

To,

DIAL/2024-25/Regulatory/2692

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

Subject : Response to Shirdi International Airport consultation paper
Reference : Consultation Paper no 02 /2024-25 dated 18th Jun'2024

Dear Sir,

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

1. **Fair Rate of Return (FRoR):** AERA proposed FRoR of Shirdi Airport as 9% on notional basis because of low traffic base. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the Authority shall determine a weighted average gearing in a Control Period for the purpose of determination of FRoR. The determination of such weighted average gearing shall have reference to actual and projected quantum of debt submitted by the Airport Operator. Further, as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 under section 5.1.3, it is advisable to compute the Cost of Equity (COE) for Airport Operator basis CAPM model.
2. **CNS / ATM Charges:** AERA has not considered the CNS/ATM Costs payable by the MADC to AAI because at present policy of AAI relating to provision of CNS/ATM Facilities & Services, at the non-AAI airports on the Cost Recovery Basis is under review, in consultation with AAI. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the operation and maintenance expenditure shall include all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs. Non allowance of charges may impact the viability of the Airport Operator. Further, it is important to note that, true-up of these expenses will always be an option for AERA, however, such major costs can lead to financial stress for Airport Operators.
3. **Legal Expenses:** - The Authority proposes to exclude the legal expenses incurred by the Airport Operator as a part of operating expenses in line with the position considered in other similar airports. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the operation and maintenance expenditure shall include all expenditures incurred by



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the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs.

Thanking you

For Delhi International Airport Ltd.



K Narayana Rao
Director

Date: Jul 18th, 2024