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साफदरजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त

डायरी नं०: 10054

तारीख: 10/07/17

Dated: 7th July 2017

Ref: AERA/Finance/2017-18/07

To
The Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi -110 003.

Subject: BIAL submission to AERA Consultation Paper No.09/2017-18 dated 19th June 2017

Dear Madam,

AERA issued a Consultation paper No.09/2017-18 dated 19th June 2017 in the matter of determination of useful life of Airport Assets. AERA has invited comments in relation to proposal No. 1 regarding Useful lives.

Please find herewith BIAL's response to AERA on the specific points for needful consideration at your end.

Thanking You.
Yours faithfully,

For Bangalore International Airport Limited

Bhaskar B
Senior Director - Finance & Support Services

DCM (F)

Replies to Consultation paper No. 09/2017-18 in the matter of Determination of Useful Life of Airport Assets.

1. The authority has proposed to determine useful lives for key airport assets under Part B of Schedule II to Companies Act, 2013 in Part I and Part II of Annexure 5 of Consultation Paper No. 09/2017-18.
2. The authority vide 3.1.6 – 1.c. proposes that written down value of asset as on date of effect shall be depreciated over the remaining useful life of asset.

BIAL's observation in this regard are as follows: -

- i) In cases where the useful life of assets based on proposed useful lives is already completed, entire written down value needs to be depreciated in one year. This depreciation would be over and above normal depreciation which needs to be charged off to Profit and Loss Statement.
 - ii) **We request the Authorities to consider such one-time depreciation impact in MYTP submissions already done by BIAL.**
3. The authority vide Part II (Airport Specific Assets) of Annexure 5 proposed useful life of Runway and Taxiway as 30 years :-

BIAL's observation in this regard are as follows:-

- i) We would like to draw attention to ICAI's presentation in Annexure 2 with regard to "Analysis of Individual Assets – Runway, Taxiway and Apron" wherein ICAI has rightfully noted that BIAL Concession Agreement has design and life specified as 20 years for Runway and Taxiway.
- ii) We believe that design and cost of Runway and Taxiway had been done to cater to the life in line with the Concession Agreement and accordingly BIAL had been following the same life till now.
- iii) The proposal now considers the life of Runway and Taxiway as 30 years. We believe that when Concession Agreement specify the life as 20 years, changing the life of the asset to 30 years for the purpose of streamlining across all airports would be unjust.
- iv) **We request the Authorities to consider the life of Runway and Taxiway as 20 years specifically for BIAL in line with the Concession Agreement.**

Copy of design Specifications and extract of Concession Agreement is attached for your reference.

4. The authority vide Part I of Annexure 5 proposed useful life of "Main access Roads in Operational Boundary Wall" as 5/ 10 years.

BIAL's observation in this regard are as follows:-

- i) The authority has proposed useful life only for Roads within Boundary wall. We would like to bring to your kind attention that generally approach roads to Airport outside the operational Boundary Wall is also built by Airport operators. There is no mention of such Roads in this Annexure 5.
 - ii) In case of BIAL, as the Government was not able to make ready proper connectivity to Airport, BIAL has built at its own cost a Trumpet Flyover on National Highway to connect to the Airport, which is in the nature of "Bridges". As per the draft agreement in place, the term of the Trumpet Flyover is for a period of after 20 years. Hence BIAL is depreciating the same with life of 20 years.
 - iii) Hence, we request the authorities to propose useful life of 20 years for Trumpet Flyover, which is specific to BIAL.
5. The authority vide Part I of Annexure 5 proposed for No depreciation on Commercial Buildings since it is not part of RAB.

BIAL's observation in this regard are as follows: -

- i) Upon issuance of useful lives by Authority, Airport Operator's will be obliged to follow depreciation rates as per the Authority's order and no other rates will be allowed.
 - ii) Commercial buildings being capital expenditure in nature needs to be depreciated over the useful life of the asset. It may be excluded by authority in tariff determination as it is not Part of RAB. However, commercial buildings also have a definite useful life and it cannot remain in books of account for ever.
 - iii) Hence, we request the Authorities to that in case of Non-RAB assets, depreciation policy of the company should be allowed to be adopted.
6. The authority vide Part I of Annexure 5 proposed for 30/ 60 years useful life for Terminal Buildings/ Utility Buildings / other buildings.

BIAL's observations in this regard are as follows: -

- i) We would like to draw reference to para 2.2.5 of consultation paper, wherein under Part C – Buildings and Roads, The Companies Act 2013 rates for different types of buildings has been specified such as RCC frame structure/ other than RCC frame structure/ factory buildings etc.
- ii) In the final rates proposed under Annexure 5- the useful lives has been specified as 30/ 60 years.

- iii) As the Terminal building, even though having an RCC frame structure, because of 24 X 7 usage for 365 days and due to higher wear and tear, we request the Authorities to consider the Terminal Buildings to be equated to Factory Building with life of 30 years in line with Companies Act 2013.

7. The authority vide Part I of Annexure 5 proposed to treat Land Development Cost as a separate Asset Category to be amortized over the period of balance lease period (with Original lease to be considered as minimum 60 years).

BIAL's observation in this regard are as follows: -

- i) Land Development Cost is not a separate identifiable asset. It is a stage of construction within the overall asset construction activity. When the building/ runway/ other asset standing on such developed land is fully depreciated within 30/ 20 years and needs replacement, carrying only the land development cost in the books till the end of the lease period would not be justified.
- ii) More so, in case of BIAL for the existing assets, the bifurcation of land development cost was not available, since the same was not a requirement under the erstwhile Companies Act, 1956.
- iii) Hence, we request the authorities to consider to treat this as part of the asset with which this activity is associated such as buildings/ runway / taxiway etc., and thereby no separate asset category to be introduced.

8. The Authority has proposed useful life of Intangible Assets such as software as 5 years.

BIAL's submission in this regard is as follows: -

- i) BIAL has treated certain intangible expenditures incurred in connection with drafting of Concession Agreements and amortizing the same over the concession period. There is no mention of such other intangible assets in Annexure 5.
- ii) **Request the authorities to include these expenditures as this is specific to BIAL.**

9. The Authority has proposed useful life of Key Airport Assets under Part B of Schedule II to Companies Act 2013 in Annexure V.

BIAL's submission in this regard is as follows: -

- i) We understand that due care has been taken to include all possible assets under Annexure 5 Part I & II. However, we feel that there might be assets which does not fit into any of the Asset Categories for which useful life is proposed by Authority.

- ii) Even though mentioned under para 3.1.6 (1.e) of the consultation paper, we request the Authority include a specific clause in Annexure V that “for any other assets not specified in the list, the operators can adopt useful lives/ rates specified in Part C of Schedule II of The Companies Act 2013 or useful lives determined based on technical evaluation.

10. The Authority also proposes to make the amendment effective 1 April 2016

BIAL’s submission in this regard is as follows: -

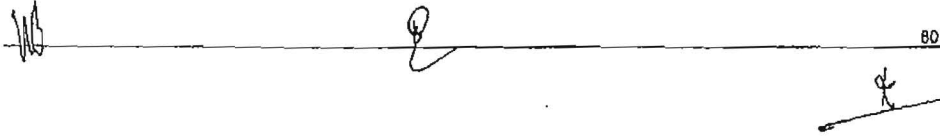
- i) Many of the Airport Operators including BIAL had completed their audit for the financial year ended 31st March 2017 under the new Indian Accounting Standard and got the accounts adopted by the respective Board.
- ii) Any amendment of useful lives with retrospective effect, would require the accounts to be recasted as per the new IND AS standard.
- iii) Hence, we request the Authorities to make and notify the amendments effective 1 April 2017 so that necessary adjustments could be made in the current financial year 2017-18.

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BIAL - Concession Agreement Extract

1.1.10 RUNWAY

The runway is designed to accept B 747 aircraft and the ICAO aerodrome reference code is 4E.

The characteristics of the runway specification are:



• Runway length	-	4000m
• Runway width	-	45m
• width of runway plus light paved shoulders	-	60m
• pavement type	-	flexible
• Pavement classification number	-	80
• Runway strip width	-	300m
• Stop-ways at each threshold	-	60m x 60m
• Runway orientation	-	09/27
• Usability factor	-	>95%
• Turning circle at 09end,	-	

The longitudinal and transverse profile, slope changes, sight distance, distance between slope changes, pavement markings, signage and surface accuracy are designed in accordance with the Standards and Recommended practices stipulated in ICAO Annex 14. The design life for the flexible pavement is 20 years.

1.1.11 TAXIWAYS

The characteristics of the taxiway specification are:

• width	-	25m (code F)
• Width of taxiway plus shoulder	-	45m
• Separation distance between the centre line of runway and taxiway	-	190m
• taxiway centre line to taxiway centre line	-	97.50m
• pavement type	-	flexible
• PCN	-	80

The longitudinal and transverse profile, slope changes, sight distance, distance between slope changes, pavement markings, signage and surface accuracy shall be in accordance with the Standards and Recommended Practices stipulated in ICAO Annex 14. The design life for the flexible pavement is 20 years.

1.1.12 APRON.

The dimension of the concrete apron is 611m x 181.5m. This apron can accommodate 13 code C aircraft or 7 Code D / E aircraft. Isolation bay will be designed for B-747 and constructed in the first phase. The pavement type is rigid. The PCN is 80 and the design life is 30 years. The width of the apron service road shall be 10m.

The longitudinal and transverse profile, slope changes, sight distance, distance between slope changes, pavement markings, signage and surface accuracy shall be in accordance with the Standards and Recommended Practices stipulated in ICAO Annex 14.