

## AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 09<sup>th</sup> November 2022 at 11:00 AM on Virtual Platform

**Consultation Paper No. 10/2022-23 In the matter of Determination of Aeronautical Tariff for Sardar Vallabhbhai Patel International Airport (SVPIA) Ahmedabad (AMD) for the Third Control Period (01.04.2021 - 31.03.2026)**

1. AERA Act, 2008, Sec.13(iv)(a) empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholder Consultation Meeting was convened by the Authority on 09.11.2022 at 11:00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 10/2022-23 dated 20.10.2022 issued by the Authority to consider the Multi-year Tariff Proposal for the Third Control Period (01.04.2021 - 31.03.2026) by 21.11.2022 in respect of **Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad**. The list of participants is enclosed as **Annexure-I**.
2. At the outset, Chairperson, AERA welcomed all the Stakeholders present in the meeting and extended his greetings. Chairperson, AERA informed all the Stakeholder to comment on each proposal given in the Consultation Paper which might undergo changes after taking into consideration the inputs/ comments received during this meeting and in writing from the Stakeholders. The Chairperson invited Airports Authority of India (AAI) and Ahmedabad International Airport Limited (Airport Operator / 'AO') officials to present their respective submissions in response to the Consultation Paper for SVPIA and assured other stakeholders that they would get an opportunity to express their views after the presentations made by AAI and AO.
3. **Airports Authority of India:**  
**Mr. R. Prabhakar - GM (Finance) – JVC, AAI made a presentation which detailed AAI's comments on the Consultation Paper No. 10/2022-23 with respect to the True up for the period 01.04.2016 to 06.11.2020 (Commercial Operation Date / 'COD').**
  - 3.1. An overview was given on the submissions of AAI and the proposals made by the Authority in the Consultation Paper. As per AAI's submission, the return on average RAB was INR 213.64 Cr. while AERA has proposed INR 194.35 Cr. The operating expenses submitted by AAI was INR 818.48 Cr, while AERA has proposed INR 606.72 Cr. AAI had sought unamortised portion of Land of INR 1.11 Cr., as part of its true up submission for the Pre-COD Period, however, the same has been disallowed by the Authority. AAI had submitted ARR of INR 1155.09 Cr. and PV of shortfall of INR 393.61 Cr. for the Pre-COD period, while the Authority computed Net ARR of INR 834.08 Cr and a shortfall of INR 40.85 Cr, which gave the present value of shortfall as on COD as INR 6.36 Cr.
  - 3.2. **Disallowance of unamortised portion of land:** AAI submitted that the Airport had been transferred to AIAL on 07<sup>th</sup> November 2020 and unamortised portion of land may be allowed to be claimed in FY 2021. The reason given by the Authority for the disallowance of the same is that since presently AAI is not the Airport Operator, AAI is not eligible to claim this cost of land, post COD. AAI submitted the following for the consideration of the same:
    - As per AERA Order No. 42/ 2018-19 (In the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India), the

return on the cost of the land shall be allowed if it is purchased from private parties or from the Government.

- AAI continue to be the owner of the Airport, as it has been leased for a period of 50 years under the Government of India's PPP policy and they should not be deprived of the return on investment from this portion of land.
- Compensation has been paid by AAI as per court's direction.

**3.3. Terminal Building Ratio:** As per the submission of AAI, the Terminal Building Ratio was 94.83% as against AERA's proposal of 92.5%. Due to this, AAI stated that there is a disallowance of INR 1.81 Cr. on capital expenditure and operating expenses. AAI stated that the standardisation of 7.5% as non-aeronautical, throughout the Control Period, will be detrimental to AAI since the generation of non-aeronautical revenue is dependent on various factors such as demand, customer behaviour etc. AAI further stated the effect of COVID has not been taken into consideration as most of the non-aeronautical contracts were foreclosed due to pandemic. AAI also stated that non-aeronautical revenue is incidental income and there is no specific area earmarked for non-aeronautical activities at the Airport.

**3.4. Employee Head Count Ratio:** AAI submitted that the consideration of the common employees pertaining to ANS as deemed non-aeronautical employees has led to the reduction in the operating expenses by INR 13.99 Cr. AAI requested AERA to consider the employee ratio as submitted by them treating the common employees pertaining to ANS as non-aeronautical may not be the right approach. Accordingly, AAI requested AERA to revisit such allocation.

**3.5. Allocation of expenditure based on Gross Asset Value:** AAI stated that they have done a study while submitting the operating costs and further reduction based on gross asset value might lead to arbitrary disallowance. Further, AAI also submitted that the reduction in arbitration expenses, legal and cost of electrical spares based on gross asset value may not be an appropriate representation of the cost driver. AAI also submitted that they have already made adjustments in the total expenses for non-aeronautical activities and reallocating such expenses using any ratio results in a double disallowance for AAI.

For R&M expense allocation, AAI submitted that the allocation of R&M expenses toward non-aeronautical activities may not be the right approach as Airports do not have separate non-aeronautical customers. Airports have to incur R&M expenses irrespective of non-aeronautical revenue. Hence, such disallowance might result in the increase of the prices of the products offered at the Airports.

**3.6. Disallowance of R&M Cost:** AAI requested AERA to consider the actual costs incurred on Repairs and Maintenance expenses as against restricting the same to 6% of the opening RAB. AAI submitted that disallowing the actual costs incurred under R&M defeats the purpose of performing true up and the Study on Efficient O&M expenses. Further, it may seem like a discouragement for the Airport Operator to carry out R&M activities which may compromise the quality standard at the Airport. It was further submitted that expenditure towards Repairs and Maintenance has been incurred following rigorous process of awarding contracts.

AAI raised a concern on the approach followed by the Authority for segregation of costs as for allocating cost towards non-aeronautical share of expenditure, the Authority has considered Gross



value of Assets and while capping the expenditure on R&M, Opening RAB (Net block of Asset) has been considered.

AAI also submitted that most of the R&M cost relates to manpower, wherein the minimum wages are applicable and such expenditure cannot be capped. It was further informed that AAI desires to restrict the R&M to certain extent. However, considering the age, terrain and safety of the passengers, such cost cannot be restricted. AAI submitted to AERA not to cap the actual expenditure incurred by it.

- 3.7. **Allocation of CHQ/RHQ expenses:** AAI submitted that the Authority has disallowed 20% of Pay and Allowances of CHQ and RHQ employees, and legal & arbitration expenses at both CHQ and RHQ level. AAI also submitted that the disallowance of Mumbai JVC is unreasonable, as the employees have been deployed in the western region, after the deputation period. Further, AAI reiterated that the costs have been genuinely incurred and AAI will be submitting an independent study on CHQ/RHQ allocation for all Airports.

4. **Ahmedabad International Airport Limited (AIAL):**

Ms. Gargi Kaul - Advisor to Adani Group representing Ahmedabad International Airport Limited made a presentation which detailed the AO's comments on the Consultation Paper No. 10/2022-23.

- 4.1. Ms. Gargi Kaul thanked AERA for timely release of the Consultation Paper. AIAL stated that the AO's inputs for SVPIA are similar to that in the case of Mangalore Airport. Detailed submissions, in writing, will be given as per the timelines stipulated in the Consultation Paper.
- 4.2. The AO informed that during the Pre-COD period, SVPIA handled 11.43 MPPA and the terminal was fully utilised.
- 4.3. AO further informed that they conducted AUCC meeting in January 2022 and submitted their Multi-Year Tariff Proposal (MYTP) in February 2022.
- 4.4. It was informed that as on October 2022, domestic traffic has reached 92% of Pre COVID level and AO expects traffic to pick up at SVPIA considering the following:
- The pandemic is over;
  - The GDP per capita at Gujarat is higher than the national average
  - Gujarat happens to be the hub for textile, pharma etc and opening of Gujarat International Finance Tec-City (GIFT City) where international agencies are setting up offices.
- 4.5. The AO presented an overview of the existing infrastructure at SVPIA and their proposal for the same during the Third Control Period. The proposal includes increasing the number of apron bays, building balance length of parallel taxiway, taxiway for the new terminal, enhancement of capacity of existing T1 & T2 and building a new Terminal Phase 1. The peak hour capacity will also automatically increase due to the proposed works. As for the drainage system, the work is completed on the airside (runway) and the same will be undertaken on the land side. The runway capacity will increase from 20 ATMs per hour to 41 ATMs per hour, due to the parallel taxiway. The fuel storage capacity shall also be increased from 2800 KL to 8000 KL. The cargo capacity will increase from 13000 tons to 2,76,000 tons. The integrated road network is also being built which is linked with Multi Modal Transport Hub. The number of hangars is being increased from 1 to 5. The CISF accommodations

are being increased from 366 to an additional 630 at the request of CISF. APHO facility is also being planned at SVPIA. A new ATC tower will also be built.

- 4.6. The runway rehabilitation work has been completed at SVPIA in 75 days. The PCN value has increased and therefore the same is being considered under Capital Expenditure (CAPEX).

Chairperson, AERA asked whether the observations of DGCA on safety issues have been met/ taken care during the rehabilitation work of runway. In response to this, AO confirmed that after runway strengthening/rehabilitation, DGCA inspection has already taken into consideration and complied with.

- 4.7. The AO conveyed that they receive complaints on lack of seating spaces and long queues. In order to meet the requirements, refurbishment of T1 and T2 have been proposed. This work is being carried out in a micro phased manner, keeping in consideration the convenience of the passengers and the Stakeholders.
- 4.8. The AO pointed out during monsoon, the Airport was flooded, hence the drainage works have already been initiated. Last year, due to monsoon, there was a closure of the runway. However, this year, there was no closure due to the availability of stormwater drainage.
- 4.9. The AO stated they are setting up their own cargo complex as per the Concession Agreement. There has been significant growth in terms of volume handled and average volume per ATM. AO stated that although AAICLAS is already doing Cargo handling, with their entry, competition would be beneficial for the market. Hence, they have proposed a cargo facility with a capacity of 2,76,000 MT.
- 4.10. The Concession Agreement also obligates AO to provide fuel storage and fuel services on an open access basis. Considering the present uptake in demand, AO has proposed fuel storage capacity of 8000 KL.

**Thereafter AO submitted following viewpoint of AIAL on the various proposals made by AERA in the Consultation Paper:**

- 4.11. **Intangible Assets:** It was submitted by the Airport Operator that various activities were needed to be undertaken before takeover (prior to COD) of the Airport from AAI to achieve successful transition. Such activities required hiring of employees and involvement of various consultants and agencies, which was capitalised as Intangible assets by the AO. But the same, has not been considered by AERA. The AO requested that such expenses may be considered, either as part of CAPEX or Operating Expenses (OPEX).
- 4.12. **Financing Allowance:** The AO submitted that as per AERA Guidelines, Financing Allowance is permissible but the same has not been given. The AO stated that, as per the other Consultation Papers, AERA is of the opinion that the same shall be allowed for greenfield Airports and not for brownfield Airports. When the Airport changes hands from one Operator to another, the Airport is essentially greenfield in the sense that the new Airport Operator has to undertake vast investments. Therefore, the AO requested the Authority to kindly consider the Financing Allowance as submitted by the AO.
- 4.13. **Ad-hoc Allocation Ratios applied on landside Capex and Opex:** The AO stated that AERA has applied ad-hoc aero allocation of 50% for several landside projects (capex) as well as security at kerbside (Opex). As per the AO, there is no basis for this allocation and it is observed that for other PPP Airports, the activities pertaining to the landside and kerbside are allocated using the Terminal Building Ratio. The AO requested the Authority to consider Terminal Building Ratio for the same.



4.14. **T1-T2 Refurbishment:** The AO requested the Authority to allow true-up of T1-T2 Refurbishment Costs on actual incurrence basis.

4.15. **IDC:** The AO requested the Authority to allow IDC on actual incurrence basis.

4.16. **Repair and maintenance expenses:** The AO stated that they support the point made by AAI under R&M expenses, where it was stated that allocation ratio must not be applied in case of R&M expenses. Similarly, limiting R & M expenses to 6% of Opening RAB may not be a correct approach, especially when the cost has already been incurred. This may lead to compromising the safety standards at the Airport. The AO requested the Authority to revisit the capping criteria.

4.17. **Power Recovery %:** The AO had submitted a power report as requested by AERA. However, as per the Consultation Paper, it is stated that the power recovery % has to be increased or else a notional rate of 25% shall be applied. The AO is unable to understand the same as the power recovery % will increase only when there is a rise in the non-aeronautical activities.

Chairperson AERA, asked the AO to analyse the approach and adopt/use the good practices carried out/adopted in other PPP Airports. He further informed that AERA is unable to reconcile the significant difference in power recovery in % terms at different airports, as it is about 30% in some Airports. Further, the notional rate shall be applicable only from the next Control Period.

The AO stated that they shall refer to the approach followed in Bangalore and Hyderabad Airports and the same shall be submitted in detail.

4.18. **Cost of Equity (CoE):** The AO informed that they has submitted the Cost of Equity (CoE) report as prepared by an independent consultant. The AO requested the Authority to kindly consider the Cost of Equity as submitted by the AO on the basis of the report prepared by the independent consultant.

4.19. **Cost of Debt:** The AO stated that they have done borrowing from the market and as per the trends, RBI has increased the rates, which is pushing the borrowing rates offered by the banks. As per their discussion with other PPP Airports, they are expecting an increase in the borrowing rates as well. This information shall be submitted by the AO. It is to be noted that other PPP Airports are mature, whereas SVPIA has just transitioned, and the debt has been obtained solely due to the credentials of the Group Company. The AO requested the Authority to consider the cost of debt as per actuals.

4.20. The AO presented various awards and accolades earned by AIAL, post COD.

Chairperson, AERA thanked AAI and AO officials for their presentations. Further, other Stakeholders were requested to present their views/comments on the Consultation Paper.

## 5. Airport Operators and Associations:

### GMR Airports

5.1. Mr. Harsh Gulati stated that they shall submit their views in writing.

### Association of Private Airport Operators (APAO)

5.2. Mr. Satyan Nayar, APAO, stated that their views/comments are similar to that in the case of Mangalore Airport and the same have been presented by AIAL. APAO shall submit their views in writing.

## 6. Airlines and Airline Associations:

### Federation of Indian Airlines (FIA)

6.1. Mr. Ujjwal Dey, FIA, thanked AERA for their invitation to the Stakeholder Consultation Meeting. It was informed that FIA shall submit their comments in writing. He stated that the tariff charges are on

the higher side. Further, he requested AERA to provide a percentage increase in the tariffs which would help them to quickly understand the scenario. He stated that a further increase in the tariffs will be unfair to the airlines and the customers. He was of the opinion that keeping the tariff charges constant would help in boosting travel.

Chairperson, AERA clarified that the proposed tariff card submitted by AO has been circulated among all the stakeholders and also available on AERA website, and this is not the final decision of the Authority. The tariff rates would be finalized based on the inputs/comments of the Stakeholders. Further, he stated that the percentage increase proposed in the tariffs can be calculated from the Tariff Proposal.

6.2. FIA further requested for an independent study to be commissioned on RAB.

Chairperson, AERA responded that these studies take time and if AERA feels the need, studies shall be carried out for the same. Every CAPEX proposal has been scrutinised by AERA and the Authority has proposed to allow only the CAPEX which are efficient and logically justified. Further, the views of stakeholders are also considered before finalizing the Capex in the Tariff Order. Chairperson, AERA requested that the representative of Airlines who are well conversant on the subject shall attend the AUCC meeting and to take into consideration the implications on tariff before accepting the proposals for new developments.

**Indigo Airlines:**

6.3. Mr. Dushyant Deep from Indigo extended his greetings and thanked AO and AAI for their detailed presentations.

6.4. Mr. Dushyant Deep expressed his agreement with Mr. Ujjwal Dey's views and said that an independent study on efficient capital expenditure must be conducted by the Authority, since a gap in the planning of the terminal capacity has been observed in the Consultation Paper. Given the projected traffic, the end users must not be burdened with excess tariffs. He thanked AERA for proposing to conduct a study.

He stated that in the AUCC meeting, the impact on tariffs were not disclosed, which goes against the AERA Guidelines. Chairperson, AERA conveyed that the Airlines must inform the Authority in case they are not satisfied with the AUCC meeting, post which necessary steps shall be undertaken by AERA.

6.5. Mr. Dushyant Deep conveyed that for the expenditure related to CAPEX and OPEX, inflation rates as per RBI have been considered. The Central Government has set a target of 4% inflation rate and RBI's views are awaited on the same. He requested AERA to take notice of the same as this would reduce various expenses.

6.6. With respect to non-aeronautical revenue, he thanked AERA for pointing out to AIAL that low non-aeronautical revenue cannot be claimed by them when the OPEX is on the higher side. Necessary steps must be undertaken by the AO to increase the non-aeronautical revenue.

6.7. With regard to the traffic projections of the exempted category of aircrafts (less than 80-seater flights and non-RCS), Mr. Dushyant Deep supports AERA's proposal of not allowing RCS flights' exemption as passthrough. However, for non-RCS (less than 80-seater flights), the same may be incorporated in total traffic.





### SpiceJet Airlines:

- 6.8. Mr. G P Gupta, Chief Strategy Officer from SpiceJet, stated that in line with the National Civil Aviation policy and UDAN scheme, the Authority should ensure efficient operation of the airport which would help in reduction of costs.
- 6.9. He stated that when the contracts are awarded on the highest bidding value, which drives up the costs. The increase in costs is transferred to the airlines which are finally passed on to the customers. A dip in traffic can be observed when tariffs are on the higher side. No statements on reduction of the costs have been incorporated in the Consultation Paper.
- 6.10. He further stated that the aviation sector is suffering from deep losses. As per CAPA's recent outlook for FY 2022 and FY 2023, losses have been projected for the airlines whereas profits have been projected for the airports. The whole ecosystem needs to be made sustainable. The growth observed in civil aviation in India is primarily due to lower fares. Air travel must be made affordable and huge economies of scale can be achieved from the same.
- 6.11. With respect to Fair Rate of Return (FRoR), Airports are guaranteed a return which is not the case for airlines. This will result in losses for the airlines. In terms of the increase in tariff proposed by the Airport Operator in its Annual Tariff Proposal (ATP), landing charges have increased by more than 100%, parking charges have increased by more than 300%, however UDF has increased disproportionately.
- 6.12. He stated that, with respect to the fuel infrastructure charges and refuelling charges, the fuel facilities at SVPIA belong to the Oil Marketing Companies (OMCs) and these are part of the oil prices charged from the airlines. AO has proposed fuel infrastructure charges and into plane charges, which will be over and above the oil prices paid by the airlines. However, these already form part of the ATF charges that the airlines are paying. Further, he stated that, earlier airlines were charged on the basis of the published ATF prices but since 01<sup>st</sup> October 2022, at 11 Major Airports, the pricing mechanism has been changed to Mean of Platts Arab Gulf (MOPAG) based pricing. Under this mechanism, the infrastructure charges and into plane charges are already included, which will lead to double counting. These charges shall be dealt among the OMCs and the Airport Operator, and the same needs to be dropped.
- 6.13. For inflation and increased cost of borrowing, he was of the opinion that post pandemic trends should not be considered for long term planning of the tariffs, as these trends are temporary in nature. The same has already been discussed during the Stakeholder Consultation Meeting of the Mangalore Airport. He further stated that recession is likely to take place, so an increase in costs will hamper air travel. All these points may be taken into consideration while taking decisions on tariff.

### Air India

- 6.14. Mr. Sanjay Arora, representative of Air India, conveyed that post their internal discussion with SpiceJet and FIA, Air India agrees with their view that the entire hike in tariffs must not be passed to the airlines. Air India shall submit their views/comments in writing.

### **7. International Air Transport Association (IATA)**

- 7.1. Mr. Amitabh Khosla, representative of IATA, offered IATA's compliments to AERA for a very thorough job with respect to the control period review. He further thanked AAI and AO for their presentations. He complimented AERA for the two independent studies conducted for AIAL. He



stated that the same Consultant has been engaged by AERA as well as AIAL and hopes that there is no conflict of interest with respect to the same.

- 7.2. IATA stated that they support AERA's decisions on the exclusion of the intangible assets.
- 7.3. With regard to procurement and award of capital projects, IATA would like to recommend that the Airport Operator must include related party disclosures. This must be captured in the Independent Consultant report. The award of projects must be through competitive bidding, and it must not lead to cost escalation which is common in related party transactions.
- 7.4. IATA supports AERA's decisions on the exclusion of the legal and arbitration expenses which is in alignment with the Concession Agreement. He thanked AERA for scrutinising CHQ/RHQ expenses incurred by AAI.
- 7.5. IATA supports AERA's treatment of space rentals from Airlines as aeronautical revenue. IATA further recommends that all royalties that are passed through to the airlines by service providers and paid to the Airport Operator, the same can be classified as aeronautical revenue. IATA encourages AIAL to do away with charging of royalties in line with ICAO guidelines. With respect to cargo, ground handling and fuel, IATA stated that cost escalation takes place when airports charge royalties. Chairperson, AERA responded that the royalties earned by Airport Operator from Cargo, Ground Handling and Fuel Services are incorporated in the aeronautical revenue and the same is accounted for during the tariff determination process.
- 7.6. For CAPEX, multiple gaps were noticed by IATA. Various iterations were prevalent during the Consultation period. This portrays a lack of proper detailing undertaken by the Airport Operator. IATA requests AERA to undertake deeper scrutiny before allowing CAPEX to the Airport Operator. Airlines and the customers must not pay for the infrastructure that are not being utilised by them.
- 7.7. IATA further stated that phasing of infrastructure development should be ensured which will balance the capacity and demand. These are some of the core principles suggested by IATA. IATA hopes that all these points will be taken into consideration by AERA when determining the tariffs.
- 7.8. IATA stated there is no mention on the usage of technology in T1, T2 and the new terminal, which will drive up the Airport's efficiency.
- 7.9. With respect to non-aeronautical revenue, IATA states that there is an under projection of the same by AIAL. Their traffic projections grow by three times, but their non-aeronautical revenue projections remain constant. This approach might not be correct. IATA commends AERA for correctly highlighting the same to AIAL that for other PPP Airports, the non-aeronautical revenue is slightly lower or near to 50% of OPEX. However, for SVPIA, the OPEX grew at much higher rate when compared to the non-aeronautical revenue. The non-aeronautical revenue has to be increased significantly and any shortfall in non-aeronautical revenue shall not be trued up in the next Control Period.
- 7.10. With respect to the tariff rate card, IATA noticed that there are significant increases proposed by AIAL. IATA requests AERA to follow the same approach as it does in case of other Airports to moderate this increase, which will facilitate recovery in traffic. IATA urges AERA to significantly moderate both the parking and landing charges as well as the UDF charges. IATA hopes AERA will scrutinise the tariffs proposed by AO. In case of AIAL, the end users are receiving the majority of the





benefits of capital expansion only in the last part of the Control Period. IATA recommends that at least 50% of ARR recovery must be carried forward in the Fourth Control Period.

- 7.11. IATA further stated that, AIAL has proposed UDF on embarking and disembarking passengers. IATA is of the opinion that this is not in sync with the charging of UDF for the departing passengers which is the norm for India. IATA conveyed that there must be no UDF for disembarking passengers.
- 7.12. IATA would like to receive clarity regarding the CAPEX for fuel infrastructure being included in the RAB as stated in the Consultation Paper. AERA usually regulates fuel infrastructure separately. However, for SVPIA, it is presumed that this is not the case. IATA asked for clarity as to how the fuel tariff will be determined considering the capital cost of fuel farm is included in the Airport's RAB.
- 7.13. For cargo, new ICT is being developed and IATA has observed the cargo projections of AO. There is a separate AAICLAS facility that is being developed. Competition in the provision of cargo services is welcomed but IATA would like to highlight that the planning of infrastructure development needs to be co-ordinated and carried out in a phased manner. There is a need to ensure that no significant excess capacity is planned.

Chairperson, AERA responded that in SVPIA, the AO will be providing the Cargo and Fuel farm services, like some other Airports while at majority of the Airports, such services will be rendered by the Independent Service Providers. Hence the revenues as well as expenses pertaining to these activities would form part of the Aeronautical revenues and O&M expenses and subsequently would be a part of the tariff determination process.

Chairperson, AERA directed AIAL to execute and implement the proper planning on CAPEX. The projects should take into consideration the projected traffic as well its impact on the tariff. AERA suggested AIAL to phase out the developments related to the various CAPEX projects, including the commissioning of the new terminal. AERA conveyed that, as per the Concession Agreement, AIAL should carry out the work of construction of New Terminal Building and related infrastructure in a modular fashion in case of airport terminal construction. AERA further suggested AIAL to strengthen their teams that are involved in the planning, designing and implementation of the various CAPEX projects.

## 8. Business Aircraft Operators Association (BAOA)

- 8.1. Gp. Capt. Rajesh K Bali, representative of BAOA, complimented AAI and AO for their presentations. BAOA stated that they support AAI's statement of not using the Terminal area ratio of 92.5%.

Chairperson, AERA asked BAOA whether they are aware of the IMG Norms in this regard and stated that a basis should be given when supporting a claim?

- 8.2. BAOA made a comment on ground handling, wherein Chairperson, AERA clarified that a separate Consultation Paper will be issued for the same and they can express their views/comment on it. AERA encouraged BAOA to participate in the Stakeholder Consultation for ground handling.
- 8.3. BAOA stated that there are gaps related to the ground handling as per AERA and OMDA. BAOA further stated that as per majority of the OMDA, terminal charges, ground handling etc are considered as non-aeronautical revenue.

Chairperson, AERA clarified that for Delhi and Mumbai, the revenue from Ground Handling Services is considered as non-aeronautical in the hands of the airport operator but the nature of service remains aeronautical as per the AERA Act 2008. But for all other Major Airports, the revenue is considered as aeronautical.

- 8.4. Gp. Capt. Rajesh K Bali stated that BAOA did not receive the invitation of the AUCC meeting and they are unable to participate in the same. He further suggested that such meetings may be held through video conferencing instead of physical meetings.
- 8.5. He further stated that rationalisation of FRoR (14.76%) may be carried out as the same is on the higher side and keeping in mind the returns obtained on several businesses.
- 8.6. Chairperson, AERA informed that FRoR depends based on mix of debt and equity. For private airports, the same is taken on a notional debt: equity basis (48% : 52%). When this weightage is given to debt and equity, the FRoR reduces. As per the Consultation Paper, the FRoR is around 12%. For AAI, the FRoR may be higher, as they have started raising the debt only recently and, in their case, actual debt: equity ratio is taken. However, the point made by BAOA will be taken into consideration.

**9. Response of Member, AERA**

- 9.1. Mr. D K Kamra, Member, AERA thanked and appreciated all the stakeholders for attending the meeting and providing their feedback. AERA has already informed AIAL to carry out the infrastructure development in a modular fashion. The issues related to non-aeronautical revenue and the views/comments on the tariff rates have been noted. He further stated that the points made by IATA will be taken into consideration and wherever CAPEX gaps are prevalent, AERA shall comment on the same in the Tariff Order. All the suggestions/views/comments of the Stakeholders have been noted and accordingly, the various regulatory building blocks shall be re-examined by AERA, as may be necessary on merit before issuing the Tariff Order.
- 9.2. Mr. S K Vyawahare, Member, AERA concluded the meeting with a vote of thanks to all the stakeholders and also to AAI and the AO for making an informative presentation. He also mentioned that royalties earned by the Airport Operator is included under aeronautical revenue and the same is adjusted in the ARR. He stated that the Consultation Paper for SVPIA has been issued in a fast-track manner and he appreciated the Independent Consultant's support for the same. He requested all the Stakeholders to provide their written comments and counter comments within the stipulated timeline in order to issue the Tariff Order in a timely manner.



Ram Krishan

**Director (P&S)**



**List of Participants:**

**Airports Economic Regulatory Authority of India**

1. Mr. B S Bhullar, Chairperson
2. Mr. S K Vyawahare, Member
3. Mr. D K Kamra, Member
4. Mr. Ram Krishan, Director (P&S)
5. Mr. Rajan Gupta, DGM (Fin) -Tariff
6. Mr. Satish Kumar, AGM(Fin)- Tariff
7. Mr. Inderpal Singh, Under Secretary (P&S)

**Airports Authority of India**

1. Mr. R. Prabhakar, GM (Finance)-JVC
2. Mr. Rajesh Khanna, Jt. GM (Finance)-JVC

**Ahmedabad International Airport Limited**

3. Mr. Arun Bansal, CEO
4. Mr. Hitarth Mankodi, CAO
5. Ms. Gargi Kaul, Advisor
6. Mr. Ashu Madan, GM - Regulatory

**Representative from GMR Airports**

1. Mr. Harsh Gulati

**Representative from APAO**

1. Mr. Satyan Nayar

**Representative from Federation of Indian Airlines (FIA)**

1. Mr. Ujjwal Dey

**Representatives from Indigo**

1. Mr. Dushyant Deep
2. Mr. Priyanshi Saxena

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