

To,

DIAL/2024-25/Regulatory/2644

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airports,
New Delhi – 110002

Subject : Response to Guwahati International Airport Consultation Paper
Reference : Consultation Paper no 01 /2024-25 dated 6th June'2024

Dear Sir,

This is with reference to the above referred consultation paper for Guwahati International Airport for Third control period. We have following comments to the consultation paper for your kind consideration:

1. **Cost of Equity:** AERA considered cost of equity of Guwahati International Airport Limited (GIAL) as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.

We suggest the Authority conduct a specific study for Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passenger etc. instead of considering average of other airports. This will ensure that the cost of equity is calculated for each airport in a scientific and objective manner.

2. **Cost of Debt:** AERA considered cost of debt of GIAL as average of cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt.

Cost of Debt is decided by the banks / Financial institutions based on a variety of factors, including, the risk profile of the project, MCLR or other benchmarking rate, prevailing repo rate, credit ratings, nature of debt (RTL, ECB, NCD, etc.), security structure offered, covenant package and accordingly



AERA's reliance on Cost of Debt of other PPP airports cannot be a benchmark for the Cost of Debt of the Airport.

Hence, we request AERA to consider cost of debt at actuals.

- Exempt passengers for billing purposes:** As per notification of MoCA Certain categories of passengers are exempted from UDF and other airport charges which Airport Operators are required to follow. AERA should consider the impact of these exempt passengers while framing the tariff card, else it will lead to known shortfall in the recovery.

We would like to draw the attention of the Authority on the tariff order for Chaudhary Charan Singh International Airport, Lucknow for the Third Control Period, Order No. 10/2023-24. (Clause 6.5.4 and Clause 6.5.5). The Airport Operator had adjusted the total traffic to account for billable passenger traffic. The Airport Operator had requested for 10% of the traffic to be considered as exempt, which AERA had accepted citing that it had taken similar decisions in BIAL Traffic Order No. 11/2021-22 and Order No. 46/2015-16 in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport. The relevant extract has been attached below.

6.5.4. The Authority notes the comments of the AO on exempted passengers (claimed by AO as 3% of the total passenger traffic). Taking cognizance of the decisions of the Authority given in BIAL Tariff Order No.11/2021-22 for the Third Control Period and Order No. 46/2015-16, in respect of Metro

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Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, the Authority decides to consider on merit, the exempt passenger traffic as 3% of total passenger traffic and adjust the same while determining the billable passenger traffic for Lucknow Airport for the Third Control Period.

6.5.5. Based on the above factors, the Authority has determined the Traffic Forecasts, which it decides to consider for determination of tariff for the Third Control Period for CCSIA, which is as follows:

Table 67: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (Lacs)	FY	FY	FY	FY	FY	FY	Total
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	
Domestic PAX submitted by AO	46.97	31.00	44.00	54.12	65.49	77.93	272.54
Domestic PAX decided by the Authority (A)		27.11	43.47	54.12	65.49	77.93	268.12
AO's submission as a % of FY 2019-20 traffic		66%	94%	115%	139%	166%	
Traffic as per Authority as a % of FY 2019-20 traffic		58%	93%	113%	139%	166%	
Domestic exempted PAX %	FY	FY	FY	FY	FY	FY	Average
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (B)		3%	3%	3%	3%	3%	3%
Domestic Billable PAX (in Lacs)	FY	FY	FY	FY	FY	FY	Total
	2019-20	2021-22	2022-23	2023-24	2024-25	2025-26	

Hence, we request AERA to allow consideration of only billable passengers while framing the tariff card.

4. **Non-aeronautical revenue:** AERA has considered non-aeronautical revenue for FY24 for GIAL as same as the non-aeronautical revenue of FY20 of AAI. By considering a notional amount as non-aeronautical revenue for GIAL in FY24, AERA has in effect prescribed the tariff of such services as the aggregate revenues earned by GIAL would largely be dependent on the tariff of such services. Such determination should not be done by AERA.

Further, AERA proposed that Non-Aeronautical Revenue will not be trued up at the time of tariff determination of next control period if it is lower than that proposed by the Authority. Such proposal of setting minimum threshold of revenues from non-aeronautical services, AERA has in effect prescribed the tariff of such services as the aggregate revenues earned by Appellant would largely be dependent on the tariff of such services. AERA's decision to undertake true-up based on actuals only if non-aeronautical revenues exceed the minimum threshold is a departure from its own practice of undertaking true-up in the next control period based on actuals to account for any over-recovery and under-recovery in the past control period

Hence, we request AERA to consider the non-aeronautical revenue estimations based on the airport's actuals.

Thanking you

For Delhi International Airport Ltd.



K Narayana Rao
Director

Date: July 5th 2024