

Dated: 12th November'2020

भारतीय विमानपत्तन आर्थिक विनिमायक प्राधिकरण
सफदरजंग एयरपोर्ट, नई दिल्ली-110003

The Director (P&S, Tariff)
Airports Economic Regularity Authority of India
AERA Building, Administrative Office
Safdarjung Airport
New Delhi 110 003

प्राप्त
डायरी नं० 15731
तारीख 16/11/2020

Sub: Response to consultation paper no. 36/2020-21 dtd. 14th October'2020 for the determination of tariff for 1st Control Period for Trichy Airport

Dear Sir,

This is in reference to the consultation paper no. 36/2020-21 issued by AERA on 14th October 2020, for the determination of MYTP for 1st Control Period for Trichy Airport. We, at the outset, would like to thank you for the opportunity to participate in stakeholder's consultation meeting held on 3rd November 2020.

Further to the consultation paper and the meeting held, we are providing as below, our observation for your kind reference:

- Given the present situation of COVID 19, there is a high degree of uncertainty on the traffic figures. This pandemic will have adverse impact on traffic as well as non-aeronautical revenue. We support AERA's view on rationalizing traffic as well as non-aeronautical revenue projections on account of COVID.
- We understand that there is balance land of 345 acres which is to be acquired for the expansion as per the master plan including extension of the runway to 12,500 ft. We request if the clarity may be provided on details of the land which has been acquired and the balance which is yet to be acquired from the state govt / air force / private individuals.
- AERA has recognized in the past that each airport is different and has used airport specific approaches for Capital Expenditure, rather than using the normative approach. We suggest that in continuation of the above, in this airport too, capital expenditure should be based on actuals.
- The Authority has proposed to levy a 1% penalty in case of delay in implementation of the project envisaged. It is pertinent to mention that the project capitalization period may

overlap with the privatization. Determination of delay and entity responsible may not be possible in such a scenario. We suggest that provision for such penalty be removed.

- With regard to submission of fresh application for tariff determination by operator selected through competitive bidding, a 10% reduction has been proposed in the Consultation Paper in case of delay in filing. We would like to submit that for a private player, there is a high dependency on AAI for the past data which will form the basis for determination of tariff for the private airport. A delay due to this would penalize the private operator. We suggest that such a huge deterrent may not be levied as a precondition.
- An effective tax rate of 25.17% has been used for tax calculation. We agree with the AERA approach for adopting methodology for assessment of aero tax on a standalone aeronautical P&L drawn on the basis of various building blocks used for tariff determination.
- The capex for an Airport is being planned for long term horizon. A short term approach will lead to additional cost and inefficiency. In case of Trichy Airport AAI has planned capex for 3.6 Mn Terminal capacity based on their estimated pax throughput and terminal design which already freezed. However, as per Authority Trichy Airport is expected to handle 2.7 mn passenger in next five years and accordingly authority has restricted capitalisation of the capex to the expected utilisation level i.e. 75% only in the next five years. Authority's proposal is really unfair and uneconomical for the airport operator as the Airport Operator has to plan capacity in advance and it cannot start development on the date of saturation. This practice will lead to Airport in construction mode always. Also, airport operator has to ensure that the airport is future ready for all expected traffic and service levels. As per tariff guidelines, if an aeronautical asset has been put to use then it gets cover in the Regulatory Asset Base. Authority's approach is not aligned to the accounting practise and tariff guidelines and accordingly we request Authority to consider aeronautical asset capitalised fully for the purpose of RAB.

Yours sincerely,

For **GMR Airports Ltd.**

**NARAYANA
RAO KADA**

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