

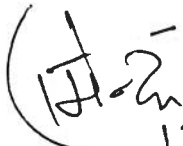
**AERA/20010/MYTP/AAI-GOA/CP-II/2016-17/
Airports Economic Regulatory Authority of India**

Date: 12.10.2017

Office Memorandum

**Sub: Minutes of the Stakeholders' Consultation Meeting held on 18.09.2017
at 10.30 AM.**

Please find enclosed herewith the Minutes of the Stakeholders' Consultation Meeting held on 18.09.2017 in connection with Multi Year Tariff Proposal for determination of tariffs in respect of Nagpur, Pune, Goa, Kolkata and Srinagar International Airport for the second control period (01.04.2016 to 31.03.2021) for information and necessary action.

(
12.10.17.
(Ramendra Pratap Shukla)
Deputy Chief

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AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

**Minutes of the Stakeholders Consultation Meeting held on
18th September, 2017 at 10:30 AM**

1. CONSULTATION PAPER NO.16/2017-18 DATED 01.09.2017 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF TARIFF IN RESPECT OF DR. BABASAHEB AMBEDKAR INTERNATIONAL AIRPORT, NAGPUR FOR THE FIRST CONTROL PERIOD (01-04-2016 TO 31-03-2021).
2. CONSULTATION PAPER NO.17/2017-18 DATED 01.09.2017 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFFS AT CIVIL ENCLAVE IN RESPECT OF PUNE AIRPORT FOR THE SECOND CONTROL PERIOD (01.04.2016 – 31.03.2021).
3. CONSULTATION PAPER NO.18/2017-18 DATED 01.09.2017 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFFS AT CIVIL ENCLAVE IN RESPECT OF GOA INTERNATIONAL AIRPORT FOR THE SECOND CONTROL PERIOD (01.04.2016 – 31.03.2021).
4. CONSULTATION PAPER NO.19/2017-18 DATED 01.09.2017 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF TARIFFS FOR 2nd CONTROL PERIOD (FY.01.04.2016 TO 31.03.2021) IN RESPECT OF KOLKATA INTERNATIONAL AIRPORT.
5. CONSULTATION PAPER NO.20/2017-18 DATED 01.09.2017 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFFS AT CIVIL ENCLAVE IN RESPECT OF SRINAGAR INTERNATIONAL AIRPORT FOR THE SECOND CONTROL PERIOD (01.04.2016 – 31.03.2021).

Stakeholder Consultation Meeting was convened by the Authority on 18.09.2017 at 10.30 AM in the Conference Room, first floor, AERA Building, Administrative Complex, Safdarjung Airport, New Delhi to elicit the views of the stakeholders on the Consultation Papers nos. 16/2017-18, 17/2017-18, 18-2017-18, 19/2017-18 and 20/2017-18 dated 01.09.2017 issued by the Authority to consider the Multi-year Tariff Proposal for the 2nd control period (FY.2016-17 to FY.2020-21) in respect of Nagpur, Pune, Goa, Kolkata and Srinagar International Airport respectively. The list of participants is enclosed at **Annexure-I**.

2. The Chairman, AERA welcomed all the participants and the stakeholders to give their views and also submit written comments/ views on or before 29th September 2017.

DR. BABASAHEB AMBEDKAR INTERNATIONAL AIRPORT, NAGPUR

3. Ms. Meghna from CRISIL on behalf of MIHAN India Ltd. (MIL) gave the presentation on Nagpur Airport covering the following key areas:-

- 3.1 Nagpur airport is centrally located and major hub for cargo and passengers in India.
- 3.2 MIL was formed by Joint Venture of MADC and AAI with 49% stake of AAI and 51% of MADC
- 3.3 Nagpur Airport was transferred to MIL on 07.08.2009
- 3.4 Nagpur airport became a major airport in 2015-16.
- 3.5 MIL has total employees of 124 (16 direct appointees and 108 from AAI on loan basis)
- 3.6 In 2017-18 airport passenger traffic has grown by 19 % (domestic)and 45% (international)
- 3.7 Traffic Growth rate for last 5 years is 5% and 23% for domestic and international respectively. Year on Year (YOY) for the 2015-16 the international traffic has grown by 66% followed by 47% in 2016-17.
- 3.8 There is huge growth in domestic traffic as number of airlines has increased
- 3.9 She also briefed about planned expenditure during the control period
- 3.10 MIL has already started the process of privatizing Nagpur airport under PPP model which is likely to be completed by end of this control period. Hence no major expenditure has been proposed except upgradation of runway and building. The proposed expenditure is Rs 136crs.
- 3.11 MIL had proposed UDF of Rs 364 (Domestic) and Rs 728 (international) considering the shortfall of Rs 223 crores in the control period
- 3.12 MIL had proposed an increase of 30% in Landing and Parking charges. MIL also proposed 5% increase in Fuel Throughput charges Year on Year basis.
- 3.13 She also briefed the modifications made by AERA in Deprecation methodology, Value of Assets taken over by MIL from AAI. The UDF proposed by AERA is Rs 150(Domestic) and Rs 300(International) and AERA has agreed for 30% increase in LPH.

Sh. G Ravichandran, ED (Tariff) AAI stated that MIL had taken over assets of Rs 88 crores from AAI in 2009 and at the time of submission of MYTP by MIL there was no clarity on treatment of the same. Now AAI and MIL had reached an agreement to treat this amount as a loan at 12% pa (the same rate which MADC has extended loan to MIL). Secondly, MIL was to reimburse manpower cost to AAI from the date of takeover of airport. In this regard, there are dues of Rs 49.5 crores which have been frozen as on 31/08/2017. Since MIL is not able to pay this amount at one go, MIL and AAI have reached an understanding that MIL would clear the dues in next three years with interest @ 12% pa. AAI have requested them to give amortization schedule which will conclude during this control period.

ED Tariff AAI requested to consider these changes and rework the UDF rate proposed by AERA.

Member-II, AERA sought clarification about the repatriation agreement between AAI and MIL for AAI employees. ED Tariff confirmed that the AAI employees have already been repatriated to AAI on 01.09.2017.

Chairman AERA confirmed from MIL about the effect of repatriation of employees on Operating cost in MYTP which MIL confirmed that the same was not considered in MYTP submitted to AERA.

Chairman and Member (II), AERA were of the view that since there would be major change in FROR and Operating expenditure, MIL may have to submit a revised tariff proposal to AERA for consideration.

KOLKATA INTERNATIONAL AIRPORT

4. Shri Atul Dikshit, Airport Director, gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 2nd control period. He gave an overview of the facilities available at the airport, traffic, past ASQ ratings, capital expenditure and proposed tariffs at the airport. He also requested AERA to reconsider some of the issues related to:

- a. Normative Approach for Capital Expenditure: He presented the reasons for additional cost of pavements/ structures at Kolkata Airport which included incremental capex required given the soil condition at Kolkata airport, escalation of DSR 2016 rates by 28.43%, impact due to GST and revision of minimum wages. He further stated that these factors would also impact the cost of Terminal Building. He requested AERA to consider these costs for determination of capital expenditure.
- b. He further stated that AERA had excluded INR 104 cr. from the capital expenditure as it was used to develop the non-aeronautical assets, that is, the hangars. He requested AERA to allow INR 44 cr. of the proposed INR 104 cr. as it is to be used for construction of apron and taxi track, which is a common facility for aircraft movement.
- c. He requested to consider the rate in USD for the User Development Fees in their tariff card.

On the issue of normative approach for determination of capital expenditure, Chairman, AERA stated that the Authority will evaluate the capital expenditure details submitted by AAI. However, Chairman further added that the Authority has proposed to undertake a study to determine the reasonableness of cost of the assets as per the Consultation Paper and the same would be trued-up in the next control period. On the issue of allowing INR 44 cr. as cost of apron and taxi track, Chairman, AERA stated that the Authority will analyse the details submitted by AAI and may allow such costs subject to conditions with respect to normative costs for apron and taxi track.

On the issue of dollar rate for User Development Fees, Chairman, AERA stated that the exchange rate for conversion is proposed to be determined as mentioned in the Consultation Paper.

Member, AERA requested AAI to clarify whether capital expenditure for ATC tower has been excluded for determination of aeronautical tariffs which they clarified that the same has been excluded for determination of aeronautical tariffs.

Jet Airways:

5. Shri. Mukesh Trehan, GM(F) commented that the aerobridge charges should not be charged at the Kolkata Airport. He clarified that IGI Airport, Delhi does not charge aerobridge charges instead they charge for air conditioning and GPU. He requested AERA to consider his request.

Chairman, AERA assured that the inclusion of aerobridge charges as a separate tariff item would be reviewed and AERA might consider recovering such revenues through UDF.

Pune International Airport

6. Shri A.K. Bhardwaj, Airport Director gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 2nd control period. He gave an overview of the facilities available at the airport, traffic, past ASQ ratings, capital expenditure and proposed tariffs at the airport. He also requested AERA to reconsider some of the issues related to:

- a. Normative Approach for Capital Expenditure: he presented the reasons for additional cost of terminal building at Pune Airport which included incremental capex required given the green building concept, small size of Pune airport terminal in comparison to Cochin airport, electricity charges, labour rates at Pune, etc. After considering all the above factors, AAI had proposed that the cost per sq. m. of terminal building after excluding such additional costs which would be within the normative costs. He requested AERA to consider these costs for determination of capital expenditure.
- b. Asset allocation: AAI stated that for New Integrated Terminal Building the ratio of Aeronautical and Non-Aeronautical Assets may be considered as 92.5 % and 7.5% respectively instead of ratio of 91.37% and 8.63% considered by AERA.
- c. O&M expenditure & pay roll costs: Based on the last wage revision, AAI has requested AERA to allow an increase of 35% instead of 25% in FY 2017-18 considered by AERA, on account of wage revision due from 01.01.2017.
- d. Tariff Card: AAI in their tariff card stated the rate in USD for the User Development Fees.

The Authority requested AAI to provide the status of the new greenfield airport proposed in Pune and its impact on the existing airport. Airport Director clarified that the Government of Maharashtra is facing challenges in land acquisition for the new

airport and hence, there is no clarity on the date of commissioning of new greenfield airport. Pune International Airport which is already operating beyond its passenger handling capacity is in an urgent need for the new terminal building and has, thus, taken steps to develop it at the earliest.

Jet Airways:

7. Shri Mukesh Trehan, GM (F) commented that the total traffic in Pune Airport in the last 3 years (FY15, FY16, FY17) has increased by 17%, 29% and 25% respectively. However, AERA has considered a lower growth forecast of 12% for the subsequent years of the 2nd control period. He requested AERA to revise the passenger traffic growth rates after considering previous year's growth.

Airport Director, Pune clarified that Pune Airport faces airside/ airspace constraint due to restrictions levied by IAF on civilian flight operations and Civil operations are not allowed at Pune International Airport between 08:00 Hrs to 10:30 Hrs from Sunday to Friday and from 11.00 to 17.00 Hrs. on Saturday due to maintenance of runway. Further, he further stated that the airport faces terminal side constraints as well since it is operating the terminal beyond its passenger handling capacity and growth in future years has been assumed to be 12% after consideration of the above constraints at the airport.

Chairman, AERA stated that given the airspace and terminal constraints faced by the Pune International Airport, traffic growth rate considered for Pune airport seems to be reasonable. Further, he added that the traffic would be trued-up in the next control period.

Goa International Airport, Goa

8. Shri B. Negi Airport Director, gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 2nd control period. He gave an overview of the facilities available at the airport, traffic, past ASQ ratings, capital expenditure and proposed tariffs at the airport. He also requested AERA to reconsider some of the issues related to:

- a. Consideration of capex for Terminal Building and other allied works: He stated that the extension of terminal building is required at Goa Airport because the total passenger traffic will be 11.65 million passengers per annum by FY 2021-22 by the time the other competing airport at MOPA, Goa would be operational. Though the traffic will definitely get distributed between two airports, Dabolim shall be a preferred airport due to geographical location. Further, he added that present ITB has handling capacity of 4.5 mppa whereas Goa airport handled 6.56 mppa in 2016-17. Given the above justification, he requested AERA to consider the capital expenditure for extension of terminal building of INR 241 cr. for the determination of aeronautical tariffs in the 2nd control period.
- b. Normative Approach for Capital Expenditure: He presented the reasons for additional cost of terminal building at Goa Airport which included development

work, earth filling, royalty, integration of existing building with the proposed, diversions, augmentation of power supply, etc. and requested AERA to consider these costs for determination of capital expenditure.

- c. O&M expenditure & pay roll costs: Based on the last wage revision, AAI has requested AERA to allow an increase of 35% instead of 25% in FY 2017-18 considered by AERA, on account of wage revision due from 01.01.2017.
- d. Tariff Card: AAI in their tariff card stated the rate in USD for the User Development Fees.

On the issue of allowing the cost for extension of terminal building in the capital expenditure, Chairman, AERA stated that there is no clarity on whether the capital expenditure will be incurred by the end of 2nd control period. However, the Authority would re-evaluate its decision on including the capital expenditure for extension of terminal building. Further, it was added that as per the Consultation Paper, in case AAI incurs the capital expenditure towards the expansion of terminal building and capitalizes the same during the 2nd control period, it will be trued up while determining tariff for 3rd control period. In case AAI feels that this will lead to significant increase in tariff, it may propose revision of tariffs after capitalization of the terminal building and apron.

Srinagar International Airport, Srinagar

9. Shri S.K. Gupta, Officiating Airport Director, gave a brief presentation on the Multi Year Tariff Proposal submitted to AERA for determination of tariffs for the 2nd control period. He gave an overview of the facilities available at the airport, traffic, past ASQ ratings, capital expenditure and proposed tariffs at the airport. He also requested AERA to reconsider some of the issues related to:

- a. Normative Approach for Capital Expenditure: AAI presented the reasons for additional cost of terminal building at Srinagar Airport. These included development work, solar power plant, interior works, PMC charges, contingency, construction of elevated road, superior finishes, art work, additional height of building, ESS building, taxes, etc. He requested AERA to consider these costs for determination of capital expenditure.
- b. Asset Allocation: AAI requested AAI to consider the Terminal Building Ratio of 92.5% for Srinagar Airport as considered for other airports instead of the currently proposed 90%.
- c. Tariff Card: AAI in their tariff card stated the rate in USD for the User Development Fees.

Jet Airways:

10. Shri. Mukesh Trehan, GM(F) commented that AAI has provided a credit period of 15 days to airlines to make the payment of the UDF and other charges. However, such maximum credit period is not applicable on the AAI where such collection charges has to be settled by AAI.

Chairman, AERA clarified that the Authority has included the provision for settling the collection charges amount within 15 days in the tariff card.

IATA:

11. Shri. Eric Antia, Campaign Manager stated that they would submit their comments on the Consultation Paper in writing.

BOAO:

12. Shri. R.K. Bali, MD stated that the hangars should be considered as aeronautical assets and their lease rentals should be determined by AERA. Further, he stated that the housing charges are high from the point of view of the general aviation operators.

Chairman, AERA clarified that the hangars are non-aeronautical assets which are leased to airlines on a long term basis as per their operational requirement.

Chairperson AERA thanked all the stakeholders for their participation and requested them to furnish their comments /views on the Consultation Paper within the stated timelines.

The Meeting ended with a vote of thanks to the chair.



List of Participants**AERA**

1. Shri S. Machendranathan, Chairperson - In Chair
2. Shri S. Samantha, Member
3. Ms. Puja Jindal, Secretary
4. Shri Rajesh Khanna, AGM (Fin)
5. Shri Nirmal Kumar, Sr. Manager (Fin)
6. Shri Jaimon Skaria, Manager (Fin)
7. Shri Karri Narsimha, Sr. Supdt.

Airports Authority of India

8. Shri Atul Dikshit, Airport Director, Kolkata
9. Shri R. Madhwan, GM(F), Kolkata
10. Shri Debashis Bhattacharaya, Jt. GM(E-C)
11. Shri G Ravichandran, ED(Tariff)
12. Shri A.K. Bhardwaj, Airport Director, Pune
13. Shri B. Negi Airport Director, Goa
14. Shri S.K. Gupta Airport Director, Srinagar
15. Smt. V. Vidya, GM(F)
16. Shri Varun Kumar, AGM(F)
17. Shri R.K. Das, AGM (F&A)
18. Ms. Anju Rastogi, SM (F&A)
19. Shri Ravi Kanojia, Asstt. Manager (F&A)
20. Shri Manoj Kumar (Asstt. Manager (F&A)

MIHAN India Ltd.

21. Shri Kumar Ranjan Thakur, CS & CFO
22. Shri V.S. Mulekar, Sr. Airport Director

Delhi Customs Clearing Agents Association

23. Shri Puneet Jain, Vice President

Air Travellers Association

24. Shri Yogendra Tomer, Executive Director
25. D.L. Narsimham, Secretary

Jet Airways

26. Shri Mukesh Trehan, General Manager(F)

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BAOA

27. Shri GP Capt R.K.Bali, MD

GMR Airport Ltd.

28. Shri Shobhit Agarwal, AGM-Regulatory

Air Asia (India) Ltd.

29. Shri Arun Kumar, Finance Manager

Bhadra International India Pvt. Ltd.

30. Shri Himanshu Dhingra, Manager (F)

IATA

31. Shri Eric Antia, Campaign Manager

Govt. of Goa

32. Dy. Resident Commissioner

Indian Navy

33. Shri Usman Khan, Lt. Cor.

Crisil Ltd.

34. Ms. Meghna Goradia, Sr. Consultant

Earnst & Young

35. Shri Udyan Sharma, Analyst