

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 19.07.2023 at 11:00 AM on Virtual Platform.

CONSULTATION PAPER No. 04/ 2023-24 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE THIRD CONTROL PERIOD (F.Y. 01.04.2021 TO F.Y. 31.03.2026) IN RESPECT OF AAI SRINAGAR INTERNATIONAL AIRPORT.

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 19.07.2023 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 04/ 2023-24 dated 05.07.2023 issued by the Authority to consider the Multi-year Tariff Proposal for the 3rd Control Period (FY 2021-22 to FY 2025-26) in respect of Srinagar International Airport. The list of participants is enclosed at **Annexure-I**.
2. Chairperson, AERA welcomed all the Stakeholders present in the meeting and extended his greetings. Further, he invited Airports Authority of India (AAI) officials to present their submissions in response to the Consultation Paper for Srinagar International Airport and assured other stakeholders that they would get an opportunity to express their views after AAI's presentation.
3. **Airports Authority of India**
 - 3.1 It was conveyed that the presentation would be made in two parts. The first part would be presented by Airport Director, Srinagar which includes the key features of Srinagar International Airport and that the second part would be presented by ED-JVC, AAI, in which responses to the Consultation Paper regarding Srinagar International Airport would be submitted.

Mr. Javed Anjum, Airport Director, Srinagar International Airport gave a detailed presentation on the Srinagar Airport. The presentation covered the following details:
 - 3.2 Airport Director- Srinagar, started the presentation by highlighting the technical details regarding the Airport. Some of the key features of the Airport include the following:
 - 3.2.1 Srinagar International Airport is owned by the Indian Air Force and operated by AAI as a Civil Enclave. It was designated as an international airport in the year 2005. It has an integrated terminal and one asphalt runway. The airport is located in Budgam, which is 12 km (7.5 miles) south from Srinagar.
 - 3.2.2 The Airport has 9 parking stands and has compatibility to accommodate type A to E aircrafts. The peak hour capacity of the Airport is 950 PAX (Domestic PAX 500 and International PAX 450). The designed capacity of the Airport is 2.5 MPPA. However, the actual passenger throughput in the FY 2022-23 has crossed 4 MPPA. With the proposed



expansion of the Terminal Building, the designed capacity of the Airport would become 6.5 MPPA.

Chairperson, AERA enquired the status of international flights other than operating for international passengers those traveling to Haj pilgrimage, to which APD Srinagar confirmed that there are no international flights operating currently at Srinagar Airport other than Haj pilgrimage.

- 3.2.3 APD Srinagar, highlighted the current capacity constraints at the Airport (as the current passenger throughput is higher than the designed capacity of the Airport), which is being managed with the help of IT support system such as CUSS and extension of watch hours.
- 3.2.4 Further, Srinagar Airport has enhanced its facilities by way of increase in the Inline baggage screening, CUTE, CUSS, Check-in counters, seating chairs etc, to facilitate passenger movements.
- 3.2.5 With respect to non-aeronautical revenue at the Airport, APD, Srinagar replied that Master Concessionaire arrangement is yet to be finalised for both Retail and Foods & Beverages (F&B).
- 3.2.6 The ASQ rating for the 1st quarter of 2023 is 4.52, which is higher than that of the previous year rating of 4.29.
- 3.2.7 There are 5 airlines which operate at Srinagar Airport, such as Air Asia, Air India, Indigo, Spice Jet and Vistara, out of which 48% (share of total operations) is of Indigo. APD, Srinagar requested AERA to consider 10% Y-o-Y growth in passenger traffic and ATM, as against 12% considered by AERA in the Consultation Paper No. 4/ 2023-24.

Chairperson AERA enquired about the current status on the construction of the Terminal Building, to which APD Srinagar responded that approval would be obtained from AAI Board by this year end and the construction would commence thereafter.

Ms Vidya – ED JVC, AAI made a presentation which detailed AAI's submission to the Consultation Paper No. 04/ 2023-24

- 3.3 Ms Vidya, ED -JVC started the presentation by addressing the true up of the Second Control Period, followed by submissions for the Third Control Period and requested AERA to consider the same:

Submissions - Second Control Period

- 3.3.1 Exclusion of FY 2020-21: AAI submitted that AERA has considered a period of only 4 years (from FY 2016-17 to FY 2019-20) while truing up the Second Control Period leaving a gap of one year. Further, AAI mentioned that MoCA's letter dated 14th January 2020, implies that the tariff includes true up of the previous control period. AAI stated that considering the Airport as Non-major for the full FY 2020-21, has resulted in under-recovery of INR 39.58 Cr of FY 2020-21 which AAI will not be able to recover. AAI requests AERA to consider the entire period of Second Control Period for true up.
- 3.3.2 Further, AAI stated that AERA has not considered the effect of compounding for FY 2020-21 which resulted in loss of INR 53.73 Cr. to AAI. Therefore, AAI requests AERA to consider the compounding effect for FY 2020-21.



- 3.3.3 AAI stated that AERA has reduced the allocation of CHQ/RHQ Administration and General expenses to the tune of 40% for Second Control Period (FY 2016-17 to FY 2019-20) and 33% for the Third Control Period (FY 2021-22 to FY 2025-26). AAI stated that it has already considered 5% reduction while allocating the CHQ/RHQ expenditure and reducing it further by 40% and 33% by AERA for the Second and Third control period respectively is on the higher side. Also, AAI mentioned that it has engaged the Institute of Cost and Management Accountants (ICMA) of India to study the methodology for CHQ/RHQ allocations and the report shall be submitted to AERA soon.
- 3.3.4 ED-JVC, AAI expressed the concern about restricting Repairs and Maintenance (R&M) expenses to the extent of 6% of opening RAB. AAI submitted that R&M costs increase with life of assets due to wear and tear. Therefore, AAI requested AERA to consider actual R&M expenses, instead of restricting it to 6% of opening RAB (both for Second and Third Control Period).

Submissions - Third Control Period

- 3.4 AAI submitted the following regarding CAPEX projected for the Third Control Period:

- 3.4.1 **Construction of CISF Barracks:** AAI submitted that earlier it was proposed to construct the CISF barrack on the land proposed to be taken over from BSF. However, considering the operational requirement it is proposed to construct the CISF barracks on available AAI land only and the same will be constructed by 2025-26. AAI requested AERA to consider the same in the Third Control Period.
- 3.4.2 **Densification of Residential Colony:** AAI submitted that earlier it was proposed to construct the residential quarters along with the Terminal Building, however considering the conditions of existing quarters which are very old, it is proposed to construct the same on available AAI land only and hence would be constructed by FY 2025-26. Therefore, AAI requests AERA to consider the same in the Third Control Period

Chairperson, AERA responded that the above-mentioned Capital Expenditure, even if incurred by AAI in the current Control Period, would be considered by AERA on actual incurrence basis as presently AAI itself not clear about the capitalization of the same in the Current Control Period.

- 3.5 With respect to ARR determined by AERA for the Third Control Period, AAI submitted that the discounting factor of 1 should be considered in FY 2023-24, as the same is the year of implementation of the proposed AERA Tariff Order. Further, AAI stated that the impact of considering discounting factor of 1 in FY 2023-24, instead of FY 2021-22 amounts to INR 21.60 Cr.

Chairperson, AERA responded that the same would appropriately be reviewed by AERA, while finalising the Tariff Order for the Third Control Period.

4. With the above submission, AAI concluded the presentation.
5. Chairperson, AERA thanked AAI officials for their presentations and invited other stakeholders to present their views/comments on the Consultation Paper No. 4/ 2023-24



Airport Operators

HIAL

- 5.1 Ms. Swathi Andoju said that she has no observations on the Consultation Paper No. 04/ 2023-24. Chairperson AERA asked Ms. Swathi Andoju, if she will submit written comments on the Consultation Paper to which she responded they have no observations.

Adani Airports

- 5.2 Mr. Ashu Madan from Adani Airports said that they will submit written comments on the Consultation Paper No. 04/ 2023-24 as per the Timelines stipulated in the Consultation Paper.

Airlines and Airline Associations

Spicejet Airlines

- 5.3 Mr. Suryavir S. Bisht, from Spicejet Airlines thanked AERA and also AAI for their comprehensive presentation and said that Spicejet Airlines will submit their written comments on the Consultation Paper No. 04/ 2023-24. Further, he appreciated AERA's views about notional recovery of 25% on Power charges and the rationalisation of Operation and Maintenance expenses.

Federation of Indian Airlines (FIA)

- 5.4 Mr. Ujjawal Dey from FIA appreciated AERA for giving its fair views on the regulatory building blocks in the Consultation Paper No. 04/ 2023-24. He expressed his concern that Srinagar Airport should take into consideration only those activities and projects which are important from the safety and security perspective of the Airport. He added that Srinagar International Airport should work on increasing the Non-Aeronautical Revenue in order to reduce the burden on the tariffs recovered from the passengers. He said AAI should work faster in constructing the Terminal Building as Srinagar Airport has a tough competition from Highways and Railways. Further, he wanted to confirm if AERA would impose any penalty on Srinagar Airport for delaying the construction of Terminal Building.

The Chairperson, AERA replied to Mr. Ujjawal Dey that penalty is imposed in case the project has been approved and there are delays in completion of the project but in case of Srinagar, the project is currently in the approval stage only, hence, no penalty would be levied.

- 5.5 He further said that considering the future growth aspects, Srinagar Airport should work at a faster pace to complete the construction of Terminal Building. He also added that they will submit their written comments on the Consultation Paper No. 04/ 2023-24.

International Air Transport Association (IATA):

- 5.6 Mr. Amitabh Khosla from IATA thanked AERA for inviting them for Consultation meeting on Consultation Paper No. 04/ 2023-24. He also thanked Airport Director, Srinagar Airport and ED-JVC for the comprehensive presentation. He said that Srinagar Airport has its own limitations as it is civil enclave and has restrictions on hours of operation. He expressed his concern towards the increase in UDF for the current Control Period as there has been no significant CAPEX in the Second Control Period and no resultant increase in passenger facilities. He said that it would be unfair to burden the passengers by the significant increase in UDF in current control period. He

also added that the shortfall of the First and Second Control Period should not be burdened on the passengers.

5.7 He further agrees with the AERA's proposal of excluding the under-recovery of FY 2020-21 for calculating ARR as Srinagar Airport was a Non-Major Airport during that financial year and this will protect the interests of the passengers on account of NPV of the under-recovery of the FY 2020-21. He then requested his colleague Mr. Richard Tan, to put forth his observations.

5.8 Mr. Richard Tan from IATA said that Srinagar Airport being a civil enclave Airport has Aeronautical assets like Runway, Fencing, etc. which are shared by both Air Force and AAI. He impressed that AAI should look into the common assets and allocate the cost to both Indian Air Force and Srinagar Airport and accordingly the costs shall be recovered from Indian Air Force as the passengers should not bear the burden of cost of Air Force's operations.

Chairperson AERA clarified to Mr. Richard Tan that the Runway and other Aeronautical assets are owned and maintained by Indian Air Force (IAF) and they are not required to pay any amount to AAI for the same. Landing charges are directly paid by the Airlines to the IAF. Only Terminal Building and Apron are being maintained by AAI.

5.9 He then commented about conducting AUCC meeting at Srinagar on the proposed CAPEX projects and asked about updated master plan of the Srinagar Airport. He was of the view that Srinagar Airport may not be able to deliver in terms of capacity considering the current availability of land. He suggested that Srinagar Airport's focus should be on upgrading the overall master plan and not only constructing the Terminal Building. He said that AERA has prescribed number of guidelines on service quality of the Airport and he would like to know more and see more adherence to the quality standards.

5.10 He agreed that Srinagar Airport is a civil enclave Airport, has its own limitations and cannot fully utilise its investments. He added that recovering the shortfall of First and Second Control Period from passengers is not tenable. He also suggested AERA to remove the UDF and make the Srinagar Airport free.

Chairperson AERA replied to Mr. Richard Tan that at a Civil Enclave, UDF is the only source of revenue for the Airport Operator, except very miniscule revenue comes from Parking charges or other small charges. He said that Terminal Building, Taxi track and Apron is being maintained by AAI and it requires the revenue to fund its operations and maintenance. Hence, it is not feasible to make the Airport free.

Chairperson AERA, then asked APD Srinagar Airport to hold AUCC meeting for the proposed capital projects undertaken at Srinagar Airport.

Indigo Airlines

5.11 Mr. Dushyant Deep from Indigo Airlines expressed his gratitude towards a well-maintained and informative discussion. He also expressed his special thanks for conducting and reviewing the Consultation Paper 04/ 2023-24 within the element of rationalization measures being reviewed and for giving priority to the principles of cost relatedness. He emphasized the need of having a better plan for CAPEX requirements of the Airport. Further, he pointed out that the 84% of the CAPEX plan to be undertaken in the Second Control Period has not been undertaken, calling it a huge variance and also mentioned the point 4.5.5 of Consultation Paper 04/ 2023-24, which points out that it leads to a steep increase in the tariff which puts a heavy cost burden on the stakeholders.



He further emphasized that whatever the CAPEX is approved through AUCC meeting should only be considered for tariff determination by AERA.

5.12 He expressed his agreement with Mr. Ujjwal Dey's view by specifying that as terminal building has not been constructed, some penalty should be imposed, such that the shortfall does not result in levying higher tariffs to be Airport Users. He suggested a realistic traffic projection to be considered, while planning the capacity of the Airport.

5.13 He also mentioned that the O&M expenses seems to continuously rise, even after AERA continuously expects the Airport Operator to minimize the O&M and on the other hand, on the non-Aeronautical side, there has been a dismal revenue increase. Further, he said AAI should put continued efforts to increase non-aeronautical revenue of the Airport.

5.14 He further requested AERA to consider the lower FRoR, as seen in Chennai, Kolkata and Pune airports, as the same may be helpful in reducing the overall ARR requirements.

He then said that they would submit written comments to AERA on Consultation Paper No. 4/ 2023-24.

5.15 Arun Gupta representing Indigo Airlines, greeted everyone and referred to the para 17.2.4. in the Consultation Paper 04/ 2023-24 with respect to the applicability of the UDF and further mentioned that UDF was applicable based on the embarking passenger based on domestic or international flight in the Airport. He stressed on understanding what change it has brought in this scenario considering there are no direct international flights from Srinagar.

He also highlighted his concern with the collection charges of UDF as it is an integral part of the airline. The Agents of the respective Airlines collect those fees and pay them back to the Airport Operator right on time. Earlier, such charges were mentioned as five rupees per passenger. However, now the rate has been removed and it is being left between the Airport Operator and the Airlines. He recommended that the collection charges also have a direct link with the UDF rates, considering that they are associated cost, which are incurred by the airlines for the collecting those payments.

Chairperson AERA mentioned that as far as the collection charges are concerned, it is outside the Regulatory regime and has to be decided by the Airport Operator and the Airlines.

5.16 Arun Gupta, then mentioned that he would send written comments to the Authority on Consultation Paper 04/ 2023-24.

Federation of Freight Forwarders' Associations in India (FFFAI)

5.17 Mr. Vipin Vohra from FFFAI asked for clarification from AAI about availability of the land at the airport for Cargo operations.

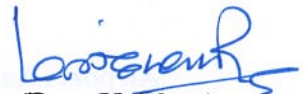
APD Srinagar stated in response to Mr. Vipin's, queries that a Cargo terminal is in place for both Domestic and International operations. International cargo is already taken by Air India and AAICLAS (a 100% subsidiary of AAI) is currently handling 40 tonnes per day of cargo.

BAOA (Business Aircraft Operators Association)

5.18 Rajesh Bali, BAOA greeted the participants and expressed gratitude for an absorbing discussion and thereafter suggested the need for a greenfield airport in Srinagar on a long-term basis. He further said that he will submit written comments on the Consultation Paper No. 04/ 2023-24 within the stipulated timeline.



6. Chairperson AERA invited Mr. DK Kamra, Member, AERA for his comments. Member thanked and appreciated all the stakeholders for attending the meeting and providing their feedback. He said that AERA has taken cognizance of all the comments/views raised by the stakeholders and would consider the same on merits basis, while finalising the Tariff Order.
7. Chairperson AERA invited Mr. Shirish Vyawahare, Member, AERA to conclude the meeting with the vote of thanks to all the participants.
8. Mr. Shirish Vyawahare, Member, AERA concluded the meeting with a vote of thanks to all the stakeholders including AAI and the APD Srinagar for making an informative presentation which helped in a smooth discussion with the Stakeholders. He requested all the Stakeholders to provide their written 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. Shirish Vyawahare, Member
3. Mr. D K Kamra, Member
4. Mr. Ram Krishan, Director (P&S)
5. Mr. Rajan Gupta, DGM (Fin) -Tariff

Airports Authority of India, CHQ

1. Mr. V. Vidya, ED -JVC
2. Mr. R. Prabhakar, GM(Finance)
3. Mr. Rakesh Dembla, DGM (Finance)

Airports Authority of India, Srinagar Airport

1. Javed Anjum, Airport Director, Srinagar

Representative from HIAL

1. Ms. Swathi Andoju

Representative from Adani Airports Holding Limited

1. Mr. Ashu Madan – GM, Regulatory

Representative from Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey

Representative from International Air Transport Association (IATA)

1. Mr. Amitabh Khosla
2. Mr. Richard Tan
3. Mr. Ujjawal Bakshi

Representative from Indigo Airlines

1. Mr. Dushyant Deep
2. Mr. Arun Gupta

Representative from Spicejet Airlines

1. Mr. Suryavir S. Bisht



Representative from Federation of Freight Forwarders' Associations in India (FFFAI)

1. Mr. Vipin Vohra

Representative from Business Aircraft Operators Association

1. Captain Rajesh Bali

Representative from R. Subramanian & CO, LLP

1. Mr. Gokul Dixit, Partner
2. Ms. Krithika Gopal, Partner
3. Mr. Sreekumar, Aviation Expert
4. Ms. Shally Gupta, Manager
5. Ms. Komal Singh, Manager

