F.No. AAI/JVC/Goa -Tariff/2021-22 /382 Date: 24/02/2022

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

Sub: - Submission of Multi Year Tariff Proposal (MYTP) for 3rd Control Period (01.04.2021 to 31.03.2026) and True up of 2nd control Period (01.04.2016 to 31.03.2021) in respect of Goa International Airport.

Ref: - Submission of AAI's Comments in response to Consultation Paper No.29/2021-22 issued by Airports Economic Regulatory Authority of India (AERA).

Dear sir,

This has reference to AERA's consultation paper No.29/2021-22 dated 27th January 2022 in the matter of determination of Aeronautical tariff in respect of Goa Airport for the 3rd Control Period (01.04.2021 to 31.03.2026).

AAI"s response to Consultation paper No. 29/2021-22 in enclosed.

This issues with the approval of Competent Authority.

Thanking You,

Your faithfully

(V.Vidya)
Executive Director (JVC & PPP)-I

Enclosed; *As above*

GOA INTERNATIONAL AIRPORT

Response to Airports Economic Regulatory Authority (AERA)'s Consultation Paper No. 29/2021-22 dated 27th January 2022 Determination of Aeronautical Tariff for Goa International Airport for the Third Control Period (01.04.2021 - 31.03.2026)

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1.Introduction

Airports Economic Regulatory Authority of India ('AERA') has released Consultation Paper No. 29/2021-22 on Aeronautical services in respect of Goa International Airport for Third Control Period (01.04.2021 to 31.03.2026), ('Consultation Paper' or 'CP') on 27th January, 2022.

The observations & suggestions of AAI and in respect of determination of Aeronautical Tariffs for the Tariff Determination for the Third Control Period – from 1st April 2021 to 31st March 2026 and True Up of Second Control Period from 1st April 2016 to 31st March 2021 are given below:-

AERA's view

Frame Work for Determination of Tariff for Goa International Airport- AAI provides Air Navigation Services (ANS) in addition to landing, parking and other Aeronautical services at Goa Airport (3.3.1)

AAI's comments

Dabolim International Airport Goa is operated by the Airports Authority of India as a civil enclave in an Indian Navy naval airbase named INS Hansa. India's biggest naval airbase Dabolim's air traffic control is in the hands of the Indian Navy not with AAI.

2.True Up for the Second Control Period

Regulatory Asset Base (RAB)

2.1 Disallowance of Financing Allowance

AERA's Contentions
[Para 4.4.6 to 8 of CP]

- The Authority noted that Goa International Airport has capitalized Financing allowance of ₹ 14.51 Crores towards:
- Extension of Apron (₹ 9.10 Crores) and
- Construction of New International Arrival Block (₹ 5.41 Crores included under Terminal Building, Plant and Machinery and other assets as shown under Table 5) in the MYTP submitted for the true up of the Second Control Period.
- Also, Goa Airport has claimed ₹ 1.61 Crores towards Financing allowance for the First Control Period. However, at the time of submission of the MYTP for the Second Control Period, such Financing allowance was not proposed by Goa Airport and the Authority also had not approved the same in the Tariff Order issued for Goa Airport for the Second Control Period. Further, it was noted that the above capital expenditure was carried out by Goa Airport using its own funds. The Authority is of the view that Financing allowance is essentially the Interest During Construction (IDC) for a project and should be provided only on the debt borrowings availed for execution of a project.

- The Authority considers that giving an assured return on the equity investment even on the work-inprogress assets would result in reducing the risks associated with equity investment in capital projects. However, the airport operator is given a fair rate of return on equity when the capital assets are capitalized.
- The Authority notes that developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, Airport Operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports. Further, financing allowance for Greenfield airports of BIAL, HIAL, and CIAL was allowed only for the initial stages of their development, after which such allowance was permitted only on the debt portion of the proposed capital expenditure.
- The Authority also notes that Goa International Airport being one of the oldest airports in India, would not be eligible for such an allowance on the equity portion of newly funded capital projects. Further, it may also be noted that Financing Allowance is a notional allowance and would be different from the actual investment incurred by the Airport Operator which would include the interest during construction among other things. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.

Accordingly, based on the above analysis, the Authority proposes not to allow the Financing allowance of ₹ 14.51 Crores claimed by AAI for the Second Control Period and of ₹ 1.61 Crores claimed for the First Control Period for the Goa Airport

AAI's Submission

- Direction 5 of AERA (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.

- The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:

"5.2.7. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:
WIPAt = WIPAt-1 + Capital expenditure + Financing allowance – Capital receipts of the nature of contributions from stakeholders (SC) - Commissioned Assets (CA)
Where:
WIPAt = Work in progress Assets at the end of Tariff Year t
WIPAt-1 = Work in progress Assets at the end of the Tariff Year t-1
Capital Expenditure= Expenditure on capital projects and capital items made during Tariff Year t.

The Financing allowance shall be calculated as follows:

$$\text{Financing Allowance} = R_d \times \left(WIPA_{t-1} + \frac{\text{Capex} - SC - CA}{2}\right)$$

Where
Rd is the cost of debt determined by AERA according to Clause 5.1.4.
SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t.
CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t.

- AERA has further provided an Illustration on Page 28 detailing the working. The extract of the illustration is as under:

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

Forecast Work in Progress Assets

		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening WIP: $WIPA_{t-1}$	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	833	521	-	-	-
Financing Allowance	FA = R_d x (OW+(CE-CA-SC)/2)	-	-	37	80	43	
Capital Receipts	SC	-	200	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: $WIPA_t$	CW = OW + CE + FA - SC - CA	-	-	558	638	-	-

- *The cost of debt, R_d, used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.*
- *The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.*
- *The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.*

- Further, Para 5.2.5 of Direction No. 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance on the assets, when it was in Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration 4 in Page 23 is given below:

Forecast RAB

		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB_{t-1}	OR	22,750	20,500	18,826	16,462	13,998	12,277
Commissioned Assets	CA	-	633	-	-	681	-
Depreciation	DR	2,250	2,307	2,364	2,364	2,402	731
Disposals	Di	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB_t	CR=OR+CA-DR-Di+IA	20,500	18,826	16,462	13,998	12,277	11,547
RAB for calculating ARR	RA=(OR+CR)/2		19,663	17,644	15,230	13,138	11,912

- The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:

  "Commissioned Assets: Represents investments brought into use during Tariff Year t, consistent with Clause 5.2.7 herein below."

- Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.
- Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.

  The regulatory principles laid down by AERA and based on which the tariff orders are determined provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:

- <u>**CIAL TCP Order:**</u> Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 crores in FY 2021 only as Financing Allowance for true up of SCP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the Order.

- <u>**BIAL TCP Order:**</u> Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the second control period.

- Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order of CIAL.

- **<u>MIAL and DIAL:</u>** It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.

<u>AAI's Request</u>

- The AERA Act requires AERA to consider *"timely investment in improvement of airport facilities"*; and *"economic and viable operation of major airports"*. The statement of objects and reasons of the AERA Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.

- Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.

- Based on the above submissions, AAI submits that by non-consideration of Financing allowance is not in line with AERA guidelines. Further, allowing Financing allowance for private airports and not for AAI airports vitiates the principle of laying a level playing field for all airports – public or private in India and AAI airports would be denied of revenues that they are rightfully entitled to.

- AAI therefore requests AERA to consider the financing allowance of Rs. 14.51 crores computed for Assets capitalized in SCP. Further, AAI requests AERA to also consider these additions by way of financing allowance for depreciation computation and return on RAB accordingly.

2.2 Depreciation

<u>AERA's Contentions</u>

<u>[Para 4.4.10 Table-7]</u>

The Depreciation on Terminal Building is shown as under:

(In Cr.)

FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	Total
7.83	8.57	9.29	9.35	9.43	44.48

<u>AAI's Submission</u>

The Depreciation on Terminal Building is proposed by AAI is as under:

(In Cr.)

FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	Total
7.87	8.61	9.33	9.39	9.47	44.67

There is a difference of Rs.0.04 cr (Rs.19 cr for 2nd CP) in each year due to formula error. AERA is requested to update the same.

3.1 Pay & Allowances of CHQ & RHQ

AERA's Contentions

[Para 4.6.4 of CP]

Pay and Allowances of CHQ & RHQ:

- **CHQ/ RHQ allocation** –. The Authority reviewed the basis adopted by AAI for allocation of
- CHQ and RHQ expenses to Goa International Airport and other airports and noted the following:
    - All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) is allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
    - Expenses such as legal costs, interest/ penalties are related to some specific airports. However, these have been allocated to the common pool and apportioned to all the AAI airports.
- The Authority is of the view that the above process followed by AAI for allocating the expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. Towards this objective, the Authority has examined the major expense components of CHQ and RHQ for the FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 submitted by AAI in November and December 2021 and has proposed the following views on allocation of CHQ/ RHQ expenses:

b) Pay and Allowances of CHQ and RHQ:

- AAI has considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses are Non-aeronautical in nature.
- AAI has excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion has been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provide services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances need to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority is of the view that 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:

i. Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
ii. Officials of Directorate of Commercial.

Balance 80% of pay and allowances of CHQ and RHQ have been allocated to the Airports.

AAI's Submission

- AERA has considered the actual CHQ/RHQ expenses for determination of aeronautical tariff charges in case of Amritsar, Varanasi, Trichy and Raipur airports.

- AAI has resubmitted the CHQ/RHQ Allocations for the F.Y. 2016-17 to 2020-21 vide e-mail dated 24.12.2021 after a detailed analysis which has not been considered in CP.
- In respect of 20% of exclusion of Pay and Allowances excluded by AERA, AAI has submitted 5% of the Net Expenses of CHQ & RHQ to be considered as non-aero expenses that includes commercial, Land and Common Staff those who are working for ANS as well for land and Commercial departments.
- As per AERA view, that percentage share of expenses should be worked out on total outflow of pay and allowances. AAI has calculated/worked on same. The detail of workings for the F.Y. 2016-17, 2017-18 & 2020-21 are as under:

Refer CHQ RHQ Allocations for the F.Y.2016-17, 2017-18, 2019-20 and 2020-21 provided to AERA vide e-mail dated 24.12.2021

Statement showing that AAI has considered Expenditure in the Ratio of 50:50 instead of 30:70 among ANS & Airport respectively.

PARTICULARS	2016-17				2017-18			
	11000 CHQ		11000 CHQ		11000 CHQ		11000 CHQ	
	Ratio		Ratio		Ratio		Ratio	
	0.50	0.50	0.30	0.70	0.50	0.50	0.30	0.70
	ANS	APT	ANS	APT	ANS	APT	ANS	APT
ADMN. AND GENERAL EXPENSES								
INSURANCE	312.63	312.64	187.58	437.69	530.85	530.95	318.53	743.27
ADVT. AND PUBLICITY	346.83	346.83	208.10	485.56	317.71	317.71	190.63	444.79
TELEPHONE CHARGES	29.46	29.46	17.67	41.24	33.03	33.03	19.82	46.24
PRINTING AND STATIONARY	64.75	64.75	38.85	90.65	103.61	103.61	62.17	145.06
LEGAL EXP.	167.89	167.89	100.73	235.04	872.21	872.21	523.33	1221.09
TRAVELLING EXP.	889.46	889.46	533.68	1245.25	1141.61	1141.61	684.97	1598.26
UPKEEP EXP.								
MUNICIPAL TAXES	29.49	29.49	17.69	41.28	29.49	29.49	17.69	41.28
WATCH & WARD EXP.	3.35	3.35	2.01	4.69	8.73	8.73	5.24	12.22
HIRING OF MANPOWER	6.78	6.78	4.07	9.49	20.96	20.96	12.58	29.34
FUEL TO AIRCRAFTS								
METEOROLOGICAL CHARGES	12296.08	0.00	12296.08	0.00	12877.54	0.00	12877.54	0.00
IMPORT LICENSE,ETC	0.00	124.59	0.00	124.59	6.85	241.50	6.85	241.50
ADMISSION FEE					-522.44	-223.90	-522.44	-223.90
INTEREST	812.66	1577.51	812.66	1577.51	512.70	911.47	512.70	911.47
AOCC EXP.								
PRIOR PERIOD EXP.	-216.93	-216.93	-130.16	-303.70	-9.25	-9.25	-5.55	-12.95
OTHER EXP.	890.56	876.42	528.32	1238.65	815.95	818.32	490.79	1143.48

TOTAL	**15633.01**	**4212.23**	**14617.29**	**5227.95**	**16739.54**	**4796.43**	**15194.82**	**6341.16**
REPAIR & MAINT. EXP.								
R&M CIVIL	200.18	200.18	120.11	280.25	282.62	307.07	169.57	420.12
R&M ELECTRICAL	129.47	129.47	77.68	181.26	152.87	152.87	91.72	214.02
R&M VEHICLES	19.61	38.03	15.45	42.20	5.44	15.56	5.29	15.71
R&M FURNITURE & FIXTURES	7.00	7.00	4.20	9.80	22.87	22.87	13.72	32.01
R&M ELECTRONICS	6961.18	37.48	6946.18	52.47	6011.67	60.90	5987.32	85.25
R&M IT Hardware	439.33	439.33	263.60	615.06	482.83	482.83	289.70	675.96
R&M IT S/W	486.43	486.43	291.86	681.00	875.29	875.29	525.18	1225.41
TOTAL	**8243.20**	**1337.92**	**7719.08**	**1862.04**	**7833.59**	**1917.39**	**7082.49**	**2668.49**
UTILITIES AND OUTSOURCING								
ELECTRICITY EXPENSES	182.64	182.64	109.59	255.70	202.69	202.69	121.61	283.77
CONSUMPTION OF STORES AND SPARES	1008.28	1.76	1008.28	1.76	1.53	1.53	0.92	2.14
WATER CHARGES	0.00	0.00	0.00	0.00				
FEES PAID TO OUTSIDERS/CONSULTANCY CHARGES	3016.41	3016.41	1809.84	4222.97	1856.66	1856.92	1113.89	2599.69
HIRE CHARGES CAR/JEEP & OTHERS	17.74	51.64	17.42	51.96	10.11	24.75	8.99	25.87
TOTAL	**4225.07**	**3252.45**	**2945.14**	**4532.39**	**2070.99**	**2085.89**	**1245.42**	**2911.46**
DEPRECIATION	668.91	670.65	**401.69**	**937.86**	810.09	810.40	**486.11**	**1134.37**
Total	**668.91**	**670.65**	**401.69**	**937.86**	**810.09**	**810.40**	**486.11**	**1134.37**
CSR	1695.23	3290.73	**1695.23**	**3290.73**	803.19	1427.89	**803.19**	**1427.89**
TOTAL	**1695.23**	**3290.73**	**1695.23**	**3290.73**	**803.19**	**1427.89**	**803.19**	**1427.89**
RESEARCH AND DEVELOPMENT EXPENSES	**0.00**	**641.60**	**0.00**	**641.60**	**64.74**	**0.00**	**64.74**	**0.00**
TOTAL	**0.00**	**641.60**	**0.00**	**641.60**	**64.74**	**0.00**	**64.74**	**0.00**
TOTAL EXPENDITURE	**30465.41**	**13405.59**	**27378.43**	**16492.57**	**28322.14**	**11038.00**	**24876.77**	**14483.37**
	43871.00		43871.00		39360.14		39360.14	
		3086.99	**lakhs**			**3445.37**	**lakhs**	
		16.00	**lakhs**			**18.00**	**lakhs**	
Employees considered for CHQ Allocations		**192.94**	**No. of Employees**			**191.41**	**No. of Employees**	
Employees should have been considered		**100.2**	**No. Employees**			**164.0**	**No. Employees**	
Actual Employees for Airport Segment								

Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH		Employees	No. of Fin & HR common employees	REVISED STRENGTH	
ANS	**245.0**	**28.0**	**217.0**	**217.0**	**330.0**	**23.0**	**307.0**	**307.0**
Airport	**1360.0**	**776.0**	**584.0**	**1388.0**	**1281.0**	**737.0**	**544.0**	**1304.0**
				1605.0				**1611.0**
Cargo	**0.0**		**0.0**		**11.0**		**11.0**	
Commercial	**9.0**		**9.0**		**18.0**		**18.0**	
land	**6.0**		**6.0**		**12.0**		**12.0**	
				1403.0				**1334.0**
Total	**1620.0**	**804.0**	**816.0**		**1652.0**	**760.0**	**892.0**	
	1620.0				**1652.0**			
	0.0				**0.0**			
Proportion of HR & Fin to ANS		**104.9**	**No. Employees**			**140.4**	**No. Employees**	
Proportion of HR & Fin to Non-aero		**8.3**	**No. Employees**			**16.6**	**No. Employees**	
Total No. common employees salary should have been gone to ANS & NON AERO		100.2	No. Employees			164.0	No. Employees	

Refer CHQ RHQ Allocations for the F.Y.2016-17, 2017-18, 2019-20 and 2020-21 provided to AERA vide e-mail dated 24.12.2021

Statement showing that AAI has considered Expenditure in the Ratio of 50:50 instead of 30:70 among ANS & Airport Respectively.

Amount in Lakhs

PARTICULARS	2020-21			
	11000 CHQ Ratio		11000 CHQ Ratio	
	0.50	0.50	0.30	0.70
	ANS	APT		
ADMN. AND GENERAL EXPENSES				
INSURANCE	1967.74	1968.06	1180.71	2755.09
ADVT. AND PUBLICITY	94.16	94.16	56.49	131.82
TELEPHONE CHARGES	22.37	22.37	13.42	31.32
PRINTING AND STATIONARY	38.86	38.86	23.32	54.40

LEGAL EXP.	923.94	923.94	554.37	1293.52
TRAVELLING EXP.	176.33	176.33	105.80	246.86
UPKEEP EXP.	0.65	0.65	0.39	0.90
MUNICIPAL TAXES	29.57	29.57	17.74	41.40
WATCH & WARD EXP.	7.75	7.75	4.65	10.86
HIRING OF MANPOWER	58.11	58.11	34.87	81.36
FUEL TO AIRCRAFTS				
METEOROLOGICAL CHARGES	13913.69	0.00	13913.69	0.00
IMPORT LICENSE, ETC				
ADMISSION FEE	461.87	197.94	461.87	197.94
INTEREST				
AOCC EXP.	0.10	0.10	0.06	0.15
PRIOR PERIOD EXP.	-373.74	-373.74	-224.24	-523.23
OTHER EXP.	4975.03	4931.22	2973.86	6932.38
TOTAL	**22296.44**	**8075.34**	**19117.00**	**11254.77**
REPAIR & MAINT. EXP.				
R&M CIVIL	804.27	804.27	482.56	1125.97
R&M ELECTRICAL	342.21	342.21	205.33	479.10
R&M VEHICLES	4.08	9.24	4.03	9.29
R&M FURNITURE & FIXTURES	0.14	0.14	0.08	0.19
R&M ELECTRONICS	8808.79	137.78	8753.67	192.90
R&M IT Hardware	551.81	551.81	331.08	772.53
R&M IT S/W	706.11	706.11	423.67	988.55
TOTAL	**11217.40**	**2551.56**	**10200.43**	**3568.53**
UTILITIES AND OUTSOURCING				
ELECTRICITY EXPENSES	228.44	228.44	137.06	319.81
CONSUMPTION OF STORES AND SPARES	0.13	0.15	0.08	0.20
WATER CHARGES	0.37	0.37	0.22	0.52
FEES PAID TO OUTSIDERS/CONSULTANCY CHARGES	1141.29	1141.29	684.77	1597.81
HIRE CHARGES CAR/JEEP & OTHERS	3.19	6.70	2.62	7.28
TOTAL	**1373.42**	**1376.94**	**824.76**	**1925.61**
DEPRECIATION	1527.54	1527.60	916.53	2138.60
Total	**1527.54**	**1527.60**	**916.53**	**2138.60**
CSR	118.58	304.93	118.58	304.93
TOTAL	**118.58**	**304.93**	**118.58**	**304.93**
RESEARCH AND DEVELOPMENT EXPENSES				
TOTAL	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL EXPENDITURE	36533.38	13836.37	31177.30	19192.44
	50369.74		50369.74	
		5356.07	**lakhs**	
		25.00	**lakhs**	
Employees considered for CHQ Alocations		214.24	No. of Employees	
Employees should have been considered		171.4	No. Employees	

Actual Employees for Airport Segment

Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH

ANS	**341.0**	**21.0**	**320.0**	**320.0**
Airport	**1195.0**	**692.0**	**503.0**	**1216.0**
				1536.0
Cargo	**15.0**		**15.0**	
Commercial	**19.0**		**19.0**	
land	**12.0**		**12.0**	
				1247.0
Total	**1582.0**	**713.0**	**869.0**	
	1582.0			
	0.0			
Proportion of HR & Fin to ANS			**144.2**	**No. Employees**
Proportion of HR & Fin to Non-aero			**17.2**	**No. Employees**
Total No. employees salary should have been gone to ANS & AERO			**171.4**	**No. Employees**

- Based on the above, detailed workings have been done for the F.Y. 2016-17, 2017-18 and 2020-21 wherein, it has been found that the ANS and Airport Employee Strength is1620 Nos., 1652 Nos. & 1582 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.

Particulars	2016-17	2017-18	2020-21
		No. of Employees	
Airport	1360	1281	1195
ANS	245	330	341
Common (Non-Aero & ANS)	85	123	122
Non-Aero	15	41	49
Total (Common + Non-Aero)	100	164	171
Airport + ANS	1605	1611	1536
Total strength	1620	1652	1582
Ratio of Airport & ANS	78:22	79:21	78.22

The Common Finance & HR Employees for ANS & Non-Aero and Non-Aero i.e. commercial & Land comes out to 100 Nos, 164 Nos., & 171 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.

- The Average Salary for the calculation has been taken as Rs. 16 Lakh, Rs. 18 Lakhs & Rs. 25 Lakhs per employee for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
- The revised ratio of Airport & ANS after considering the common employees are hovering around 78:22.
- In the calculations of CHQ & RHQ allocations, Expenditures (excluding pay & allowance) ratio of 50:50 has been applied among Airport & ANS whereas, the ratio for the sake of convenience is considered as 70:30 among Airport & ANS on the basis of Number of employees.

- By applying 70:30 Ratio instead of 50:50 in the above expenditure , the excess amount in F.Y. 2016-17, 2017-18 & 2020-21 comes out to Rs. 31 crores, Rs. 34 crores & Rs. 54 Crores respectively.
- With Average salary assumed and the excess amount of the expenditure for the above-mentioned Financial Years the number of employees comes out to 192 Nos, 191 Nos., & 214 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
- In view of above, it is requested to consider Net expenses of CHQ/RHQ as per SCP order i.e. @ 5% as non-aero and common expenses instead of 20%.
- Also, AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for allocation.

3.2 Admn. & General Expenses of CHQ & RHQ

AERA's Contentions

[Para 4.6.4 (b)]

- AAI has incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority is of the view that this expense should be analysed and distributed to stations on a case-to case basis. As the above details have not been provided by AAI, the same has not been allocated to the stations. Further, the Authority is of the view that considering the present scenario where the COVID-19 pandemic has significantly impacted the Aviation sector, it is imperative for the Airport Operators to rationalise their costs and plan the operations in an efficient manner.

- AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority is of the view that the stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses have not been allocated to the airports.

Based on the above methodology, the Authority has derived the revised allocation of CHQ and RHQ expenses and the same is presented in the table below (Table 13):-
Second Control Period

(In Cr.)

FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	Total
16.41	16.73	17.60	33.87	35.20	119.81

AAI's Submission

AAI has provided all the replies to the queries in respect of CHQ/RHQ allocations from time to time. Further, AAI has provided the General Ledgers of all the expenses sought by the Consultant. In view of this , AAI submits that the Legal & Arbitration Expenses at CHQ & RHQ level may be considered by AERA.

The Impact of Legal & Arbitration Expenses of CHQ (Profit Centre 11000)

Amount in Lakhs

Particulars	2016-17 Total TB Figure	2016-17 ANS 50%	2016-17 AIRPORT 50%	2017-18 TB Figure	2017-18 ANS 50%	2017-18 AIRPORT 50%
OAAI/802001000 LEGAL FEES & EXP	322.91	161.46	161.46	702.43	351.21	351.21
OAAI/800021000 Arbitration Exp.	12.86	6.43	6.43	27.60	13.80	13.80
OAAI/729005050 Arbit-Award Other Cost				1014.39	507.20	507.20
Total	335.77	167.89	167.89	1744.42	872.21	872.21

Particulars	2018-19 Total TB Figure	2018-19 ANS 50%	2018-19 AIRPORT 50%	2019-20 Total TB Figure	2019-20 ANS 50%	2019-20 AIRPORT 50%
OAAI/802001000 LEGAL FEES & EXP	818.25	409.12	409.12	632.08	316.04	316.04
OAAI/800021000 Arbitration Exp.	618.58	309.29	309.29	118.42	59.21	59.21
OAAI/729005050 Arbit-Award Other Cost	912.09	456.05	456.05	7.99	3.99	3.99
Total	2348.92	1174.46	1174.46	758.49	379.24	379.24

Above figures do not include the following expenditure

2016-17	Rs.4.87 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2017-18	Rs.13.74 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2018-19	Rs. 118.50 pertains to DIAL & MIAL , Not considered
2019-20	Rs. 255.64 Lakhs legal and prof expenses of DIAL MIAL

The Legal and arbitration Expenses details are provided for the F.Y. 2016-17 to 2019-20, wherein, it has been clearly shown that all the expenses are allocated to ANS and Airport in the

Ratio of 50:50. The Expenses pertaining to JVC's have been deducted before allocating to ANS and Airport. It is to be noted that the legal and arbitration expenses are mainly for the Airport Segment, but allocations to ANS have been done for 50%.

It is very difficult at this stage to book Legal & Arbitration Expenses to a particular profit centre. Henceforth, AAI will book Legal & Arbitration Expenses specific profit centre from F.Y. 2021-22 onwards.

The impact of Legal & Arbitration Expenses to Airport Segment is only Rs. 26 Crores. Whereas, similar expenses have been shifted to ANS Segment.

In view of above, it is requested to consider the Legal & Arbitration Expenses as provided by AAI for CHQ Allocations.

3.3 Cost Relatedness -Admn. & General Expenses of CHQ & RHQ

AERA's Contentions

[Para 4.6.4] – Cost Relatedness

- The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to Goa International Airport.
- The Authority feels that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is not transparent and efficient method, as it brings large variation in such expenses Year on Year, due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports have to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore expects AAI to examine these issues in detail and devise a full proof method for allocation of CHQ & RHQ expenses on priority.
- Further, the Authority feels that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidization can be used to cover Aeronautical expenses.

AAI's Submission

- AAI submits that AAI is in full agreement that there ought to be 'cost relatedness' while allowing it to be included in the ARR.
- AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for uniformity and standardization of allocations.
- AAI has maintained uniformity & standardization in allocation of CHQ & RHQ allocations as submitted on 24.12.2021.

In view of above, it is requested to go through the submission of CHQ/RHQ allocation which is submitted to AERA on 24.12.2021 and same may be considered in the true up exercise of 2nd control

In view of above, it is requested to go through the submission of CHQ/RHQ allocation which is submitted to AERA on 24.12.2021 and same may be considered in the true up exercise of 2nd control period. AAI submits that, based on the above computation, the expenses for TCP may also be considered by AERA as per MYTP.

3.4 Administration Expenses (Other than CHQ/RHQ)– Actuals not allowed and taken @ 10% of over the approved cost.

AERA's Contentions

[Para 4.6.4]

- As per AERA, there is significant increase in Admin Expenses between the cost approved (₹16.10 Crores) and actual cost incurred (₹ 36.54 Crores). The Authority noted that such increase in Admin is due to finalization of MESS contract for maintenance services and also hiring of vehicles and of manpower, which were needed for operational requirements. The Authority would like to draw reference to its Decision No. 11b on O&M expenditure that the Authority expects AAI to reduce O&M expenditure over a period of time. In view of this decision, the Authority notes that sufficient effort has not been initiated by AAI to reduce its O&M expenses. The Authority based on its analysis and in view of the above decision on O&M expenses, proposes to allow an increase of 10% over the approved costs of ₹16.10 Crores towards Administration expenses- other than CHQ/ RHQ (which works out to ₹17.71 Crores).
- The Authority is of the view that AAI should estimate its expenses towards Administration expenses based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current COVID-19 pandemic), such that the variance between the projections and the actual expenses is within the acceptable limits (such as say within 10%).

AAI's Submission

AAI has carried out a detailed examination of the Administration expanses & found that the Main reason for increase in Administration exp are as under:-

- Projection for the 2nd control was done based on existing contract @ Rs.7.15 lacs pm awarded in 2014 for 36 months.
- New contract was awarded on March 2017 @ Rs.30.88 lacs pm (cost increase due to cost inflation and new area included-Admin Block, Western side Finger, paved area city side and airside).
- Further the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months.
- Increase in Hiring of manpower for Apron control, pass section and new contract of "May I Help You".
- Increase in office exp due to Meeting & seminar exp on Parliamentary committee on tourism & India-US Aviation Security Working Group (ASWG).
- Earlier Airport operation were mostly managed through departmental vehicles whereas in last few years the Airport operations are managed through hiring of vehicles.
- Due to increase in fuel price & escalation has also increase the vehicles hiring cost.
- The upkeep contract is awarded to the lowest bidder based on approved tendering policies. As the price discovery is through market mechanism, it may not be possible that the cost will be within 10% of the cost of AAI. Cleanliness of the airport is of utmost importance & the contract to

be awarded to the lowest bidder based on the approved policy. There is no increase in other head than above.

- AERA, while issuing Consultation Paper No 08/2021-22 dated 15.06.2021 in the matter of determination of Aeronautical Tariff in r/o Cochin International Airport Ltd, had undertaken a study on Study on Efficient Operation & Maintenance Expenses for Cochin International Airport Ltd (FY 2017-2021) where in AERA has stated in chapter External Benchmarking that Goa airport has the lowest O&M Expenses . per PAX and per SQM of Terminal area(Refer Para 7.2.61) comparing with Airports having similar passenger Through Put. Table of O&M Expenses per pax and per sqmtr of Terminal Area as under

7.2.2. The various aspects related to O&M expenses based on passenger traffic compared across the select airports considered above are summarized in the table below:

Table 16: O&M expense comparison (passenger traffic wise) across select domestic airports

Airport location	Employee expense (INR) per PAX	R&M expense (INR) per PAX	Utilities expense (INR) per PAX	A&G expense (INR) per PAX	Total O&M expense (INR) per PAX
Cochin	66	21	26	56	169
Mumbai	37	23	22	77	158
Patna	49	15	5	63	132
Goa	19	7	9	11	46
Kolkata	95	33	36	17	180
Pune	51	10	9	8	78
Ahmedabad	40	26	24	24	114
Bhubaneswar	51	23	9	86	170

7.2.5. The various aspects related to O&M expenses compared across the select airports considered in this study and based on terminal area are summarized in the table below:

Table 18: O&M expense comparison (terminal area wise) across select domestic airports

Airport location	Employee expense (INR) per sqm	R&M expense (INR) per sqm	Utilities expense (INR) per sqm	A&G expense (INR) per sqm	Total O&M expense (INR) per sqm
Cochin	3140	985	1250	2670	8045
Mumbai	3660	2285	2145	7620	15715
Patna	24240	7330	2450	30755	64775
Goa	2605	930	1300	1490	6325
Kolkata	8475	2910	3180	1550	16120
Pune	20295	3900	3605	3360	31165
Ahmedabad	5840	3915	3560	3490	16810
Bhubaneswar	6320	2855	1170	10675	21020

Note: The numbers in the above table have been approximated to nearest multiple of 5

Hence, AERA is requested to consider the Actual expenses of Rs.36.54 cr as proposed for SCP in MYTP.

4. Third Control Period

4.1 Traffic for the Third Control Period

AERA's Contentions

[Para 5.4]

- Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority has taken into consideration the forecast/data published by ACI, IATA and CAPA India cited in para 5.3 above for arriving at the revised traffic projections.
- In the Authority's opinion, the impact of COVID-19 pandemic on the global aviation market is still prevalent and is expected to continue till the end of FY 21-22. However, with the gradual revival of the economy, increase in the uptake of the vaccines, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry is expected to recover at a better pace in the next few years.
- Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority is of the view that domestic passenger traffic and ATM will revert to pre-Covid levels (of FY 2019-20) by FY 2022-23.
- Further, the Authority notes that AAI has reduced the passenger traffic and ATM estimates for FY 2022-23 by around 20%, due to operationalization of Greenfield Airport at MoPA, Goa. The Authority considers the same to be appropriate and has also factored it in its estimation of passenger traffic and ATM.
- The Authority notes that the international flights in many countries have not been operationalized. Considering the slow growth in international passenger traffic estimated by the Agencies (as mentioned in para 5.3), the Authority feels that international passenger traffic and ATM will reach to pre-Covid levels (FY 2019-20) only over a period. The Authority is of the view that international passenger traffic and ATM at Goa International Airport, will reach to 93% of the level of FY 201920 by the end of the current Control Period.
- Considering the trend in the growth of traffic data, the Authority considers the growth rate of 25% in domestic passenger traffic and of 20% in domestic ATM for the FY 2023-24, as projected by AAI in their MYTP to be appropriate.
- The Authority proposes to use the 5-year CAGR for projecting domestic passenger traffic & ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), as it believes that 5-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic fluctuations.
- The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Third Control Period has been given in the table.

Table 21: Traffic proposed by the Authority for the Third Control Period

Passenger Traffic	FY19-20	FY20- 21	FY 21-22	FY 22-23	FY 23-24	FY24- 25	FY 25-26	Total (FY2122 to FY2526)
(in millions)								
Domestic	**76.51**	**28.50**	**48.46**	**62.03**	**77.54**	**88.70**	**101.48**	**378.21**
% of FY 19-20		37%	63%	81%	101%	116%	133%	
International	**7.05**	**0.39**	**060**	**1.50**	**2.70**	**4.86**	**6.56**	**16.22**

% of FY 19-20		6%	8%	21%	38%	69%	93%	
Total (Dom+Intl)	**83.56**	**28.90**	**49.06**	**63.53**	**80.24**	**93.56**	**108.04**	**394.43**
% of FY 19-20		35%	59%	76%	96%	112%	129%	
ATM (in 000's)								
Domestic	**53.63**	**21.78**	**35.95**	**46.01**	**55.21**	**62.39**	**70.50**	**270.06**
% of FY 19-20		41%	67%	86%	103%	116%	131%	
International	**4.02**	**0.35**	**0.57**	**0.97**	**1.79**	**3.31**	**4.64**	**11.28**
% of FY 19-20		9%	14%	24%	45%	82%	115%	
Total (Dom+Intl)	**57.65**	**22.14**	**36.51**	**46398**	**57.00**	**65.70**	**75.14**	**281.33**
% of FY 19-20		38.4%	63%	81%	99%	114%	130%	

AAI's Submission:-

A comparative table AAI vs AERA for Traffic forecasts for Passenger throughput and ATM is as under:-

Passenger Throughput	**Based on FY 2019-20 (Actual)-AAI**			**Based on FY 2019-20 (Actual)-AERA**			**Dom(%)**		**Intl.(%)**		**Total(%)**	
F.Y	**Dom.**	**Intl.**	**Total**	**Dom.**	**Intl.**	**Total**	AAI	AERA	AAI	AERA	AAI	AERA
2019-20	76.51	7.05	83.56	76.51	7.05	83.56						
2020-21	28.51	0.4	28.91	28.51	0.4	28.91						
2021-22	51.31	0.6	51.91	48.46	0.6	49.06	67%	63%	67%	63%	62%	59%
2022-23	53.88	0.84	54.72	62.03	1.5	65.13	70%	81%	70%	81%	65%	76%
2023-24	67.35	1.51	68.85	77.54	2.7	80.24	88%	101%	88%	101%	82%	96%
2024-25	77.45	2.71	80.16	88.7	4.86	93.56	101%	103%	101%	103%	96%	112%
2025-26	86.74	4.61	91.35	101.5	6.56	108	113%	133%	113%	133%	109%	129%

ATM	**Based on FY 2019-20 (Actual)-AAI**			**Based on FY 2019-20 (Actual)-AERA**			**Dom(%)**		**Intl.(%)**		**Total(%)**	
F.Y	**Dom.**	**Intl.**	**Total**	**Dom.**	**Intl.**	**Total**	AAI	AERA	AAI	AERA	AAI	AERA
2019-20	53.64	4.02	57.66	76.51	7.05	83.56						
2020-21	21.79	0.36	22.14	28.51	0.4	28.91						
2021-22	38.12	0.52	38.64	35.95	0.57	36.51	71%	67%	13%	14%	67%	63%
2022-23	39.08	0.7	39.77	46.01	0.97	46.98	73%	86%	17%	24%	69%	81%
2023-24	46.89	1.22	48.11	55.21	1.79	57	87%	103%	30%	45%	83%	99%
2024-25	51.58	2.13	53.72	62.39	3.31	65.7	96%	116%	53%	82%	93%	114%
2025-26	56.22	3.52	59.74	70.5	4.64	75.14	105	131%	88%	15%	104%	130%

- AERA has proposed that Goa Airport will achieve pre-COVID period traffic in the F.Y 23-24 whereas AAI had proposed it would achieve in the F.Y 24-25.
- AERA has considered 5 yrs CAGR for Dom and Intl. from FY2024-25 to FY2025-26 which is also not achievable as New MoPA Greenfield Airport will be operationalize by August 2022.
- During a pandemic Covid -19 where is so much of uncertainty, CAGR may not be the right basis for growth.
- Higher projection may lead to higher projection for Aeronautical Revenue and resulting huge increase in Actual shortfall for the next Control period and attract steep hike in Tariff which is unfavorable to AAI & Other stakeholders.

The projections submitted by AAI for the F.Y. 2022-23 to 2025-26 may be considered as the pandemic has not yet ended and there is no certainty yet.

Hence, AAI requests AERA to consider AAI's traffic projection.

Regulatory Asset base for Third Control Period
4.2 Allocation of Gross Block of Assets into Aeronautical and Non-Aeronautical

AERA's Contentions

[Para 6.2.2]

- The Authority has examined that the common assets within the Terminal Building have been apportioned as Non-aeronautical by Goa International Airport in the Terminal Building ratio of 7.5% during the FY 2018-19 and FY 2019-20. Considering the passenger profile at the Airport, the Authority is of the opinion that the Terminal Building ratio of 7.5% (Non-aeronautical area to total area) is lesser as compared to the similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Hence, the Authority proposes to consider a revised Terminal Building ratio of 8% as reasonable, in line with the optimum Non-aeronautical proportion of 8%-12% approved for similar airports while apportioning the common assets within the Terminal Building.

AAI's Submission

- AAI has bifurcated the Assets into Aeronautical and Non-Aeronautical based on the approved TBLR i.e. 92.5% in the Tariff Order.
- Although Goa airport is currently the 9th busiest airport in India and being Civil Enclave (Table Top), there is shortage of land. The Terminal Building passenger handling capacity is 7.65 MPPA however the Airport handled 8.35 MP during FY2019-20 (Pre-covid). As the terminal Building is already saturated and there is not enough space providing more space for commercial activity inside the Terminal Building.
- Hence, we request AERA to consider TBLR 92.5% as approved in tariff order by AERA.

Regulatory Asset base for Third Control Period
4.3 Financing allowance

AERA's Contentions

[Para 6.3.7]

- The Authority noted that Goa International Airport has claimed Financing allowance of ₹ 1.89 Crores out of which ₹ 0.69 Crores incurred towards project on Extension and Modification of Terminal Building, ₹ 0.73 Crores towards construction of car park and residential quarters and ₹ 0.47 Crores towards laying of electrical cable in the MYTP submitted for the Third Control

Period. The Authority proposes not to allow the above Financing allowance which is computed on the above capital expenditure projects that are proposed to be carried out using own funds/ equity.

AAI's Submission

- We request AERA to refer para-2.1 to the detailed explanations provided in comments to the Second Control Period True up for consideration of FA in TCP also.

4.4 Capital Additions during TCP

AERA's Contentions

[Para 6.3.5.1-A2-3 & 8]

A2-3 & 8: - Extension and modification of existing Terminal Building: -

- The Terminal Building currently has the capacity to handle 7.65 MPPA. However, in FY 2018-19 and FY 2019-20, the actual passenger traffic was in the range of 8.46 MPPA and 8.35 MPPA respectively, which were higher than the Terminal Building capacity. To cater the requirement of robust traffic growth at Goa airport (which is expected to reach 10 MPPA by end of the Control Period), AAI had proposed to extend the existing Terminal Building (vide work order AAI/Engg. (C)/Goa/ TB-Extn/201920/78 dated December 3, 2019). The capacity of the Terminal Building after the above extension is expected to reach to 9.65 MPPA. The Authority reviewed the AUCC meeting conducted by AAI for Goa Airport on March 28, 2017, with respect to the above project on extension of Terminal Building. The Authority also reviewed the physical progress of the extension of the Terminal Building during its visit to the Airport through its independent consultant and noted that only 14% of the construction work has happened. It was noted that the project was under slow progress due to COVID-19 pandemic and the monsoon season. Further, it was noted that the Environmental clearance for this project was obtained only in May 2021. AAI had projected the completion of this project by FY 2022-23. However, considering the slow progress of the execution of work, the Authority proposes to consider completion of this project by FY 2024-25 and shift the capitalization of the cost of extension of Terminal Building (including IDC) to FY 2024-25. Further, the Authority noted that the total capital expenditure pertaining to Terminal Building has been allocated to Aeronautical services in the ratio of 92.5%:7.5 % which the authority proposes to revise and allocate in the ratio of Terminal Building i.e., 92%:8% in order to be in line with similar airports.

AAI's Submission

Extension and modification of existing Terminal Building:

Name of the Project	Total Cost (Rs.in Cr.)	As per AAI (Rs.in Cr.) Aero cost	As per AERA (Rs.in Cr.) Aero cost
1. **Extension of Existing TB**			
a. Civil work	85.87	79.43 (Aero-92.5%) PDC22-23	79 (Aero-92%) PDC24-25
b. Electrical work	57.24	2.98 (Aero-92.5%) PDC22-23	2.97 (Aero-92%) PDC24-25
b. Electrical work	57.24	2.98 (Aero-92.5%) PDC 22-23	2.97 (Aero-92%) PDC24-25
c Airport system & IT	35.79	35.79 (Aero-100%) PDC 22-23	35.79 (Aero-100%) PDC24-25
d. Modification of Existing TB.	3.23	2.98 (Aero-92.5%) PDC 22-23	2.97 (Aero-92%) PDC24-25
e. IDC on TB (Aero Only)		4.21 (Aero-92.5%) PDC 22-23	13.9 (Aero-92%) PDC PDC 24-25
Total Extension of Existing TB	**182.13**	**121.18**	**120.73**

- AAI has proposed PDC 2022-23 (March23) however AERA has proposed to shift the PDC from FY2022-23 to FY 2024-25.
- The work has been awarded on 03.12.2019. Environmental Clearance was received from MoEF on 25.05.2021. Accordingly, extension work has started on 07.06.2021. The work is delayed basically due to delay in issuance of Environmental Clearance by MoEF, COVID pandemic and extended rain. At present the work is in full swing and presently progress is 17%. Scheduled Date of Completion is 31.03.2023.
- 92.5% of cost has been considered as approved by AERA vide Goa Tariff Order for 2nd CP against the Actual-92.5 (4832.57 SQM (7.41%) out of 65231 SQM). Hence AERA is requested to consider as proposed by AAI.

AERA is requested to consider the PDC and TB Ratio as given by AAI and accordingly IDC and Financing allowance may be calculated.

AERA's Contentions
[Para 6.3.5.1-A5]
A5: - Construction of CISF barracks: -

- The Authority examined the progress of construction of CISF barracks and observed delays in the commencement and execution of this project. Administrative approval (AAES) for this project was obtained in December 2013 and the contract was awarded in December 2015. Further, the consent to execute the work as per the terms of the agreement was obtained from the contractor only in September 2018 and mobilization advance was provided in January 2019. The construction work, which had commenced in January 2019, was suspended due to COVID-19 pandemic and again resumed in 2021. The Authority noted that as on the date of its review, only 40% of the work has been completed. Further, during a recent physical visit to the Airport through its independent consultant, the Authority noted that the work had been suspended due to the monsoon season. Further, it was noted that there is deep valley quite close to the CISF barrack accommodation and a retaining wall is needed for the safety of the above barrack accommodation. Considering the above delays in the issuance of contract, commencement of work and the continued slow progress in the execution of the project, the Authority proposes to shift the capital expenditure pertaining to this project (which is projected for ₹ 15.43 crores) to the next Control Period.

AAI's Submission: -

- The work is delayed due to COVID pandemic and heavy rains, as the big nullah is passing just behind the structure causing delay in retaining wall construction. Since rainy season is over the work is taken up in full swing to complete the project in scheduled time. The present progress of the work is 41% and PDC is 30.09.2022 (FY22-23).

AERA is requested to consider the cost of construction of CISF barracks in RAB.

AERA's Contentions
[Para 6.3.5.1-B3]
B3: - Furniture and Fixtures: -

- Procurement of 01-R/W sweeping Machine & 250 Chairs. b. Procurement of 250 Trolleys (with Brake) The Authority has reviewed the above projections done by AAI and is of the view that considering the slowdown in the growth of passenger traffic, the projected cost of above furniture and fixtures may be revisited by AAI. Accordingly, the Authority proposes to consider only 50% of the above projected cost of furniture and fixtures.

AAI's Submission: -

- AAI makes bulk order of Item considering the Operational requirement for 4 to 5 yrs based on the prescribed tendering procedure which is more economical than making repeated purchases.

Hence, AERA is requested to consider 100% cost.

4.5 One (1%) readjustment to the RAB if project not completed

AERA's Contentions
[Para 6.3.8]

- To reduce (adjustment) 1% of the project cost and the applicable carrying cost in ARR at the time of determination of tariff for the Fourth Control Period in case of non-completion of the project as per the proposed timelines.

AAI's Submission & Request

- AAI submits to take on case to case basis as due to pandemic/other genuine reasons beyond the control of AAI, work delay is unpredictable. AAI would always endeavor to ensure that the work is completed in time.

4.6 Fair Rate of Return (FRoR) for TCP

AERA's Contentions

[Para 7.2.1]

Debt and Cost of Debt:

- The Authority also notes that AAI has considered capital expenditure funding where 60% of the capital requirement is funded through debt and 40% from internal accruals. The Authority also notes that AAI has accounted for depreciation in its submission of debt proportion. The Authority proposes to rectify the same and recalculate the debt proportion (excluding depreciation) for Goa International Airport in the Third Control Period. From the next Control Period, the Authority may use the notional debt-equity ratio of AAI airports in line with the PPP Airports.

Equity and Cost of Equity:

- The Authority has analysed the cost of equity pertaining to Goa International Airport as submitted by AAI for the Third Control Period. The Authority acknowledges the debt taken by AAI for Goa International Airport in the Third Control Period and its impact on FRoR. However, the Authority is of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16% per annum as submitted by AAI. The Authority has drawn reference to the independent studies conducted in the tariff determination exercise for DIAL (Refer to Order No. 57/2020-21), MIAL (Refer to Order No.64/2020-21), HIAL (Refer Order No.12/2020-21), BIAL (Refer Order No.11/2020-21) and CIAL (Refer Order No.08/2020-21). The independent study considers an optimal gearing ratio of 48%:52% and determined a cost of equity in the range of 15% to 15.50%. Given that the debt-equity ratio for Goa International Airport ranges between 4% to 21%% in the Third Control Period, the Authority proposes to maintain a cost of equity of 14% across the Third Control Period.

Based on the materials before it and its analysis, the Authority proposes the following with respect to FRoR for the Third Control Period:

- To consider the cost of equity at 14.00% as per Table 36
- To consider the cost of debt at 6.21% as per Table 35
- To consider FRoR of 12.91% for the Third Control Period as per Table 37.
- To true up the actual cost of debt and FRoR during the tariff determination exercise for the Fourth Control Period.

AAI's Submission

AAI had appointed M/s KPMG to carry out a study on Cost of Equity during 2011 the results of which are given below:

Table 3: Beta of comparable airports

Airport / Group	Country	Equity Beta	Tax Rate	Debt (in Billion local currency)	Mkt Cap (in Billion local currency)	Debt /Mcap	Asset Beta
Airports of Thailand PCL	Thailand	1.14	30%	56.2	54.3	1.03	0.66
Beijing Capital International Airport	China	1.03	25%	18.5	14.8	1.25	0.53
Guangzhou Baiyun International Airport	China	0.91	25%	0.0	8.3	0.00	0.91
Shanghai International Airport	China	1.04	25%	2.5	22.0	0.11	0.96
Xiamen International Airport	China	0.95	25%	0.0	4.1	0.00	0.95
Grupo Aeroportuario del Sureste SAB de CV (Group of 9 airports in Mexico)	Mexico	0.94	30%	0.6	21.0	0.03	0.92
Grupo Aeroportuario del Pacifico SAB de CV	Mexico	0.84	30%	1.0	27.2	0.04	0.82
Grupo Aeroportuario Centro Norte, S.A. de C.V.	Mexico	0.99	30%	1.0	9.2	0.10	0.92

The median value of asset beta for the above comparable set is 0.92 which is being used as the asset beta for airport operations business of AAI. This needs to be re-levered as per the expected gearing of AAI in the control period to estimate the equity beta for AAI.

Table 4: Equity Beta for AAI

Estimated asset beta for AAI	0.92
Gearing for AAI	8.84%
Tax rate for AAI	32.45%
Equity beta for AAI	0.98

Equity beta for AAI works out to 0.98.

For full Report, please refer Consultation Paper No. 16/2012-13.

Based on the above report, AAI submitted during SCP consultation that the CoE was 16%. AERA in the SCP order had also considered CoE of 16% and since there was no debt, the FRoR was determined to be 14%. AAI submits that the debt was taken only during the end of FY 21 and hence, AAI requests AERA to consider FRoR of 14% for SCP.

- The Equity estimation can also yield a range of values depending on the assumptions employed.
- Cost of Equity depends on ownership structure, Comparable Airports & Revenue Till
- Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.

- In 1st Control Period, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98. The cost of Equity submitted by AAI works out to 16.82%
- If AERA considers the debt equity ratio as 48:52 as ideal ratio and provides Asset Beta @ 0.92 then the FRoR will increase to more than 16%.
- In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.
- It is also requested to consider the FRoR as submitted by AAI instead of an Average FRoR @ 12.91% for TCP.

4.7 Non-Aeronautical Revenue for TCP

AERA's Contentions

[Para 9.2.6]

Revenue Related to Passenger Traffic:

- The Authority notes that AAI's projection of Non-aeronautical revenues for the Third Control Period for Goa Airport (₹ 231.80 Crores) is lesser than the actual revenue reported by Goa Airport for true up of the Second Control Period (which is at ₹ 306.04 Crores). Further, as also mentioned in para 4.5.2, there were short duration Master Concessionaire agreements which were in existence only during FY 201819 and FY 2019-20 and had resulted in substantial increase in Non-aeronautical revenues during those years (under the category 'Restaurants & Snack Bar' and 'T.R Stalls'). Upon termination of these agreements, the revenues for FY 2020-21 were adversely impacted. Consequently, the projections for Non-aeronautical revenues for the Third Control Period, computed from FY 2020-21 revenues were also correspondingly reduced.
- Further, the Authority notes that the projections towards Operation and Maintenance expenses for the Third Control Period have increased substantially, compared to the Non-aeronautical revenues. The Authority would like the stakeholders to comment on the above aspect.
- The Authority examined the Non-aeronautical revenues for FY 2020-21 (which is considered as a basis for projecting Non-aeronautical revenues for the Third Control Period) submitted by AAI and found the figures to be in line with the trial balances for FY 2020-21.

Utilisation of earmarked commercial space

- The Authority notes that out of the earmarked commercial space of 15,715.15.Sq.m, nearly 94% (14,769.15Sq.m.) has been allotted to the Concessionaires. Further the Authority noted that the proportion of Non-aeronautical area to total Terminal Building area is only 7.41 % (Terminal Building ratio) as against the ratio of Non-aeronautical area of other similar airports such as Trichy, Raipur, Varanasi and Amritsar. Also, the Authority notes that currently, the Terminal Building is being extended by 18,300 Sq.m.
- With the optimal utilisation of the earmarked commercial space and with the extension of Terminal Building, the Authority believes that Goa Airport will be able to increase the proportion of Nonaeronautical area to the total Terminal Building area from the existing

7.41% to around 8% to 12% (being the optimum Terminal Building ratio as approved in similar airports).

Revenue from Passenger related services

- AAI has proposed revenues from Concession Agreements for FY 2021-22 and FY 2022-23 at the rate of 80% of FY 2019-20. Thereafter, an annual increase of 4%, 8% and 12% for revenues from Trading Concessions (other than Restaurant/ Snack Bars and TR Stalls) and Miscellaneous have been proposed for the last 3 tariff years, viz., FY 2023-24, FY 2024-25 and FY 2025-26, factoring in the growth in traffic for the above tariff years by assuming the passenger traffic for FY 2019-20 as the base. The Authority noted that the above waiver in the contractual revenues (20%) from the Concessionaires is allowed by AAI vide its Commercial Circular No. 24/ 2020 and 26/ 2020, considering the impact of COVID-19 on the Aviation sector. The revenue from Restaurant/ Snack Bars and TR Stalls have been proposed by AAI to be increased by 10% for the last 3 tariff years, viz., FY 2023-24, FY 2024-25 and

  FY 2025-26.

- Assuming that passenger traffic for the last three tariff years would revert to the pre COVID-19 levels (of FY 2019-20), the Authority proposes to consider a growth rate of 15% in the revenues (based on the passenger traffic forecasted by the Authority) from Passenger related revenue (Trading Concessions) for FY 2023-24 to FY 2025-26.

- The AAI has entered into Concessionaire agreement with M/s Travel Food Services Private Limited to manage and maintain food beverage outlets at Goa Airport via agreement number AAI/Goa/Comm/ MC/F&B/2021/194/263 dated July 28, 2021. The Authority noted a business incubation period of 60 days and after Concession Agreement is proposed to be executed. The authority proposes to consider the revenue from the Concession Agreement (₹0.93 Crores per month) for FY 2021-22 with effect from October 1, 2021 onwards.

AAI's Submission

- Generally, increase in traffic is not proportionate with increase in NAR.
- It is to mention that in view of Covid-19 pandemic, AAI had provided Concessionaire Support Scheme (CSS) to various contractors linked to the passenger traffic till 31/12/2021. Under the CSS, license/concession fee was charged based on actual passenger traffic during a particular month. In addition, additional discount was also given due to adverse impact on buying behaviour of the passenger.
- In view of the above, revenue growth after 31/12/2021 is not to be linked with passenger traffic growth. 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 pre- Covid years
- Hence, projections from FY 2022-23 onwards should be delinked with total traffic numbers and AAI circulars 24&26. Further, in the revenue projection for FY 2021-22, additional discount provided under CSS in license fee due to adverse impact on passenger buying behaviour has also to be factored in.
- As per RFP(Copy enclosed)of Restaurant/Snack/Car Parking/Hoarding & Display have the clause of annual Escalation with Passenger Growth as given below: -

(Rs. In Cr.)

<table>
<tr><th>Particulars</th><th>As per AAI</th><th>AS per CP</th><th>AAI Submission</th></tr>
<tr><td>Restaurant/Snack</td><td>58.22</td><td>62.78</td><td rowspan="3">• Annual Escalation 5% if PAX growth increases up to 5% or
• Annual Escalation 10% if PAX growth Greater than 5% and upto 18% or
• Annual Escalation 15% if PAX growth Greater than 18%.
• Proposed PAX growth is as under:<table><tr><th colspan="5">Proposed PAX Growth (%)</th></tr><tr><th></th><th>FY2223</th><th>FY2324</th><th>FY2425</th><th>FY2526</th></tr><tr><td>AAI</td><td>5.40%</td><td>25.84%</td><td>16.42%</td><td>13.96%</td></tr><tr><td>AERA</td><td>28.81%</td><td>26.32%</td><td>16.67%</td><td>15.18%</td></tr></table></td></tr>
<tr><td>Car Parking</td><td>7.32</td><td>8.82</td></tr>
<tr><td>Hoarding & Display</td><td>32.29</td><td>38.88</td></tr>
<tr><td>Duty Free Shop</td><td>37.32</td><td>44.94</td><td>Estimated Revenue is projected as the sales fully depends on the International Flight.
Further the existing contract has expired and proposal for the new contract is under process.
AERA has proposed increase 15% YOY against 10%YOY proposed by AAI.
The International Flight operation have been suspended due to the Pandemic & operation of the same is uncertain due to the pandemic.
Hence, AERA is requested to consider the growth proposed by AAI.</td></tr>
<tr><td>TR Stall</td><td>58.07</td><td>62.15</td><td rowspan="3">AERA is requested to consider the 10%YOY against 15% as there is no clause of escalation based on the PAX growth in the contract</td></tr>
<tr><td>Car Rental</td><td>1.28</td><td>1.53</td></tr>
<tr><td>Other Misc.</td><td>20.54</td><td>24.63</td></tr>
<tr><td>Admission Ticket</td><td>0.94</td><td>1.13</td><td>Considering Pandemic, no visitors Tickets is being issued. Passes are being issued to contractors/concessionaires only. Hence AREA is requested to consider the growth proposed by AAI.</td></tr>
</table>

Considering the above, AERA is requested to revise the Non-Aeronautical Revenue as projected by AAI

AERA's Contentions
[Para 9.2.9]

Other Revenue-Rent & Services: -

- The Authority has noted that AAI has estimated revenue from land lease for FY 2021-22 by assuming a 0% growth over FY 2020-21 revenues. AAI has used a growth of 5% per annum to estimate revenue from land leases.
- The Authority proposes to consider the increase in revenues as submitted by AAI on Land Lease, Building (Residential and Non- Residential) and sale of scrap for the Third Control Period.

AAI's Submission

- The Authority proposes to consider the increase in revenues as submitted by AAI on Land Lease, Building (Residential and Non- Residential) and sale of scrap for the Third Control Period.

Table 41: Growth rates in Non-aeronautical revenue proposed by the Authority

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
1. Passenger related revenue					
Restaurant / snack bars	331%	79.00%	15.00%	15.00%	15.00%
T.R. stall	5051%	167.17%	15.00%	15.00%	15.00%
Hoarding & display	113%	37.86%	81.76%	16.61%	15.43%
Duty Free	3800%	38.35%	81.52%	16.57%	15.50%
Car rentals	391%	35.71%	78.95%	17.65%	15.00%
Car parking	14%	38.46%	82.41%	16.24%	15.72%
Admission tickets	-47%	40.00%	78.57%	16.00%	17.24%
Other income	-8%	38.18%	81.25%	16.70%	15.40%
2. Other Revenue					
Land leases*	0%	5.00%	15.00%	15.00%	15.00%
Building (residential)	0%	10.00%	0.00%	0.00%	0.00%
Building (non-residential)	10%	10.00%	15.00%	15.00%	15.00%
Sale of scrap etc.	-8%	38.18%	81.25%	16.70%	15.40%

AERA has linked Land Lease, Building (Residential and Non- Residential) and sale of scrap with the passenger growth and projected higher revenue. The Land Lease have an escalation of only 5% as per AAI policy. Building- Residential & Non-Residential & scrap are no way connected to passenger growth.

Hence, AERA is requested to consider revenue from Land Lease, Building (Residential and Non-Residential) and sale of scrap as projected in MYTP by AAI.

4.8 Operating Expenses for Third Control Period

AERA's Contentions

[Para 10.2.6]

Pay Roll Cost:

- AAI considered a growth rate of 7% in payroll expenses for the period 2021-22 and 2022-23 and an additional 10% increase had been made to the FY 2023-24. It was noted that the additional increase in growth rate has been proposed by AAI due to extension of Terminal Building. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority proposes to consider a growth rate of 6% year on year in payroll expenses for the Third Control period beginning from FY 2021-22, as was also considered for similar AAI Airports. The above restriction in the growth rate in payroll expenses, is being proposed with the perspective of rationalising the costs of the Airport. Also, as there is no increase in manpower deployed for the maintenance of the extended Terminal Building, the Authority proposes to consider the growth rate of only 6% of payroll expenses other than CHQ and RHQ, for all the 5 years in the Third Control Period.

AAI's Submission

- 7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, and quarterly increase in DA and Employer contribution to PF. The figures for the F.Y. 2020-21 are actual as submitted by on 24.12.2021 in r/o Pune Airport. (for Illustration)

The following illustration clearly shows that there is an average 7% increase in the Payroll expenditure.

Calculation of incremental increase in Salary (in %age terms)								
								(In Rs.)
Particulars	Per Month	Salary Year 1	Q1	Q2	Q3	Q4	Salary Year 2	Yearly Incremental
Basic Pay	10000	120000	30900	30900	30900	30900	123600	3600
DA	1800	21600	6798	7725	8343	8652	31518	9918
HRA	2700	32400	8343	8343	8343	8343	33372	972
PERKS	3500	42000	10815	10815	10815	10815	43260	1260
EPF	1200	14400	3708	3708	3708	3708	14832	432
Total	19200	230400	60564	61491	62109	62418	246582	16182

Particular	%age Increase					
DA	18%		22%	25%	27%	28%
HRA	27%		27%	27%	27%	27%
Perks	35%		35%	35%	35%	35%
EPF	12%		12%	12%	12%	12%

Total Increase (in Rs.)	**16182**
% increase	**7.02**

Assumptions:

Year 1 Means Previous Year
Year 2 Means Current Year
Basic Pay – 3% yearly increase considered.
Dearness Allowance- Quarterly increase considered.
HRA, Perks & EPF – Considered Constant

- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year on Year basis.
- AAI requests AERA to consider 7% increase on Year on Year basis for the Third Control Period to maintain consistency and also allow 10% additional increase in FY2023-24 as the expansion of Terminal Building will be completed by March 2023 and additional employees will be required for smooth functioning of operation.

4.9 CHQ & RHQ - Admn. Expenses

AERA's Contentions
[Para 10.2.7]

- The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Goa International Airport for the Third Control Period. Based on the methodology explained under para 4.6.4 above (on true up of expenses for the Second Control Period), the Authority has derived the allocable expenses of CHQ and RHQ to Goa International Airport for the Third Control Period.

AAI's Submission

- AAI had submitted the Revised CHQ & RHQ Allocation for the F.Y. 2016-17, 2017-18, 2018-19, 2019-20 & 2020-21 to AERA vide e-mail dated 24.12.2021. Also refer detailed workings provided at the pre-page note of CHQ & RHQ Expenses. AAI requests AERA to consider the revised amount of allocations during these years as proposed by AAI.

Goa International Airport : CHQ/RHQ Allocations (95% Aero & 5% for Non Aero)					
					Amt. in Crores
Year>	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Actual Amount >	34.64	26.67	48.87	80.17	42.22

4.10 R&M Expenses

AERA's Contentions

[Para 10.2.8]

- The Authority noted that AAI has proposed an increase in repairs and maintenance costs by 40% in the FY 2023-24 on account of the following:
- AAI has proposed to charge off the interest cost on debts availed for extension of Terminal Building and the maintenance cost on the extended Terminal Building (₹ 0.73 crores per annum as per the terms of the Contract), under operational and maintenance expenses from the FY 2023-24 onwards, post capitalization of the extension of the Terminal Building.
- The Authority has re-computed the total interest costs for extension of Terminal Building (after excluding the interest costs on debts proposed for Apron, which had already been capitalized in the Second Control Period).
- Further, as the Authority proposes to shift the capitalization of the costs of extension of Terminal Building to the FY 2024-25 (as mentioned in para 6.3.5 and Table 27), it has included the interest costs (IDC) as part of capitalization costs of the asset. The interest costs of the debts availed for extension of the Terminal Building only pertaining to the FY 2025-26 (of ₹ 3.58 crores) has been included under Repairs and Maintenance. The Authority is of the view that the said interest costs should be accounted separately as financial costs. Also, the Authority has included the maintenance costs (₹ 0.73 crores per annum) of the extended Terminal Building from the FY 202526, post capitalization of the cost of the extended Terminal Building in the FY 2024-25.
- The Authority notes that AAI has proposed an increase of 10% year- on- year on civil, electrical and other repairs for the Third Control Period. The Authority is of the view that Goa International Airport is extending its Terminal Building and has installed/ proposed to install new electrical fittings during the Third Control Period. As most of these assets are newly constructed/ installed and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposes to increase repairs and maintenance costs year-on-year by 6% instead of 10%, as proposed by AAI.

AAI's Submission

- The work of Expansion of Existing Terminal Building is delayed basically due to delay in issue of Environmental Clearance by MoEF, COVID pandemic and extended rain. At present the work is in full swing and presently progress is 17% and will be completed as scheduled Date of Completion i.e.31.03.2023. Hence AERA is requested to consider the Financing cost of Rs.13.62Cr (post capitalization) for FY2023-24 to FY2025-26.
- R&M Electrical & Electronics includes Manpower (Operators) and to be payable as per the minimum wage of the state Govt and additional manpower will be required for the equipment installed at expansion area.

- Some Expenses are of Revenue Nature to be charged off as per the Accounting policy e.g. Renovation of Toilet & Floor tiles etc.
- AERA is requested to consider 10% increase year on year instead of 6% and also allow additional increase of 10% in FY2023-24 due to operationalization of expanded area of TB.

4.11 General & Administration Expenses (Other than CHQ/RHQ, Upkeep & CSR Expenses

AERA's Contentions
[Para 10.2.9]

- The Authority noted that AAI has projected a 10% increase in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) year-on-year and an additional 10% increase in FY 2023-24 due to operationalization of the extended Terminal Building in the FY 2022-23. However, as the Authority has shifted the capitalization of extended Terminal Building to FY 2024-25, it proposes to consider only 10% increase in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) year-on-year for the Third Control Period.

AAI's Submission

- The Authority has proposed to allow an increase of 10% over the approved costs of ₹16.10 Crores towards Administration expenses- other than CHQ/ RHQ (which works out to ₹17.71 Crores) while truing up for the 2nd Control Period against the actual Expanses of Rs.36.54cr.
- AAI requests AERA to consider the Actual Expanses of Rs. 36.54 cr for the 2nd Control period and allow 10% increase YOY on actual expanses FY2020-21(base year) in Administration and General expenses (other than CHQ/ RHQ, Upkeep and CSR expenses) for the Third Control Period as proposed by AAI.

4.12 Utility Expenses

AERA's Contentions
[Para 10.2.10]

- **Power expenses**: AAI has projected the power costs, after netting off the recoveries made from the Concessionaires (which is assumed to be 10% of the total power costs). The Authority notes that the power recovery percentage is significantly lower than that of comparable airports. The Authority is of the view that with the gradual increase in the Nonaeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposes to consider power recoveries at a notional rate of 25% in the tariff order of the Third Control Period. The Authority invites stakeholder comments on the same and proposes to analyse this further in the Tariff Order for the Third Control Period.
- The Authority noted that AAI has increased the net power costs of FY 2020-21 by 3% year on-year for the Third Control Period. Further, AAI has proposed a 10% increase in FY 202324, due to operationalization of the extended Terminal Building in FY 2022-23. However, as the Authority has shifted the capitalization of extended Terminal Building to FY 2024-25,

it proposes to consider only 3% increase in power expenses across all the 5 tariff years in the Third Control Period.

- **Water charges**: AAI has assumed 0% increase in water charges for the first 2 tariff years in Third Control Period and have projected 10% increase in the water costs for FY 2023-24 due to operationalisation of the extended Terminal Building in FY 2022-23. However, as the Authority has shifted the capitalisation of extended Terminal Building to FY 2024-25, it proposes to consider 0% increase in water expenses across all the 5 tariff years in the Third Control Period.

AAI's Submission

- AAI requests AERA to consider additional 10% increase in Power & Water charges in FY2023-24 due to expansion of Terminal Building as more IT & Electrical equipment will require more electricity proportionate with increase in area.

4.13 General & Administration Expenses

AERA's Contentions
[Para 10.2.11 & 10.2.12]

Upkeep expenses

- The Authority has reviewed the tender document of the contractor MESS (for upkeep expenses) and noted that the contracted rates are effective for 3 years and is extendable for 2 more years. There is no clause on escalation of the contracted rates during the above period. The Authority is of the view that for each tariff year across the Third control period, an increase of 4.9% towards inflationary effect should only be considered, instead of the 10% increase year-on-year as proposed by AAI. Hence, the Authority proposes to consider a 4.9% increase in Upkeep expenses year on year across the third control period.

- The Authority noted that AAI has proposed an increase in upkeep expenses for FY 2023-24 due to operationalization of the extended Terminal Building, wherein there is an increase in the space by 18,300 Sq.m. The Authority also noted that the upkeep expenses pertaining to the extended Terminal Building had been derived by AAI on a proportionate basis considering the existing land area and the cost per Sq.m. The Authority considers the above basis and assumptions followed by AAI to be reasonable. However, as discussed in para 6.3.5, the Authority has shifted the cost of capitalisation of the extended Terminal Building to the FY 2024-25. Accordingly, the Authority proposes to shift the above increase in upkeep expenses of the extended Terminal Building to FY 2025-26, as the same would take effect only after the completion of the extended Terminal Building which is proposed to be completed only by FY 2024-25.

AAI's Submission

- Projection for the 2nd control period was done based on existing contract @ Rs.7.15 lacs pm for 36 months award in FY2014.
- Further, New contract was awarded on March 2017 @ Rs.30.88 lacs pm (cost increase due to cost inflation and new area included-Admn Block, paved area city side and airside).
- Recently the New contract has been awarded on Sept 2020 @ Rs.41.47lacs pm for 36 months.

- The upkeep expenses are merely not linked with the area of building but there are other factors like cleaning with modern and high technology equipment, wages of the labor, escalations in the prices of the materials, cleaning of Transparent Glass Facades, Ceilings, Covid-19 protocols etc. The minimum wages of labor play an important role in deciding the upkeep expenses at airport.
- The Upkeep expenses cost are arrived by the approved tendering process and are market driven and may not with the approved fixed percentage(%) as considered by AERA.
- Therefore, AAI requests AERA to allow the expenditure as submitted by AAI instead of restricting it to inflation of 4.9% from F.Y. 2021-22 and thereafter and also requests to consider revised PDC of Expansion of Existing Terminal Building(March2023) and allow propionate increase in Upkeep Exp as proposed by AAI.

4.14 UDF Collection Charges

AERA's Contentions

[Para 10.2.13]

- For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same fundamental approach, as it finds the same to be a reasonable driver.

AAI's Submission

- AAI requests AERA to consider the traffic as per AAI submission and according consider the UDF Collection Charges.

4.15 CSR Expenses

AERA's Contentions

[Para 10.2.14]

- AAI has projected ₹ 4.98 Crores as contribution towards CSR expenses (shown as part of other expenses under Administration and General expenses). The Authority examined AAI's submission regarding CSR expenses under Admin & General expenses and has re-computed the same in accordance with the statutory requirement under the Companies Act, 2013, viz., 2% of the average profits of the preceding 3 financial years.

AAI's Submission

- As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.
- It is to be noted that CSR costs are allocated to a station from CHQ and hence AAI submits that the CSR computation based on an aero profit ought to be done on a company as a whole basis and not station wise. In this regard it is further added that a CSR committee headed by Chairman has been constituted by AAI Board for recommendation of the activities for CSR for AAI as a whole based on the profitability of AAI as a whole.

- The CSR Cost for TCP is required to be considered on the same lines as proposed by AAI.

4.16 Return on Land for the 3rd Control Period

AERA's Contentions

[Para 12.2.5 to 12.2.8]

- As per the Land Return Order No. 42/2018-19 dated March 5, 2019, the Return on Land should be given only on the cost of land used for Aeronautical activities. Hence, out of the total land, only 19,495 Sq. m is used for Aeronautical activities (as per Table 51) and the same is proposed to be considered by the Authority for providing return on land.
- As per Land Return Order No. 42/2018-19 dated March 5, 2019, for Land purchased by airport operating company either from private parties or from government, the compensation will be by way of equated annual installment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30 years.
- The Authority noted that AAI has considered 10.29% (SBI base rate plus 2%) for computing Return on Land. However, the Authority proposes to consider cost of debt at 6.21% (as the debts are consolidated at CHQ level) for computing the Return on Land, as the same is lower than the SBI rate plus 2%.
- Based on the above observations, the Authority has re-computed the Return on the cost of Land as follows:

Table 52: Return on cost of land recomputed by the Authority for the Third Control Period

** Return Value = Equated Annual Instalment computed at actual cost of debt Equated*

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Land Value (*₹ Crores*)	1.33	1.33	1.33	1.33	1.33	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value* (***₹ Crores***)	0.02	0.02	0.02	0.02	0.02	**0.10**

*Annual Instalment= [Cost*Rate*(1+Rate)^30]/[(1+Rate)^30-1]*

AAI's Submission

- As per the Land Return Order No.42/2018-19, the compensation will be way of equated annual installment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30yrs.
- AAI had acquired 25395 Sq.m of land for Rs.1.73 cr on March2019 from the State Govt from Equity fund out of which 5900Sq.m is used for Car Parking, Security Hut Left Luggage Room and Toilet Block and rest 19495Sq.m for Aeronautical activities. AERA had taken 6.21% cost of debt instead of SBI rate plus2%. However, AAI had not taken loan for acquisition of Land. Hence SBI rate plus 2% may be taken for calculating return on land. The comparison of equated annual installment is as under:-

- Return Value=Equated annual installment=[Cost*Rate*(1+Rate)^30]/[(1+Rate)^30-1]

As Per AAI	**As Per AERA**
Cost 1.33 cr.(Rs. 1,32,80,705/-(Proportionate)	Cost 1.33 cr.(Rs. 1,32,80,705/-Proportionate
Rate 10.29% (SBI+2%)	Rate 6.21%
=1.33*10.29*(1+10.29)^30]/[(1+10.29)^30-1]	=1.33*6.21*(1+6.21)^30]/[(1+6.21)^30-1]
=Rs. Rs.1442422/- or Rs.0.14cr.	=Rs. Rs.986608/- or Rs.0.09cr.
=Rs.0.72 cr. For the 3rd CP.	=Rs.0.49 cr. For the 3rd CP.

AERA is requested to consider Rs.0.72 cr for the 3rd Control Period as calculated above. AAI had inadvertently shown amt of Rs. O.07cr.

4.17 ARR & Proposed Tariff for Third Control Period

AERA's Contentions

- AERA has proposed shortfall(PV) to be carry forward of Rs. 284.36 cr in fourth control period.
- The Revised Tariff commencement date is set to be 1st July 2022
- AERA has proposed 15% increase in 1st yr in parking charges as against 40% proposed by AAI.
- AERA has proposed UDF of Rs.350(D) & Rs.650(I) for the FY2022-23 and thereafter increase of Rs. 25 YOY for the subsequent year.

AAI's Submission and Request

- AAI requests AERA to recalculate ARR based on comments given above in different Building Blocks.
- AAI requests AERA to consider Tariff commencement date from 1st July 2022 to 1st April 2022 as the recovery period (3 yrs and 9 months) will be increase by 3 months and definitely help in reducing shortfall to be carried forward for the next control period by Rs.10.32 cr (Rate & growth as proposed by AAI) or by Rs. 4 cr (Rate & growth as proposed by AERA).
- In FY 2020-21 Parking revenue is higher as most of the aircraft were parked due to nationwide lockdown. AAI had inadvertently projected Parking charges for the 3rd Control Period taking FY 20-21 as base however this will not reflect the true picture as normal traffic movements are expected to normalize over the TCP.
- Hence AERA is requested to take base of FY2019-20 for projecting parking revenue in the 3rd CP.

After considering all the above submission of AAI, AERA is requested to consider full recovery of ARR in the TCP considering the fact that New MoPA airport will be operationalization in the Year FY2022-23 (By August 2022) and moreover there will be steep hike in tariff in the next control period which will be unfavorable to stakeholders as well as airport Operator.