

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of Stakeholders' Consultation Meeting held on 18th January 2022 at 11:00 AM on Virtual Platform

CONSULTATION PAPER No. 25/2021-22 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR 3RD CONTROL PERIOD (01.04.2021 TO 31.03.2026) IN RESPECT OF NETAJI SUBHAS CHANDRA BOSE INTERNATIONAL AIRPORT, KOLKATA (NSCBIA)

1. AERA Act, 2008, Sec. 13 (iv) (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 18.01.2022 at 11:00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 25/2021-22 dated 29.12.2021 issued by the Authority to consider the Multi-Year Tariff Proposal for the 3rd Control Period (FY 2021-22 to FY 2025-26) in respect of Netaji Subhas Chandra Bose International Airport, Kolkata (NSCBIA). The list of the participants is enclosed as **Annexure – I**.
2. Secretary, AERA extended a welcome to all the stakeholders including Associations and Independent Service Providers, who are directly and indirectly associated with Aviation Sector. Thereafter, he requested the Chairperson, AERA to address all the stakeholders.
3. At the outset, Chairperson, AERA once again welcomed all the Stakeholders present in the meeting and set forth the agenda for the meeting to discuss the viewpoints of the stakeholders on Consultation Paper No.25/2021-22 issued by AERA for Tariff Determination of Netaji Subhas Chandra Bose International Airport, Kolkata (NSCBIA) for the 3rd Control Period. Chairperson invited Airports Authority of India (AAI) officials to present their submissions in response to the Consultation Paper for NSCBIA, Kolkata informing that other stakeholders would get an opportunity to express their views after AAI's presentation.
4. **Airports Authority of India**
 - 4.1 It was conveyed that the presentation would be made in two parts. The first part would be presented by Airport Director (Kolkata) wherein he would highlight key features of Netaji Subhas Chandra Bose International Airport. The second part would be presented by GM (Fin.), AAI in which responses to the Consultation Paper regarding Netaji Subhas Chandra Bose International Airport would be submitted.

Mr. C Pattabhi, Airport Director (Kolkata), AAI made a presentation pertaining to features of Netaji Subhas Chandra Bose International Airport, Kolkata

- 4.2 Airport Director (Kolkata) started the presentation by extending his greetings to Chairperson, AERA and other stakeholders. He stated that his brief presentation would provide a holistic layout of Kolkata Airport and highlight the new capital works taken up at NSCBIA, Kolkata. He further explained that NSCBIA, Kolkata is the gateway to the North-


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eastern states of India and has facilitated over 22 MPPA during pre-pandemic times (i.e., FY 2019-20). The airport has two runways – primary and secondary runways wherein the secondary runway would act as a standby in case primary runway is on maintenance and vice-versa.

- 4.3 He further explained that the Terminal building has an area of over 2,70,000 sq m. with a handling capacity of 26 million PAX. He further stated that in the current year (i.e., FY 2021 – 22), NSCBIA, Kolkata has handled 7.81 million PAX till December, 2022. He also mentioned various salient features of the airport such as peak hour capacity, number of conveyor belts, check-in counters, boarding bridges, immigration counters, escalators/lifts, capacity of the multi-level car park, etc.
- 4.4 Further, he highlighted the operational capacity at NSCBIA, Kolkata. He explained that the length of the main runway is 11,920 ft. with a peak hour capacity of 35 movements. The length of the secondary runway is 10,732 ft. with a peak hour capacity of 15 movements. He also explained that both runways had Instrument Landing System (ILS) installed at both ends of the runways, with CAT III-B system for the main runway to take care of visibility conditions. He further presented data about the parking facilities at NSCBIA, Kolkata. He also mentioned that the NSCBIA, Kolkata has 5 CFTs and 4 ambulances to take care of any unforeseen circumstances.
- 4.5 Airport Director (Kolkata) presented a list of Airlines operating at NSCBIA, Kolkata which connects Kolkata to 43 destinations in the country and 20 destinations abroad. He further highlighted other passenger facilities like smoking lounge, self-check-in systems, RT-PCR testing facilities, F&B stalls, money exchange facilities etc at NSCBIA, Kolkata. He also highlighted three new facilities at the airport – (a) Domestic to domestic transfer facility; (b) Automatic tray retrieval system (ATRS); (c) In-line baggage X- ray system with higher scanning capacity.
- 4.6 He further explained the establishment of a biometric boarding system called – DIGI Yatra, an initiative of the Ministry of Civil Aviation (MoCA). He explained that with the installation of DIGI Yatra, passengers will not have to show their tickets, boarding passes or identity cards at various checkpoints of the airports. This system would lead to time-saving for passengers. Once a passenger arrives at the airport, the passenger would register at the kiosk available at curb-side area where a facial recognition process will be conducted, thereby providing hassle-free movement to the security and check-in areas. The process is envisaged to be in place by the end of FY 2022-23.
- 4.7 Further, Airport Director (Kolkata) highlighted monthly trends in traffic in the past year. He also informed the ASQ ratings achieved by AAI at NSCBIA, Kolkata which were over 4.7, being above the international benchmark. In the subsequent slides, he explained major capital works (i.e., exceeding Rs. 50 Cr.) at NSCBIA, Kolkata.
- 4.8 Firstly, he highlighted the construction of F-Taxitrack at the airport along with construction of various RETs – at an estimated cost of Rs. 265 Cr. The work is 72% complete and is expected to be commissioned by April 2023. Secondly, he highlighted the status of

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construction work of airport subway connectivity to metro station. The cost of this work is Rs. 95 Cr and is expected to be completed by January 2024. Thirdly, he briefed on the construction of CISF complex whose estimated cost is Rs. 77 Cr. Lastly, he apprised Chairman, AERA and the participants of the terminal building expansion with an estimated cost of Rs. 123 Cr. Details and benefits of each of these works were provided.

- 4.9 He later highlighted the initiatives taken by AAI at NSCBIA, Kolkata to ensure proper passenger safety such as maintaining social distancing, touch-free security checking by CISF, contactless printing of boarding pass etc. thereby ensuring the Airports efforts to manage the Covid-19 safety protocol. He also played short videos to show the passenger feedback in this regard. He also stated that the NSCBIA, Kolkata had received various awards with regards to Airport Service Quality.

He concluded his presentation by thanking all participants in the meeting.

Mr. Prabhakar, GM (Fin.), AAI made the presentation which detailed AAI's submission to Consultation Paper No. 25/2020-21

- 4.10 GM (Fin.), AAI started his presentation with a focus on the true-up of the Second Control Period. He stated that AAI took an average RAB (for 5 years of the Second Control Period) as Rs. 2,236.89 Cr. whereas the Authority has taken an average Rs. 2,210.35 Cr in the CP. He explained that the difference was majorly due to the financing allowance not considered by the Authority as well as a change in the TBLR from 94.35% to 92.50%. He explained that these changes had subsequent impact on depreciation as well.
- 4.11 Regarding the Fair Rate of Return (FRoR), he explained that AAI had taken a cost of equity of 16% p.a. while the Authority has considered 14% p.a. This led to a reduction of 0.04% in the FRoR for the Second Control Period. Under O&M expenses, he stated that while AAI had projected the O&M expenses, the Authority considered the FY 2019-20 amounts to be repeated for FY 2020-21 for the purpose of tariff determination. He reiterated the changes incorporated by the Authority regarding apportionment of administrative and general expenses of CHQ to NSCBIA, Kolkata. GM (Fin.), AAI further explained that changes in the tax computation were attributed to the changes in other regulatory building blocks, mainly O&M expenses.
- 4.12 Focusing on the Aggregate Revenue Requirement (ARR), he stated that AAI has sought an ARR of Rs. 5,992 Cr. whereas the Authority has proposed an ARR of Rs. 5,402.12 Cr. In the resultant true-up amount computed by AAI there is a shortfall of Rs. 2,910 Cr. whereas the Authority computed a shortfall of Rs. 1,727 Cr. He also stated that the Authority did not consider the actual audited figures for FY 2020-21.
- 4.13 He stated that it is requested by AAI that the Authority considers the financing allowance submitted for the Second Control Period and that the Authority considers the Terminal Building Ratio (TBLR) as submitted by AAI since it would portray the true ground reality at the airport. GM (Fin.), AAI also stated that AAI requests the Authority that it


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considers a cost of equity of 16% as submitted by AAI as against the considered cost of equity of 14%.

4.13.1 Chairman, AERA stated that for private airports, a notional debt-equity ratio of 48%:52% was taken while calculating the FRoR. He requested AAI to examine this in greater detail and resubmit to the Authority as to whether they would want to consider a notional debt-equity ratio of 48%:52% or the actual gearing ratio.

4.14 Further, GM (Fin.), AAI stated that the return on land claimed in the MYTP pertains to the land which has been with NSCBIA, Kolkata from 1980. Since the land is used for aeronautical purpose, he said that AAI requests the Authority to provide the appropriate return on land.

4.14.1 Chairman, AERA clarified that the return on land is based on the Order No. 42/2018-19 dated 05.03.2019 passed by the Authority. He explained that the return on land will be provided to all airport operators only on a prospective basis and not on a retrospective basis. He further explained that the Authority has applied the same principal in the tariff determination of NSCBIA, Kolkata for the Third Control Period.

4.15 GM (Fin.), AAI proceeded to highlight the points of discussion for the Third Control Period. He stated that the average RAB (for 5 years of the Control Period) submitted by AAI was Rs. 2,226 Cr. as against Rs. 2,047 Cr proposed by the Authority. Major works, he added, not considered in the tariff determination included the following:

- (a) HDPE Project (Rs. 1.55 Cr.): Disallowed as the matter is under arbitration and no clarity on the date of award.
- (b) CISF Complex Project (Rs. 77.71 Cr.): Not considered since AAI had not conducted a cost-benefit analysis.
- (c) DIGI Yatra (Rs. 34.51 Cr.): Postponed to Fourth Control Period due to non-execution of work. According to the CP the Authority may consider the same in true-up of the Fourth Control Period.
- (d) Relocation of Air India Building (Rs. 51.55 Cr.): Postponed to Fourth Control Period in the CP since it is in planning stage.

4.16 He further explained that the Authority has proposed a TBLR of 90%:10% against what was submitted by AAI and similar to the treatment in the Second Control Period, the Authority has proposed not to consider the provision for financing allowance. Additionally, the Authority has considered a cost of equity of 14% against the 16% submitted by AAI. He also stated that the changes in RAB computation have impacted the depreciation.

4.17 He also delved into the proposed changes in O&M expenses. He stated that the Authority has considered a growth rate of 6% in payroll expenses as opposed to 7% submitted by AAI. He also mentioned that there were changes in admin. and general expenses, R&M expenses and utility expenses.

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- 4.17.1 Chairman, AERA stated that there is huge variation in O&M expenses as submitted by AAI as part of MYTP for NSCBIA, Kolkata Rs. 2,100 Cr. to Rs. 3,000 Cr, (from Second Control Period to Third Control Period) highlighting a steep increase in the O&M expenses from the Second Control Period to the Third Control Period.
- 4.18 GM (Fin.), AAI highlighted the difference in the non-aeronautical revenue submitted by AAI and that considered by the Authority. He stated that the non-aeronautical revenue may not be linked to traffic since non-aeronautical revenue is proportional to fixed contract agreements with concessionaires rather than the passenger footfall.
- 4.19 He added that the Authority has considered a shortfall of Rs. 444.36 Cr. as opposed to a full recovery model submitted by AAI.
- 4.20 Regarding traffic for the Third Control Period, GM (Fin.), AAI submitted to the Authority that AAI would likely reach the pre-Covid level only in FY 2024-25, against the recovery projected by the Authority, which is by FY 2023-24 in the consultation paper.
- 4.21 He also stated that AAI requests the Authority to consider financing allowance for the Third Control Period as considered for other airports. Further, he requested that the interest on term loan as per Accounting Standard 16 may be considered in the tariff determination. He also requested to consider a cost of equity of 16% for the Third Control Period and that a TBLR of 92.5% : 7.5% may be considered for the Third Control Period as well.
- 4.22 With regards to 1% readjustment of RAB in case of non-completion of projects, he added that AAI requests the Authority to consider this on a case-by-case basis due to uncertainties posed by the pandemic.
- 4.23 In the subsequent part of the presentation, GM (Fin.), AAI reiterated the changes in regulatory building blocks like RAB, return on land, O&M Expenses and non-aeronautical revenue. In particular, a month-wise comparison for various sub-heads of non-aeronautical revenue was presented for FY 2021-22. He requested the Authority to consider the projections submitted by AAI in the MYTP.
- 4.24 With regards to aeronautical revenue, on behalf of AAI, GM (Fin.), AAI requested the Authority to add the relevant amount in the ARR calculation for the Third Control Period. He further requested the Authority to consider a 10% Y-o-Y increase in landing and parking charges; and a growth in UDF as submitted by AAI in the MYTP. Lastly, on behalf of AAI, he requested AERA to implement the Airport Charges w.e.f 01.04.2022 after incorporating the submission of AAI in the full recovery model as proposed in Third Control Period.


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Chairman, AERA thanked AAI for their presentation and invited other stakeholders to present their views on the Consultation Paper.

5 Airport Operators

5.1 Delhi International Airport Limited (DIAL)

Mr. Harsh Gulati, VP Regulatory, DIAL stated that they have considered the presentation made by AAI and would evaluate the same in greater detail based on which a written submission would be made to the Authority.

5.2 Adani Airports

Mr. Madhur Arora from Adani Airports stated that they did not have any specific comments and would evaluate the points in greater detail and submit Adani Airports' views to the Authority in writing.

6 Airlines and Airlines Associations

6.1 Federation of Indian Airlines (FIA)

Mr. Ujjwal Dey from FIA stated that even though AAI asked for a considerable increase in aeronautical charges in the Third Control Period, the Authority had rationally provided a moderate increase (as per the requirement). He stated that FIA believes that there should be no increase across any of the aeronautical charges at least in the current control period (Third Control Period). This would help the aviation industry to achieve Pre-Covid traffic level. Thus, any increase in tariff would impede airlines as well as passengers.

He concluded by reiterating that even a slight increase in tariffs may not be desirable at this stage.

7 International Air Transport Association (IATA)

7.1 Mr. Richard Tan, from IATA congratulated the Authority on completing a thorough review of the MYTP in a timely manner. He concurred with his counterpart Mr. Ujjwal Dey from FIA regarding the increase in aeronautical tariffs in the Third Control Period. IATA is of the opinion that the aviation industry is still at a very fragile stage of recovery and an increase in tariffs would deter the same, especially so for international traffic.

7.2 He also stated the need for AAI to rationalise a majority of the O&M expenses keeping in view the effect of the pandemic and allow only expenses that are essential. Further, he mentioned that a similar view may be taken for capital additions as well. Without any compromise on capital additions regarding security, the airport operator must defer all non-essential capex to future control periods. He highlighted the need for an on-going

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consultation process between airline operators and airport users in order to deliberate on the requirement of relevant capital additions before an AUCC consultation is carried out.

- 7.3 He indicated toward the need for a greater clarity regarding Aviation Security Fee (ASF). In this context, on behalf of IATA he requested the Authority to deliberate on the capitalisation of security related capex like the construction of CISF complex at NSCBIA, Kolkata. He added that incorporating this in the tariff determination may impact the passenger twice i.e., via aeronautical charges such as UDF and also ASF.
- 7.4 He concluded by saying that while IATA supports the Authority's consideration on cost of equity and FRoR, IATA requests the Authority to revisit the cost of equity since the present rates do not reflect the true market conditions. Mr. Tan also mentioned that since the regulation in the aviation sector is based on a true-up approach, the airport operators need not be very worried about the uncertainties due to the pandemic as they would be trued up in the subsequent control periods.

8 SpiceJet Ltd.

- 8.1 Mr. G P Gupta, Chief Strategy Officer, SpiceJet extended his gratitude to the Authority and AAI for providing stakeholders the opportunity to present their views. The points that he raised are as follows:
- 8.2 He stated that India is a developing country, and that the population of India is highly price sensitive. In this light, it would be imperative for prices in the aviation industry to not increase so that the pre-pandemic traffic can be revived.
- 8.3 He stated that airlines have lost approximately USD 8 billion in FY 2020-21 and FY 2021-2022 together. He stated that all this has left the airlines in a very difficult financial situation. Certain variable costs for airlines like payroll costs for pilots, lease rentals for aircrafts etc. have been re-negotiated with a reduction of over 25-30%. Similarly, the cost structures of the airport operators may also have to be re-evaluated and austerity measures should be taken by the Airport Operator.
- 8.4 Regarding capital additions, he stated that all the works that are not related to operations and safety at the Airport should be deferred to levy minimum burden on the airport users at this stage.
- 8.5 Subsequently, he stated concerns about the charges applied to small aircrafts with less than 80-seater capacity operated by a domestic scheduled operator at NSCBIA, Kolkata – against the order released by the Ministry of Civil Aviation. He appreciated AAI's cognizance of the charges to be paid to SpiceJet. Further, he stated that these charges were applied to such smaller aircrafts across the First and Second Control Periods adding that the details regarding the same have been provided to the Authority and AAI. He requested the Authority to take note of the same during the tariff determination process for the Third Control Period. He further added that the final agreed upon amount may be

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refunded to SpiceJet along with the interest and GST. The amount including GST that would be payable to SpiceJet would be ~ Rs. 3.2 Cr.

8.5.1 Chairman, AERA stated that the Authority would examine the issue and take an appropriate action in this regard in the tariff order for the Third Control Period of NSCBIA, Kolkata.

8.6 Mr Gupta also stated his opinion on the return on land claimed by AAI. He explained that since the value of land has appreciated in recent years, the return on land sought by AAI must also be based on the current value of the land.

8.7 Lastly, Mr Gupta stated that SpiceJet would submit its written comments to the Authority after delving into further details within the specified timeline.

9 IndiGo

9.1 Mr. Dushyant Deep from IndiGo requested the Authority to conduct an independent study to ascertain the actual TBLR at NSCBIA, Kolkata since the same issue was raised by the airport operator as well. He added that a similar approach may be followed for O&M expenses in the Third Control Period.

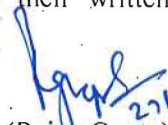
9.2 Regarding capital additions, he stated that while an AUCC was conducted for the essential capex to be considered in the Third Control Period, there is a trend of delaying the capital works from the Second to the Third Control Period. He added that while IndiGo understands there may be projects that would be delayed because of the pandemic. However, he requested that in that case of delay in commissioning of assets due to AAI, a review may be conducted and a 1% readjusted may be accounted for.

9.3 Lastly, he requested the Authority to revisit the non-aeronautical revenue with respect to the capacity enhancement of the terminal building towards the end of the Third Control Period.

10 Blue Dart Aviation

10.1 Mr. Parmeswaran from BlueDart Aviation stated that most of the points were covered by other stakeholders. He stated that the landing and parking charges at NSCBIA, Kolkata are substantially higher than the other comparable airports like Chennai International Airport, Chennai. On behalf of Blue Dart Aviation he requested the Authority to keep the charges at the same level since they are high compared to other PPP airports as well.

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


(Rajan Gupta)
AGM (Tariff)

List of Participants

Airports Economic Regulatory Authority

1. Sh.. B. S. Bhullar, Chairman
2. Sh.. S.K. Vyawahare, Member
3. Mr. Manu Sooden, Secretary
4. Mr. Ram Krishan, Director (Tariff, P&S)
5. Mr. Rajan Gupta, AGM (Tariff)
6. Mr. Satish Kumar, AGM (Tariff)

Airport Operator, Airports Authority of India (AAI)

1. Mr. C Pattabhi, Airport Director (Kolkata Airport)
2. Mr. R Prabhakar, GM (Fin.) (JVC/Tariff)
3. Mr. C V Deepak, General Manager (Fin.)
4. Mr. Rajesh Khanna, DGM (Fin.) (JVC/PPP)
5. Mr. Ranjit Kumar Das, AGM (Fin.)

Representatives from Other Airport Operators

1. Mr. Harsh Gulati, VP Regulatory, Delhi International Airport Limited
2. Mr. Shobhit Agarwal, Delhi International Airport Limited
3. Mr. Madhur Arora, Adani Airports
4. Mr. Pinkesh Kumar, Adani Airports

Airlines and Associations

1. Mr. Ujjwal Dey, Federation of Indian Airlines
2. Mr. Dushyant Deep, IndiGo
3. Mr. GP Gupta, Chief Strategy Officer, SpiceJet
4. Mr. Suryavir S. Bisht, Sr. General Manager, Regulatory Affairs, SpiceJet
5. Mr. Richard Tan, IATA
6. Mr. Ujjwal Bakshi, IATA
7. Mr. Parmeshwaran P, CFO, BlueDart Aviation
8. Mr. Debu Biswas, GM (Airport Operations), Blue Dart Aviation

AERA Consultants

1. Ms. Sangeeta Singh, EY
2. Mr. Vineet Karlapalem, EY
3. Mr. Pratik Sanghvi, EY


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