



भारतीय विमानपत्तन प्राधिकरण  
AIRPORTS AUTHORITY OF INDIA

F.NO- AAI/JVC/Guwahati/Tariff/2024-25/1322

Date. 15.07.2024

The Secretary,  
Airport Economic regulatory Authority of India.  
AERA Building, Administrative Complex,  
Safdariung Airport.  
New Delhi-110003

**Subject -Submission of True up for the 2<sup>nd</sup> control period (01.04.2016 to 08.10.2021 COD) and finalization of RAB as on COD in respect of Guwahati International Airport.**

**Reference: Submission of AAI's counters comments in response to stakeholders' comments in respect of Guwahati International Airport.**

Sir

This has reference to Stakeholders comments in the matter of True up for the 2<sup>nd</sup> control period (01.04.2016 to 08.10.2021) up-to COD and finalization of RAB as on COD in respect of Guwahati International Airport.

AAI's counter comments in response to Stakeholders comments on CP-01/2024-25 is enclosed herewith for kind perusal please, .

This issues with the approval of the Competent Authority.

Thanking You.

Yours sincerely, .

  
R.Prabhakar

General Manager-Finance (Tariff)

Encl: -1. AAI's Counter comments in response to Stakeholder comments.

Dir PLS

  
राजीव गांधी भवन  
Rajiv Gandhi Bhawan

सफदरजंग हवाई अड्डा नई दिल्ली-110003  
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**AAI's Counter Comments**

AAI's response to counter comments raised by FIA and IATA on the Consultation Paper No.01/2024 -25 dt 06/06/2024 in the matter of True up for the 2nd control period (01.04.2016 to 08.10.2021 COD) and finalisation of RAB as on COD in respect of Guwahati International Airport:

Sr.No	FIA's Comment.	AAI's Reply.
1	<p><b>Para 4.8.5</b></p> <p>It is submitted that:</p> <p>(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.</p> <p>Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.</p> <p><b>Para 4.14.1</b></p> <p>Without prejudice to the above:</p> <p>1. FIA recommends that no adjustment of RAB should be provided in favour of AAI for a period after the COD i.e. 08th October, 2021, post which the operational control of the Guwahati Airport is transferred to GIAL.</p> <p>2. Further, FIA wishes to draw AERA's attention that any delay in submitting the Multi Year Tariff Plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.</p> <p>3. With regard to application of compounding factor (FRoR) to determine the future value of under recovery. We request AERA to note our comments as mentioned in S.No. 02 and para (a) and (b) above.</p> <p><b>Para 4.9.5 (ii)</b></p> <p>We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the increasing capex projects whereas existing traffic base is not sufficient and the recovery of ARR is to be done in less years of this control period, or due to deficiency to recover the ARR on account of higher O&amp;M expenses.</p>	<p>True up of Guwahati airport for the period form FY 2016-17 to COD</p> <p>Submission of AAI.</p> <p>(1) FROR for an Airport depends on cost of debt and cost of equity.</p> <p>(2) in the first control period of Chennai Airport, AAI has submitted a study conducted by M/S KPMG in regards to calculation of cost of equity wherein Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.</p> <p>(3) (3) AERA has been considering cost of equity as 14% as against 15.64% as per study report submitted by M/S KPMG.</p> <p>(1) As per Concession Agreement sl no 28.11.3 (a) the concessionaire shall be liable to pay AAI an amount equivalent to the investment made by AAI in the Aeronautical Assets as on the COD and considered by the regulator as part of the RAB, subject to requisite reconciliation, true up and final determination by AERA of the of quantum of such investment.</p> <p>(2) AERA has considered value of RAB till date of COD only.</p> <p>AAI has considered Capex which are operationally essential to run the Airport during the Second control period up to COD . The under recovery had happened due to the reduced traffic on account of unprecedented effect of COVID during FY 2020-21 &amp; 2021-22 Also, AERA had conducted a detailed analysis on the operating expenses for the period up to COD. It has considered as amount of Rs 458.34 Cr. only as against Rs 500.19 Crs submitted by AAI.</p>

2	IATA's Comments	AAI's Reply.
	<p>True-up for 2nd control period (AAI)</p> <ul style="list-style-type: none"> <li>• IATA agrees with AERA correcting AAI's asset allocation by using the independent study results, including the reallocation of common O&amp;M expenses.</li> <li>• IATA also supports AERA's view that space rentals from agencies providing aeronautical services should be treated as Aeronautical Revenue. Other revenues such as Hanger Rent and Flight Catering should be treated similarly as these services are to serve aeronautical users/activities.</li> <li>• On the same principles, royalties paid to the airport operator by aeronautical service providers with the cost passed on to the airlines, should also be classified as Aeronautical Revenue.</li> </ul>	<p>AERA has re-allocated the Employee Benefit expenses based on revised Employee Headcount ratio 95:5 and based on other adjustment whereas actual employee ratio is 98.38:1.62 which AERA is requested to consider.</p> <p>AAI is not against AERA'S view point to consider space rental from agencies as Aeronautical revenue. However, AAI requests AERA to review the Terminal Building ratio taking into consideration of the space allotted to Airlines as Aero.</p> <p>As per AERA Methodology Royalty received from GHA and AAICLS are being treated as AERO income.</p>