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AERA/20010/MYTP/AAI-Guwahati/2011-12
Airports Economic Regulatory Authority of India

Minutes of the Stakeholder Consultation Meeting held on 24.10.2013
(Consultation Paper No. 20/2013-14 dated 08.10.2013)

A Stakeholder Consultation meeting was convened by the Authority on 24.10.2013 at 1500 hrs. in the Conference Room, first Floor, AERA Building, Administrative Complex, Safdarjung Airport, New Delhi to elicit the views of the stakeholders on the Consultation Paper No. 20/2013-14 dated 08.10.2013 issued by the Authority setting out its tentative position in respect of the determination of tariff for aeronautical services at Lokopriya Gopinath Bordoloi International Airport (LGBIA), Guwahati for the first Control Period (from 01.04.2011 to 31.03.2016). The list of the participants is enclosed at **Annexure – I**.

2. Chairperson, AERA welcomed the participants and also made introduction with the newly joined Members viz. Shri D.C. Bajaj and Shri D. Devraj and the newly joined Secretary Shri Alok Shekhar. Chairperson, requested Shri S. Suresh Member (Finance), AAI to make a presentation on the proposal.

3. Shri S Suresh, Member (Finance), AAI made a detailed presentation indicating the physical features of the airport, the additional features added to the airport and the components of project cost. He also presented the financials of the tariff proposal made by AAI indicating the key points in the Consultation Paper. He justified the proposed increase in tariff stating that the last revision was done the year 2001 and after a gap of 8 years the rates of Landing, Parking and Housing Charges were increased by 10% in March, 2009 and that the rate of Passenger Service Fees (Facilitation) was last increased marginally by 10% in April, 2009. He pointed out that keeping in view the suggestions given by IATA, ICAO, FIA and other foreign airlines regarding discrimination of tariff between domestic and international, AAI has proposed uniform tariff for both domestic and international movement at LGBIA, Guwahati. He has also mentioned that fuel throughput charge has been kept uniform throughout the control period. He explained that it is an endeavor to promote regional connectivity in fulfilling the Social Economic objective of the Govt. and not to overburden the esteemed users and thereby decided not to charge full cost of services during the remaining year of control period but to carry forward of Aggregate Revenue Requirement (ARR) for the first control period amounting to Rs. 95 crores (PV as on 01.04.2011) to the next control period commencing from 1.4.2016 (the copy of the presentation is placed as **Annexure-II**).

4. Chairperson welcomed the comprehensive presentation made on the various issues in the Consultation Paper and requested the stakeholder to put forth their views.

5. **International Air Transport Association (IATA):** Shri Amitabh Khosla, Country Director, IATA stated that IATA is generally in agreement with the proposals contained in the Consultation Paper especially in regard to:

- (a) Charging uniform LPH rates for International and Domestic landings,
- (b) Uniform UDF rates for International and Domestic passengers;
- (c) The retention of constant fuel throughput charges till end of the control period;
- (d) The treatment of cargo, ground handling concessions received by the airport operator as aeronautical charges for the purpose of the tariff determination and

- (e) To carry forward the short fall in the in the Aggregate Revenue requirement in the first control period to the next control period.

6. He requested the Chairperson, AERA to take this proposal of AAI as model and implement the same for other airports. However, he brought in the following shortcomings on the proposal;

(i) Cost of Equity: He pointed out that according to AERA, 60:40 is the optimal ratio for debt equity, but in case of Guwahati 100% equity has been taken which goes against the optimal (finance) structure of finance and that in case of Kolkata /Chennai, the scenario was slighter better since the airports had debt to some extent. However, he suggested AERA to fix a time frame for switching over to 60:40 debt equity ratio.

(ii) On the issue of Annual escalation based on the WPI, IATA stated that the same is not cost related and should not be increased on a year to year basis. Drawing reference to the PPP of AAI Airports where the Draft Model Concession Agreement envisages the tariff(s) to be determined on a year to year basis Mr. Khosla mentioned that while there are elements that add to cost, the Annual escalation based on the WPI should not be allowed as the Operator would achieve productivity gains.

7. Chairperson stated that proposals put forth in the Consultation Paper that have been broadly supported by IATA, especially the AAI carrying forward the shortfall in the ARR for Guwahati airport stems from the fact that AAI has a strong equity base, so that there is no debt service coverage problem. However, this was not the case, for example, in the case of the tariff determination of IGI Airport, New Delhi. As the viability of an airport is also an important consideration under the AERA Act, the Authority had allowed an upfront increase in tariffs with an X factor of 347% and not 151% staggered over two years because in that case, DIAL would not have met its DSCR under the annual escalation. Further, Chairperson stated that the Authority had also given its reasoning on the WACC in Order No. 35/2012-3 and 38/2012-13 while determining the aeronautical tariffs in respect of the AAI Airports at Kolkata and Chennai respectively and these are also relevant for determination of WACC (FRoR) for LGBIA as well. On the issue of the selection of Comparator set of estimation of Asset Beta, the Authority has considered the comparator set from both developing/emerging countries which has been re-levered using the notional Debt – Equity ratio of 1.5 (equivalent to gearing of 60%). Finally, the Authority has kept WACC at 14%.

8. Shri D.C. Bajaj, Member, AERA clarified that there is no real change in following the WPI but it is only to smoothen the tariff during the control period.

9. **Federation of Indian Airlines (FIA):** Federation of Indian Airlines (FIA): The representative from FIA endorsed the views of IATA. The representative further welcome the proposal of the Authority to consider the cargo, ground handling and fuel throughput revenue received in the hands of the Airport Operator as part of the aeronautical tariffs(s) irrespective of who is providing the regulated service. However, the representative stated that the proposal is based on the MoCA's letter dated 24.09.2013 on the subject issue and whether the treatment proposed now would be consistent for other airport operators as well. According to FIA, this proposal is a boost to the aviation industry.

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10. Chairperson clarified that in its recent Consultation Paper in the matter of determination of tariffs for Bengaluru and Hyderabad Airport for the first control period, the Authority has treated the revenues received by the Airport Operator as concessions/revenue share from the cargo and ground handling services, provided by the Independent Service providers as Non Aeronautical Revenue for the purpose of tariff determination. However, the Authority had also stated that a view could be taken that the aeronautical services of Cargo, Fuel Farm and Ground Handling services are caused to be provided by airport operator and hence revenues accruing to the airport operator on account of these (revenue share, rental, etc.) merits to be considered as Aeronautical Service. The Chairman had alluded to this issue during those stakeholder meetings, indicating that the Authority may revisit it at the next control period. Now that the Government has given its views on the issue, the Authority has proposed to treat these revenues as "aeronautical revenue" for the current control period.

11. The representatives of BPCL, HPCL and IOCL welcomed the proposal of AAI to maintain the Fuel Throughput Charges constant throughout the balance period of the current control period. Further, the representative of IOCL enquired whether the situation will remain same at Guwahati Airport in the light of RFQ being issued for Guwahati Airport for Operation, Management and Transfer of through Public Private Partnership (PPP).

12. The Chairperson clarified that the aeronautical tariffs in respect of LGBIA, Guwahati is being determined by the Authority for the current control period as per the AERA Act, 2008 and Guidelines. As regards fixation of tariffs after the PPP of AAI Airports, he clarified that it is premature to deliberate on the same as it is still under discussion. Further, he also clarified that the aeronautical tariff in respect of LGBIA, Guwahati is presently being determined by the Authority for the current control period as per the Act and Guidelines.

13. Shri Sudhir Raheja, Member (Planning), AAI stated that some of the major project works are being carried out with specific requirement of the NE Region. The work of building three hangers are required keeping in view of late evening and/or early morning operation in in the airport.

14. In his concluding remarks, Chairperson thanked all the stakeholders for their active participation and requested them to furnish their comments/views on the Consultation Paper No 20/2013-14 by 12.11.2013, the last date for submission of comments.

Annexure - I

List of Participants :

Airports Economic Regulatory Authority of India :

Shri/Smt

1. Yashwant S. Bhave, Chairperson - in Chair
2. Dinesh Chander Bajaj, Member – I
3. D. Devaraj, Member - II
4. Alok Shekhar, Secretary
5. C.V. Deepak, OSD-II
6. Radhika R., DGM
7. R.K. Gupta, AGM (Finance)
8. S. Dey, AGM (Finance)
9. A.B. Saxena, AGM
10. Praveen Gupta, AGM(Finance)
11. Dheeraj Khanna, Manager (Finance)

Airports Authority of India (AAI)

12. S. Suresh, Member (Finance)
13. Sudhir Raheja, Member (Planning)
14. Rajesh Bhandari, ED(F&A)
15. Ram Lal, ED (OPS/AL)
16. Sreekumar, GM (Planning)
17. R D Vishwakarma, Jt G M (Finance)
18. Satish Kumar, Manager (Finance)
19. Swati, A.M (Finance)
20. R. K Dass, Manager (Finance)
21. K. Narsmaha. Supdt (Finance)

International Air Transport Association (IATA)

22. Amitabh Khosla, Director

Federation of Indian Airlines (FIA) :

23. Ujjal Dey, Senior Executive Officer
24. Divya, (JSR)

Bharat Petroleum Corporation Limited

25. N. Anand, Deputy General Manager Business Development-Aviation-HQ

Hindustan Petroleum Corporation Ltd.

26. R.K.Rai, Chief Manager – Aviation, Aviation SBU

Spicejet Airlines Ltd.

27. Jitendra Kushwah (Associate vice president finance)

InterGlobe Aviation Limited (IndiGo)

28. Praveen Gupta (Deputy G.M)

ICWAI

- 29. J.P Singh (Project Director)
- 30. Kimi Thaneja (Asst. Director)
- 31. Yogendar Pal Singh (Sr. Officer)
- 32. Harpreet Kaur

Ferrous Infrastructure Pvt. Ltd.

33. Jagdev Yadav, GM (Project)