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भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

Chandigarh International Airport Limited

No. CHIAL/SEC/2016-17 Date: 17th March, 2017

To,

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

Subject: Tariff determination of Chandigarh International Airport Ltd. (CHIAL)

Sir,

This is with reference to your letter no. AERA/20010/MYTP/CHIAL/CP-II/16-17/Vol-I dated 10th March, 2017 in respect of the comments/feedback submitted by the stakeholders on the Consultation Paper No. 3/2016-17 dated 14th February, 2017 in respect of MYTP of control period 01.04.2016 to 31.03.2021 of Chandigarh International Airport Ltd. (CHIAL) issued by your office.

Point-wise reply to the comments by CHIAL are enclosed herewith for your kind consideration.

You are requested to kindly reconsider the submissions and explanations for fixation of tariff for the control period 2016-17 to 2020-21.

Thanking you,

Yours truly,
For Chandigarh International Airport Limited

(J. B. Saini)
Chief Financial Officer

Encl: As above

Registered Office: Room No. 1, Project Office Building, Civil Airport, Chandigarh- 160003
Corporate Office: New Civil Air Terminal, Jhurheri, Mohali (Punjab) 140306
Tel No. : 0172-2242016, Fax No. 0172-2242003, email id – secretary.chial@rediffmail.com

Comments by CHIAL on stakeholders' comments on CP for the Control Period 2016-17 to 2020-21.

S. No.	Comments	CHIAL's Comments
I.	**BAOA**	
	Inclusion of Cost of Land	As per clause No. 2.2 of JV agreement between the stakeholders, it was the responsibility of GMADA to acquire the land and handover it to the JVC for the development of the Airport and cost of that land would be shared between GMADA & HUDA equally which is to be counted towards equity contribution. The land was acquired from private parties by paying cash. Hence, cost of land has been capitalised in the books of accounts. Therefore, this should also be considered in RAB of the Company for MYTP.
	Hangars Rentals as Aeronautical Services.	No Hanger available, therefore, CHIAL has not considered income from Hangars in the Current Control Period. Hence, no comments.
	Ground Handling Charges for Small Aircraft of RCS/NSOP.	CHIAL will follow NCAP 2016, once the ruling from MOCA & DGCA in respects of defence enclave airports are notified. However, at present there is specific court case pending before honourable High Court Chandigarh in which Court has allowed all entities which were working at Chandigarh vide its interim order dated 24th Sep 2015 for CWP No. 18628 of 2015.

		After receipt of rulings from MOCA/DGCA and final outcome of pending case in High Court. CHIAL will direct authorised ground handling agencies to file their tariff charges in AERA for approval.
II.	**BPCL**	
	Rental Income from Land for Refuelling Services to be considered as Non-Aeronautical Revenue	As per definition given by AERA in respect of Aeronautical revenue, Land for refuelling station is not defined as Aero Revenue. Only throughput charges have been defined as Aero revenue in case of fuel stations. Hence Rental Income from Land for Refuelling Services should be considered as Non-Aeronautical Revenue
	Proposed Fuel Throughput Charges for the Control Period.	BPCL concurs with the FTC charges proposed by CHIAL for the 1st control period, hence no comment.
	Revision in Fuel Throughput Charges should be on a prospective basis only. No Retrospective be permitted.	The revision in rates are on prospective basis only. Hence no comment.
III.	**Federation of Indian Airlines**	
	I. Authority ought to follow Single Till Model for determination of Aeronautical Tariff	
	Point No. 10 to 18	The Hybrid Till has been followed as per AERA's directions vide letter No. AERA/20010/Civil Aviation Policy/2014-15/Vol – I/9599. The same has been allowed for other private airports also.
	II. Determination of RAB	
	Point No. 19	As per clause No. 2.2 of JV agreement between the stakeholders, it was the responsibility of GMADA to acquire the land and

		handover it to the JVC for the development of the Airport and cost of that land would be shared between GMADA & HUDA equally which is to be counted towards equity contribution. The land was acquired from private parties by paying cash. Hence, cost of land has been capitalised in the books of accounts. Therefore, this should also be considered in RAB of the Company for MYTP.
	Point No. 20	No Comments
	Point No. 21	No Comments
	Point No. 22	Agreed with AERA; No further comments
	Point No. 23	No Comments
	Point No. 24	No Comments
	Point No. 25	No Comments
	Point No. 26	As per J.V. agreement between AAI, Punjab Govt. and Haryana Govt. land was provided by these two governments through acquisition process from the farmers and Terminal building & other infrastructure facilities were created by AAI. The actual cost of the same is capitalised in the books of CHIAL through equity contribution which has been taken as project cost.
	Fare Rate of Return i.e. FROR **Point No. 27**	CHIAL had proposed to continue the normative fair return on equity @14% p.a. as considered in tariff determination process for the other airports in India.
	Point No. 28	Normally, initial infrastructure facilities provided by the promoters as equity capital & further expansions are provided through debt. Therefore the equity/assets

		have been contributed as per J.V. agreement.
	III. CHIAL's failure to file business plan for Airport **Point No. 29**	CHIAL submitted its estimated capital & revenue expenditure for full control period (i.e. 01-04-2016 to 31-03-2021) as per AERA guidelines. No further comments.
	IV. Traffic projections submitted by CHIAL has been accepted by the Authority without conducting any independent study. **Point No. 30**	CHIAL submitted its traffic projections as per CPMS data which is governing body to study the trend & make forecast for the traffic data and international traffic has been considered on the basis of expected international flights in the control period.
	Point No. 31	CHIAL agreed with AERA's estimation. No further comments.
	V. Regulatory Period and Recovery of ARR ought to be determined prospectively	
	Point No. 32	CHIAL has filed its MYTP for the first control period on 15.03.2016 & subsequently filed auxiliary submissions time to time as per correspondence with AERA. No further comments.
	Point No. 33	No Comments
	Point No. 34	No Comments
	Point No. 35	No Comments
	VI. Authority is statutorily mandated to scrutinize the claims of CHIAL	
	Point No. 36	CHIAL is a Company registered under Companies Act, 2013 and accounts are being maintained as per Accounting Standards issued by ICAI or notified by MCA. Further, being a Govt. Co., the accounts are audited by the statutory auditor appointed on the recommendation of the CAG. Supplementary Audit is also being carried out by the CAG Auditors.

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	Point No. 37 to 42	CHIAL submitted its MYTP as per AERA guidelines. No further comments.
	Point No. 43 to 45	No Comments
	Point No. 46 to 52	No Comments
IV.	**IATA**	
	Adoption of Hybrid Till for determination of Tariff	The Hybrid Till has been followed as per AERA's direction vide letter No AERA/20010/Civil Aviation Policy/2014-15/Vol – I/9599. The same has been allowed for other private airports also.
	Cost base is huge for FY 2016-17 due to the New Terminal Building. The same need to be trued up. Since the airport is pricing below its allowed revenue, how will the true up work.	The cost base for 2016-17 is as per approved expenditure Budget of CHIAL which is based on contracts awarded, actual payroll expenses etc. All the expenses are subject to truing up on actual basis. Further, even after considering the proposed revenue, there is a shortfall of revenue to the extent of Rs 142.50 crore in the 1st Control period (2016-21). The shortfall if any after truing up will be carried in the future control periods.
	Debt Equity ratio to be 60:40 as per the proposed Normative approach of AERA	CHIAL had considered a Debt Equity ratio of 50:50 for capital expenditures during the period 2016-17 to 2020-21. However, AERA has assumed that the internal accruals of CHIAL would be sufficient to fund capital additions during the control period and as such Debt is not required. Therefore, Debt Equity ratio of 60:40 is not applicable during control period.
	Proposed differential charges between Domestic and International and within Domestic split into distance is discriminatory in nature and not aligned with ICAO's policy. Cost justification is required for the differential charges.	Differential in the Domestic UDF is to keep the cost of travel low to nearby places like Delhi, Amritsar etc.so that the same is comparable with the cost of travel through other modes like rail/road.

		The infrastructure required for International Travel is more as compared to Domestic Travel, hence proposed UDF for international passenger is justified.
	Quality of Service	Pertains to AERA. No Comments
	Supports removal of Land from Asset Base.	As per clause No. 2.2 of JV agreement between the stakeholders, it was the responsibility of GMADA to acquire the land and handover it to the JVC for the development of the Airport and cost of that land would be shared between GMADA & HUDA equally which is to be counted towards equity contribution. The land was acquired from private parties by paying cash. Hence, cost of land has been capitalised in the books of accounts. Therefore, this should also be considered in RAB of the Company for MYTP.