

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

MINUTES OF THE STAKEHOLDERS' CONSULTATION MEETING HELD ON 05.07.2024 AT 02:30 PM IN UDAAN BHAWAN, ON THE PROPOSALS MADE IN CONSULTATION PAPER NO. 02/2024-25 IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR SHIRDI INTERNATIONAL AIRPORT, SHIRDI FOR THE FIRST CONTROL PERIOD (01.04.2022 - 31.03.2027)

1. Section 13(iv)(a) of the Airports Economic Regulatory Authority of India Act, 2008 empowers AERA to ensure transparency in Consultation Process for determination of tariff in the wider interest of the public and the stakeholders. Accordingly, a Stakeholders' Consultation Meeting was convened by the Authority on 05.07.2024 at 02.30 PM at Udaan Bhawan to elicit the views of the Stakeholders on the proposals made in the Consultation Paper No. 02/2024-25 dated 18.06.2024 issued by the Authority in the matter of determination of aeronautical tariff for Shirdi International Airport, Shirdi for the First Control Period (01.04.2022 – 31.03.2027). The list of participants is enclosed at **Annexure-I**.
2. At the outset, Chairperson, AERA welcomed all the participants in the Stakeholder Consultation meeting of Shirdi International Airport. Chairperson briefly outlined the agenda and spelled out the regulations under the AERA Act that guided the tariff determination for Shirdi International Airport. The due process of evaluation and assessment of MYTP of 1st Control Period of Shirdi International Airport had culminated in the issuance of the said Consultation Paper, leading to the convening of the stakeholder meeting. Further, Chairperson provided an overview of the detailed analysis conducted in preparing the Consultation Paper in relation to the MYTP submission for the First Control Period by Maharashtra Airport Development Company Limited (MADC). He informed that the Authority is looking forward to the views of the stakeholders on the Authority's proposals in the Consultation Paper. He re-iterated that AERA is committed to ensuring transparency in compliance with Section 13(iv)(a).
3. Chairperson while welcoming the MADC and while acknowledging the participation of stakeholders in good numbers, firstly invited MADC to make their presentation that would be followed by stakeholders presenting their views/comments on the proposals made in the Consultation Paper No. 02/2024-25 for Shirdi International Airport, Shirdi. All stakeholders were assured that they would be given an opportunity to present their views.

Maharashtra Airport Development Company Ltd. (MADC) - Shirdi International Airport

4. The Vice Chairman and Managing Director of MADC – Smt. Swati Pandey briefed the Authority and stakeholders on the following:
 - 4.1 **Brief Introduction on the formation of MADC** –MADC is a SPV formed by Government of Maharashtra and the commissioning of Shirdi Airport has been done by MADC.
 - 4.2 **Passenger growth and expansion plans at Shirdi Airport** - She mentioned that Shirdi International Airport has achieved a high passenger growth in a very short period of time – approximately 500% in the 2nd year of operation. She mentioned that the currently airport has space constraints and hence MADC has decided to expand the seating capacity until the work on the integrated terminal building commenced. The immediate expansion of the terminal will result in 1200 Sqmtr. of space added to the current terminal space of approximate 2500 Sqmt. She also mentioned that the work order/Letter of Intent (LOI) for the integrated terminal building has already been issued.



4.3 **Various other initiatives of MADC** – She mentioned that other than Shirdi Airport, MADC has plans of opening Amravati Airport under the RCS scheme. MADC has also signed an agreement with Air India in establishing South Asia’s largest Flying Training Organisation (FTO) in Amravati, Maharashtra. She thanked Tariff team of AERA and its consultants for all the support extended to them during the finalization of Consultation paper.

4.4 She briefly touched upon the request for re-considering FROR at 9% whereas the same is considered at 14% in case of many AAI airports, following which she requested Mr. Mangesh Kulkarni – Superintending Engineer – HQ MADC to make the presentation to all stakeholders.

5. **Mr. Mangesh Kulkarni – (Superintending Engineer – HQ MADC)** – made a presentation to the Authority and other stakeholders covering the following aspects:

- a. MADC’s formation and shareholding pattern indicating that the majority shareholders are CIDCO, MIDC and NIT.
- b. Shirdi Airport commencement date and major milestones so far
- c. Governing board of MADC
- d. Existing infrastructure at Shirdi Airport
- e. Status of Projects planned for the First Control Period at Shirdi Airport
- f. Existing services/ facilities at Shirdi Airport
- g. Interim Terminal Expansion plan and New Integrated Terminal Building (NITB).
- h. Plan for construction of NITB and allied works
- i. Facilities planned at NITB including photos
- j. Concept design of NITB including photos
- k. Master plan of the NITB
- l. Construction of new cargo complex and discussion of salient features

5.1 Mr. Mangesh also apprised that MADC plans to conduct the AUCC on 15th July 2024 and notice will be issued for the meeting immediately.

5.2 He thereafter presented MADC’s submission with regards to the Authority’s proposal in the consultation paper as follows:

5.2.1 **Under – recovery relating to the pre-control period** – MADC submitted that AERA is requested to consider the deficit for the period 1st Oct 2017 to 31st Oct 2021 amounting to ₹ 278.70 Crores instead of the current position in the consultation paper of considering shortfall only from 1st November 2021 to 31st March 2022.

5.2.2 **FRoR-** MADC submitted that FROR be considered at 14% (as in case of most AAI airports) instead of 9% in the current consultation paper.

5.2.3 **Non- allowance of ANS expenses** – MADC submitted that CNS/ ATM cost be considered as part of operational expenses, while noting that in the current consultation paper it is not allowed by the Authority.

5.2.4 **1% re-adjustment of uncapitalized cost** – With reference to the Authority’s proposal that 1% re-adjustment of non-capitalized project cost will be made from ARR, if project is not capitalized as per approved capitalization schedule, MADC has submitted that it will make best efforts to stick to the capitalization schedule except for reasons beyond its control, representing that the Authority consider inclusion of a clause to this effect.

5.2.5 **Request for approval of tariff card submitted** - MADC mentioned that while Authority has considered the control period beginning from 1st April 2022, only 31 months would be remaining for recovery of the new tariff assuming the tariff will be effective 1st September 2024. If the

revenue were computed as per the tariff card proposed by MADC, there would be a shortfall carry forward of about ₹98.90 Crores. MADC requested that this deficit of ₹ 98.90 Crores (i.e. 33% of total ARR) be allowed to be carried forward thereby submitting that Authority may please approve the tariff card.

Director, AERA thanked MADC officials for their presentation and thereafter invited other stakeholders to present their views/comments on the Consultation Paper.

6. Airport Operators

6.1 **Mr. Ranjit Kumar Das – CFO, Chandigarh International Airport Limited (CHIAL)**– requested the Authority for a study on return on land considering all aspects – stating that there was a similar situation in Chandigarh – where land was given free of cost by Government of Haryana and Chandigarh. He stated that their comments would be submitted to the Authority in writing within stipulated timelines.

6.2 **Mr. Harsh Gulati – GMR Airports** –Requested that the current FROR of 9% be set according to the guidelines and not a notional number as in the current consultation paper, since it sets a wrong precedence, irrespective of the nature of airport being a small or large. The FROR must be set based on AERA guidelines. He also stated that their comments would be submitted to the Authority in writing within the stipulated timeline.

6.3 **Mr. Nilesh Sodhani – Adani Group** – expressed his gratitude to the Authority for convening a physical stakeholders meet which facilitates meeting of stakeholders. He requested for the following:

6.3.1 CNS / ATM charges which are currently being paid by Airport Operators to AAI are major expenses and such actual expenses borne by airport operator should be allowed to be claimed in the Airport Operators' ARR. He re-iterated that rather than keeping it open for conclusion at AAI's end, it may be subject to true up, if cost model changes at a later date post discussion with AAI.

6.3.2 While he was appreciative of the Authority's point of view in restricting the R&M charges to 6% of opening RAB, he requested that this be re-considered with actual expenses being allowed instead of capping it at a notional 6%.

6.3.3 He also stated that their comments would be submitted to the Authority in writing within the stipulated timeline.

7. Airlines and Airline Associations

7.1 Spicejet

Mr. G.P Gupta, Chief Strategy Officer from Spicejet stated the following:

- He quoted the National Civil Aviation Policy 2016, whose aim was to make aviation eco-system affordable and sustainable. He mentioned that India being a predominantly middle-class dominant country, most people are highly price sensitive. Hence, if airlines increase the cost to passenger, it will reduce the passenger traffic. On the contrary, if airlines were to reduce cost to passenger, it will lead to increase in passenger traffic, which will be beneficial to all stakeholders. (i.e. Airport Operators, Airlines and other stakeholders etc.)
- He mentioned that the objective for all stakeholders was to come together and put forward their efforts to reduce cost which will attract more passengers.
- He appreciated AERA for the Independent Studies conducted in last 5 to 7 years to improve efficiency and reduce cost.

- He mentioned that investment in Airport Sector is an attractive investment and there is not much risk involved in Airport Segment as compared to airlines. He mentioned that if we see the historical financial results of Airports and Airlines, it will be seen that Airlines are in losses as compared to Airports.
- On FRoR – he commended AERA for considering single digit FRoR as compared to 14% historically approved by AERA. However, he mentioned that current return on FD rates are 7% on which the post-tax return is 5% and requested AERA to consider rationalizing FROR further.
- On Royalty charged by the Airport Operator to other ISPs, he requested AERA to discourage Royalty charges, as done in most European countries.

7.2 **Indigo**

Ms. Priyanshi Saxena – from Indigo stated that:

- a. While all capital projects projected by MADC in their First Control Period have been implemented including giving out LOI in the case of NITB, she requested MADC that going forward AUCC meeting be held prior to major capex commitments being done. For the upcoming AUCC meeting, she also requested that all relevant documents for AUCC be shared atleast 2 weeks prior to such meetings, so that it can result in a meaningful consultation process.
- b. She noted that MADC had in their MYTP mentioned that the construction of the NITB was to commence in April 2024 and is likely to be capitalized in Q2 of FY 26-27, if commencement was to happen in April 2024, However, in the presentation made by MADC, it had been stated that the NITB construction is yet to commence as at date. She mentioned that the shifting in dates of commencement would likely move the completion date to beyond the First Control Period. She requested AERA to re-look into this and consider, if possible shifting the capitalization beyond the First Control Period.
- c. She requested that AERA should conduct an independent study on traffic for the First Control period and future periods while noting that traffic for MADC is expected to reach 1.7 MPPA in FY 26-27.
- d. FRoR – She requested that AERA provide a rationale for the 9% FRoR considered in the current CP. She also appreciated the efforts that AERA has undertaken to rationalize FROR in all airports.
- e. NAR – She mentioned that NAR is not even 50% of O&M expenses. She requested AERA to look into the proposed NAR in Consultation Paper and MADC to check on avenues to increase NAR considering that Shirdi is one of the biggest pilgrimage centre.
- f. She also noted that the current TBLR is not in line with IMG norms as currently it is being considered as 95:5.

8. **Cargo Companies:**

8.1 **AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS)**

Mr. Ajay Kumar – CEO -AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS) submitted the following:

- He requested AERA to reconsider the current FROR proposed in the Consultation Paper @ 9%. He mentioned that higher FROR helps to recover losses incurred by airport operators since the rates fixed by AERA for a control period are not dynamic in nature.

- While he commended MADC for proposing a large investment in a Cargo Complex, he urged MADC to make the investment phase-wise considering that return on investment from cargo activities is a slow process.

9. Ground Handling :

9.1 AI Airport Services Limited (AIASL)

Mr. Amit Toraskar -Sr. AGM – AI Airport Services Limited (AIASL) - stated that their comments would be submitted to the Authority in written format within stipulated timelines.

9.2 Air India SATS Airport Services Limited (AISATS)

Mr. Rahul Kumar – Air India SATS Airport Services Limited (AISATS) - stated that their comments would be submitted to the Authority in written format within stipulated timelines.

10. Oil Companies :

10.1 Indian Oil Skytanking Limited

Mr. Sanjeev Negi – Indian Oil Skytanking Limited - stated that their comments would be submitted to the Authority in written format within stipulated timelines

10.2 Hindustan Petroleum Corporation Limited (HPCL)

Shaikh Althaf – Chief Manager – Aviation Operations – HPCL - stated that their comments would be submitted to the Authority in written format within stipulated timelines

11. Other Industry Bodies :

11.1 Federation of Indian Airlines (FIA)

Mr. Ujjwal Dey – Associate Director, FIA stated that other than the points taken up by other stakeholders, he re-iterated that the total O&M expenses of the First Control Period is ₹ 118 Crores, the NAR is just ₹ 18 Crores only which is much below 50% mark of the O&M expenses. He mentioned that there could be further potential for NAR that could be untapped which MADC should consider leveraging, given that it is a large pilgrimage centre.

He asked MADC whether they had obtained ASQ rating to which MADC replied that they have not taken it up.

He commended AERA for reduction in FROR to a single digit number. Noting that since MADC has no debt, he requested AERA to rationalize the FROR further.

He also requested that AERA conduct independent studies as conducted in other airports so that they could lay down a strong foundation for future control periods.

He said that their comments would be submitted to the Authority in written format within stipulated timelines including the above matters.

11.2 Federation of Indian Chambers of Commerce & Industry (FICCI)

Mr. Manoj Mehta – Pr. Director –mentioned that the necessary capital investment is necessary to expand Shirdi International Airport being a large pilgrimage destination. Further, their comments would be submitted to the Authority in written format within the stipulated timeline.

11.3 International Air Transport Association (IATA):

Mr. Ujjwal Bakshi – Industry Affairs Manager - mentioned that all the points have already been discussed by others stakeholders and that he had no further points to add and further mentioned that he concurs with the views of representatives of Indigo, Spice Jet, FIA on FROR, Royalty, NAR and conduct of AUCC.

12. **Ms. V Vidya, Member - AERA**, thanked all the Stakeholders and the Shirdi International Airport and MADC Team for the presentation. She appreciated MADC for conceptualizing the airport and its efforts in developing airport in a small temple town. On the issues raised by MADC during their presentation the following was stated:

- **FRoR** – She mentioned that MADC has been asking for the parity with AAI on the FRoR rates. She however stated that there can be no apple-to-apple comparison between AAI Airports and MADC, as all major airports of AAI have achieved 3.5 MPPA and thereafter, have come under purview of AERA. Since traffic of the Shirdi Airport is much lesser than 3.5 MPPA, then it falls in the category of AAI Non-Major airport. Also due to lower traffic base at Shirdi Airport, high rate of return will not be viable, to attract more traffic. She also mentioned that AERA has always been insisting on efficient capital structure both in non-AAI airports and in AAI airports. In this light she mentioned that AERA is contemplating to review FRoR of AAI airports also. However, Authority will review the FRoR based on the comments of the stakeholders and thereafter, will decide accordingly.
- **CNS/ ATM charges** – She mentioned that the matter as stated in the consultation paper was already under consideration and suitable decision will be taken by AERA after consultation with MOCA and AAI.
- She requested all the Stakeholders to provide their written comments by the submission date, i.e. 18th July, 2024 in order to issue the Tariff Order in a timely manner.

13. **Shri. D. K. Kamra, Member AERA**, thanked all the stakeholders, airline representatives, FIA, IATA and other industry bodies for being present in large numbers and asked them to submit their written submission within the stipulated timeline. He congratulated Shirdi Team for the brief presentation made by them.

AUCC Meeting -He also mentioned that AUCC is a mandatory requirement before submission of MYTP, and in this case, since it has not been done before submission of MYTP, request that it should be completed at the earliest. He also mentioned to MADC that all stakeholders need to be given a proper briefing and time before the conduct of AUCC meeting.

Evaluation of issues on written submission: On the issues put forth by MADC and other stakeholders, he mentioned that AERA will follow the procedure to evaluate all the points after written submissions are received.

NAR Augmentation: He also re-iterated that MADC needs to increase their NAR in line with industry standards in order to subsidize the aeronautical tariff.

Investment in Cargo Operations: He also asked MADC to review their investment in cargo operations in line with comments received from other stakeholders.

Compliance to Digi Yatra and other BCAS guidelines: He also asked MADC to keep in mind that the Digi Yatra requirements as indicated by MOCA are available right from the commencement of NITB and MADC may factor the same during the construction of NITB. He also asked MADC to keep in mind the revised BCAS guidelines.

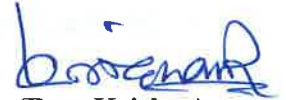
14. **Shri. S. K. G Rahate, Chairperson AERA**, thanked the Vice Chairman and Managing Director, MADC and the entire MADC Team for comprehensive presentation on Shirdi International Airport.

Chairperson mentioned that all points raised by the MADC and Stakeholders during the meeting have been noted. On FRoR, Chairperson specifically mentioned that as a Regulator, AERA has to maintain a balanced approach keeping in view the long-term viability/perspective of the airport based on which

the FROR etc are rationalised optimally and efficiently, so that in the beginning any high aeronautical tariff including UDF should not discourage passenger/aircraft traffic adversely impacting the long-term viability of the airport.

Chairperson further assured that the views of all the stakeholders will be considered on merit. He then concluded the meeting by thanking all the stakeholders and also MADC. He requested all the Stakeholders to provide their written comments by the stipulated date i.e. 18th July, 2024 so that further necessary action can be taken in a timely manner.

Meeting concluded with a vote of thanks.



(Ram Krishan)
Director (P&S)

Annexure –I

List of Participants:

Airports Economic Regulatory Authority of India

1. Mr. S. K. G. Rahate, Chairperson
2. Mr. D K Kamra, Member
3. Ms. V. Vidya, Member
4. Mr. Ram Krishan, Director (P&S)
5. Mr. Raján Gupta, DGM (Fin) -Tariff
6. Mr. Satish Kumar, DGM (Fin) – Tariff
7. Mr. Inderpal Singh, Under Secretary (P&S)
8. Mr. Trilok Chand, Manager (Tariff)

Airports Authority of India

1. Shri A Karmakar, AGM (Finance)

Maharashtra Airport Development Company Limited (MADC)

1. Ms. Swati Pandey, Vice Chairman & Managing Director
2. Mr. Chandra Shekhar Gupta, Executive Director (Tech.)
3. Mr. Sanjay Kangne, Chief Financial Officer
4. Mr. Mangesh Kulkarni, Superintending Engineer (HQ)
5. Mr. Gaurav Upshyam, Airport Director (I/C)
6. Ms. Pooja G Chawla, Manager Airside
7. Mr. Ashutosh Bhandari, Director, Transport Logistics & Mobility, CRISIL Ltd. (MADC Consultant)
8. Mr. Sayan Talpatra, Consultant, Transport Logistics & Mobility, CRISIL Ltd. (MADC Consultant)

Chandigarh International Airport (CHIAL)

1. Mr. Ranjit Kumar Das, CFO

Adani Group

1. Mr. Nilesh Sodhani, DGM Regulatory

GMR Group

1. Mr. Harsh Gulati, Vice President – F&A

Airlines & Associations:

SpiceJet Airlines

1. Mr. G.P. Gupta, Chief Strategy Officer
2. Ms. Poonam Yadav, Sr. Manager, Ground Services

Indigo Airlines

1. Mr. Lakshya Bhagnari
2. Ms. Priyanshi Saxena

Federation of Indian Airlines (FIA)

1. Mr. Ujjwal Dey, Associate Director

Air India

1. Mr. Rohit Dubey, Manager, Government Regulatory & Corporate Affairs

Ground Handling:

AI Airport Services Limited (AIASL)

1. Mr. Amit Toraskar, Sr. AGM

Air India SATS Airport Services Limited (AISATS)

1. Mr. Rahul Kumar

Oil Companies:

Indian Oil Skytanking Limited

1. Mr. Sanjeev Negi
2. Mr. Ujjwal

Hindustan Petroleum Corporation Limited (HPCL)

1. Mr. Shaik Althaf, Chief Manager – Aviation Operations

Cargo:

AAI Cargo Logistics & Allied Services Company Limited (AAICLAS)

1. Mr. Ajay Bhardwaj, CEO
2. Mr. Shashank Singh
3. Mr. V.S. Rawat
4. Ms. Gladisy Demson
5. Mr. Nishant Chillar

Other Industry Bodies:

Federation of Indian Chambers of Commerce & Industry (FICCI)

1. Mr. Manoj Mehta, Pr. Director

International Air Transport Association (IATA)

1. Mr. Ujjwal Bakshi, Industry Affairs Manager

Representative from PKF Sridhar & Santhanam, LLP (AERA Consultants)

1. Ms. Devi P
2. Mr. Rahul Teckchandani