

## AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

Minutes of the Stakeholders' Consultation Meeting held on 16.01.2024 at 11:00 AM on Virtual Platform.

### CONSULTATION PAPER NO. 22/ 2023-24 TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR DETERMINATION OF AERONAUTICAL TARIFF FOR THE SECOND CONTROL PERIOD (F.Y. 01.04.2023 TO F.Y. 31.03.2028) IN RESPECT OF BHUBANESWAR INTERNATIONAL AIRPORT (BIA).

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1. AERA Act, 2008, Sec.13(iv)(a) mandated 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 16.01.2024 at 11.00 AM through Video Conferencing to elicit the views of the Stakeholders on the Consultation Paper No. 22/ 2023-24 dated 05.01.2024 issued by the Authority to consider the Multi-year Tariff Proposal for the Second Control Period (FY 2023-24 to FY 2027- 28) in respect of Bhubaneswar International Airport (BIA). The list of participants is enclosed at **Annexure-I**.
2. Chairperson, AERA welcomed all the Stakeholders present in the meeting and extended his greetings.
3. He invited the officials of AAI to present their submissions in response to the Consultation Paper for Bhubaneswar International Airport and assured other stakeholders that they would get an opportunity to express their views after the AAI's presentation, as the response of the stakeholders is very essential for the tariff determination process of the Major Airports. Following were the comments made by various stakeholders including that of AAI/Bhubaneswar Airport.
4. **Bhubaneswar International Airport (BIA)**
  - 4.1 It was conveyed that the presentation would be made in two parts. The first part would be presented by Airport Director, Bhubaneswar which includes the key features of Bhubaneswar International Airport and that the second part would be presented by JVC, AAI, in which Airport Operator's response to the Consultation Paper regarding Bhubaneswar International Airport would be submitted.

**Mr. Prasanna Pradhan, APD, Bhubaneswar gave a detailed presentation on the Bhubaneswar International Airport. The presentation covered the following details:**

- 4.2 **Brief on Bhubaneswar International Airport**
  - 4.2.1 Bhubaneswar International Airport (IATA: BBI, ICAO: VEBS), also known as Biju Patnaik International Airport, Bhubaneswar. The peak hour traffic of Domestic PAX stands at 1,274 and International PAX at 240.
  - 4.2.2 Airport has a carpet area of 20629 sqm., terminal building built up area is 31,737sqm. It has annual designed capacity of 4.40 MPPA and has 7 conveyor belts, 5 Elevators, 4 Aerobridge, 800 trolleys, 39 check-in counters.
  - 4.2.3 The airport has 18 Parking Stands, 1 Runway, 1 Parallel Taxiway (Phase 1: completed, Phase 2: in progress) and 1 Hanger (which is yet to be operationalized).
  - 4.2.4 In addition to above, the airport has many facilities such as Check in counters, CUTE & CUSS, In Line Baggage Screening system (not yet Operationalized), Restrooms/ Tactile Flooring, mobility -ramp, Immigration & Customs counters, Application Based Cab Aggregator, Free News Paper supply stand, Tourism Counter, etc. for proper facilitation of passengers.

4.2.5 Some of the ongoing projects involves conversion of CAT I to CAT II lighting system, Parallel Taxi Track (Phase 2), linking terminal buildings etc. Further, while presenting the CAPEX proposed for the Second Control Period, the APD said that several projects have reached completion stage but have not been put into operation.

4.2.5.1 Chairperson AERA, in this regard asked the rationale towards not operationalizing or put to the projects in operations, to which the APD, Bhubaneswar responded that an additional expansion of the area is necessary to achieve full operationalization of the project and the same is expected to be completed shortly after getting the necessary BCAS clearance.

4.2.6 APD Bhubaneswar stated that the ASQ rating of the Airport is improving and has reached to 4.88 in Q3 2023.

4.2.6.1 Member, AERA asked whether the Airport receives the reports for ASQ Surveys, to which APD Bhubaneswar responded that the consultants have been appointed for the ASQ Survey. Member, AERA further asked APD to share the report with its consultant and emphasized the importance of ensuring that the service quality of the Airport aligned with ACI/IATA Standards.

**Mr. Prabhakar, GM - JVC, AAI made a presentation which detailed AAI's submission to the Consultation Paper No. 22/ 2023-24**

4.3 Mr. Prabhakar, GM- JVC, AAI in its presentation highlighted the concerns relating to the true up of the First Control Period, followed by the submissions for the Second Control Period and requested AERA to consider the same.

**Submission - True up of First Control Period**

4.3.1 Exclusion of Financing Allowance: GM JVC requested AERA to consider the Financing Allowance of ₹ 16.52 Crores which had been disallowed by AERA, as part of its True up of the First Control Period.

4.3.2 AAI had raised concern that AERA has considered cost of equity as 14% against AAI's submission of 16%. GM JVC requested AERA to consider the Cost of Equity as 16% in line with PPP airports (MIAL, DIAL, HIAL and CIAL), where the Cost of Equity has been considered at 15+%.

4.3.2.1 Chairperson AERA responded to AAI by saying that the Cost of equity is being considered as 14% for AAI Airports uniformly, and, if AERA has to consider the cost of equity at par with PPP Airports, then a notional debt equity ratio of 48 :52 (D:E) will be considered, in that case, the FRoR determined for AAI Airports will be much lower.

4.3.3 AAI submitted that the Administrative & General Expenses are reduced by ₹ 5.11 Cr. in respect of CSR expenses. In this regard, GM-JVC emphasized that the CSR expenses have been calculated by AAI based on actual expenditure. Also, funds for CSR activities are allocated to stations as approved by CSR board of AAI at CHQ level. Hence, the CSR computation has to be done based on Aeronautical profit of the Company as whole and not at a Station level.

**Submission for Second Control Period**

4.4 GM, JVC submitted that AERA had reduced growth rate in Payroll expenses to 6% resulting in reduction of Payroll expenses by ₹ 3.07 Cr. and reduced Upkeep expenses by ₹ 6.64 cr., as AERA has considered inflation rate, whereas AAI has proposed 10% increase Y-o-Y basis for the Second Control Period.

- 4.5 Regarding CSR Expenses, he added that Administrative & General Expenses had been reduced by ₹1.59 Cr. in respect of rationalization of CSR expenses. He emphasized that CSR computation has to be done based on Aeronautical profits of the Company as whole, and not at a station level. GM, JVC and requested AERA to consider this amount of ₹ 1.59 Cr. while determining ARR.
- 4.6 With respect to Non-aeronautical Revenue (NAR), GM-JVC, stated that AAI had projected total non-aeronautical revenue amounting to ₹ 183.53 crores, mainly relating to Restaurant /Snack Bars, T R Stall, Hoarding and Display, Duty free shop, Car Parking, Car Rental, admission Tickets and Other Misc. income for the F.Y 2023-24 to 2027-28. Whereas, AERA has proposed to increase the Non-aeronautical Revenue from ₹. 183.53 cr. to ₹ 242.53 cr. He further stated that AERA has proposed to increase 'Other Misc. Income', which consists transfer of overdue EMD/SD, sale of scrap etc., that are not in the regular course of business and such non-recurring incomes may not be linked with the passenger growth. AAI requested that an amount of ₹ 13.32 Crore may be considered as 'Misc. Income', instead of ₹ 44.18 Crore as proposed by AERA, for the Second Control Period.
- 4.7 Electricity charges: AERA has proposed to increase recoveries of electricity charges from concessionaires at a notional rate of 25 % of total power costs from Third Control Period and has invited comments from stakeholders. AAI submitted that it cannot levy electricity charges over and above the units consumed by the Concessionaires and the unit rates are approved by the Board and is in line with the Electricity Act.
- 4.8 AERA observes that the O&M costs of the airport has increased substantially when compared to growth of NAR and has invited comments from stakeholders on this issue. AAI, in this regard, submitted that growth in O&M expenses is to service the operational expenses of the airport and there is no correlation in to the growth of NAR with that of O&M Expenses.
5. Chairperson, AERA thanked AAI officials for their presentations and invited other stakeholders to present their views/comments on the Consultation Paper No. 22/ 2023-24

#### Airport Operators

6. Adani Airports

Mr. Ashu Madan from Adani Airports informed that they will submit written comments on Consultation Paper No. 22/2023-24 within the timelines given by the Authority.

7. KIAL

Mr. Martin Jose Emmanuel from KIAL submitted that they will submit written comments on Consultation Paper No. 22/2023-24 within the timelines given by the Authority.

8. International Air Transport Association (IATA)

8.1 Mr. Ujjwal Bakshi from IATA expressed his gratitude to AERA for inviting them for the Stakeholder's meeting. Mr. Bakshi, further commented that 89% of the approved CAPEX in the First Control Period was not incurred by AAI, emphasizing the importance of ongoing consultations, business case validation, and the need for careful monitoring of the progress, including decisions on deferring or cancelling CAPEX.

8.2 He requested the airport to share its method of measuring service levels and provide information on ASQ targets and actual metrics.

8.3 He commented that the suggested tariff hike for the Second Control Period is considerably high. Despite the adjustments made by AERA, he suggested that further consideration may be made by AERA, by exploring possible modifications, including deferring some recovery of ARR to the subsequent control period.

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9. **SpiceJet Airlines**

9.1 Mr. Suryavir S. Bisht from SpiceJet Airlines, extended his gratitude to AERA. He commended AERA's proposal of shifting the capitalization of Terminal Building T3 to the Third Control Period. He also supported the views of AERA, in rationalizing FRoR of Bhubaneswar Airport to 13.78%, stating that in other AAI airports like Jaipur, Goa and Pune, the FRoR had been allowed in the range of 12 to 12.5%.

9.2 He raised his concern regarding the significant increase in landing and parking charges which is about 36% to 257% higher than the existing rates. SpiceJet's representative stated that he will submit written comments on Consultation Paper 22/2023-24 within the timeline given by the Authority.

10. **Federation of Indian Airlines (FIA)**

10.1 Mr. Ujjawal Dey from FIA appreciated AERA for the opportunity to participate in the Stakeholders meeting and highlighted the variance of 89.15% in approved CAPEX and actual CAPEX for the First Control Period.

10.2 He expressed his concern about a substantial increase in the cost of terminal building T3 (as stated in the Detailed Project Report of AAI), from ₹ 798.95 Crores to ₹ 1,200 Crores within a span of just a year, which is a huge jump in the cost. He then appreciated the detailed review conducted by AERA on CAPEX and O&M which helps in providing proper rationale and perspective. He acknowledged AERA for shifting ₹ 1,200 cr. project to the Third Control Period.

10.3 He commented that AERA has proposed to adjust 1% of uncapped value of the project from the Third Control Period. However, he requested that this 1% adjustment (for uncapped value of projects) should be considered in this Control Period and not in the Third Control Period.

10.4 He requested AERA to further rationalize landing and parking charges, wherein there is an increase of 36%, although AAI had submitted 40% increase in Landing charges and 110% increase in parking charges.

10.5 He highlighted that the bifurcation of aeronautical and non-aeronautical proposed by the Authority is very well received, as the terminal building ratio considered by Bhubaneswar Airport was for 95.01%: 4.99%, which is quite less and suggested it to be 92%-8% as compared to similar airport such as Amritsar, Trichy, Varanasi, and Calicut. He emphasized that more stress should be put towards NAR which has been declining through the past few years and if airports harness the non-aeronautical revenue efficiently, it helps in reducing reliance on the UDF for affordability and also brings sustainability to the Aviation sector.

10.6 He raised concern regarding the AUCC meetings not being carried out by Bhubaneswar airport and requested AERA to keep it as a mandate in AERA guidelines to resolve this issue.

11. **Indigo Airlines**

11.1 Mr. Dushyant Deep from Indigo Airlines presented his views on CAPEX by highlighting that majority of CAPEX has not been executed in the previous control period and commended the Authority on rightly pointing out the penalty provisions which can be invoked in case of any delay in the timelines given for completion of the project in the Next Control Period.

- 11.2 Further, he suggested that if Authority feels that if any cost to be incurred in the previous control period have not been justified, then the same penalty can be invoked or impaired in the current control period as well.
12. Sh. D K Kamra, Member, AERA gave a vote of thanks to all the stakeholders and also to AAI for making an informative and concise presentation which helped in a smooth stakeholders' discussion. In addition, he requested all the stakeholders to provide their written comments within the stipulated timeline.
13. Chairperson, AERA concluded the meeting and assured stakeholders that AERA shall consider all the comments given by stakeholders on merits and take decisions in the interest of all the stakeholders involved in this process.



**(Ram Krishan)**  
**Director (P&S)**

**Annexure -I**

**List of Participants:**

**Airports Economic Regulatory Authority of India**

1. Mr. B S Bhullar, Chairperson
2. Mr. D K Kamra, Member
3. Mr. Ram Krishan, Director (P&S)
4. Mr. Rajan Gupta, DGM (Fin) -Tariff
5. Mr. Satish Kumar, DGM(Tariff)
6. Mr. I.P. Singh, US(P&S)
7. Mr. Trilok Chand, Manager (Tariff)
8. Mr. Prabhjot Singh, Consultant

**Representative from AAI**

1. Ms. V. Vidya, ED (Finance)- JVC
2. Mr. R. Prabhakar GM (Finance)-JVC
3. Mr. Prasanna Pradhan, APD, Bhubaneswar

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

1. Mr. Ujjwal Dey, Associate Director

**Representative from International Air Transport Association (IATA)**

1. Mr. Ujjawal Bakshi

**Representative from Indigo Airlines**

1. Mr. Dushyant Deep

**Representative from KIAL**

1. Mr. Joyal Jose, Deputy Manager
2. Mr. Martin Jose Emmanuel, Assistant Manager

**Representative from Adani Airports**

1. Mr. Ashu Madan, GM – Regulatory
2. Nitesh Rachh

**Representative from Farm Services/ ITP Service Provider**

1. M/s Bharat Stars Service Pvt Limited (BSSPL)

**Representative from SpiceJet Airlines**

1. Mr. Suryavir S. Bisht

**Representative from R. Subramanian & CO, LLP**

1. Mr. Gokul Dixit, Business Leader
2. Ms. Krithika Gopal, Partner
3. Mr. Sreekumar, Aviation Expert
4. Ms. Komal Singh, Manager