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No. AAI/CHQ/REV/AERA/MYTP-Guwahati/2016/17

29<sup>th</sup> March, 2016

The Secretary,  
Airports Economic Regulatory Authority of India  
AERA Building,  
Administrative Complex,  
Safdarjung Airport  
**New Delhi-110003**

**Sub:- Submission of up-dated MYTP (Ist & 2<sup>nd</sup> Control) for Guwahati Airport - reg.**

Sir,

Reference is invited to AERA Order No34/13-14 dated 18<sup>th</sup> November, 2013 for the 1<sup>st</sup> Control Period (01.04.2011 to 31.03.2016).

1. The year-wise capitalization during the 1<sup>st</sup> control period and 2<sup>nd</sup> Control period (proposed) in respect of Guwahati Airport approved by the competent authority is furnished vide Form F10(a) of the up-dated MYTP enclosed herewith.
2. The traffic and Financial Statistics for F.Y.2011-12 to 2014-15 have been revised as per actuals and from F.Y. 2015-16 to 2020-21 on the basis of projection.
3. In the up-dated MYTP the effective corporate tax rate of 34.60% (F.Y.2015-16) and WACC at 14% at par with the Chennai & Kolkata airports has been considered.
4. Notes on AAI's Depreciation Policy is attached as per Annexure-'A'.
5. Note on Traffic Forecast Methodology is attached as per Annexure-'B'.
6. Form A as per Section A5.1 of Appendix 5 is attached at Annexure-'C'.
7. Business Plan for Guwahati Airport is attached as per Annexure-'D'.
8. Brief note on taxation rates (effective tax rate) applicable to AAI is attached as per Annexure-'E'.
9. Fair Rate of Return is considered on the basis of report of M/s KPMG Advisory Services Pvt. Ltd. A copy of the same is attached as per Annexure-'F'.

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We may return these with a forwarding letter requesting for Online Submissions

10. The Annual Traffic Proposals (ATP) for the F.Y. 2016-17 (effective from 01.04.2016 to 31.03.2017) based on the up-dated MYTP is enclosed as Annexure-'G'.

11. The highlights of the proposal are as follows:-

- i) **Landing Charges** – In Domestic Landing Charges a decrease in rates by 19% in 2016-17 as compared to 2015-16 has been proposed. On the other hand, in International Landing Charges an increase of 5% in 2016-17 as compared to 2015-16 is proposed. Also an increase @ 4% every year (from 17-18 onwards) is proposed in Domestic as well as International Landing Charges.
- ii) **Parking & Housing Charges** – Parking & Housing is proposed to be increased by 114% on the existing rates in F.Y. 2015-16 and no increase is proposed from F.Y. 2017-18 onwards.
- iii) **Fuel Throughput Charges** – It is proposed to increase fuel throughput charges in 2016-17 by 5% on the existing rates. Also an increase @ 5% every year is proposed during 2<sup>nd</sup> Control Period (from 2017-18 onwards).
- iii) **PSF – (Facilitation)** - The following PSF for the F.Y. 2016-17 is proposed to be levied as under:-
  - a) Domestic departing PAX. - Rs. 349/- per PAX.
  - b) International departing PAX. - Rs. 499/- per PAX.

Increase @ 4% (every year i.e. from 2017-18 onwards) is proposed in PSF (Dom. As well as Intl. PSF) during the entire 2<sup>nd</sup> control period.
- iv) **PSF – (Security)** – The present rate of Rs.130/- per Departing PAX will continue to exist.
- v) **UDF** – No UDF is proposed at Guwahati Airport.
- vi) The incentive proposed for increasing the Domestic & International flight operation is as under:-

**a) Incentive for Domestic flight Operation:**

Percentage increase in Aircraft (Landing Domestic) per week per operator from the actual Aircraft movement or the summer schedule for the period 01.04.2016 to 07.04.2016 whichever is higher	Discount offered on total Landing Discount offered on all the movements per week per operator
10%	1%
20%	3%
30%	5%
40%	7%
50%	9%

**b) Incentive for International flight Operation:**

Percentage increase in Aircraft (Landing international) per week per operator from the actual Aircraft movement or the summer schedule for the period 01.04.2016 to 07.04.2016 whichever is higher	Discount offered on total Landing Discount offered on all the movements per week per operator
10%	1%
20%	3%
30%	5%
40%	7%
50%	9%

- The initial Aircraft movement per operator per week will be taken from 01.04.2016 to 07.04.2016. The actual Aircraft movement or the summer schedule per operator per week would be frozen for the above mentioned date for the entire control period (01.04.2016 to 31.03.2021) for the purpose of calculation.
- In case of **Domestic** Flight Operation Discount will be eligible to the operator if minimum movements (Arrival) of 50 is performed per week.
- In case of **International** Flight Operation Discount will be eligible to the operator if minimum movements (Arrival) of 10 is performed per week.
- Percentage increase in Aircraft will be rounded off to the nearest whole number.
- Discount on total Landing will be offered only if the payment is made within the stipulated time.

(4)

12. The short recovery of ARR in the 1st Control Period Rs. 210.72 Crores have been adjusted in 2<sup>nd</sup> control period.

13. The short recovery of ARR in the 2<sup>nd</sup> Control Period Rs. 382.06 Crores approx. may be allowed to recover during next control period.

14. The up-dated MYTP along with the Annual Tariff Proposal, Business Plan and Form A (ref section A5.1 of Appendix 5) are enclosed for your consideration and approval.

Thanking you,

Yours faithfully,



**(V VIDYA)**

General Manager (F&A)

Encl:- a.a.

**Depreciation Policy of AAI**

AAI is following Straight Line Method of providing depreciation in books of Accounts.

**Determination of rates of depreciation**

The minimum useful service life of various assets is reviewed from time to time for the purpose of scrap value and replacement considering the technical factors prevailing at the airports and also due to fast changes in technology and the obsolescence factor in aviation sector.

Depreciation rates were reviewed in 2006 by a Committee comprising of senior officers from Finance, Engineering, E&M, CNS (Planning), Technical and Electronics Departments.

On the basis of the review the depreciation rates were revised on the basis of the minimum Technical and useful service life of various assets under different categories.

The revised depreciation rates were approved by AAI Board in its 109<sup>th</sup> Board meeting held on 27<sup>th</sup> April 2007. The revised depreciation rates were made applicable w.e.f. 1<sup>st</sup> April 2006 (F.Y. 2006-07)

The salient aspects of the revised policy are as follows.

- a) Method of Depreciation - Straight Line Method
- b) No depreciation to be provided in the year the asset is disposed off/retired from active use.
- c) Residual value for each asset to be taken as Rs.1 balance to be provided by way of depreciation as per prescribed rates.

However w.e.f. F.Y. 2012-13 depreciation will be charged at 100% in case assets are used in financial year for 180 days or more whereas if the assets are used for less than 180 days the depreciation will be equivalent to 50% of the depreciation of the financial year.

In the MYTP depreciation is charged for full year even if the assets are used for less than 180 days.

The revised depreciation rates are given at annexure - I.

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SL. NO.	ASSET HEAD	Annexure - I	
		EXISTING DEPRECIATION RATE	REVISED DEPRECIATION RATE w.e.f. 1.04.2006
	Leasehold	NIL	NIL
1	RUNWAYS, TAXIWAYS, APRONS, ROADS, BRIDGES & CULVERTS	12.17%	13.00%
2	BUILDINGS FREEHOLD		
	a) Terminal, Cargo & Operational Buildings	7.31%	8.00%
	b) Temporary Buildings	100.00%	100.00%
	c) Residential	4.00%	5.00%
	d) Others	7.31%	8.00%
3	BUILDINGS LEASEHOLD	7.31%	8.00%
4	SECURITY FENCING	100.00%	100.00%
5	Boundary wall (Operational)	7.31%	8.00%
	Boundary wall (Residential)	4.00%	5.00%
6	PLANT & MACHINERY	12.17%	11.00%
7	TOOLS & EQUIPMENTS		
	X-Ray Baggage Machines	12.17%	11.00%
	Others	12.17%	20.00%
8	FURNITURE & FIXTURES	20.00%	20.00%
9	COMPUTER & I.T. HARDWARE & ACCESS.	20.00%	20.00%
10	INTANGIBLE ASSETS - COMPUTER SOFTWARE	20.00%	20.00%
11	VEHICLES		
	Crash Fire Tenders & Fire Fighting Equip.	19.19%	13.00%
	Others	12.17%	14.00%
12	AIRCRAFT and AFIS	24.34%	10.00%
13	ELEC INSTALLATIONS	12.17%	11.00%
14	OTHER OFFICE APPLIANCES	20.00%	18.00%

Note : 1. Land Freehold - No depreciation.  
2. Land Leasehold - Premium amortised over the lease period as per capitalisation policy

## Annexure - B

### **Methodologies and Assumptions involved in Traffic Forecast**

The following methodologies are adopted and assumptions are made while preparing the traffic forecast :

- i) Bottom up approach is adopted i.e., the Traffic Forecast for individual airports are prepared and summed up to arrive at the traffic forecast of all the airports taken together.
- ii) While making forecast for individual airports the traffic trends of respective airport is a guiding factor.
- iii) A higher weightage is given to the traffic growth witnessed during recent past.
- iv) Regression/ Econometric Analysis are also undertaken with GDP, IIP and foreign tourist arrival as predictor variables for major airports
- v) Adequate infrastructure is created and capacity constraints are not allowed to operate.
- vi) The forecasts of other international organizations viz. ICAO, IATA, ACI and Aircraft manufacturers are also considered while finalizing the growth rates.
- vii) Adjustment for subjective factors viz., increase in oil prices, safe and secure environment for tourists, safe and secure air travel, other infrastructures like road and rail connectivity creation of adequate hotel/ motel capacity are also considered.
- viii) Fleet plans of airlines.
- ix) Factors contributing to the Traffic Growth as mentioned above will continue to operate to fuel the growth in the Civil Aviation Sector in the 12<sup>th</sup> Plan also.

The above methodologies are used both for passenger and cargo traffic, whereas the aircraft movements are projected based on the trends in passenger, aircraft movement ratios.

While making the traffic forecast, the opportunities that exist at various Indian airports and the concessions given by AAI to facilitate operation at its airports are also taken into consideration.

## **BUSINESS PLAN OF GUWAHATI AIRPORT**

### **Objectives**

The objectives of this business plan are:

1. To submit to AERA for determination of the tariff for the aeronautical services namely Landing and Parking in respect of Guwahati Airport.
2. As per AERA Consultation Paper the Multi Year Tariff Proposal should reconcile with the Business Plan submitted.

### **Mission**

To achieve highest standards of safety and quality in air traffic services and airport management by providing state of the art infrastructure for total customer satisfaction contributing to the economic growth and prosperity of the nation.

### **Vision:**

To be a world class organization providing leadership in air traffic services and airport management and making India a major hub in Asia Pacific Region by 2016.

### **Keys to success**

The keys to success for Airports Authority of India are;

Employing an experienced ,highly professional management team that combines vision, realism and belief in the utilization and benefits of the latest aviation, electronic and information technologies; realization of the importance of an organization's personnel to its success and a total familiarity with and commitment to the overall mission and goals of the organization.

Concentration on safety with highly trained dedicated and professional personnel, induction of the latest state of the art equipment and also new facilities to improve standards of safety of airports .Adoptions of new and improved procedure go hand in hand with induction of new equipment.

Provision of excellent passenger facilities and related amenities at its terminals and meeting the customer's satisfaction.



## **Company Summary**

AAI was constituted by an act of Parliament and came into being on 1<sup>st</sup> April 1995 by merging erstwhile National Airports Authority and International Airports Authority. The merger brought into existence a single organization entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and space in the country.

AAI manages 125 airports which includes 11 International Airports, 8 Customs Airports, 81 Domestic Airports and 27 civil enclaves at Defence airfields. AAI provides air navigation services over 2.8 million square nautical miles of air space.

## **Airport's Location and Facilities**

Guwahati is situated on the southern bank of the mighty River Brahmaputra flowing in the Kamrup district of Assam. It is one of the fast growing premier cities in India. This place is admired for being the gateway to the North-Eastern states of India and a principal centre of socio-culture, political, industrial and trade & commerce of the entire region. Dispur, the capital of Assam, is a part of Guwahati city. One of the popular facts regarding this place is that the famous Shakti temple of goddess Kamakhya is located 8Km from city centre.

Guwahati offers a number of travel options for local as well as foreign visitors. One can enjoy here convenient and high quality air, train and road services for travelling across India. Lokpriya Gopinath Bordoloi International Airport of Guwahati offers flights to New Delhi, Kolkata, Mumbai, Bangalore and other different parts of the country. Guwahati is the commercial nerve centre of the North-East.

Guwahati Airport is one of the major airports in North Eastern Region of India handling approximately 72 aircraft movements per day. Guwahati ATC is equipped with all modern technological and navigational facilities such as DVOR, DME, ILS, CATI, ARSR/MSSR. The Terminal building has 14 check in counters, 8 immigration counters, 2 customs counters. It has an area of approx 8655 sqm. with facilities like central air conditioning system, Escalators, PA system, Flight Information Display System, Close Circuit TV for surveillance, Check in Counters with provision for Common Use Terminal Equipment and Glass Aerobridges with visual Docking System.

## **Services**

In addition to civil operation Guwahati Airport also caters to the Indian Air Force for their strategic operations.

## **Market Analysis Summary**

Guwahati has good potential for traffic growth. As Dispur, the capital of Assam, is a part of Guwahati city, Guwahati is a major hub for tourism and various industries as well as a gateway to Bhutan.

The total aircraft movements (International and Domestic) handled in 2014-2015 has shown a decrease of 0.8% as compared to the aircraft movements handled in 2013-2014. The International aircraft movements have shown a decrease of 4.0% and Domestic aircraft movements have shown a decrease of 0.8% during April-march 2014-15.

## **Passenger Traffic**

The total passenger traffic handled during April –March 2014-15 has increased to 2.23 million from 2.19million resulting in an increase of 1.6% as compared to passenger handled during April –March 2013-14.

## **Freight Traffic**

The total freight traffic has increased to 10460 tons from 7907 tons which has registered an increase of 32.3% during April –March 2014-15 as compared to freight traffic handled in April –March 2013-14.

It is forecasted by CPMS Directorate that there will be a consistent growth of 3% from the year 2015-16 onwards for another 5 years in respect of aircraft movements. A growth of 4.5% in Domestic passengers and 6% in international passenger is expected in the passenger traffic onwards for the next 5 years.

### **BASIS OF TAXATION RATES**

The normal income tax rate for companies for the A.Y. 10-11, 11-12, 12-13 to 14-15 & 15-16 was 33.99%, 33.22%, 32.45% & 33.99% respectively considering the surcharge & cess respectively. Also income tax rate applicable to companies for the A.Y. 2016-17 is 34.60% (including Surcharge & Cess ). However, the effective rate of tax for AAI, which is considered in the books for creation of provision for income tax comes to approx. 35 to 37% on the P.B.T.

The difference is due to the fact that, depreciation is calculated as per straight line method in the books of accounts, whereas under the Income Tax Act depreciation is calculated under W.D.V method. Further, under the Income Tax Act assets capitalized during the period October to March, the depreciation is allowed at 50% of the applicable rates, whereas in the books of accounts the same is calculated at full rate.

Certain amount of expenditure/provisions which are considered for calculation of book profit are not allowed as deductions under the Income Tax Act, are added back to the profit for calculation of the Income Tax. The examples of which are as follows:-

- a) Interest, Royalty, Fees for technical services payable outside India u/s 40(a) (i)
- b) Foreign Benefit Tax and Income tax u/s 40(a) (i)
- c) Tax on perquisite paid by employer u/s 40(a) (i)
- d) Contribute to non-statutory funds u/s 40(A) (9)
- e) Unpaid statutory liabilities u/s 43(b) i.e. payments of tax duty cess of fee contribution to PF bonus to employee interest on loan borrowed from Financial Institutions/PSU Banks any sum payable by employer in lieu of leave at the credit of the employee etc.
- f) Provisions for bad debts.