

# AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on  
16th July, 2021 at 11: 00 AM on Virtual Platform

CONSULTATION PAPER No. 11/2021-22 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR 3RD CONTROL PERIOD (F.Y. 01.04.2021 TO F.Y. 31.03.2026) IN RESPECT OF RAJIV GANDHI INTERNATIONAL AIRPORT (HYD), SHAMSHABAD, HYDERABAD

1. AERA Act, 2008, Sec.13, Clause-a (a) empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholder Consultation Meeting was convened by the Authority on 16.07.2021 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 11/2021-22 dated 02.07.2021 issued by the Authority to consider the Multi-year Tariff Proposal for the 3rd Control Period (FY.2021-22 to FY.2025-26) in respect of Rajiv Gandhi International Airport (HYD), Shamshabad, Hyderabad. The list of participants is enclosed at **Annexure-I**.
2. Chairperson welcomed all the Stakeholders present in the meeting and extended his greetings.
3. Chairperson then invited Mr. Pradeep Panicker, CEO, Hyderabad International Airport Limited (HIAL) to make a brief presentation on C.P. NO.11/2021-22 dated 02.07.2021 w.r.t the Rajiv Gandhi International Airport (RGIA).
4. **Hyderabad International Airport Limited**
  - 4.1 Mr. Pradeep Panicker, CEO, HIAL started the presentation to all the stakeholders highlighting various features of RGIA and the key submissions in response to the Consultation Paper issued by the Authority.
  - 4.2 During the presentation, HIAL highlighted the salient features of RGIA, various COVID initiatives undertaken, several measures undertaken to make the airport future ready, and other cost optimization initiatives planned at the Hyderabad airport.
  - 4.3 HIAL presented the key features of the proposed Passenger Terminal Building (PTB). HIAL also emphasized the airside works and expansion works completed.
  - 4.4 HIAL illustrated the COVID-19 prevention measures that are being undertaken at the airport by leveraging technology.
  - 4.5 HIAL stated that the airport is committed to sustainable development and has been undertaking various initiatives such as commissioning of the solar power plant providing almost 50% of the total power needs of the airport. Also, the rainwater harvesting reservoir caters to almost 60 days of water needs at the airport.
  - 4.6 HIAL explained that the percentage of transfer passengers has increased drastically from 1.8% in the past years to almost 30-35% in the recent times. In this regard, HIAL requested the Authority to review the traffic for FY2022.



- 4.7 HIAL further said that the total traffic expected in FY2022 based on Q1 performance of FY2022 is 10.4 million as per their estimates vis-à-vis 14.3 million considered by the Authority in the Consultation Paper. The likely ATMs in FY2022 is 90,742 as per HIAL's estimates vis-à-vis 123,489 considered by the Authority in the Consultation Paper. HIAL requested that a midterm traffic review in March 2023 be undertaken in case there is a significant deviation in the projected traffic and transfer passenger numbers compared to the proposals of the Consultation Paper.
- 4.8 HIAL expressed its intention to bring in a variable tariff plan to support the traffic recovery through introduction of new routes and destinations, and development of international routes that have remained unserved from Hyderabad Airport. HIAL apprised the stakeholders that it has introduced key partnership program for airlines which intend to establish themselves as one of the key partners with RGIA in delivering the best connectivity from the region.

5. **The forum was then opened for stakeholder views/comments which are as follows:**

**Government of Telangana (GoT)**

6. Mr. Jayesh Ranjan, Principal Secretary of the Industries & Commerce (I&C) and Information Technology (IT) Departments, GoT
- 6.1 Mr. Jayesh Ranjan thanked the Authority for supporting the Airport ecosystem and noted that RGIA has been one of the primary drivers for investments in the state of Telangana. Mr. Ranjan highlighted the importance of sustainability of the airport for the prosperity of the state of Telangana. Mr. Ranjan suggested that certain items, which are part of the proposed expansion plans have been disallowed as part of the Consultation Paper proposals and this will have an impact on the return on capital employed for the airport. Mr. Ranjan said that all the proposed capital expenditure is based on market discovered prices and as per recommendations of the independent consultants.

**Airlines & Airlines Association**

7. **SpiceJet:**

- 7.1 SpiceJet appreciated the Authority's proposal to disallow the capital expenditure on metro connectivity as a part of the Regulatory Asset Base (RAB).
- 7.2 SpiceJet mentioned that almost 100% of the contracts in the airline industry are under negotiation. These contracts include aircraft lease rentals, contracts with the pilots and employees etc. SpiceJet further highlighted that contracts with airport operators, which have not been negotiated so far should also be negotiated.
- 7.3 SpiceJet apprised the Authority that there is a need to lower the tariff rates in order to achieve a higher throughput at the airport. SpiceJet stated that the much affected airlines due to the COVID pandemic should not be burdened any further with higher charges because of the capital expenditure project at RGIA in this control period.



8. **Air India:**

8.1 Air India highlighted that the aeronautical tariff should remain stable for the current year and any increase in the aeronautical charges should commensurate with the recovery of the aviation sector.

9. **Indigo:**

9.1 Indigo appreciated the Authority for commissioning the independent studies for the airport operator. Indigo suggested that the Pre Control Period Entitlement in this control period would add burden to the airlines and suggested that an independent study for the Pre Control Period Entitlement may also be undertaken.

10. **Go Air**

10.1 Go Air also stated that the aeronautical charges should not be increased in order to avoid any additional burden on the airlines apart from the huge losses that the airlines are already suffering from due to the COVID pandemic.

11. **Vistara:**

11.1 Vistara opined that there should be no increase in the aeronautical charges. Vistara further highlighted that if at all there is any adjustment it should be a reduction in the aeronautical charges at RGIA.

12. **Air Asia**

12.1 Air Asia stated that the aeronautical charges should be kept in check at least for the current year.

13. **Federation of International Airlines (FIA):**

13.1 FIA said that there is a consistent increase in the landing charges and User Development Fee (UDF) as per the rate card submitted by HIAL. FIA further highlighted that there is a significant jump in domestic UDF from Rs. 281 in the last year of the Second Control Period to Rs. 608 in the first year of the Third Control Period. FIA suggested that HIAL's focus should be on increasing the productivity and optimizing costs.

13.2 FIA recommended that the year on year percentage increase for the proposed aeronautical charges should also be mentioned.

13.3 FIA advised that the airport operator should share the presentation prior to the meeting (48-72 hours window) with the stakeholders so as to enable the stakeholders to understand the issues well in advance.

13.4 FIA stated that the airport operator is not being penalized for delaying the payment of collection charges. FIA further highlighted that the airlines should pay an interest of 18% per annum for delayed payments to the airport operator.



14. **International Air Transport Association (IATA):**

The representative of IATA, Mr. Amitabh Khosla, stated the following:

- 14.1 IATA appreciated the Authority for eliminating all the legal hurdles and bringing HIAL under the purview of regulatory framework.
- 14.2 IATA stated that the aviation sector needs financial sustainability as it is currently facing unprecedented challenges in its history.
- 14.3 IATA further expressed that any tariff increase would be counterproductive in nature and airport community should take that into account.
- 14.4 IATA highlighted that the airport operator bears no significant risk and rather transfers the business risk to the passengers in the form of true up at the end of the Control Period. IATA also submitted that a 15.17% return on the equity investment is quite generous.
- 14.5 IATA stated that the airport operator's inefficiencies to raise debt should not result in higher UDF for the passengers. IATA said that a benchmark for cost of debt should be used for the true up exercise. IATA also highlighted that the cost of debt for HIAL is considered at 8.82%, which is higher compared to the cost of debt considered for Bangalore airport i.e. 7.85%.
- 14.6 IATA requested the Authority to revisit the WACC calculation. IATA recommended that the cost of equity of 15.17% (as per IIMB study) should also be considered for the First and Second Control Period as well.
- 14.7 IATA suggested that any increase in UDF should be postponed till situation improves for the aviation sector in general.
- 14.8 IATA mentioned that the traffic adjustments considered by the Authority are realistic and the related proposals of the Consultation Paper are justified.
- 14.9 IATA appraised the Authority that it does not agree with consideration of CSR cost as aeronautical in nature and requested to revisit the issue.
- 14.10 IATA recommended that all non-essential projects and capacity expansion should be dropped and that the proposed expansion will achieve 100% utilization only in the years 2029-2030.
- 14.11 IATA further highlighted that the capital expenditure on metro connectivity should not be passed on to the users. IATA stated that the airport operator should seek a prior approval before making a commitment for any such investment.
- 14.12 IATA submitted that there are no major adjustments on account of operating expenditure in terms of wage tightening and contract renegotiations.

15. **Business Aircraft Operators Association (BAOA):**

- 15.1 Group Captain Rajesh Bali, representative from BAOA stated that Non-Scheduled Operators are worst affected. He requested the Authority to review HIAL's MYTP in the year 2022 to make the services more affordable.



- 15.2 BAOA suggested that aeronautical assets may be earmarked in terms of per sq. ft. area for parking and hanger services. BAOA further highlighted that the airport operators have a tendency to have their own interpretation in absence of proper earmarking. BAOA requested the Authority that these specifications may be a part of the final order in respect of HIAL.
- 15.3 BAOA recommended that the royalty on various aeronautical services provided by the airport operator should be capped at 15% for all the airports.

## **Airport & Airport Associations**

### **16. Association of Private Airport Operators (APAO):**

- 16.1 Mr. Satyan Nayar, representative from APAO, commented on four aspects namely expansion project, traffic, interest income and forex losses.
- 16.2 APAO stated that the Authority has disallowed a significant amount of capital expenditure on account of expansion project and that PMC cost and contingency cost has been reduced. APAO said that the airport operator undertook a global bidding process and has negotiated the contracts with reputed international construction leaders.
- 16.3 APAO stated that the Authority performs a true up of the capital expenditure. APAO further stated that the Consultation Paper proposes penalization in case of delayed project execution and opined that the airport operator should not be penalized for delayed execution because the delayed execution will result in delayed capitalization and consequently delayed additions to the RAB.
- 16.4 APAO highlighted that the airport operator is impacted by the Regional Connectivity Scheme and suggested that the Authority should consider this aspect and revisit the traffic considered for FY2022.
- 16.5 APAO also stated that the Authority has considered interest income of Rs. 134 Cr. in each year of Third Control Period and recommended that a moderate interest income should be considered for the Third Control Period.
- 16.6 APAO further said that the Authority has disallowed forex losses, although the benefit of foreign currency loan has been considered for WACC calculation.

### **17. Groupe ADP**

- 17.1 Mr. Antoine Crombez, representative of Groupe ADP, an investor in GMR Airports Limited stated that the tariff order should be implemented in a timely manner.
- 17.2 Mr. Antoine highlighted that the disallowances on capital expenditure, expenses etc. of the airport operator are not seen in other geographies and regulated markets in the world.
- 17.3 Mr. Antoine expressed that the master document i.e. the Concession Agreement gives a clear view of the risk appetite for the foreign investors and complying with the master document is important for any foreign investor.



**Industry Body:**

18. **DACAAI**

18.1 Mr. Dinesh Kumar from DCAAI suggested that the increase in aeronautical charges should be growth oriented.

18.2 He also stated that there is a significant deviation in the cost of service provided by two different cargo operators at the same airport. It is requested that an independent study on the cargo operations should be conducted by the Authority.

19. **FFFAI**

19.1 Mr. Ramakrishna stated that the freighters at the airport are very costly. He also stated that there should not be any enhancement in the tariff for the next 2-3 years.

20. **Counter Comments from Hyderabad International Airport Limited (HIAL):**

Mr. Pradeep Panicker, CEO, representative of HIAL, in response to the viewpoints raised /indicated as under:

20.1 The airport infrastructure can only be built in bulks and chunks and cannot follow the just in time methodology. As the traffic at the airport has doubled in four years (2014 – 2018), HIAL finalized the contracts for expansion works in 2018 through a global open tender. HIAL stated that it had already placed an order for 95% of the equipment by the time COVID pandemic hit the country. HIAL further stated that the entire structure is already established and despite the COVID pandemic, it has managed to keep the project costs in control.

20.2 HIAL stated that it has not hired people for open positions at the airport and has taken numerous initiatives to reduce the operating expenditure.

20.3 HIAL mentioned that the capital expenditure for metro connectivity has been deferred to the next control period and has no royalty charges at the airport.

20.4 HIAL stated that postponing the increase in tariff for FY2022 can only be commented upon post discussing the same with the board of HIAL.

21. Other stakeholders informed that written comments would be submitted before the stipulated time.

22. **Member, AERA thanked all the Stakeholders for participation in the Stakeholder Consultation Meeting and requested for submission of the written comments.**

  
Jaimon Skaria  
AGM (F)

**List of Participants:**

**Airports Economic Regulatory Authority of India**

1. Mr. B S Bhullar, Chairperson
2. Mr. Subrata Samanta, Member
3. Col Manu Sooden, Secretary
4. Mr. Ram Krishnan, Director (P&S)
5. Mr. Jaimon Skaria, AGM (Tariff)
6. Ms. Geeta Sahu, AGM(Tariff)

**Airport Operator RGIA Airport, Hyderabad (HIAL)**

1. Mr. Pradeep Panicker
2. Mr. SGK Kishore
3. Mr.Narayan Rao
4. Mr. Harsh Gulati
5. Mr. Shobhit Agarwal

**Representatives from other Private Airport Operators**

1. Mr. Satyan Nayar, Association of Private Airport Operators
2. Mr. Bhaskar Rao, Bangalore International Airport Limited
3. Mr. Sanjiv Bhargava, Mumbai International Airport Limited
4. Mr. Madhur Arora, Adani Enterprises
5. Mr. Antoine Crombez, Groupe ADP

**Airports Authority of India**

1. Mr. Ranjit Kumar

**Representative from International Air Transport Association (IATA)**

1. Mr. Amitabh Khosla

**Representatives from Airlines**

1. Mr. J. V. Ravikumar, G. M.(F) Air India
2. Ms Sowmya Srinivasan, Air India
3. Mr. G. P. Gupta, Spice Jet
4. Mr. Dushyant Deep, Indigo Airlines
5. Mr. Pratap Rudra Das, Go First
6. Mr. Moinuddin Wasil, Vistara
7. Mr. Jagtesh Saini, Air Asia
8. Mr. Ujjwal Dey, FIA

**Industry Associations**

1. Group Capt. R K Bali, BAOA
2. Mr. Dinesh Kumar, DACAAI
3. Mr. S Ramakrishna, FFFAI

**AERA Consultants**

1. Prof. Anshuman, IIM Bangalore
2. Mr. Vivek Rai, RITES
3. Mr. Jagannarayan Padmanabhan , CRISIL
4. Mr. Akshay Purkayastha, CRISIL
5. Mr. Golesh Gupta, CRISIL
6. Mr. Mrigank Hajela, CRISIL
7. Mr. Abhishek Gupta, CRISIL
8. Mr. Vijendra Sharma, Aviation Expert, CRISIL
9. Ms. Monika Roy, DSK Legal, CRISIL