

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 03.11.2020 at 11:30 AM
on Virtual Platform.

1. **CONSULTATION PAPER No. 36/2020-21 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE 1st CONTROL PERIOD (F.Y. 01.04.2020 TO F.Y. 31.03.2025) IN RESPECT OF AAI TRICHY AIRPORT.**

AERA Act, 2008, Sec.13, Clause-4 (a) empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the Stakeholders. Accordingly, a Stakeholder Consultation Meeting was convened by the Authority on 03.11.2020 at 11.30 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 36/2020-21 dated 14.10.2020 issued by the Authority to consider the Multi-year Tariff Proposal for the 1st Control Period (FY 2020-21 to FY2024-25) in respect of Tiruchirappalli International Airport, Trichy. The list of participants is enclosed at **Annexure-I**.

2. AERA welcomed all the Participants/Stakeholders to the Meeting especially, the representatives from Airport Authority of India (AAI), DIAL, Adani Airports, Indigo Airlines, IATA and BAOA.
3. The participants were informed that the Authority has invited written comments from all the Stakeholders for which the last date is 13.11.2020.
4. Chairperson, AERA in his opening remarks welcomed all the participants to the meeting and set forth the agenda for the meeting i.e. to discuss the viewpoints of the Stakeholders concerning Consultation Paper No. 36/2020-21 issued by AERA for tariff determination of Trichy Airport for the 1st Control Period.
5. Director (P&S), AERA, then invited Mr. S. Dharmaraj, Airport Director, Trichy Airport to make a presentation on CP. NO.36/2020-21.



Tiruchirappalli Airport

6. Mr. S. Dharmaraj Airport Director, Trichy Airport gave a detailed presentation on the Trichy Airport and the CP. NO.36/2020-21 for determination of tariff for Trichy Airport for the 1st Control Period. The presentation covered the following details:
 - 6.1 Tiruchirappalli is the 4th largest City in Tamil Nadu, situated in the banks of river Kaveri. It has leading education institutions and population belonging to various religions.
 - 6.2 Some of the leading industries in Tiruchirappalli are BHEL, Heavy Alloy Penetrating Plant (HAPP), Golden Rock Central Railway Workshop, Madras Rubber Factory (MRF), Rane Group of Companies, Irizar TVS, Sanmar and ITC Food Processing Park.
 - 6.3 Some leading IT companies have a BPO presence in Tiruchirappalli such as Capegemini, Omega Health Care, Vdart Technologies, First Source, Sutherland, Scientific Publishing Services and ELCOT IT Park (Mid -Sized ITES Companies).
 - 6.4 Leading Educational Institutions in Tiruchirappalli are Indian Institute of Management, Indian institute of I& Technology, National Institute of Technology, National Law School, Bharathidasan University, Government Medical College – Trichy, Government Medical College – Tanjore, Government Medical College – Pudukottai, Chennai Medical College (SRM Group) and Dhanalakshmi Srinivasan Medical College.
 - 6.5 Trichy has well quipped hospitals such as Apollo Hospitals, Kauveri Hospitals, Vasan Health Care, Cethar Hospitals and Dr.Aggarwal's Eye care.
 - 6.6 Trichy Airport was established in the year 1934 by the British Royal Air Force. The first flight landed at Trichy Airport was in 1936 when the first airmail service from Bombay to Colombo operated via Trichy.
 - 6.7 The first commercial flight was operationalised in 1941 connecting Bombay—Trivandrum—Trichy.
 - 6.8 In 1948, Air Ceylon inaugurated a regular commercial service between Colombo and Karachi, via Trichy and Bombay.
 - 6.9 In 1960 terminal building with ATC tower was inaugurated. Indian Airlines operated flights from Trichy to Colombo in 1980.
 - 6.10 The Existing integrated passenger terminal was inaugurated on 21 February 2009 with handling capacity of 1.5 million passengers per annum and peak hour capacity of 500 passengers.
 - 6.11 Total Land available with AAI Trichy as on date is 737.70 acres, which includes 35.68 acres of land handed over by the Tamil Nadu Government.



6.12 Average ASQ rating given by ACI for Trichy Airport for the 1st quarter of 2020 was 4.68 and the average ASQ rating for 2019 was 4.52 (on a scale of 10.00).

6.13 There is a de-growth in passenger traffic and ATMs (as provided in the table below) during the period April 2020 to August 2020 as compared to the same period of the previous year (FY 2019-20).

Details	Passenger Traffic (De-growth)	ATM (De-growth)
International	-94.4%	-92.1%
Domestic	-72.6%	-65%
Combined	-90.6%	-82.3%

Mr. S. Dharmaraj, Airport Director requested AERA to 'true up' traffic volume on the basis of actual passenger & ATM in the first control period while determining tariff for the second control period.

6.14 The Airport Director then gave an overview of the major capital works executed at Trichy Airport. The total costs of such capital works were for Rs. 1033.57 crores, out of which aeronautical costs worked out to Rs 956.12 crores.

Submission by AAI on the Consultation Paper No. 36/2020-21

7. Ms. Vidya, GM Finance AAI presented the following submissions on the CP No. 36/ 2020-21 and requested AERA to consider the same:

7.1 Growth rate in Payroll expenses may be considered as 7% instead of 5% from FY 2019-20 to FY 2024-25.

7.2 AERA has considered the allowable cost of Terminal Building as Rs. 637.40 crores (75% of 853.10 crores) stating that balance of Rs.215.70 cr (25% of 853.10cr) would be included in the RAB when the Terminal Building is utilized in the next Control Period. However, AAI will capitalize the entire cost of Terminal Building in FY 2022-23 and accordingly depreciation will be provided on the total costs. AAI has requested AERA to consider the total capitalized amount of proposed Terminal Building (of Rs 853.10 crores) for computing Depreciation and Fair Rate of Return, instead of considering 75% of the total capital expenditure, as proposed in the CP.

7.3 AERA is requested to consider the increase in parking charges by 108% (for Domestic) and by 80% (for International) in order to match the parking rates for the FY 2020-21 in line with its recent Tariff Orders issued i.r.o. Bhubaneswar, Indore & Patna Airport. An increase of 108%(Domestic) instead of 45% (as proposed by AERA in the CP) is not significant in terms of



absolute money. The impact would be only Rs. 104 per hour (A320) if AERA considers AAI's proposal.

7.4 Date of implementation of the new tariffs may be considered as 01st January 2021.

7.5 AERA is requested to true-up the Fair Rate of Return (FRoR) based on the actual loan availed & interest thereon for the Terminal Building while determining tariff for the second control period.

7.6 AERA is requested to waive off the 1% penalty if AAI fails to complete the Terminal Building by April 2022, keeping in view the COVID-19 pandemic situation.

8. The forum was then opened for Stakeholder views/comments which were as follows:

Adani Airports

8.1 Mr. Madhur Arora from Adani Airports said that he had no comments on the Consultation Paper No. 36/ 2020-21 of Trichy Airport.

Delhi International Airport Limited

8.2 Mr. Saurabh Shekatkar from DIAL enquired about the expected date of completion of land acquisition from defence establishment for the purpose of airport expansion.

8.3 Mr. Saurabh represented DIAL views that the 1% penalty on the delay in terminal works was on the higher side in their opinion and requested the Authority to reconsider the same, by giving credence to the private sector participation in the near future.

International Air Transport Association ('IATA')

9. Mr. Ujjawal Bakshi from IATA made the following comments:

9.1 The Airports may consider freezing all capacity enhancement projects until there is certainty about the growth in traffic in future. He further requested that the Airports may plan for capital expansion projects only in consultation with the Airlines Community.

9.2 The Authority's approach to allowing the CAPEX on a phased basis was supported by IATA.

9.3 Mr. Bakshi sought clarification on the stage of construction of the terminal and the expected date of completion.

9.4 He appreciated the Authority's proposal to consider in the RAB only those CAPEX that was going to be used in the First Control Period.

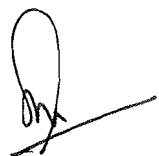
9.5 He also sought clarification on whether the Airport Security Fund can be used to fund the CISF security infrastructure that was proposed for the control period.



- 9.6 He expressed that there was further scope for rationalization of OPEX especially the electricity charges.
- 9.7 Mr. Bakshi in his concluding comments, sought for elimination of the current practice of charging differential landing fee for international and domestic landings and implement the practice followed at Guwahati Airport.

Indigo Airlines:

10. Mr Dushyanth Deep from Indigo Airlines, made the following comments:
- 10.1 Expressed his agreement with the comments made by the representative from IATA.
- 10.2 With respect to CAPEX, the Authority may consider the normative approach as adopted for the Visakhapatnam Airport.
- 10.3 Requested the Authority to justify the need for exceeding the Rs.65,000 per sq. meter benchmark in the construction cost of the Terminal. He commented that justification for considering the higher limit (of Rs.1,00,000 psm) was documented in the case of Patna Airport's Tariff Order and the same may be done for Trichy Airport as well.
- 10.4 Informed that the AUCC meeting was not conducted effectively and that only few airlines participated in the exercise. He commented that Indigo Airlines was not part of the AUCC meeting where the expansion of Terminal Building was discussed.
- 10.5 With respect to the Residential Quarters, requested the Authority to consider further rationalization as in the case of Patna Airport where Rs. 50 crores was only allowed whereas Rs. 65 crores were allowed for Trichy Airport.
- 10.6 Requested the Authority to review the OPEX and allow only relevant expenses.
- 10.7 Appreciated the Authority's approach in reducing the growth rate in payroll expenses to 5% (instead of 7%), as the Aviation Industry is undergoing financial crisis due to the COVID 19 pandemic.
- 10.8 Commented that the increase in the Non-Aero revenue projected in the CP was not proportionate to the increase in the traffic and ATM.
- 10.9 Accepted the Authority's proposal to adopt 14% as the FRoR. He further commented that an Independent Study should be conducted on the FRoR for all AAI Airports.
- 10.10 Supported the Authority's proposal to charge 1% penalty for delay in completion of the capital projects.
- 10.11 Mr. Dushyanth Deep concluded by stating that Indigo Airlines will submit written comments to the Authority on the Consultation Paper.



Business Aircraft Operators Association (BAOA):

11. Group Captain Bali, representative from BAOA, commented that the Consultation Paper is very comprehensive and rational in approach. He thanked the Airport Director of Trichy for making a detailed presentation about the Trichy city. Further, he suggested the following:
 - 11.1 He supported MoCA's decision for determination of tariff of Trichy Airport by AERA even though after the amendment of AERA Act, the Trichy Airport is not considered as a 'major' Airport.
 - 11.2 Mr. Bali commented that the AERA's approach in considering Airport specific parameters for projection of traffic was appropriate.
 - 11.3 He requested that the Airport Director, Trichy Airport may consider increasing the infrastructure spend on facilities required for smaller aircraft.
 - 11.4 BAOA agreed with the FRoR of 14% adopted by AERA. He requested that the OMDA of other airports should be aligned with the requirements of the AERA Act.
 - 11.5 He expressed concern that the current process of awarding the Ground Handling contracts is affecting the small aircraft business as the Operators who bid for the contracts are quoting unreasonably high Royalties.
 - 11.6 He further suggested that the ground handling charges be service specific and be determined on cost plus basis.
 - 11.7 He also requested the Authority not to allow any ambiguity in the applicability of housing charges, as it is interpreted differently by the Private Airport Operators.
 - 11.8 Mr. Bali also agreed with the views expressed by IATA and Indigo Airlines that there should be no disparities between Domestic and International Landing Charges.

12. The meeting concluded with a 'Vote of Thanks' from Shri Subrata Samanta, Member AERA. He expressed gratitude towards all the participants for expressing their views on the Consultation Paper. AERA would wait for written comments from AAI and would consider all the viewpoints raised by the Stakeholders before taking any decision pertaining to tariff determination of the Trichy Airport for the 1st Control Period. Member AERA clarified some of the queries raised by the Stakeholders during the meeting such as:
 - 12.1 Significant part of the CAPEX of Trichy Airport was proposed, planned and awarded prior to the outbreak of COVID 19. Around 25% to 30% of the work was already completed. Therefore, it was very difficult to ignore such CAPEX.
 - 12.2 Authority has therefore opted to rationalize by deferring or slowing down the execution wherever possible or defer the granting of return on such CAPEX to a future period.



12.3 As per the agreement between Government of India and AAI, CISF should be given facilities such as barracks, office, residence and dog kennel. Hence this expense is essential.

12.4 Normative costing considered in Patna Airport was also reviewed in this Consultation Paper. However, the Authority will again review this aspect before passing the Order.

12.5 Non-Aero revenue projection considered in this Consultation Paper is rational because there may not be much correlation between the increase in Non-Aero revenue and the increase in traffic.

13. On behalf of AERA, Member AERA once again thanked all the participants for making the meeting a success.



Geetha Sahu
AGM(Fin.)

Annexure -I

List of Participants:

Airports Economic Regulatory Authority of India

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

Airports Authority of India

1. Ms. Vidya, GM Finance

Trichy Airport

1. Mr. S. Dharmaraj, Airport Director

Representative from DIAL

1. Mr. Saurabh Shekatkar

Representative from Adani Airports

1. Mr. Madhur Arora

Representative from Indigo Airlines

1. Mr. Dushyant Deep

Representative from International Air Transport Association (IATA)

1. Mr. Ujjawal Bakshi

Independent Service Providers

1. Group Captain Bali, Business Aircraft Operators Association

R. Subramanian & CO, LLP

1. Mr. Gokul Dixit, Senior Partner
2. Ms. Krithika Gopal, Partner
3. Mr. S. Raghavendhar, Senior Manager