | 105.6 | 125.4 |

Authority's Examination

10.2. The Authority proposes to adopt opening RAB for FY 2016-17 as detailed in Table 24.

10.3. The Authority proposes to adopt depreciation as proposed in Table 30.

10.4. The Authority proposes ₹ 261.6 crores as the addition of aeronautical assets to RAB as detailed in Table 27.

10.5. During the discussion with AAI, it was noted that for FY 2016-17 AAI had continued to handle cargo operations at the SVPIA. As noted in Para 6.10, the Authority proposes to include cargo assets from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021. Further, the Authority notes that there is no clarity on the transfer of cargo assets to AAICLAS as of now. The Authority will take a view on this while truing up in the 3rd control period based on the decisions taken by the AAI.

10.6. The revised Regulatory Asset Base as calculated by the Authority for 2nd control period under Hybrid Till is as follows:

Table 32 - Summary of forecast and Roll forward RAB and Depreciation for SVPIA (Airport Services) considered by the Authority for 2nd control period – Hybrid Till

| | Details (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|----------------|----------------|----------------|----------------|----------------|
| A | Opening Aeronautical RAB | 294.9 | 284.5 | 266.9 | 272.8 | 250.3 |
| B | Aeronautical Assets capitalized during the year | 16.7 | 9.6 | 35.4 | 6.4 | 193.6 |
| C | Disposals/Transfers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| D | Depreciation | 26.6 | 27.2 | 29.5 | 29.0 | 31.2 |
| E | Closing Aeronautical RAB (A+B-C-D) | 285.0 | 266.9 | 272.8 | 250.3 | 412.6 |
| | Average RAB (A+E)/2 | 290.0 | 275.7 | 269.9 | 261.5 | 331.4 |
| G | Cargo closing RAB | 0.5 | | | | |
| | Closing Aeronautical RAB without cargo | 284.5 | | | | |

10.7. The Authority proposes to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates, at the time of determination of tariff for the 3rd control period.

Proposal No. 7. RAB for 2nd control period

7.a. The Authority proposes to consider RAB for 2nd control period as given in Table 32

7.b. The Authority proposes to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

11. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR)

11.1. AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority in Chennai, Kolkata, Guwahati and Lucknow Airports for the 1st control period.

11.2. AAI has not taken any debt for financing SVPIA. FRoR is as per what has been adopted for AAI as a whole.

Authority's Examination

11.3. The Authority has recognised that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure to determine the FRoR at a later date. It may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.

11.4. The Authority notes that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority notes that it has considered FRoR at 14% for Chennai and Kolkata airport in the 1st control period considering the recommendations of another study done by NIPFP. Based on the decision taken for Chennai and Kolkata airport, the Authority considered FRoR at 14% for all AAI Airports for whom tariff has been determined subsequently.

11.5. Based on the above, the Authority proposes to consider FRoR at the rate of 14% for SVPIA for the 1st and 2nd control period as submitted by AAI.

Proposal No. 8. FRoR

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

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

12. Revenue from services other than aeronautical services

12.1. AAI has forecasted revenue from services other than aeronautical services as below:

Table 33 - Revenue from Non-aeronautical Services – Projected by AAI for 2nd control period

| No. | Revenue from services other than Regulated Services (₹ crore) | 2015-16 (base) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----|---|----------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Restaurant / Snack Bars | 5.4 | 6.0 | 6.6 | 7.2 | 7.9 | 9.5 |
| 2 | T.R. Stall | 4.9 | 5.4 | 5.9 | 6.5 | 7.2 | 8.6 |
| 3 | Duty Free Shop | 0.9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.5 |
| 4 | Hoarding & Display | 10.2 | 11.2 | 12.3 | 13.5 | 14.9 | 17.9 |
| 5 | Land Lease | 9.6 | 10.3 | 11.1 | 11.9 | 12.8 | 13.8 |
| 6 | Building Non-Residential | 10.3 | 11.0 | 11.9 | 12.8 | 13.7 | 14.7 |
| 7 | Porterage | 8.6 | 9.4 | 10.4 | 11.4 | 12.5 | 13.8 |
| 8 | Car Parking | 0.5 | 0.5 | 0.6 | 0.7 | 0.7 | 0.9 |
| 9 | Admission Tickets | 1.8 | 2.0 | 2.2 | 2.4 | 2.6 | 3.1 |
| 10 | Other Miscellaneous | 3.9 | 4.1 | 4.3 | 4.6 | 4.8 | 5.0 |
| 11 | Profit on sale of Assets / Scrap | 0.1 | - | - | - | - | - |
| 12 | Revenues from Interest Income | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| | Total | 56.3 | 61.1 | 66.4 | 72.3 | 78.7 | 89.1 |

12.2. The growth rates assumed by AAI for forecasting non aeronautical revenues are given below:

Table 34 – Assumption (growth rates) for Service other than Regulated Services for the 2nd Control Period as per AAI

| No. | Particular | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----|----------------------------------|---------|---------|---------|---------|---------|
| 1 | Restaurant / Snack Bars | 10% | 10% | 10% | 10% | 20% |
| 2 | T.R. Stall | 10% | 10% | 10% | 10% | 20% |
| 3 | Duty Free Shop | 10% | 10% | 10% | 10% | 20% |
| 4 | Hoarding & Display | 10% | 10% | 10% | 10% | 20% |
| 5 | Land Lease | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% |
| 6 | Building Non-Residential | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% |
| 7 | Porterage | 10% | 10% | 10% | 10% | 10% |
| 8 | Car Parking | 10% | 10% | 10% | 10% | 20% |
| 9 | Admission Tickets | 10% | 10% | 10% | 10% | 20% |
| 10 | Other Miscellaneous | 5% | 5% | 5% | 5% | 5% |
| 11 | Profit on sale of Assets / Scrap | - | - | - | - | - |
| 12 | Revenues from Interest Income | 5% | 5% | 5% | 5% | 5% |

Authority's Examination

12.3. The Authority noted that as part of clarifications provided dated 01.02.2018, AAI has

revised the growth rates to 10% during 2nd control period for revenues from all services other than regulated services except for land lease revenues (7.5%), other miscellaneous revenues (5%) and interest income (5%). AAI has proposed these growth rates based on the contractual agreements. The Authority proposes to consider the revised growth rates as submitted by AAI on 01.02.2018 for the determination of tariff for the 2nd control period as they are as per the contracts/ agreements signed or projected as per the contracts/ agreements to be signed in future with the service providers.

12.4. The Authority proposes that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues. The Authority proposes to accept the revenues from services other than regulated services as submitted by AAI except for adjustments as detailed below.

Adjustment of lease rentals

12.5. AAI has allotted following land to cargo, ground handling agencies and fuel companies for their operations. AAI has considered income from such land lease as non-aeronautical revenues.

Table 35 – Details of land allotted to cargo, ground handling and supply of fuel service providers in 2nd control period

| Service | Service Provider | Land Allocated (Sq.m) | Land Lease revenues (FY 2015-16) ₹ crore |
|-----------------|-----------------------------|------------------------------|---|
| Cargo | Air India | 143.6 | 0.16 |
| Cargo | Indigo | 252 | 0.28 |
| Cargo | Jet Airways | 355.3 | 0.39 |
| Cargo | Spice Jet | 107.3 | 0.12 |
| Cargo | Vistara | 25 | 0.03 |
| Fuel | Reliance Industries Limited | 3,160 | 0.78 |
| Fuel | IOC | 3,716 | 0.92 |
| Fuel | BPCL | 5,000 | 1.24 |
| Ground Handling | Cambata Aviation | 2,759 | 0.83 |
| Ground Handling | GlobeGround India | 200 | 0.06 |

| Service | Service Provider | Land Allocated (Sq.m) | Land Lease revenues (FY 2015-16) ₹ crore |
|-----------------|---------------------------------------|-----------------------|--|
| Ground Handling | Celebi Ground Handling Delhi Pvt.Ltd. | 300 | 0.09 |

12.6. As discussed in Para 6.10, the Authority proposes to include cargo revenues from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021 while determination of tariff in the second control period. As, there is no clarity on the revenue sharing mechanism between AAI and AAICLAS, the Authority proposes not to consider the potential revenue from cargo operations at this moment. The Authority will take a view on this while truing up in the 3rd control period based on the decisions taken by the AAI. The Authority may also make necessary assumptions regarding the revenue that should accrue to AAI in case the revenue share arrangement does not truly reflect the arms-length transaction between AAI and its subsidiary.

12.7. As per the provisions of the AERA Act, services rendered in respect of cargo, ground handling and fuel supply are aeronautical services.

12.8. The Authority noted that AAI in their submission dated 11.01.2017 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per annum and proposes to accept the same. The Authority noted that AAI has proposed to increase rent revenues from building non-residential for GH agencies by 10% as per their submission dated 01.02.2018 and proposes to accept the same.

12.9. The Authority has considered lease and rent revenues from cargo, ground handling and fuel services as per AAI submissions dated 19.03.2018. The Authority proposes to consider land lease revenues and building non-residential rent revenues on account of the aeronautical services of CGF as aeronautical revenue.

Adjustment for increase in retail area

12.10. The Authority observes that non-aeronautical revenue at SVPIA is low and expects AAI to utilize its resources better and maximize its non-aeronautical revenue to keep the aeronautical tariff down.

12.11. The Authority proposes to consider non-aeronautical revenues as given below:

Table 36 – Adjustment to Revenue from Non-aeronautical Services considered by Authority

for 2nd control period

| Revenue from services other than Regulated Services (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------------|----------------|----------------|----------------|----------------|
| Non-Aeronautical Revenues as per AAI (A) | 61.1 | 66.4 | 72.3 | 78.7 | 89.1 |
| Adjustment: | | | | | |
| Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth rates (B) | 5.1 | 5.2 | 5.3 | 5.3 | 8.8 |
| Non-Aeronautical Revenues as per Authority (A-B) | 56.0 | 61.2 | 67.0 | 73.3 | 80.2 |

Proposal No. 9. Non Aeronautical Revenues

- 9.a. The Authority proposes to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.
- 9.b. The Authority proposes to consider the Non Aeronautical Revenue as per Table 36
- 9.c. The Authority proposes that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

13. Operation and Maintenance Expenditure

13.1. Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into:

(i) Payroll expenses; (ii) Admin and General Expenditure; (iii) Repair and Maintenance Expenditure; (iv) Utilities and Outsourcing Expenditure; and (v) Other Outflows

13.2. Summary of aeronautical expenses proposed by AAI for 2nd control period is as below:

Table 37 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2nd control period on Hybrid Till

| No. | Particulars (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----|---|--------------|--------------|--------------|--------------|--------------|
| 1 | Pay roll Expenditure of SVPIA | 27.7 | 38.8 | 42.2 | 45.9 | 49.9 |
| 2 | Expenditure for SVPIA employees' retirement benefits allocated at CHQ | 4.5 | 6.3 | 6.6 | 7.0 | 7.3 |
| 3 | Common Expenses related to cargo, commercial and land | 1.5 | 2.1 | 2.3 | 2.5 | 2.7 |
| A | Total Pay roll Expenditure (1+2-3) | 30.7 | 42.9 | 46.5 | 50.3 | 54.5 |
| 4 | Administrative and General Expenditure | 6.1 | 6.5 | 6.9 | 7.3 | 7.8 |
| 5 | Apportionment of administration & General expenditure of CHQ/RHQ | 17.1 | 17.9 | 18.8 | 19.8 | 20.8 |
| B | Total Administration & General Expenditure(4+5) | 23.2 | 24.4 | 25.7 | 27.1 | 28.5 |
| C | Repairs and Maintenance Expenditure (Total) | 53.3 | 17.2 | 18.9 | 20.8 | 22.9 |
| 6 | Power Charges | 23.4 | 23.4 | 23.4 | 23.4 | 23.4 |
| 7 | Water Charges | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| 8 | Other expenses | - | - | - | - | - |
| D | Utility and Outsourcing Expenditure (6+7+8) | 23.9 | 23.9 | 23.9 | 24.0 | 24.0 |
| E | Other Outflows | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| | Total (A+B+C+D+E) | 131.5 | 108.9 | 115.5 | 122.7 | 130.5 |

13.3. The details of the assumptions made by AAI for O&M Expenditure are given below:

Table 38 – Assumptions made by AAI for each item of O&M expenditure

| No. | Particular | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----|--------------------------|---------|---------|---------|---------|---------|
| 1 | Payroll Expenses* | | | | | |

| No. | Particular | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------|---|---------|---------|---------|---------|---------|
| | Salaries and Wages | 9% | 40% | 9% | 9% | 9% |
| | Provident Fund Contributions | 9% | 40% | 9% | 9% | 9% |
| | Medical Expenses | 9% | 40% | 9% | 9% | 9% |
| | Overtime | 5% | 40% | 5% | 5% | 5% |
| | Apportionment of CHQ/RHQ expenses | 5% | 40% | 5% | 5% | 5% |
| 2 | R&M Expenses | 10% | 10% | 10% | 10% | 10% |
| 3 | Utility and outsourcing Expenditure | | | | | |
| | Power Charges | 3% | 0% | 0% | 0% | 0% |
| | Water Charges | 5% | 5% | 5% | 5% | 5% |
| 4 | Administration and General Expenditure | | | | | |
| | Admin & General Expenses | 7% | 6% | 6% | 6% | 6% |
| | Apportionment of CHQ/RHQ Expenses | 5% | 5% | 5% | 5% | 5% |
| 5 | Other Outflows | | | | | |
| | Consumption of POL | 10% | 10% | 10% | 10% | 10% |
| | Consumption of Other Consumables | 10% | 10% | 10% | 10% | 10% |

* Higher growth rate for increase in Payroll costs in FY 2017-18 is due to 7th Pay Commission revision

13.4. AAI has segregated total O&M expenditure for the 2nd control period into aeronautical expenses, non-aeronautical expenses, and common expenses. Common expenses in turn have been allocated between aeronautical and non-aeronautical services. AAI has not considered O&M expenses related to cargo services as part of MYTP submission for 2nd control period.

13.5. Expense allocation as submitted by AAI for 2nd control period is tabulated below:

Table 39 – O&M Expense allocation as submitted by AAI

| Sr. No. | Particulars | Aero Expense | Non-Aero Expense |
|---------|---|--------------|------------------|
| 1 | Payroll Expenses - Non-CHQ | 98% | 2% |
| 2 | Payroll Retirement benefit expenses Apportionment – CHQ | 100% | 0% |
| 3 | Admin and General Expenses – Non CHQ | 97% | 3% |
| 4 | Admin and General overheads Expenses Apportionment – CHQ/RHQ | 100% | 0% |
| 5 | R&M Expenses | 93% | 7% |
| 6 | Utility and Outsourcing Charges | 100% | 0% |
| 7 | Other Outflows | 70% | 30% |
| | Total | 98% | 2% |

Authority's Examination

13.6. The Authority considered the operating expenses and their projections submitted by AAI and noted the following.

Forecasting of payroll expenses

13.6.1. The Authority notes that payroll costs components – Salaries and Wages, medical benefits and PF contribution have been increased by AAI at the growth rate of 9% annually for 2nd control period except for FY 2017-18. These growth rates appear to be on a higher side. The Authority proposes growth rate of 7% in FY 2016-17 for the above payroll components. However, the Authority proposes a growth rate of 5% for FY 2018-19, FY 2019-20 and FY 2020-21.

13.6.2. The Authority has noted that an increase of 40% has been projected in the pay roll expenditure by AAI in FY 2017-18 due to tentative increase in salary and wages on account of wage revision. AAI has submitted as on 19.01.2018 that Ministry of Civil Aviation has approved the pay revision for executives and non-executives w.e.f. 01.01.2017 and the impact of pay revision is 37.16% for typical middle level executive. The Authority proposes to consider an increase of 37.16% for projection of payroll expenditure for FY 2017-2018, which is consistent to the approach adopted by the Authority for finalizing tariffs of Guwahati Airport and Lucknow Airport for 2nd Control Period.

13.6.3. The Authority notes that expenditure on overtime and apportionment of retirement benefits provided to CHQ in respect of SVPIA employees is increased at 5% annually for 2nd control period which is different from the 7% for the above mentioned payroll components. The Authority proposes to apply the same growth rate of 7% in FY 2016-17 and 5% from FY 2018-19 onwards except for FY 2017-18 for expenditure on overtime and apportionment of retirement benefits provided to CHQ in respect of SVPIA employees (as per discussion with AAI).

13.6.4. AAI has submitted apportionment of CHQ/RHQ expenses on cost basis. The Authority proposes to adopt CHQ/RHQ overheads apportionment for the 2nd control period based on actual revenue basis data provided by AAI. The

Authority proposes to increase CHQ/RHQ overheads apportionment costs (admin & general expenditure of CHQ/RHQ) by 5% per annum for the 2nd control period as submitted by AAI.

Segregation of aeronautical expenses

13.7. The Authority noted that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees which is 98%. To account for common service employees handling both aeronautical and non-aeronautical activities, the Authority proposes to use ratio of 95% to 5% for allocation of payroll costs to aeronautical component.

13.8. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of SVPIA and apportionment of admin CHQ expenses have been considered as 100% aeronautical expenses. The Authority proposes to use the ratio of 90% to 10% for aeronautical and non-aeronautical allocation for apportionment of admin CHQ/RHQ expenses after excluding cargo employees' costs on revenue basis. The Authority proposes to use the ratio of 95% to 5% for aeronautical and non-aeronautical allocation for retirement benefits provided at CHQ in respect of employees at SVPIA.

13.9. The Authority noted that the expenses related to vehicles such as R&M – Vehicles have been considered 100% aeronautical expense. The Authority proposes to allocate aforementioned expenses using employee ratio into aeronautical and non-aeronautical expenses.

13.10. Terminal Area ratio for calculation of aeronautical assets is proposed as 92.5%. This ratio has been applied to specific expenses in upkeep expenses, R&M – Civil, R&M – Electrical, water charges and consumption of stores & consumables.

13.11. The Authority also noted that cargo expenses have not been included as part of MYTP calculations and requested clarifications from AAI for the same. As noted in Para 6.10, the Authority proposes to consider expenses related to cargo for CHQ/RHQ overheads from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021. Further, the Authority will review its decision while truing up in the 3rd control period based on the decisions taken by the AAI.

13.12. The Authority noted that AAI vide its submission dated 11.01.2017 have increased

Power expenses by 3% in FY 2016-17 and water charges by 5% during the 2nd control period. The Authority requested for clarification for proposed increase in power and utility expenses. As per clarification provided by AAI dated 16.02.2018, AAI submitted that no increase has been taken into account from the year FY 2017-18. Same rate of ₹ 9.29 per unit has been taken as power charges till FY 2020-21. Also, water charges should be constant as per policy adopted for all airports and the same may be corrected by the Authority. The Authority accordingly proposes not to consider any increase in power and water charges in line the orders issued for other AAI major airports for 2nd control period.

Correction in projection

13.13. The Authority noted that AAI had considered ANS related expenses for collection charges (₹ 21.2 lakhs), R&M other building (₹ 4.7 lakhs) and R&M Sec equipment (₹ 12.6 lakhs) in TB for FY 2015-16. The Authority proposes to exclude ANS related expenses from aeronautical expenses.

13.14. The Authority noted that AAI has increased R&M civil O&M costs by ₹ 38 crores in FY 2016-17. AAI submitted that the amount added to R&M civil are for runway re-carpeting work. The Authority has noted AAI's submission on runway re-carpeting. The Authority has assumed 5 years as the life for the expenditure on the runway re-carpeting and proposes to amortize the total amount of runway re-carpeting expenditure of ₹ 38 crores equally over the 5 years, that is, FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21.

13.15. AAI vide submissions dated 24.03.2018 provided revised AOCC and MESS expenses for the 2nd control period.

13.15.1. AAI submitted that AOCC expenses is ₹ 312 lakhs for the FY 2015-16 whereas only ₹ 119.89 lakhs has been shown in FY 2015-16. The balance amount of ₹ 192.11 lakhs may be included in AOCC expenses for FY 2016-17. In addition, AAI submitted revised AOCC expenses and R&M electronics expenses other than AOCC expenses for 2nd control period. The Authority proposes to revise R&M electronics expenses including AOCC expenses as per AAI submission dated 24.03.2018.

13.15.2. AAI submitted that the new contract for MESS would be ₹ 2162.20 lakhs for three years effective from 01.04.2018. The per annum cost would be ₹ 720.73 lakhs. MESS actual expenses are provided for the year FY 2018-19 to FY 2020-21 as per new contract. 10% increase has been considered for the year FY 2016-17 and FY 2017-18 for MESS. 5% increase has been considered for other Misc. expenses the year FY 2016-17 onwards. The Authority accordingly proposes to revise MESS expenses based on terminal area ratio of 92.5% for calculation of aeronautical expenses and revise total other Misc. expenses as per AAI submission dated 24.03.2018.

13.16. The O&M expenditure for FY2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 40 – Total O&M expenditure for FY 2015-16 as proposed by the Authority

| No. | Particulars (₹ crore) | 2015-16 |
|----------|---|-------------|
| 1 | Pay roll Expenditure of SVPIA | 26.0 |
| 2 | Expenditure for SVPIA employees' retirement benefits allocated at CHQ | 4.3 |
| 3 | Less - Common Expenses related to cargo, commercial and land | 2.2 |
| A | Total Pay roll Expenditure (1+2-3) | 28.1 |
| 4 | Administrative and General Expenditure | 5.6 |
| 5 | Apportionment of administration & General expenditure of CHQ/RHQ | 13.9 |
| B | Total Administration & General Expenditure(4+5) | 19.6 |
| C | Repairs and Maintenance Expenditure (Total) | 14.9 |
| 6 | Power Charges | 22.8 |
| 7 | Water Charges | 0.5 |
| D | Utility and Outsourcing Expenditure (6+7+8) | 23.3 |
| E | Other Outflows | 0.5 |
| | Total (A+B+C+D+E) | 86.4 |

13.17. Expense allocation proposed to be considered by the Authority after above changes for 2nd control period is tabulated below:

Table 41 – Expense allocation between aeronautical and non-aeronautical services proposed by the Authority

| Sr. No. | Particulars | Aero Expense | Non-Aero and Cargo Expenses |
|---------|--|--------------|-----------------------------|
| 1 | Payroll Expenses - Non-CHQ | 95% | 5% |
| 2 | Payroll Retirement benefit expenses Apportionment – CHQ | 95% | 5% |
| 3 | Admin and General Expenses – Non CHQ | 97% | 3% |
| 4 | Admin and General overheads Expenses Apportionment – CHQ/RHQ | 86% | 14% |
| 5 | R&M Expenses | 91% | 9% |
| 6 | Utility and Outsourcing Charges | 100% | 0% |
| 7 | Other Outflows | 66% | 34% |
| | Total | 95% | 5% |

13.18. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2nd control period under Hybrid Till and given in table below.

Table 42 - Summary of Aeronautical O&M expenditure as per the Authority for the 2nd control period as per Hybrid Till

| No. | Particulars (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------|---|-------------|-------------|-------------|-------------|-------------|
| 1 | Pay roll Expenditure of SVPIA | 26.4 | 36.2 | 38.0 | 39.9 | 41.9 |
| 2 | Expenditure for SVPIA employees' retirement benefits allocated at CHQ | 4.4 | 6.0 | 6.3 | 6.6 | 6.9 |
| 3 | Less - Common Expenses related to ANS | 2.2 | 3.0 | 3.1 | 3.3 | 3.5 |
| A | Total Pay roll Expenditure (1+2-3) | 28.6 | 39.2 | 41.2 | 43.2 | 45.4 |
| 4 | Administrative and General Expenditure | 5.9 | 6.4 | 10.9 | 11.2 | 11.5 |
| 5 | Apportionment of administration & General expenditure of CHQ/RHQ | 13.3 | 13.2 | 13.8 | 14.5 | 15.2 |
| B | Total Administration & General Expenditure(4+5) | 19.1 | 19.5 | 24.7 | 25.7 | 26.7 |
| C | Repairs and Maintenance Expenditure (Total) | 24.8 | 24.2 | 25.7 | 27.3 | 27.8 |
| 6 | Power Charges | 22.8 | 22.8 | 22.8 | 22.8 | 22.8 |
| 7 | Water Charges | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| D | Utility and Outsourcing Expenditure (6+7+8) | 23.2 | 23.2 | 23.2 | 23.2 | 23.2 |

| No. | Particulars (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----|--------------------------|-------------|--------------|--------------|--------------|--------------|
| E | Other Outflows | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 |
| | Total (A+B+C+D+E) | 96.1 | 106.6 | 115.2 | 120.0 | 123.8 |

13.19. It appears that O&M expenditure at SVPIA is on higher side and expects AAI to reduce the O&M expenditure over a period of time.

Proposal No. 10. Operation and Maintenance expenditure

10.a. The Authority proposes to consider the operational and maintenance expenditure as given in Table 42 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

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

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

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

- i. Mandated cost incurred due to directions issued by regulatory agencies like DGCA;
- ii. Cost of actual operating expenses including electricity;
- iii. All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same will not be trued up.

14. Taxation

14.1. AAI has submitted tax calculations using provisional tax rate of 34.60% for the 2nd control period. AAI had calculated the tax considering depreciation rates applicable under AAI depreciation policy.

Authority's Examination

Adjustment for 30% of non-aeronautical revenues

14.2. AAI vide their submissions dated 11.01.2017 calculated tax for aeronautical services under Hybrid Till taking into account 30% of revenues from services other than regulated services as part of total revenues. As per MIAL Order No. 32/2012-13 (Decision No. XV), the Authority had decided to consider corporate tax pertaining to earnings from aeronautical services under Shared Till. Therefore, the Authority proposes to exclude non-aeronautical component from revenues considered while determining tax for aeronautical services.

Adjustment of aeronautical capital expenditure

14.3. The Authority proposes to consider aeronautical capital expenditure of ₹ 261.6 crores as given in Table 27 while calculating depreciation as per IT Act.

Adjustment of O&M Expenses

14.4. The Authority proposes to consider O&M expenses as given in Table 42 except for R&M expenses. The Authority has considered the R&M expenses for runway re-carpeting as per actual cash outflow in FY 2016-17 for the purposes of calculation of tax for aeronautical services.

Adjustment of aeronautical revenues on account of CGF lease and rent correction

14.5. The Authority proposes to modify total aeronautical revenues considering lease rentals from CGF as aeronautical as mentioned in Para 12.11.

Continuation of existing tariffs in FY 2016-17 and FY 2017-18

14.6. The Authority proposes to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 and FY 2017-2018 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.06.2018 onwards.

Revised Tax as considered by the Authority

14.7. The amount of tax as per submission of AAI and that arrived by the Authority after considering the above mentioned changes is given below:

Table 43 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2nd control period - Hybrid Till

| Income Tax (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
|----------------------|---------|---------|---------|---------|---------|--------------|
| As per AAI | 0.0 | 32.9 | 43.8 | 55.7 | 65.1 | 197.5 |
| As per Authority | 10.2 | 29.8 | 4.8 | 1.6 | 1.5 | 48.0 |

14.8. The detailed calculation of tax for aeronautical service by the Authority is given in table below:

Table 44 - Amount of Tax for aeronautical services as calculated by the Authority for the 2nd control period - Hybrid Till

| Particular (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-------------|-------------|------------|------------|------------|
| Aeronautical Revenues | 182.3 | 210.0 | 146.7 | 142.0 | 156.4 |
| Aeronautical O&M (excluding CHQ/ RHQ Overheads) | 108.9 | 79.9 | 87.6 | 91.3 | 94.0 |
| CHQ/ RHQ Overheads | 17.6 | 19.1 | 20.1 | 21.1 | 22.2 |
| Depreciation as per IT Act | 26.2 | 24.8 | 25.1 | 25.0 | 35.8 |
| PBT | 29.5 | 86.2 | 14.0 | 4.6 | 4.4 |
| Tax for aeronautical services | 10.2 | 29.8 | 4.8 | 1.6 | 1.5 |

14.9. The taxes actually paid/ apportioned in the 2nd control period are proposed to be trued up after review in the next control period.

14.10. The Authority notes that the tax has been determined by applying a provisional tax rate.

Proposal No. 11. Taxation

11.a. The Authority proposes the corporate tax for aeronautical activities as per Table 44 for the 2nd control period.

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

15. Aggregate Revenue Requirement for Second control period

15.1. AAI has submitted Aggregate Revenue Requirement (ARR) the yield per passenger (YPP) for the 2nd control period as per Hybrid Till. AAI has shown the true-up value separately from yield calculations for 2nd control period. During discussions, AAI had requested for including true-up while calculating tariff for 2nd control period.

Table 45 - ARR and Yield as per AAI for the 2nd control period – Hybrid Till

| Details (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-------------------|--------------|--------------|--------------|--------------|
| Average Aeronautical RAB | 163.0 | 132.4 | 98.0 | 105.6 | 125.4 |
| Return on Average Aeronautical RAB@14% | 22.8 | 18.5 | 13.7 | 14.8 | 17.6 |
| Aeronautical Operating Expenditure | 131.5 | 108.9 | 115.5 | 122.7 | 130.5 |
| Depreciation on aeronautical RAB | 41.9 | 36.3 | 32.6 | 30.8 | 32.0 |
| Aeronautical Corporate Tax @34.60% | 0.0 | 32.9 | 43.8 | 55.7 | 65.1 |
| Less- 30% of Non-Aeronautical Revenues | 18.3 | 19.9 | 21.7 | 23.6 | 26.7 |
| ARR as per AAI | 177.9 | 176.6 | 183.9 | 200.4 | 218.5 |
| Total ARR as per AAI | 957.4 | | | | |
| No. of Passengers (as per Actual/Projected) | 7,383,207 | 8,215,640 | 9,145,433 | 10,184,440 | 11,346,016 |
| Discounted ARR | 177.9 | 154.9 | 141.5 | 135.3 | 129.4 |
| True up short fall in 1st control period as on 01.04.2016 | 200.1 | | | | |
| PV of ARR for the 2nd control period as on 01.04.2016 | 939.1 | | | | |
| Total Passengers during the control period | 46,274,736 | | | | |
| Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period) | 202.9 | | | | |

Authority's examination

15.2. The Authority has examined the calculations of AAI for various elements of the regulatory building blocks that contribute to the calculation of ARR.

15.3. The Authority noticed that present value calculation of ARR as per AAI submission is not done correctly. AAI vide its submission on 16.02.2018 proposed the Authority to do the required rectification on its end.

15.4. The Authority has estimated the following ARR and yield for the 2nd control period under Hybrid Till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.

Table 46 - ARR and Yield as per Authority for the 2nd control period – Hybrid Till

| Details (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|-------------------|--------------|--------------|--------------|--------------|
| Average Aeronautical RAB | 290.0 | 275.7 | 269.9 | 261.5 | 331.4 |
| Return on Average Aeronautical RAB@14% | 40.6 | 38.6 | 37.8 | 36.6 | 46.4 |
| Aeronautical Operating Expenditure | 96.1 | 106.6 | 115.2 | 120.0 | 123.8 |
| Depreciation on aeronautical RAB | 26.6 | 27.2 | 29.5 | 29.0 | 31.2 |
| Aeronautical Corporate Tax @34.6% | 10.2 | 29.8 | 4.8 | 1.6 | 1.5 |
| Less – 30% of Non-Aeronautical Revenues | 16.8 | 18.4 | 20.1 | 22.0 | 24.1 |
| True up short fall in 1st control period as on 01.04.2016 | 3.6 | | | | |
| ARR as per Authority | 160.3 | 183.9 | 167.2 | 165.2 | 178.8 |
| Total ARR as per Authority | 855.5 | | | | |
| Discounted ARR | 160.3 | 161.3 | 128.7 | 111.5 | 105.9 |
| PV of ARR for the control period as on 01.04.2016 | 667.7 | | | | |
| No. of Passengers (as per Projected) | 7,405,282 | 9,211,760 | 10,450,251 | 11,855,801 | 13,451,024 |
| Total Passengers during the control period | 52,374,117 | | | | |
| Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period) | 127.5 | | | | |
| Target yield per pax | 155.3 | 161.8 | 168.6 | 175.7 | 183.0 |
| Target Aeronautical Revenues | 115.0 | 149.1 | 176.2 | 208.3 | 246.2 |
| PV of Target Aeronautical Revenues | 667.7 | | | | |

16. Annual Tariff Proposal

16.1. AAI has submitted ATP for FY 2017-18 and provided growth rates from FY 2018-19 onwards.

16.2. AAI has submitted the revision in tariff w.e.f. 01.04.2017 till 31.03.2021.

16.3. AAI has proposed for a scheme of rebate in landing charges depending on the number of landings per week for domestic flight operations.

16.4. Accordingly AAI has submitted the ATP(s) for 2nd control period in respect of SVPIA. The ATP(s) for the tariff years 2017-18 onwards (w.e.f. 01.04.2017) is annexed herewith for stakeholder consultation.

Authority's Examination

16.5. The Authority noted that AAI has not considered any revenues from cargo as part of aeronautical revenues for the 2nd control period. As discussed in Para 6.10, the Authority proposes to include cargo revenues from 01.04.2016 till 31.03.2017 and proposes to exclude them from 01.04.2017 till 31.03.2021 while determination of tariff in the second control period. Further, the Authority notes that there is no clarity on the revenue received by AAI from AAICLAS's cargo operations at SVPIA. Since there is no clarity on the revenue sharing mechanism between AAI and AAICLAS, the Authority proposes not to consider the potential revenue from cargo operations at this moment. The Authority will take a view on this while truing up in the 3rd control period based on the decisions taken by the AAI. The Authority may also make necessary assumptions regarding the revenue that should accrue to AAI in case the revenue share arrangement does not truly reflect the arms-length transaction between AAI and its subsidiary.

16.6. The Authority noted that if the existing tariffs applicable at SVPIA are not changed for the second control period, there will be a surplus of ₹ 152.8 crore vis-à-vis ARR. After considering the revised landing, parking & housing and fuel throughput charges as proposed by AAI applicable from 01.06.2018, the resultant surplus is ₹ 192.6 crore without the revised UDF. AAI has proposed the revised UDF of ₹ 200 per departing domestic passenger and ₹ 500 per departing international passenger as given in Table 48.

16.7. Further, the Authority noted that the revenue from tariffs and UDF as proposed by AAI to be applicable from 01.06.2018 will exceed the proposed ARR as per Authority for the 2nd control period. The resultant excess as per tariffs proposed by AAI as calculated on 01.04.2016 is provided in table below.

Table 47 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposed tariffs for the 2nd control period applicable from 01.06.2018

| Projected Aero Revenue based on AAI proposed tariffs (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|----------------|----------------|----------------|----------------|----------------|
| Landing (A) | 54.4 | 67.2 | 94.0 | 112.2 | 128.6 |
| Parking and Housing (B) | 0.4 | 0.6 | 1.2 | 1.4 | 1.6 |
| UDF/PSF as per existing rates (C) | 96.5 | 113.9 | 129.6 | 147.5 | 167.9 |
| FTP+ITP and lease rentals (D) | 4.5 | 4.9 | 5.4 | 6.0 | 6.6 |
| Ground Handling Charges and lease rentals (E) | 14.1 | 18.3 | 20.0 | 21.9 | 24.0 |
| CUTE (F) | 4.1 | 5.1 | 5.8 | 6.6 | 7.5 |
| Cargo (G) | 8.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Projected Revenues without increased UDF proposed by AAI (H = A+B+C+D+E+F+G) | 182.3 | 210.0 | 256.0 | 295.7 | 336.2 |
| Target Aero Revenue | 132.6 | 171.8 | 203.1 | 240.0 | 283.7 |
| Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible) | 49.7 | 38.2 | 53.0 | 55.6 | 52.4 |
| PV value of shortfall (-)/ excess (+) as on 01.04.2016 with Discount rate (14.00%) | 49.7 | 33.5 | 40.8 | 37.5 | 31.0 |
| Total PV of shortfall (-)/ excess (+) as on 01.04.2016 for the control period | 192.6 | | | | |
| UDF with revised rates proposed by AAI (I) | 96.5 | 113.9 | 134.8 | 160.8 | 190.2 |
| Total Projected Revenues with increased UDF (J = H-C+I) | 182.3 | 210.0 | 261.3 | 308.9 | 358.4 |
| Target Aero Revenue | 134.1 | 173.8 | 205.5 | 242.9 | 287.1 |
| Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible) | 48.1 | 36.2 | 55.8 | 66.1 | 71.4 |
| PV value of shortfall (-)/ excess (+) as on 01.04.2016 with Discount rate (14.00%) | 48.1 | 31.7 | 42.9 | 44.6 | 42.3 |

| | |
|--|--------------|
| Total PV of shortfall (-)/ excess (+) as on 01.04.2016 for the control period | 209.7 |
|--|--------------|

16.8. The Authority proposes to reduce the UDF as proposed by AAI such that the ARR is recovered through the revised tariffs and revised UDF. Accordingly, the UDF per departing passenger for domestic and international passengers is revised to NIL and other aeronautical tariffs had been revised as per Table 48 to be applicable from 01.06.2018.

16.9. The revised tariffs as applicable from 01.06.2018 as submitted by AAI and as proposed by the Authority are given in table below:

Table 48 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority

| Particular | Existing Tariff | Revised tariff by AAI | Revised tariff proposed by Authority |
|--|---|---|---|
| Rate per landing - International Flight | | | |
| Up to 10 MT | ₹ 122.1 Per MT | | |
| Above 10 MT up to 20 MT | ₹ 1,221 + ₹ 179.3 per MT in excess of 10 MT | | |
| Above 20 MT up to 50 MT | ₹ 3,014 + ₹ 354.2 per MT in excess of 20 MT | | |
| Above 50 MT up to 100 MT | ₹ 13,640 + ₹ 413.6 per MT in excess of 50 MT | | |
| Above 100 MT | ₹ 34,320 + ₹ 471.9 per MT in excess of 100 MT | | |
| Up to 25 MT | | ₹ 240 per MT | ₹ 240 per MT |
| Above 25 MT up to 50 MT | | ₹ 6,000 + ₹ 450 per MT in excess of 25 MT | ₹ 6,000 + ₹ 450 per MT in excess of 25 MT |
| Above 50 MT up to 100 MT | | ₹ 17,250 + ₹ 520 per MT in excess of 50 MT | ₹ 17,250 + ₹ 520 per MT in excess of 50 MT |
| Above 100 MT up to 200 MT | | ₹ 43,250 + ₹ 600 per MT in excess of 100 MT | ₹ 43,250 + ₹ 600 per MT in excess of 100 MT |
| Above 200 MT | | ₹ 1,03,250 + ₹ 720 | ₹ 1,03,250 + ₹ 720 |

| Particular | Existing Tariff | Revised tariff by AAI | Revised tariff proposed by Authority |
|---|--|---|---|
| | | per MT in excess of 200 MT | per MT in excess of 200 MT |
| Rate per Landing - Domestic Flight | | | |
| Up to 10 MT | ₹ 67.1 Per MT | | |
| Above 10 MT up to 20 MT | ₹ 671 + ₹ 117.7 per MT in excess of 10 MT | | |
| Above 20 MT | ₹ 1,848 + ₹ 231 per MT in excess of 20 MT | | |
| Up to 25 MT | | ₹ 160 per MT | ₹ 160 per MT |
| Above 25 MT up to 50 MT | | ₹ 4,000 + ₹ 280 per MT in excess of 25 MT | ₹ 4,000 + ₹ 275 per MT in excess of 25 MT |
| Above 50 MT up to 100 | | ₹ 11,000 + ₹ 320 per MT in excess of 50 MT | ₹ 10,875 + ₹ 315 per MT in excess of 50 MT |
| Above 100 MT up to 200 MT | | ₹ 27,000 + ₹ 390 per MT in excess of 100 MT | ₹ 26,625 + ₹ 380 per MT in excess of 100 MT |
| Above 200 MT | | ₹ 66,000 + ₹ 440 per MT in excess of 200 MT | ₹ 64,625 + ₹ 430 per MT in excess of 200 MT |
| Housing Charges | | | |
| Up to 40 MT | ₹ 3.5 Per Hour Per MT | | |
| Above 40 MT up to 100 MT | ₹ 140 + ₹ 6.8 per MT per Hour in excess of 40 MT | | |
| Above 100 MT | ₹ 548 + ₹ 10.3 per MT per Hour in excess of 100 MT | | |
| Up to 25 MT | | ₹ 6 Per Hour Per MT | ₹ 6 Per Hour Per MT |
| Above 25 MT up to 50 MT | | ₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT | ₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT |
| Above 50 MT up to 100 | | ₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT | ₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT |

| Particular | Existing Tariff | Revised tariff by AAI | Revised tariff proposed by Authority |
|---|---|---|---|
| Above 100 MT up to 200 MT | | ₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT | ₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT |
| Above 200 MT | | ₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT | ₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT |
| Parking Charges | | | |
| Up to 40 MT | ₹ 1.8 Per Hour Per MT | | |
| Above 40 MT up to 100 MT | ₹ 72 + ₹ 3.4 per MT per Hour in excess of 40 MT | | |
| Above 100 MT | ₹ 276 + ₹ 5.2 per MT per Hour in excess of 100 MT | | |
| Up to 25 MT | | ₹ 3 Per Hour Per MT | ₹ 3 Per Hour Per MT |
| Above 25 MT up to 50 MT | | ₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT | ₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT |
| Above 50 MT up to 100 | | ₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT | ₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT |
| Above 100 MT up to 200 MT | | ₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT | ₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT |
| Above 200 MT | | ₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT | ₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT |
| Throughput Charges | | | |
| Rate per KL | ₹ 112.1 | ₹ 117.7 | ₹ 112.1 |
| Passenger Service Fee (PSF) – Facilitation | | | |
| Domestic Passenger (per embarking passenger) | ₹ 77 | Nil | Nil |
| International Passenger (per embarking passenger) | ₹ 77 | Nil | Nil |
| User Development Fee (UDF) | | | |
| Domestic Passenger (per embarking passenger) | ₹ 110 | ₹ 200 | ₹ 0 |

| Particular | Existing Tariff | Revised tariff by AAI | Revised tariff proposed by Authority |
|---|-----------------|-----------------------|--------------------------------------|
| International Passenger (per embarking passenger) | ₹ 415 | ₹ 500 | ₹ 0 |
| Passenger Service Fee (PSF) – Security* | | | |
| Domestic Passenger (per embarking passenger) | ₹ 130 | ₹ 130 | ₹ 130 |
| | \$ 3.25 | \$ 3.25 | \$ 3.25 |
| International Passenger (per embarking passenger) | ₹ 130 | ₹ 130 | ₹ 130 |
| | \$ 3.25 | \$ 3.25 | \$ 3.25 |

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

16.10. The Authority has noted from the proposed tariffs in the Consultation Paper tariffs to be applicable from 01.06.2018 that:

16.10.1. UDF charges per domestic and international passenger had been made NIL

16.10.2. Domestic landing charges have been increased by approximately 31% and international landing charges have been increased by approximately 29% from the existing charges.

16.10.3. Parking and housing landing charges are increased by approximately 114% from the existing charges

16.10.4. Fuel throughput charges are kept constant as per the existing charges

The exact rates are specified in the tariff card.

16.11. Additionally, the Authority proposes not to accept the increase in tariffs as submitted by AAI for the 2nd control period and tariffs as per Table 48 will continue till 31.03.2021 to meet the targeted ARR.

16.12. The estimated aeronautical revenues based on tariffs as proposed by the Authority to be applicable from 01.06.2018 is indicated in Table 49.

Table 49 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2nd control period

| Projected Aero Revenue based on AAI proposed tariffs (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|---------|---------|
| Landing | 54.4 | 67.2 | 92.8 | 106.3 | 117.2 |
| Parking and Housing | 0.4 | 0.6 | 1.2 | 1.4 | 1.6 |
| UDF | 96.5 | 113.9 | 21.6 | 0.0 | 0.0 |

| Projected Aero Revenue based on AAI proposed tariffs (₹ crore) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------------|----------------|----------------|----------------|----------------|
| FTP+ITP and lease rentals | 4.5 | 4.9 | 5.3 | 5.7 | 6.2 |
| Ground Handling Charges and lease rentals | 14.1 | 18.3 | 20.0 | 21.9 | 24.0 |
| CUTE | 4.1 | 5.1 | 5.8 | 6.6 | 7.5 |
| Cargo | 8.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Projected Revenue | 182.3 | 210.0 | 146.7 | 142.0 | 156.4 |
| Target Aero Revenue | 115.0 | 149.1 | 176.2 | 208.3 | 246.2 |
| Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible) | 67.2 | 60.9 | -29.5 | -66.3 | -89.8 |
| PV value as on 01.04.2016 with Discount rate (14.00%) | 67.2 | 53.5 | -22.7 | -44.7 | -53.2 |
| Total PV of difference as on 01.04.2016 for the control period | 0.1 | | | | |

16.13. The Authority noted that AAI has taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2nd control period and X factor of 0.01% from FY 2018-19 onwards. As per RBI issued Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 45, the WPI inflation is forecasted to be 4.2% for the next 5 years. The Authority proposes to revise WPI for the 2nd control period to 4.2%.

16.14. The Authority proposes that any shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI to be considered while determining aeronautical tariffs for the 3rd control period.

16.15. The Authority notes that average ASQ rating at SVPIA has been more than 3.75 in every year of 1st control period as required under Section 6.14.3 of Airport Guidelines. Details of the ASQ ratings are provided below.

Table 50 – Quarterly ASQ rating of SVPIA during the 1st control period

| Quarter | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Q1 | 3.51 | 4.07 | 4.25 | 4.36 | 4.74 |
| Q2 | 4.09 | 4.13 | 4.27 | 4.29 | 4.33 |
| Q3 | 3.87 | 4.12 | 4.38 | 4.76 | 3.70 |
| Q4 | 3.99 | 4.19 | 4.39 | 4.47 | 4.66 |
| Average | 3.87 | 4.13 | 4.32 | 4.47 | 4.36 |

Proposal No. 12. Tariff rate card

- 12.a. The Authority proposes to accept Annual Tariff Proposals as given in Table 48 (and Annexure) for determination of tariff during 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority. Detailed tariff card is provided in Annexure for stakeholder comments.
- 12.b. The Authority proposes to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 09.02.2004 in order to encourage and promote intra-regional connectivity at SVPIA.
- 12.c. The Authority proposes to provide waiver of landing and other charges for RCS flights in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority.
- 12.d. The Authority proposes to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.

17. Summary of Proposals

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18. Stakeholders' Consultation Timeline

18.1. In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposal contained in the Section – Summary of proposals (Section 17 above) read with the relevant discussion in the other sections of the paper is hereby put forth for Stakeholders' Consultation. To assist the Stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed as **Annexure I**. For removal of doubts, it is clarified that the contents of this consultation paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the stakeholders' in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.

18.2. The Authority welcomes written evidence based feedback, comments and suggestions from stakeholders on the proposals made in (Section 17 above), latest by **14.05.2018** at the following address.

Secretary

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex Safdarjung Airport

New Delhi -110003

Tel: 011-24695043, Fax: 011-24695039

Email: puja.jindal@nic.in

(S. Machendranathan)
Chairperson

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Annexure 1 – Detailed Tariff Card as proposed by the Authority to be applicable from 01.06.2018 to 31.03.2021

I) LANDING CHARGES

Rate per landing - International Flight

| Weight of the Aircraft | Proposed - Rate Per Landing (In ₹) |
|-------------------------------|---|
| Up to 25 MT | ₹ 240 per MT |
| Above 25 MT up to 50 MT | ₹ 6,000 + ₹ 450 per MT in excess of 25 MT |
| Above 50 MT up to 100 MT | ₹ 17,250 + ₹ 520 per MT in excess of 50 MT |
| Above 100 MT to 200 MT | ₹ 43,250 + ₹ 600 per MT in excess of 100 MT |
| Above 200 MT | ₹ 1,03,250 + ₹ 720 per MT in excess of 200 MT |

Rate per Landing - Domestic Flight

| Weight of the Aircraft | Proposed - Rate Per Landing (In ₹) |
|-------------------------------|---|
| Up to 25 MT | ₹ 160 per MT |
| Above 25 MT up to 50 MT | ₹ 4,000 + ₹ 275 per MT in excess of 25 MT |
| Above 50 MT up to 100 MT | ₹ 10,875 + ₹ 315 per MT in excess of 50 MT |
| Above 100 MT to 200 MT | ₹ 26,625 + ₹ 380 per MT in excess of 100 MT |
| Above 200 MT | ₹ 64,625 + ₹ 430 per MT in excess of 200 MT |

Note

| | Proposed |
|----|--|
| 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 scheduled operators at airport and b) helicopters of all types c) DGCA approved Flying school/flying training institute aircrafts. |
| 2) | All domestic legs of International routes flown by Indian Operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights. |
| 3) | Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg) |

II) PARKING AND HOUSING CHARGES

| | Proposed Rates (In ₹) | Proposed Rates (In ₹) |
|-------------------------------|---|---|
| Weight of the Aircraft | Parking Charges Rates per Hour | Housing Charges Rates per Hour |
| Up to 25 MT | ₹ 3 Per Hour Per MT | ₹ 6 Per Hour Per MT |
| Above 25 MT up to 50 MT | ₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT | ₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT |
| Above 50 MT up to 100 | ₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT | ₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT |
| Above 100 MT to 200 MT | ₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT | ₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT |
| Above 200 MT | ₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT | ₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT |

Note

| | Proposed |
|----|--|
| 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 takeoff. |
| 2) | For calculating chargeable parking time any part of an hour shall be rounded off to the next 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 Ahmedabad Airport if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) 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 |

III) THROUGHPUT CHARGES

| Proposed |
|------------------------------------|
| Proposed Rate Per KL (IN ₹) |
| ₹ 112.1 |

IV) PASSENGER SERVICE FEE (PSF) – SECURITY*

| Proposed per embarking passenger | |
|---|---------|
| ₹ 130 | \$ 3.25 |

* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

Notes

| | Proposed |
|----|--|
| 1) | Collection Charge: If the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days. |
| 2) | No PSF (Security) will be levied for Transit Passengers |
| 3) | For conversion of US \$ into ₹ the rate as on 1 st day of the month for 1 st fortnightly billing period and rate as on 16 th of the month for the 2 nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable. |

V) Exemption from levy and collection from UDF and PSF (SC) at the Airports

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF & PSF (Security).

- (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) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per order No. 20/2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

Annexure 2 – Details of Aeronautical Revenues

| S. No. | Particulars | 2017 | 2018 | 2019* | 2020 | 2021 |
|-----------------------|--|------------------|------------------|-------------------|-------------------|-------------------|
| Traffic Assumptions | | | | | | |
| 1 | Domestic ATMs | 38,762 | 51,318 | 55,589 | 60,216 | 65,227 |
| 2 | International ATMs | 12,345 | 13,351 | 15,220 | 17,351 | 19,781 |
| 3 | Total ATMs | 51,107 | 64,669 | 70,809 | 77,567 | 85,008 |
| | | | | | | |
| 4 | Domestic Passengers | 5,619,373 | 7,393,128 | 8,358,824 | 9,450,660 | 10,685,112 |
| 5 | International Passengers | 1,785,909 | 1,818,631 | 2,091,426 | 2,405,141 | 2,765,912 |
| 6 | Total Passengers | 7,405,282 | 9,211,760 | 10,450,251 | 11,855,801 | 13,451,024 |
| | | | | | | |
| 7 | Fuel throughout (kl) | 122,615 | 155,152 | 169,884 | 186,097 | 203,949 |
| Aeronautical Revenues | | | | | | |
| | Landing Charges | | | | | |
| 8 | Average landing charges per departing domestic ATM (INR) | 17957 | 17957 | 23523 | 23523 | 23523 |
| 9 | <i>Growth in average landing charges per departing domestic ATM (INR)</i> | | 0% | 31% | 0% | 0% |
| 10 | Landing Charges - Domestic ATM (INR cr.) | 34.8 | 46.1 | 62.8 | 70.8 | 76.7 |
| | | | | | | |
| 11 | Average landing charges per departing international ATM (INR) | 31694 | 31694 | 40886 | 40886 | 40886 |
| 12 | <i>Growth in average landing charges per departing International ATM (INR)</i> | | 0% | 29% | 0% | 0% |
| 13 | Landing Charges - International ATM (INR cr.) | 19.6 | 21.2 | 29.9 | 35.5 | 40.4 |
| 14 | Total Landing Charges (Dom + Int) | 54.4 | 67.2 | 92.8 | 106.3 | 117.2 |
| | | | | | | |
| | Parking and Housing Charges: | | | | | |
| 15 | Parking and Housing Average Revenue per departing ATM (Dom+Int) | 171 | 171 | 366 | 366 | 366 |
| 16 | <i>Growth in Parking and Housing charges per departing ATM (Dom+Int)</i> | | 0% | 114% | 0% | 0% |
| 17 | Total Parking and Housing Charges (Dom + Int) | 0.4 | 0.6 | 1.18 | 1.4 | 1.6 |
| | | | | | | |

| S. No. | Particulars | 2017 | 2018 | 2019* | 2020 | 2021 |
|--------|--|-------|-------|-------|-------|-------|
| | User Development Fee (UDF) | | | | | |
| 18 | Domestic UDF per departing passenger (INR) | 187 | 187 | 0 | 0 | 0 |
| 19 | <i>Growth in Domestic UDF per departing passenger (%)</i> | | 0% | -100% | - | - |
| 20 | Revenues from Domestic UDF (INR cr.) | 52.5 | 69.1 | 13.0 | 0.0 | 0.0 |
| 21 | International UDF per departing passenger (INR) | 492 | 492 | 0 | 0 | 0 |
| 22 | <i>Growth in International UDF per departing passenger (%)</i> | | 0% | -100% | - | - |
| 23 | Revenues from International UDF (INR cr.) | 43.9 | 44.7 | 8.6 | 0.0 | 0.0 |
| 24 | Total UDF (INR cr.) | 96.5 | 113.9 | 21.6 | 0.0 | 0.0 |
| | | | | | | |
| | Fuel Throughput Charges (FTC) | | | | | |
| 25 | FTC (INR per kL) | 112.1 | 112.1 | 112.1 | 112.1 | 112.1 |
| 26 | Revenues from FTC (INR cr.) | 1.4 | 1.7 | 1.9 | 2.1 | 2.3 |
| | | | | | | |
| 27 | Ground Handling Charges | 13.0 | 16.5 | 18.1 | 19.8 | 21.7 |
| 28 | <i>Growth in ground handling charges as per increase in ATMs</i> | | 26.5% | 9.5% | 9.5% | 9.6% |
| | | | | | | |
| 29 | Cute services | 4.1 | 5.1 | 5.8 | 6.6 | 7.5 |
| 30 | <i>Growth in CUTE charges as per increase in passengers</i> | | 24.4% | 13.4% | 13.4% | 13.5% |
| | | | | | | |
| 31 | Land lease from ground handling agencies | 1.0 | 1.7 | 1.9 | 2.0 | 2.2 |
| 32 | <i>Growth as per contracts</i> | | 7.5% | 7.5% | 7.5% | 7.5% |
| | | | | | | |
| 33 | Land lease from oil companies | 3.2 | 3.2 | 3.4 | 3.7 | 3.9 |
| 34 | <i>Growth as per contracts</i> | | 7.5% | 0.0% | 7.5% | 7.5% |
| | | | | | | |
| 35 | Rent from GHAs | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 36 | <i>Growth as per contracts</i> | | 10.0% | 10.0% | 10.0% | 10.0% |
| | | | | | | |
| 36 | Cargo revenues | 7.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | |
| 37 | Land lease from cargo | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| 37 | <i>Growth as per contracts</i> | | 7.5% | 7.5% | 7.5% | 7.5% |
| | | | | | | |

| S. No. | Particulars | 2017 | 2018 | 2019* | 2020 | 2021 |
|---------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| 38 | Total aeronautical revenues | 182.3 | 210.0 | 146.7 | 142.0 | 156.4 |

* For FY 2016-17 and FY 2017-18, existing tariffs are applicable and revised tariffs are applicable from 01.06.2018 onwards.