

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
साफदरजंग एयरपोर्ट, नई दिल्ली-110003
प्राप्त
डायरी नं०: 10063
तारीख: 12/07/13

1345/सचिव (प्र) /
12/07/13

Date 10th July 2017
Letter No: GHIAL/2017-18/SPG/1310

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

Subject: Response to the consultation paper 9/2017-18 dtd. 19th Jun'2017

Dear Madam,

With respect to the above mentioned consultation paper please find below our response:

A. Land development cost

In order to eliminate ambiguity, the Land Development Cost should be defined in the referred consultation paper. The Land development cost mainly consists of pre development works. Hence the land development cost in case of specific asset should be treated as integral part of the main asset viz. terminal building, runway etc. In many cases companies award composite contracts and hence it's difficult to segregate the cost pertaining to land development pertaining to specific asset. Further, the useful life of land development can't be different from the main asset.

Accordingly we suggest that the land development cost i.e. pre development work should be depreciated over the useful life of respective assets or residual period of initial concession term whichever is less.

B. Useful life of asset should be restricted to concession period

The airport concession to private airport operator has been awarded for limited period and at the end of concession, the assets are to be surrendered back to the concessioning authority in line with the terms of the concession. Accordingly, with respect to the private airport operator the useful life of asset should be restricted to lower of the residual term of initial concession agreement or depreciation rate prescribed under Companies Act.

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C. Useful life of building with RCC frame structure:

In the abovementioned consultation paper Authority has proposed useful life of 60 years for the building with RCC Frame Structure. However, keeping in mind the airport operations which is 24X7 365 days in a year, building has got higher wear and tear and hence the said structure needs to be treated as factory building and should be depreciated as per the rate prescribed by Companies Act for factory building.

Accordingly, we propose that the useful life of asset with respect to building with RCC structure should be lower of 30 years or the residual period of initial concession terms.

D. Flight Information System & AOCC Equipment

The consultation paper of the Authority provides for 10 year life of Flight Information System and AOCC equipment. However, based on our experience, we have observed that bulk of the equipment which comprise of IT and embedded Software hence it gets depreciated in 3-6 years span in line with depreciation rate prescribed by Companies Act. In view of the foregoing, it is proposed that Authority may consider the useful life of said assets in line with Companies Act.


E. Effective date

As per point 3.1.4 Authority has proposed to make it effective from 1st April'2016. As the second control period in case of GHIAL is already started from 1st April'2016 hence it is suggested that the new depreciation rates should be made effective from 1st April'2021 i.e. third control period.

Authorities are also requested to give suitable allowance arising out of change in depreciate rate either as one time impact in the Profit & Loss Account or provision of higher rate of depreciation depending upon the residual period of life of assets.

Yours faithfully,

For GMR Hyderabad International Airport Ltd.



Authorised Signatory