

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 26th October, 2020 at 11:30 AM on Virtual Platform

CONSULTATION PAPER No. 35/2020-21 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR 3RD CONTROL PERIOD (F.Y. 01.04.2019 TO F.Y. 31.03.2024) IN RESPECT OF CHHATRAPATI SHIVAJI INTERNATIONAL AIRPORT, MUMBAI (BOM)

1. AERA Act, 2008, Sec.13, Clause-a (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 26.10.2020 at 11.30 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 35/2020-21 dated 21.09.2020 issued by the Authority to consider the Multi-year Tariff Proposal for the 3rd Control Period (FY.2019-20 to FY.2023-24) in respect of **Chhatrapati Shivaji International Airport, Mumbai (BOM)**. The list of participants is enclosed at **Annexure-I**.
2. Chairman welcomed all Stakeholders present in the meeting and extended his greetings. Chairman informed that the RAB for true up of second control period as detailed in the CP is being changed from average RAB to proportionate RAB basis for the purpose of computation of return. He further added that the ARR would not change significantly due to this reason and commented that the same will be given effect to in the Order.
3. Director (P&S), AERA, then invited Mr. Rajeev Jain, CEO, DIAL to make a brief presentation on C.P. NO.35/2020-21.
4. **Mumbai International Airport Limited**
 - 4.1. Mr. Rajeev Jain, CEO, MIAL then made a presentation to all the stakeholders present highlighting various features of MIAL airport and key submissions in response to the Consultation Paper issued by the Authority.
 - 4.2. MIAL submitted their comments briefly on the existing issues such as computation of HRAB on single till basis, treatment of FTC as non-aeronautical revenues and computation of income tax.
 - 4.3. MIAL also submitted that the Gross Block Value of assets demolished in SCP was reduced from RAB instead of the WDV value. (Gross Value Rs.445 crores.; WDV Rs.291 crores).
 - 4.4. MIAL informed that they would provide their detailed comments on various capital expenditure projects for the third control period. MIAL stated that Authority considered Capex of Rs. 2030 cr. against capex of Rs. 5636 cr. estimated by MIAL. Comments shall be submitted by MIAL in response to CP.
 - 4.5. Further, it was stated that enabling capex of T2 towards Shivaji statue of Rs. 25.24 crores was considered as non-aeronautical asset despite the fact the same was considered as aeronautical in the approved project cost.
 - 4.6. MIAL stated that the reduction of Rs 194.74 crores from HRAB was done erroneously. It was stated that the Authority had not considered the land element of the old T2 portion. Further, MIAL stated it is a hypothetical asset and there is no requirement of reduction due to rebuilding of an old terminal.
 - 4.7. MIAL also stated that carrying cost ought to be provided on the un-amortized portion of the runway re-carpeting expenditure considered as O&M expenditure.
 - 4.8. MIAL commented that the Marketing fund does not belong to MIAL and hence is not to be treated as non-aeronautical revenue.
 - 4.9. MIAL mentioned that while the Authority has already reduced traffic numbers on account of COVID, MIAL would be submitting fresh estimates for traffic based on its internal assessment and actual year to date scenarios. MIAL also stated that they shall submit revised NAR and O&M expenses in response to CP.
 - 4.10. MIAL stated that ATP is submitted based on current ARR and MIAL proposes to keep the landing charges in lieu of FTC separate.



- 4.11. MIAL stated that it has proposed Adhoc UDF, citing the duty of the Authority to ensure economic and viable operations of an airport as stated in the AERA Act. MIAL has proposed an adhoc UDF till March 2023. MIAL stated that there are serious cash flow issues as various fixed costs have to be paid. MIAL is approaching banks for restructuring as interest cost is about 50 crores per month and has never previously defaulted in repayment of loans. MIAL is also trying for equity infusion if AAI agrees for the same.
5. The forum was then opened for stakeholder views/comments which are as follows:

Airport & Airport Associations:

6. Association of Private Airport Operators (APAO):

- 6.1. Mr. Satyan Nayar, representative from APAO commented that carrying cost ought to be provided on the un-amortized portion of the runway recarpeting and if this is not provided, then it would lead to loss for MIAL. He stated that written comments will be submitted.

Airlines & Airlines Association:

7. Federation of International Airlines (FIA) and Indigo:

- 7.1. FIA wished to know the increase in the floor area or the capacity enhancement that would arise out of Reconstruction of T1B.
- 7.2. FIA pointed out that the Authority had not proposed any adjustment to O&M expenses which were contractual in nature and which would not be payable considering COVID situation. Further, FIA noted that there was no COVID adjustment for shutting down of T1 in FY 21 and Authority ought to discuss and consider all the cost reduction measures undertaken by MIAL under COVID scenario.
- 7.3. FIA noted that NAR has reduced by 22% by the Authority for COVID which is in line with the reduction in pax. FIA believes that this amount was computed on an adhoc basis and not all revenues can be done based on pax. For example, rent and license fee income is based on contracts and cannot be linked with passenger traffic. FIA noted that COVID adjusted NAR was still higher by Rs. 400 crores in TCP than in SCP.
- 7.4. FIA stated that revenue accrued in ground handling and cargo should be aeronautical and not non-aeronautical.
- 7.5. FIA also sought clarity on the basis of reduction in traffic by 50% in FY 21 and 25% in FY 22.
- 7.6. Reasons for reduction in floor area verified by MIAL than what was assessed by IRCLAS was also sought by FIA.
- 7.7. FIA reiterated the need for stakeholder consultation for Capital Expenditure and stated that virtual meetings can be held in the current pandemic scenario.
- 7.8. Since there are varying views on traffic in post COVID scenario from stakeholders, FIA suggested for an independent study to be done for estimating Traffic for the third control period.
- 7.9. FIA also stated that AERA should explore all means before approving adhoc UDF.
- 7.10. Indigo also wished to be informed on whether the Debt: Equity ratio considered was actual or notional.

8. Etihad Airways:

- 8.1. Etihad Airways submitted that expansion or new facilities can be held back until traffic was restored to pre-COVID levels.
- 8.2. Etihad Airways also stated that recovery of Metro DF can be made from actual users and not from the Airlines.

9. International Air Transport Association (IATA):

The representatives of IATA, Mr. Amitabh Khosla, Mr. Cessar Raffo and Mr. Allan Young stated that:

- 9.1. Given the current COVID-19 scenario, the representatives of IATA suggested a freeze on all non-necessary capex, except where stalling a project would be costlier than completing the same.



- 9.2. IATA mentioned that the project details are at a too high level and a detailed discussion / presentation ought to be made on the same. Consultation on the same ought to be iterative and should not be a one-time event. Virtual meetings can be held in place of physical meetings.
 - 9.3. IATA further stated that Authority may consider the project only if the same has explicit approval of airline community and those which have sufficient details.
 - 9.4. IATA welcomes the penalty clause but is of the opinion that 1% is too small an amount to discourage non-compliance with the commitments.
 - 9.5. IATA also stated that any projects aimed at increasing the terminal capacity may be scrutinized as MIAL is a runway constrained airport.
 - 9.6. IATA noted in connection to NAD colony that AAI should fund any projects associated with them and not by MIAL.
 - 9.7. IATA noted that extensive analysis has been done on cost allocation drivers, efficiency, cost reduction, etc. relating to Operating Expenditure which is incorporated in IATA's written submission for perusal by the Authority. Authority should send out a message that AERA will not allow any cost but only efficient costs.
 - 9.8. IATA also commented on WACC stating that it is similar to that of DIAL noting that WACC proposed is over-estimated.
 - 9.9. IATA stated that there was no reasoning for adhoc UDF as there was already over recovery in SCP and no equity infusion was done so far.
- 10. Business Aircraft Operators Association (BAOA):**
Group Captain Rajesh Bali, representative from BAOA commented that more dynamism on Covid-19 needs to come in the Order.
- 10.1. Overstay charges – it was presented to AERA that imposing these charges would increase operational efficiency (Table 132 of FCP order). However, these revenues are only increasing continuously. He noted that AERA may re-consider the need for this charge.
 - 10.2. BAOA noted that FTC - should be merged with UDF and not with landing charges.
 - 10.3. He noted that Table 89 of CP states that GA terminal comprises 0.4% of Aero area – this needs to be given more area for development.
 - 10.4. He commented that the Ground handling charges should be on a cost plus basis based on scale of operations of the operator

Independent Service Providers:

11. The Air Cargo Agents Association of India:

- 11.1. Mr. Vineet Agarwal, Chairman, ACAAI suggested that instead of having a fixed charge for the entire 5 year period, an interim change in the charge once the traffic is restored to pre-COVID levels may be considered.

12. Counter Comments from Mumbai International Airport Limited (MIAL):

Mr. Rajeev Jain, representative of MIAL, in response to the viewpoints raised indicated that:

- 12.1. Terminal 1B refurbishment is being done only due to structural safety needs.
- 12.2. On disproportionate reduction in O&M costs, MIAL stated that most of the costs are fixed in nature. In the major categories of utility, power, staff cost, other maintenance, trolley, interest, there is hardly any scope for optimizing the costs. However, MIAL has carried out steps such as shut down of Terminal 1, switching off the power even in T2 where not required etc. which has resulted in consumption going down by 65% during COVID-19 period. Contractors have also been reduced wherever possible, but it is reiterated that Operating Cost reduction cannot be in proportion to the reduction in pax.
- 12.3. Non Aeronautical Revenues – MAG (Minimum Annual Guarantee) was always high in MIAL – 80% of the revenue was MAG and during COVID-19 times, no concessionaire could pay. Hence, relief packages were floated where the MAG was substantially reduced. Further, such packages have been floated by AAI and all other private airports also.



- 12.4. MIAL also stated that it is in the interest of MIAL itself that it reduces cost and capex. This is because for every rupee earned as revenue, 38.7% goes to AAI as fees.
 - 12.5. MIAL is one of the airports in India operating with the lowest per pax cost when compared to other airports.
 - 12.6. Treatment of Cargo and GH is a well-settled matter and the concessionaire agreement itself classifies these activities as non-aero.
 - 12.7. Traffic – though the ATM is higher now, due to low load factor, the passenger traffic is still very low. Passenger mix is also mostly labour class and not business travel and hence, spending on Non Aeronautical Revenues gets affected. Most of the pax movement is only arrivals in to Mumbai and not those flying out of Mumbai, this again affects the NAR spend per pax. MIAL has fairly estimated the traffic under COVID scenario and does not envisage a need for an independent study.
 - 12.8. MIAL stated that only DF is a measure of last resort and Adhoc UDF is not akin to DF but is like a normal UDF charge.
 - 12.9. MIAL has always done a cost benefit analysis before taking up any committed capex project. Hence, overspending / unnecessary spending on capex does not happen in case of MIAL.
 - 12.10. Overstay charges – for non-scheduled operators (NSOPs) this was introduced as a deterrent to parking/accidents/coming very near etc. Charges were earlier so low that parking in MIAL was more viable than flying. However, MIAL will take a relook at these charges. MIAL does not have any more area to give to GA. A separate terminal is being planned for NSOPs in Navi Mumbai.
 - 12.11. MIAL submitted that the User Consultation would be held at the earliest on capex projects through video conferencing.
13. Other Stakeholders informed that written comments would be submitted.
14. Member, AERA thanked all the Stakeholders for participation in the Stakeholder Consultation and requested for submission of the written comments.



Geetha Sahu
AGM(Fin.)

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

Airport Operator CSI Airport, Mumbai (MIAL)

1. Mr. Rajiv Jain
2. Mr. Sanjiv Bhargava

Representatives from other Private Airport Operators

1. Mr. Satyan Nayar, Association of Private Airport Operators
2. Mr. Bhaskar Venkatramani, Bangalore International Airport Limited
3. Mr. Santhosh J Poovattil, Cochin International Airport Limited
4. Mr. Harsh Gulati, Delhi International Airport Limited
5. Mr. Madhur Arora, Adani Enterprises

Airports Authority of India

1. Ms. Vidya, GM Finance

Representative from International Air Transport Association (IATA)

1. Mr. Amitabh Khosla
2. Mr. Ujjwal Bakshi
3. Mr. Cesar Raffo
4. Mr. Allan Young
5. Mr. Richard Tan

Representatives from Airlines

1. Mr. Dushyant Deep, Indigo Airlines
2. Mr. Tejas Arte, Etihad Airways
3. Ms. Sarika Gandhi, Lufthansa

Independent Service Providers

1. Gp.Capt. R K Bali, BAOA
2. Mr. Vipin Vohra, FFFAI
3. Mr. Bala Ayer, ACCAI

Industry Associations

1. Mr. Manoj Mehta, FICCI
2. Ms. Bhavna Singh, PHDCCI

AERA Consultants

1. Mr. Ravi Suryanarayana, PKF Santhanam
2. Ms. Seethalakshmi, PKF Santhanam
3. Mr. Gokul Dixit, RS & Co.
4. Ms. Krithika Gopal, RS& Co.
5. Prof. Ravi Anshuman, IIM (Bangalore)