



The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport
New Delhi-110003

Sub:- Comments of AAI on Consultation paper No 03/2019-20 in the matter in the matter of Determination of Aeronautical Tariff in respect of Patna Airport for the first Control Period (01.04.2018 to 31.03.2023).

Sir/Madam,

Reference is invited to consultation paper No 03/2019-20 in the matter in the matter of Determination of Aeronautical Tariff in respect of Patna Airport for the first Control Period (01.04.2018 to 31.03.2023).

The following comments of AAI on Addendum to CP may also be considered for determination of Aeronautical Tariff in respect of Patna Airport.

Sr. No.	Addendum Paper	AAI comments/Response																																
1	Refer Para n-7.4.4 of Addendum – Cost per sqm of Apron	<p>AERA has considered Rs.4700 per sqm as on 01.4.16 considering S. Tax-6%. AERA is requested to considered Rs. 4700 per sqm considering GST-18% applicable w.e.f.01.7.17. The revised calculation of cost per sqm/inflation factor are as under: -</p> <table border="1"><thead><tr><th>Year</th><th>1st (17-18)</th><th>2nd (18-19)</th><th>3rd (19-20)</th><th>4th (20-21)</th><th>5th (21-22)</th><th>6th (22-23)</th><th>7th (23-24)</th></tr></thead><tbody><tr><td>Cost psqm with inflation(5%)</td><td>4935</td><td>5182</td><td>5441</td><td>5713</td><td>5999</td><td>6298</td><td>6613</td></tr><tr><td>S.Tax-6%</td><td>296</td><td>311</td><td>326</td><td>343</td><td>360</td><td>378</td><td>397</td></tr><tr><td>GST-18%</td><td>888</td><td>933</td><td>979</td><td>1028</td><td>1080</td><td>1134</td><td>1190</td></tr></tbody></table>	Year	1 st (17-18)	2 nd (18-19)	3 rd (19-20)	4 th (20-21)	5 th (21-22)	6 th (22-23)	7 th (23-24)	Cost psqm with inflation(5%)	4935	5182	5441	5713	5999	6298	6613	S.Tax-6%	296	311	326	343	360	378	397	GST-18%	888	933	979	1028	1080	1134	1190
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crores, which has been detailed in the table -2, Addendum to CP no. 03/2019-20 Page 15.

The Authority at this stage has not considered some costs like differences in GST, site barricading, etc. in view of uncertainty in actual cost. However, the Authority will true up the RAB based on actual cost during the tariff determination of the second Control Period.

AERA is requested to consider the revised estimated cost of apron considering GST as under

Particulars	Phase-1	Phase-2	Total
Area (sq.m)	9800	5550	15350
Cost per sqm-(4/2016) (INR)	4700	4700	
Inflation Rate	5%	5%	
Number of years of inflation	3	7	
Inflation Factor	1.16	1.41	
Normative cost(INR cr.)	5.34	3.68	9.00
Add: cost of GSE	0.63	0.35	0.98
Add: cost of earth work	0.31	0.17	0.48
Total cost- Normative (INR cr.)	6.28	4.20	10.48
GST-18% Cost per sqm (INR)	979	1190	
Total cost of GST (In Cr.) $(9800*979)/10^7$ $\&(5550*1190)/10^7$	0.96	0.66	1.62
Total cost including GST	7.24	4.86	12.10
Cost proposed by AAI (INR cr)	7.6	4.48	12.08

GST component is part of the total estimated cost as no benefit of GST input is accruing to the AAI on civil work.

Hence AERA is requested to consider the total cost of Apron Rs.12.08 cr including the cost of site barricading and GST.

2 Refer Para n-7.4.5 of Addendum –Semi Permanent Building

AAI has revised the cost estimates from earlier INR 35.23 crores to INR 13.66 crores. The Authority earlier considered a normative cost of INR 18.50 crores. As the cost proposed by AAI is less than the normative cost, the Authority proposes to revise the projections to the cost proposed by AAI, i.e. 13.66 crores. Further, the Authority relooked at the potential of reusing the assets. Some of these assets, like all equipment, have the potential of re-use. The Authority expects AAI to re-use these assets in the new project. Considering the significant proportion of such assets in the overall asset package, the Authority proposes to revise the residual value from 15% to 70%. The Authority further proposes to re-assess

The proposed construction to be done with civil works with glass façade, insulated roofing and incorporating minimum facility at par with existing finishes with minimum cost of construction, cannot be reused except counters & furniture and need to be disposed off after commissioning of new terminal building as scrap value as detailed below: -

NAME OF WORK :- C/O Expansion & Renovation of Existing Terminal Building and other allied structures at Patna Airport			
	Cost (crore)	% reusable	Remarks
Civil Work	5.11	6.0%	Proposed structure become unusable and can be used as scrap value only
Plumbing work	0.35	NIL	Cannot be reused
Electrical work	1.26	Nil	Cannot be reused
Fire Fighting	0.23	NIL	Designed for specific use of EOTB

the situation after demolition of the semi-permanent structure and its re-use during the second control period and make suitable adjustments thereon.

HVAC & BMS Works	0.55	NIL	As this is being designed for specific use of extension of Terminal only , cannot be used at other place
Development of Site	0.11	NIL	
Superior Finishes	2.84	NIL	Cannot be reused
Interior Works	0.73	NIL	Cannot be reused
PA System	0.3	NIL	designed for specific use of extension of Terminal only
IT System	0.34		designed for specific use of extension of Terminal only
Dismantling and Demolishing	0.23	NIL	
Furniture and counters	0.226	60% can be re used	
Equipment	1.37	NIL	designed for specific use of extension of Terminal only
Total	13.66 crore		

From the above it can be seen that maximum part of proposed construction cannot be reused and can only be disposed off as scrap except furniture and counters which is 6.0% of the total cost as per standard norms.

AERA is requested to consider residual value of assets Rs.0.43 cr (0.30 cr.-6% of Civil work & Rs.0.13 cr.-60% of Furniture and counters).

3 Refer Para n-7.4.6 of Addendum – Cost of New Terminal Building

The Authority has noted the comments made by AAI regarding the excess cost over normative cost, for the new terminal building. The Authority has taken the normative cost of INR 1 lakh per sq. m. which includes the cost towards roofs, wall cladding, flooring, etc. AAI has not pointed out the extra benefit that will accrue to the users due to the superior finish as stated by them.

Regarding inclusion of GST and PMC cost in the new terminal building, GST component is part of the total estimated cost and no GST input is accruing to AAI on composite work. As regarding the PMC cost, it cannot be looked separate from project expenditure as PMC carries out following work: -

- The initial design and tendering is being finalized by PMC only.
- PMC shall also be ensuring that time line and project cost does not go beyond the estimate by ensuring proper utilization of resources.
- Thus PMC services save the project from hidden expenditure during execution of projects.

AERA is requested to consider cost of GST and PMC in total cost of Terminal Building and needs to be considered fully in RAB.

	<p>In the absence of any specific additional benefit accruing to the users, the Authority is not inclined to consider the same as they only raise the cost. However, some of the items like PMC, GST etc. will be looked into at the time of truing up the cost during tariff determination of the second Control Period.</p>	
4	Refer Para n-7.5.1 of Addendum – Financing Allowance	
	<p>In addition to the capital expenditure items discussed above, the Authority had reference to AAI's response on proposed funding for the capital expenditure. The Authority notes that AAI has proposed use of debt for investment in the new Terminal Building. In this regard, the guidelines (Direction No. 5/2011 dated 28th February 2011) provide for a mechanism of financing allowance. The same is discussed below, as if applicable and permitted, the financing allowance will need to be added in RAB for respective years.</p> <p>As per Authority's guidelines, the financing allowance is computed as per the following formula:</p> <p>Financing allowance = Rd x [(WIPAt-1 + (Capex – SC – CA)/2]</p> <p>Where, Rd = cost of debt WIPAt-1 = Opening balance of work in progress assets Capex = Capital expenditure incurred during a year SC = Capital receipts as contribution from stakeholders CA = Commissioned assets</p> <p>The Authority notes that the funding of actual quantum of loan and rates are not</p>	<p>AAI has proposed funding of proposed Terminal Building including allied work through debts (60%) and internal resource (40%).</p> <p>As per AERA guidelines Rs. 34.30 cr as Financing allowance may be considered in RAB in FY 2022-23.</p> <p>Addition made in last year Rs.711.89 cr. Cost of debt 60% of addition in FY 2022-23 Rs.427.13 cr. Financing charges in FY 2022-23 Rs.34.30 cr considering debt rate @ 8.03% p.a.</p>

<p>finalized. It is not clear when the loan will be drawn and its actual utilization. Moreover, in the absence of any data provided by AAI, the Authority is not sure of the quantum of WIP and capitalization over the period. The Authority has not proposed any financing allowance in the project cost. However, the Authority proposes to provide for financing allowance if adequate details are made available by AAI before issue of Tariff Order. If the same is not available at present, the Authority may consider the quantum of financing allowance at the time of truing up in the second Control Period.</p>	
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This issue with the approval of the Competent Authority.

Your sincerely



23.9.2019

(D.K. Kamra)

Executive Director (JVC & Tariff)