

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 15.02.2022 at 11:00 AM on Virtual Platform.

CONSULTATION PAPER No. 29/2021-22 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE THIRD CONTROL PERIOD (01.04.21 TO 31.03.2026) IN RESPECT OF GOA INTERNATIONAL AIRPORT, GOA.

1. AERA Act, 2008, Sec.13(4)(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 15.02.2022 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 29/2021-22 dated 27.01.2022 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 Goa International Airport. The list of participants is enclosed at **Annexure-I**.
2. Chairperson, AERA welcomed all the Stakeholders present in the meeting and extended his greetings. Further, he invited Airports Authority of India (AAI) officials to present their submissions in response to the Consultation Paper for Goa International Airport and assured other stakeholders that they would get an opportunity to express their views after AAI's presentation.
3. **Airports Authority of India**
 - 3.1 It was conveyed that the presentation would be made in two parts. The first part would be presented by Airport Director, Goa which will highlight the key features of Goa International Airport. The second part would be presented by ED-JVC, AAI, in which AAI responses to the Consultation Paper regarding Goa International Airport would be submitted.

Mr. Gagan Malik, Airport Director, Goa International Airport gave a detailed presentation on the Goa Airport. The presentation covered the following details:

- 3.2 Airport Director, Goa, started the presentation by highlighting the technical details regarding the Airport. Further, he presented satellite image of the Goa International Airport and map of NITB to provide a holistic layout of Goa International Airport. Some of the key features of the Airport are as under:
 - 3.2.1 Goa International Airport is a Civil Enclave Airport, which was established in the year 1955 and named as Dabolim Airport in 1962.
 - 3.2.2 The modernization project of Goa International Airport undertaken by AAI in the FY 2009-2010 was the third largest project in terms of size and value, next to Chennai and Kolkata airport projects. The expansion of the New Integrated Terminal Building had been initiated in the FY 2019-20.

- 3.2.3 Goa International Airport is the 9th busiest Airport in India by Passenger traffic and is a plastic free airport.
- 3.2.4 The existing land area of the Airport is 54.90 acres (43.9 Acres within Airport Boundary & 11 Acres outside Airport Boundary), with Runway orientation of 8/26 and length of 3430 metres x 45 metres (capable to handle B-747).
- 3.2.5 The Integrated Terminal Building area of the Airport is around 65,600 Sqm and the Apron capacity of the Airport is 11 bays.
- 3.2.6 The Airport has terminal capacity to handle 2,000 domestic pax and 750 international pax during peak hours.
- 3.2.7 The Airport has passenger amenities and facilities such as CUTE and CUSS, Inline Baggage Screening System, Automatic Tray Retrieval System, Napkin vending machine, Bottle crushing machine, Baggage Sanitization Tunnel, Free Wi-Fi and other commercial facilities such as Retail outlets, Car Parking, ATM, Food & Beverage outlets etc.
- 3.2.8 Goa International Airport had handled 8.4 MPPA in FY 2019-20 (Pre-COVID). The Airport is expected to grow further in future and handle 9.13 MPPA by FY 2025-26. The existing Terminal Building is already saturated and thus expansion in the eastern side has been undertaken by AAI.
- 3.2.8.1 Chairperson AERA, asked whether the above passenger traffic projections (9.13 MPPA) have been determined after considering the impact of new Greenfield Airport which is likely to become operational in the Third Control Period, to which the Airport Director, Goa responded that the traffic projections have been derived, factoring the impact of the new Greenfield Airport.
- 3.2.9 There are 7 domestic and 4 international flight operators. Currently, there are no scheduled international/ charter flight operations.
- 3.2.10 ASQ rating given by ACI for Goa Airport for the year 2021 was 4.98 (Q1), 4.68 (Q2), 4.98 (Q3) and 4.96 (Q4).
- 3.3 The Airport Director then gave an overview of the major capital works executed at Goa Airport, which comprises Parallel Taxi Track, Airside Upgradation (Apron Control AVDGS, Taxiway Signages), Modified Entry/ Exit Gates with Vestibules, Renovation of toilets, In Line Baggage Screening System, Automatic Tray Retrieval system, New Immigration counters with E-Gates, Art work inside Terminal Building, replacement of Nylon tiles with carpet, City side beautification, renovation of flooring in Security Hold Area etc. The Airport Director also explained certain initiatives undertaken under Accessible India Campaign and innovative measures taken for combating COVID-19 pandemic.
- 3.4 The salient features of the Goa Airport extension project were explained by the Airport Director. The project involves provision of additional 2 nos. of Passenger Boarding bridges, acoustics for effective functioning of PA system, Sub-station, AC plant room, Snack bar counter, retail requisite, shops, Airline offices, ticket selling counters, ATMs, conveyor belt with in-line X-Ray machines etc.
- 3.5 The proposed extension of Terminal Building is regulated by GRIHA IV rating to mitigate environmental conditions such as utilisation of fly ash in building construction, use of low energy

material in interiors, use of renewable energy, use of low VOC paints, adhesives and sealants. Further, 1% of the electricity loads will be generated through Solar Power.

Ms V.Vidya – ED JVC, AAI made a presentation which detailed AAI’s submission to the Consultation Paper No. 29/2021-22

- 3.6 Ms Vidya, ED -JVC started the presentation by addressing the true up of the Second Control Period, followed by submissions for the Third Control Period and requested AERA to consider the same:

Submissions - Second Control Period

- 3.7 **Deduction of Financing Allowance of Rs 14.51 crores from RAB** - AAI made a submission that Direction 5 does not state that Financing Allowance is only for Greenfield airports. Irrespective of whether it is greenfield/ brownfield airport, there is outlay of funds for significant time when developing new terminals/ runways/ large project works.

3.7.1 Chairperson, AERA remarked that Financing Allowance had not been allowed in the past to DIAL and MIAL which are brownfield airports. Also, for airports such as HIAL, BIAL and CIAL, Financing Allowance has not been provided for the Third Control Period. Further, as FRoR is provided on equity, Financing Allowance is not separately allowed.

- 3.8 **Opex – Allocation of CHQ/ RHQ expense allocation:**

3.8.1 AAI submitted that as per Para 4.6.4 of CP, 20% of Pay and Allowances have been excluded by AERA. AAI has submitted 5% of the net expenses of CHQ and RHQ to be considered as non-aero expenses, as it includes Commercial, Land and common staff who are working for ANS as well for Land and Commercial departments. In view of this, AAI has requested AERA to consider net expenses of CHQ/RHQ as per Second Control Period tariff order i.e. @ 5% as non-aero and common expenses, instead of 20%.

3.8.2 AAI has proposed to conduct a study on proper allocation of CHQ and RHQ expenses to the Airports.

3.8.3 Chairperson AERA remarked that AAI should take cognizance of the cost related principles of ICAO and should re-look at its basis for apportioning the CHQ and RHQ expenses, to which ED-JVC, AAI responded that AAI would conduct a study to make the process of allocation of CHQ/ RHQ expenses to the airports more robust.

- 3.9 **Opex – Upkeep expenses:** AAI requested AERA to consider the actual costs incurred on MESS for the second control period, as the new contract was awarded at higher rates in March 2017, which were driven by market conditions, as compared to the projections given for the Second Control Period. AAI also shared an extract of AERA’s study on efficient Operation and Maintenance expense for Cochin Airport, where Goa Airport was shown as having lowest employee expense/ R&M expense and Admin and General expense per pax and per Sqm of the Terminal Area.

3.9.1 Chairperson AERA, remarked that such cost escalations driven by market factors have not been submitted by PPP Airport Operators. Further, he expressed his view that specific issues on cost per pax/ per sqm of Goa Airport should not be considered for discussion on efficient Operation and Maintenance costs of the Airport.

Submissions - Third Control Period

- 3.10 **Traffic Forecast** - AAI submitted that AERA's projection of traffic for the Third Control Period is quite optimistic and that the higher growth in traffic may not be achievable, which will result in steep hike in tariff for the next control period. AAI has requested AERA to consider the growth as proposed by AAI.
- 3.11 **Major capital works for the Third Control Period** – AAI raised the following concerns on capitalisation for the Third Control Period:
- 3.11.1 **Extension of existing Terminal Building:** AAI submitted that the work was delayed due to delay in issuance of Environmental Clearance by MoEF and also on account of COVID pandemic and the monsoon season. However, the civil work on extension of Terminal Building is in full swing and 17% of the work has been completed. AAI has committed its scheduled date of completion as March 2023 and requested AERA to consider the same.
- 3.11.2 **CISF infrastructure at Goa Airport:** AAI submitted that the work was delayed due to COVID pandemic and heavy rains. Further, there is a big valley passing just behind the structure causing delay in the construction of the retaining wall. Since rainy season is over, the work is now in full progress and is expected to be completed by September 30, 2022 (FY22-23). AAI requested AERA to consider the above date of completion of the project.
- 3.11.3 **Procurement of 01-R/W sweeping Machine & 250 Chairs and 250 Trolleys (with Brake):** AAI submitted that it places bulk order for such items considering the operational requirement for the next 4 to 5 years, which is also an economical approach. AAI requested AERA to consider the total costs projected for these assets.
- 3.12 **FRoR** – AAI requested AERA to consider the cost of Equity @16%.
- 3.13 **Terminal Building ratio** – AAI submitted that AERA has determined the Terminal Building ratio as 92.5% in the Second Control Period. However, AERA has proposed 92% as Terminal Building (TB) ratio for the Third Control Period. AAI requested AERA maintain TB ratio of 92.5%, as approved in the tariff order of the Second Control Period.
- 3.14 **Opex for the Third Control Period**
- 3.14.1 **Payroll costs:** AAI requested AERA to consider 7% increase in payroll y-o-y, instead of 6%. Further, additional manpower will be required after proposed expansion of the existing Terminal Building, for which AAI requested AERA to consider an additional increase of 10% in the payroll costs in the FY 2023-24.
- 3.14.2 **Admin and General expenses:** AAI requested AERA to consider the increase based on the actual Admin and General expenses of the Second Control Period.
- 3.14.3 **Repairs and Maintenance:** AAI requested AERA to consider 10% increase year on year instead of 6%.
- 3.14.4 **Upkeep expenses:** AAI requested AERA to consider 10% increase instead of 4.9%.
- 3.14.5 **Power and water charges:** AAI requested AERA to consider growth proposed by AAI as the expansion of Terminal Building will lead to increase in consumption of electricity & water.

- 3.14.6 CSR expenses: AAI requested AERA to consider Rs 4.98 cr. proposed by AAI towards CSR expenses.
- 3.15 **Return on Land:** AAI submitted that AERA had considered 6.21% cost of debt for computing the Return on Land, instead of SBI rate plus 2%. As AAI had not taken any loan for acquisition of the Land, it requested AERA to consider the SBI rate plus 2% for calculating the Return on Land.
- 3.16 **Non-aeronautical revenue (NAR):** AAI submitted that increase in passenger traffic is not proportionate to the increase in NAR. Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the consistent revenue increment trend during the pre-COVID years. Further, the additional discount provided under Concessionaire Support Scheme (CSS) in the license fee due to adverse impact on passenger buying behaviour should also be considered while projecting the NAR for the FY 2021-22. AAI requested AERA to consider Non-aeronautical revenue as proposed by AAI.
- 3.16.1 Chairperson AERA, expressed his concern that with the increase in passenger traffic, the Non-aeronautical revenue should also increase. Further, the process of negotiation of Food and Beverages contract by AAI with its Concessionaires cannot be taken as a basis for determining Non-aeronautical revenue. Also, he said that AAI should re-look into the NAR at each airport and make efforts to maximise the same.
- 3.17 **Parking charges:** AAI submitted that in FY 2020-21 Parking revenue was higher as most of the aircrafts were parked in the Airport due to nationwide lockdown. AAI had inadvertently projected Parking charges for the Third Control Period taking FY 2020-21 as the base. However, this will not reflect the true picture as there will be normal operation in the Third Control Period. AAI has requested AERA to consider FY 2019-20 as the basis for projecting parking revenue for the Third Control Period.
- 3.18 AAI requested AERA to consider the tariff increase proposed by AAI for the Third Control Period with effect from April 1, 2022 instead of July 1, 2022 as proposed by AERA. AAI also shared the UDF rates approved in the past for other similar airports like Amritsar, Varanasi, Trichy, Raipur etc which was higher than that proposed for Goa International Airport.
- 3.18.1 Chairperson AERA, expressed his view that each Airport is different and only after a fair determination of the ARR, the aeronautical tariff for the Airport has been proposed. Further, he said that Goa is a small Airport, where now the monopoly will also be challenged.
4. Chairperson, AERA thanked AAI officials for their presentations and invited stakeholder to present their views/comments on the consultation paper:

Airport Operators

GMR Airports

- 4.1 Mr. Harsh Gulati expressed his view that with the operationalisation of the new Greenfield Airport in Goa, the traffic projections of AAI and of GMR must be estimated.
- 4.1.1 Chairperson AERA asked Mr. Harsh Gulati to submit his written comments on the traffic estimates and on the other regulatory building blocks of the Consultation Paper.



Adani Airports

- 4.2 Mr. Pinkesh Kumar from Adani Airports said that he will submit written comments on the Consultation Paper No. 29/ 2021-22. Chairperson AERA asked all the stakeholders to submit their written comments within the stipulated timelines.

Airlines and Airline Associations

Federation of Indian Airlines (FIA)

- 4.3 Mr. Ujjawal Dey from FIA appreciated AERA for giving its fair views on the regulatory building blocks in the Consultation Paper No. 29/ 2021-22. He expressed his concern that there has been an increase in the Operation and Maintenance (O&M) expense and no independent study had been conducted by AAI on the same. Further, he said that on the contrary there is no increase projected on the Non-aeronautical revenues, which should be enhanced by AAI by optimally utilising the available space. He said that AAI should work efficiently and minimise its costs so that the eco-system would be stable.
- 4.4 He further commented that UDF charges has been increased by 41% from Rs 301 to Rs 425. Increase in UDF rates should be linked to the efficiency of the Airport. He requested that there should be no increase in the Aeronautical tariff. Chairperson AERA, responded that the Goa Airport has built in new facilities for the benefit of all the Users and that the Authority as a Regulator has adopted a balanced view in determining Aeronautical tariffs.

Indigo Airlines

- 4.5 Mr. Dushyant Deep from Indigo Airlines had expressed his agreement with Mr. Ujjawal Dey's views and said that Goa Airport should make its O&M costs more efficient. Further, he said that AERA should conduct an independent study on rationalising the O&M costs. Also, he was in agreement with AERA's views that AAI should increase its Non-aeronautical revenues. He then asked for the per square meter cost of the extended Terminal Building post scrutiny done by AERA. Chairperson AERA asked the Airport Director of Goa Airport to respond to the requirement of Mr. Dushyant Deep.

Spicejet Airlines

- 4.6 Mr. Suryavir S. Bisht, Sr. General Manager, Regulatory Affairs from Spicejet Airlines thanked the Airport Director of Goa Airport and the ED-JVC, AAI for the comprehensive presentation and said that Spicejet Airlines will submit their written comments on the Consultation Paper No. 29/ 2021-22.

Vistara Airlines

- 4.7 Moinuddin Wasil, Head – Regulatory Affairs from Vistara Airlines agreed with the views expressed by the other Stakeholders. He said that Vistara Airlines will submit their written comments to AERA on the Consultation Paper No. 29/ 2021-22.

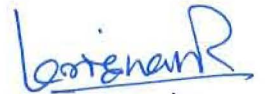
International Air Transport Association (IATA):

- 4.8 Mr. Richard Tan from IATA agreed with the comments made by the various Airline operators. He said that AAI should focus more on optimising its costs and he supported the views of AERA in rationalising the capital expenditure of AAI. He also said that AERA has proposed moderate



increase in the Aeronautical tariff and that at this juncture the tariff should not be increased as it will put more pressure on the ecosystem.

5. Member, AERA concluded the meeting with a vote of thanks to all the stakeholders and also to AAI for making an informative presentation which helped in a smooth stakeholders' discussion. In addition, he requested all the stakeholders to provide their written comments within the stipulated timeline.



(Ram Krishan)
Director (P&S)

List of Participants:

Airports Economic Regulatory Authority of India

1. Mr. B S Bhullar, Chairperson
2. Mr. S.K. Vyawahare, Member
3. Mr. Manu Sooden, Secretary
4. Mr. Ram Krishan, Director (P&S)
5. Mr. Rajan Gupta, AGM (Fin) -Tariff

Airports Authority of India, CHQ

1. Mr. V. Vidya, ED -JVC

Airports Authority of India, Goa Airport

1. Gagan Malik, Airport Director, Goa

Representative from GMR Airports

1. Mr. Harsh Gulati

Representative from Adani Airports

1. Mr. Pinkesh Kumar

Representative from Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey

Representative from International Air Transport Association (IATA)

1. Mr. Richard Tan

Representative from Indigo Airlines

1. Mr. Dushyant Deep

Representative from Spicejet Airlines

1. Mr. Suryavir S. Bisht, Sr. General Manager, Regulatory Affairs

Representative from Vistara Airlines

1. Moinuddin Wasil, Head – Regulatory Affairs

Representative from R. Subramanian & CO, LLP

1. Mr. Gokul Dixit, Partner
2. Ms. Krithika Gopal, Partner
3. Ms. K. Hemalatha, Aviation Expert
4. Ms. Kamakshi Ravi, Manager.