

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

MINUTES OF THE STAKEHOLDERS' CONSULTATION MEETING HELD ON 20.09.2024 AT 03:30 PM AT UDAAN BHAWAN ON THE PROPOSALS MADE IN CONSULTATION PAPER NO. 04/2024-25 IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR INDORE INTERNATIONAL AIRPORT, INDORE (IDR) FOR THE SECOND CONTROL PERIOD (FY 2023-24 to 2027-28).

1. For determination of tariff for aeronautical services, section 13(4)(a) of the Airports Economic Regulatory Authority of India Act, 2008 empowers AERA to ensure transparency in the Consultation Process in the wider interest of the public and the stakeholders. Accordingly, a Stakeholders' Consultation Meeting was convened by the Authority on 20.09.2024 at 03:30 PM at Udaan Bhawan to elicit the views of the Stakeholders on the proposals made in the Consultation Paper No. 04/2024-25 dated 5.09.2024 issued by the Authority in the matter of determination of aeronautical tariff for Indore International Airport, Indore for the Second Control Period (01.04.2023 – 31.03.2028). The list of participants is enclosed at **Annexure-I**.
2. At the outset, Chairperson, AERA welcomed all the participants in the Stakeholders Consultation meeting of Indore International Airport. He briefly outlined the agenda and the regulations under the AERA Act that guided the tariff determination for Indore International Airport. The due process of evaluation and assessment of the tariff proposal submitted by Indore International Airport /AAI for the Second Control Period had culminated in the issuance of the said Consultation Paper and the convening of the stakeholders meeting.
3. Chairperson then provided an overview of the analysis & due diligence done in respect of MYTP submission of Airports Authority of India (AAI) for Indore International Airport, in two parts i.e., true up of the First Control Period (01.04.2018 to 31.03.2023) and projections for the Second Control Period (01.04.2023 to 31.03.2028). He also informed that for each Regulatory Building Block, Consultation Paper comprehensively explains the Airport Operator's i.e. AAI's submission and AERA's proposals (after its detailed review & analysis).

It was further apprised that the Authority is looking forward to the views/comments of the stakeholders on the various proposals of the Authority contained in the Consultation Paper. He also re-iterated that AERA is committed to ensuring transparency as per the provisions of Section 13(4)(a) of the AERA Act, 2008. The consultation meeting is a vital step for ensuring that all stakeholders' views/comments are considered on merit before finalizing the tariff of Indore Airport for the Second Control Period.



Thereafter, the Chairperson invited AAI Officials to make their presentation and also invited stakeholders to present their views/comments on the various proposals of AERA as contained in the Consultation Paper No. 04/2024-25 for Indore International Airport.

Airports Authority of India

4. Mr. L. Kuppulingam, ED (JVC), AAI thanked AERA on behalf of AAI for the invitation to make presentation on the Consultation Paper. He informed that AAI's comments/views on the Consultation Paper will be presented by Mr. R. Prabhakar, GM (Finance-JVC), AAI and a brief on the Indore International Airport will be presented by Mr. V.K. Seth, Airport Director.
5. Mr. V.K. Seth, Airport Director (Indore), introduced himself and made a presentation on the Consultation Paper on Indore International Airport, covering the following information:
 - a. Background Information:
 - Indore Airport, known as Devi Ahilya Bai Holkar Airport, is the busiest airport in Madhya Pradesh and serves both domestic and international passengers.
 - The airport, established in 1946 and later renamed in 2001, has a rich history and is crucial for the region's connectivity.
 - b. Current Infrastructure:
 - The airport has one runway and parking capacity for 26 aircrafts, including provisions for Airbus A321 and ATR 72.
 - The annual passenger handling / design capacity is 4 million per annum, with 42 flight movements per day. The Terminal Building is equipped with 4 conveyor belts, 6 escalators, and 5 aerobridges.
 - c. Passenger and Cargo Handling:
 - The terminal building can handle 1322 passengers/ Peak hour (Domestic + International). Passenger amenities include check-in counters, baggage systems, and other facilities.
 - The implementation of the "Digi Yatra" initiative has been launched to enhance passenger experience through digital solutions. Additionally, master concessionaire for food and beverage (F&B) outlets has been appointed, to further improve airport amenities.
 - Based on a query from the Chairperson, AERA on the Cargo operations at the Airport, Mr. V.K Seth, Airport Director (Indore), informed that currently, 40 tons of cargo is being handled on an average per day as Belly cargo, mainly comprising of medicines and motor parts, against the total annual capacity of 58,000 MT.
 - d. Ongoing and Future Projects:

Reconfiguration and Renovation:

 - The reconfiguration of the integrated terminal building and the renovation of the old terminal are currently in progress, with the expected completion in April next year.

- Additional projects, including electrical work and upgrades to in-line baggage handling systems and signages were also discussed. Mr. V.K Seth, Airport Director (Indore), informed that most of the projects planned in the first control period have been completed.

Growth Projections:

- Passenger growth is projected at around 13%–16% annually, with 85-86 flight movements (Arrival + Departure) per day currently, connecting to 23 destinations (22 domestic and 1 international).
- Ongoing efforts to enhance both passenger and cargo facilities are in place, aiming to meet the increasing demands.

Cargo facilities available at the airport were also discussed, including cold storage and handling of perishable goods. Chairperson, AERA highlighted the need for an efficient perishable cargo facility at Indore International Airport, especially for agricultural products of the region and emphasized the importance of expanding cold storage facilities and improving cargo handling for pharmaceuticals and local agricultural products.

6. Thereafter, Mr. R Prabhakar, GM-Finance, AAI, introduced himself and thanked to AERA for issuing the Consultation Paper for Indore International Airport and made a presentation before the Authority and other stakeholders covering the following aspects:

- a. MoCA's directions on PPP Model for Indore Airport.
- b. Non-consideration of Indore as a major airport & under recovery of Rs. 50.66 crores during FY 2020-21 by AERA.
- c. Effect On Compounding due to exclusion of F.Y 2020-21 in True Up.
- d. Capping of R&M Expenses.
- e. Recategorization of Terminal Building Ratio on account of Space Rent from Airlines considered as Aero Revenue.
- f. Other matters including Expenses projections, consideration of Lease etc.

Mr Prabhakar presented AAI's submission on the issues relating to the Authority's proposals in the Consultation Paper as enumerated below:

i. Terminal Building Ratio – Mr. Prabhakar discussed the revised allocation ratio of various assets, including the Solar Power Plant. Specifically, the Terminal Building ratio was adjusted from the previous 92.82% (Aero) and 7.18% (Non-Aero) as submitted by AAI to 92% (Aero) and 8% (Non-Aero) as proposed by AERA in Consultation Paper.

Director (Tariff) intervened & informed that AERA as per its uniform approach has considered the Terminal Building Ratio 92:8 (aero: non-aero) as per the IMG norms. Moreover, AAI in respect of the Coimbatore (airport similar to Indore Airport in terms of size and scale) had itself submitted Terminal Building Ratio (for Second Control Period) at 90:10 (Aero: Non-Aero).

ii. Lease Agreement (Financial lease) – Mr. Prabhakar requested that the AERA should revisit the classification of financial lease as Operating Expenditure, submitting that the financial risk associated with

ne

the lease justified their inclusion as part of the RAB and that this was based on the opinion received from Expert Advisory committee of Institute of Chartered Accountants of India (ICAI). Mr. Prabhakar further informed that the ownership of leased asset will get transferred in the name of AAI at the end of lease period. Chairperson, AERA in this regard asked AAI to submit the relevant documents for review by AERA.

iii. Depreciation Policy – Mr. Prabhakar explained the current depreciation practices followed for assets capitalized during the year:

- Full depreciation is applied to assets capitalized in the first half of the year.
- 50% depreciation is applied to assets capitalized in the second half of the year.

In this regard, AERA Consultant informed that depreciation for the Control Period is projected considering the AERA Order No. 35/2017-18 on the Depreciation. In respect of True up of preceding Control Period, Depreciation is calculated considering the actual date of capitalization of Assets. Director (Tariff), further elaborated that Authority's approach for computation of Depreciation is consistent across all the Major Airports.

iv. CHQ/RHQ Cost – Mr. Prabhakar submitted that AAI is currently in the process of conducting a study on allocation of CHQ/ RHQ costs. He further submitted that, in relation to the true-up performed by AERA, a 34% reduction in CHQ/RHQ costs was observed, which is significantly higher than the rationalization applied by AERA for other AAI airports.

Chairperson, AERA advised AAI to submit the detailed information relating to the difference, so that the same can be reviewed on merit.

v. Gross Block Ratio – Mr. Prabhakar requested a detailed computation on how the gross block ratio was computed.

In response, Chairperson, AERA asked the Tariff Team to provide the methodology used for calculating the gross block ratio and reflect it in the Tariff Order appropriately.

vi. MoCA Directive on Major Airports – Mr. Prabhakar presented a letter issued by MoCA in 2019 and quoting MoCA letter he said that, Indore has been considered as a Major Airport and accordingly, AERA should not exclude FY 2020-21 from computing the shortfall for the First Control Period. Further, he stressed that, if the COVID did not impact the traffic, Indore's passenger throughput would have been in excess of 3.5 million passengers per annum.

He requested AERA to re-examine the exclusion of FY 2020-21 from the computation of shortfall, and that Airport Operator should not suffer loss due to this exclusion.

Chairperson, AERA clarified that the letter being shown in the presentation of AAI is issued by MoCA pertaining to determination of tariff of Six Airports, including Indore proposed for leasing under PPP mode.

Director (P&S) was asked to present before the Authority the entire details regarding the chronological status of Indore Airport as a major airport.

Member (II), AERA further informed that similar position was there in case of Srinagar Airport also while AERA was determining its tariff.

Chairperson mentioned that the Authority has noted the point raised by AAI and it was decided that the matter regarding the status of Indore Airport as major airport would be reviewed in detail by the Authority and appropriate decision shall accordingly be taken.

vii. Revised Terminal Building Area – Mr. Prabhakar stated that the space rentals from airlines were classified as Aeronautical Revenue, contrary to AAI's proposal to consider the same as non-aeronautical. He emphasized that if such revenues are considered as Aeronautical, then the space allotted to Airlines should also be deemed as Aeronautical Area, and accordingly, the terminal building ratio should also be re-computed.

Tariff team informed that the Terminal Building Ratio of 92:8 has been considered after considering all the relevant factors, including submission made by AAI & IMG norms.

viii. Repair & Maintenance Expenses capping to 6% – He submitted that AERA had restricted Repair & Maintenance expenses to 6% of the Opening RAB (Net Block). Further, it was informed that Indore International Airport is an old airport, and the existing terminal will incur higher maintenance expenses. Therefore, AERA is requested not to restrict the Repair & Maintenance expenses to 6% of Opening RAB. In response, Chairperson, AERA stated that 6% cap on R&M expenses may not be suitable for all airports, especially those with aging infrastructure. However, capping is to ensure cost efficiency and prevent overestimation of maintenance costs.

Chairperson, AERA further informed that AERA proposes to revisit the benchmarks for evaluation of R&M Expenses, especially for smaller airports or airports with low RAB, which may need more flexible approach. Chairperson further emphasized that R&M expenses will be tried up, considering specific requirements of airport.

ix. Payroll Expenses – It was mentioned that AERA has considered 6% Y-o-Y growth rate for payroll expenses in comparison to AAI's submission of 7% Y-o-Y growth rate. Further, AERA has not considered a one-time increase of 25% in payroll expenses due to Pay revision in FY 2027-28 and 8% increase in manpower by FY 2025-26 due to terminal refurbishment. AERA was requested to consider the 7% year-on-year growth rate along with 8% increase by FY 2025-26 and include the one-time increase of 25% in payroll expenses for FY 2027-28 due to the pay revision.

On conclusion of AAI's presentation, AERA invited other stakeholders to present their views/comments on the Consultation Paper.

7. Airport Operators

7.1. GMR Group

Mr. Rakesh Vorkala, AGM – Regulatory, mentioned that they would submit written comments to the Authority, if any, within stipulated timelines.

7.2. **Adani Group**

Mr. Nitesh Rachh, Senior Manager – Regulatory, stated that they have no comments to offer at present. However, they would submit written comments, if any, to the Authority, within the stipulated timelines.

8. **Airlines and Airline Associations**

8.1. **Indigo Airlines**

Mr. Rajan Malhotra, Vice President – Aero political & Industry Affairs, stated that AAI has incurred Capex without holding AUCC meeting and requested AAI to hold AUCC meeting. He further requested AERA for an extension of the timeline for submitting written comments on CP by the stakeholders', citing a need for time after AUCC process.

Tariff team also informed that, in the Consultation Paper, AERA has directed AAI to hold the AUCC meeting during the Consultation process.

Chairperson, AERA asked AAI to hold the AUCC meeting at the earliest. Further, in response to the request of Indigo for extension in timelines to submit comments post the AUCC meeting, Chairperson and Members of AERA agreed to the request by extending the last date for submission of the stakeholders' comments by 1 week i.e. from 4th October 2024 to 11th October 2024.

Mr. Laksha Bhagnari, Sr. Manager, Indigo requested AERA to provide the copy of the Presentation. In this regard, Chairperson, AERA directed Tariff Division to upload the presentation on AERA website for the information of all the Stakeholders.

8.2. **Air India Express**

Mr. Sunil Joshi – Air India Express, thanked the Authority for the opportunity given to Stakeholders to have a physical consultation meeting and mentioned that they would submit written comments to the Authority, if any, within stipulated timelines.

8.3. **Akasa Air**

Mr. Tauheed Mohammad, DGM – Regulatory Affairs, stated that their comments would be submitted to the Authority in writing. He also mentioned that they have no flights to Indore International Airport at present.

9. **Cargo Companies:**

9.1. **AAI Cargo Logistics & Allied Services Company Limited (AAICLAS)**

Mr. Nishant, Manager – AAICLAS, stated that their comments would be submitted to the Authority in written form within the stipulated timelines.

10. **Ground Handling:**

10.1. **AI Airport Services Limited (AIASL)**

Mr. Amit Mishra, AGM – Ground Handling, stated that their comments would be submitted to the Authority in writing, within the stipulated timelines.

11. Oil Companies:

11.1. Hindustan Petroleum Corporation Limited (HPCL)

Mr. Shaik Althaf, Chief Manager – Aviation, noted that AAI's presentation did not cover any aspect related to Fuel Farm Infrastructure at the Indore Airport. Considering that Indore International Airport is one of the major airports in Madhya Pradesh, he enquired whether there was any plan for the implementation of Open Access System for fuel farm services at the airport. He suggested AAI for implementation of Open Access Fuel Farm, for sharing of common fuel farm infrastructure by oil companies and to have economies of scale, considering that ultimately it is passengers who bear the cost of oil companies. *

Mr. Sujoy Dey, ED - Planning, AAI, acknowledged the concerns raised by the stakeholders regarding the limitations of the current fuel farm infrastructure. He assured that AAI has recognized the growing demand for fuel services and the need for efficient fuel delivery systems.

He stated that the open access fuel system has been included in the long-term master plan for Indore International Airport. AAI is currently reviewing options to upgrade the fuel farm infrastructure and is assessing the feasibility of introducing a pipeline system for direct fuel delivery. He also highlighted some challenges, such as land acquisition and regulatory approvals, which may impact the immediate implementation of the open access system. However, he assured stakeholders that these challenges are being actively addressed, and AAI is committed to modernizing the airport's fuel infrastructure. He acknowledged that reducing bowser movements on the apron is a key priority to improve safety and efficiency. He emphasized that AAI is having discussions with various fuel suppliers and regulatory bodies to ensure that future fuel farm facilities adhere to safety standards and operational requirements.

AERA acknowledged the importance of open access fuel system to ensure operational efficiency and cost reduction. It was emphasized that there is a need for collaboration between AAI, airlines, and fuel suppliers so as to ensure that the system is implemented smoothly for the benefit of all stakeholders. AAI was also requested to give a timeline for the fuel farm upgrades and the open access system implementation. It was also stated that AERA encourages the fuel companies and airlines to continue providing feedback on the infrastructure plans to ensure that their needs are adequately addressed.

12. Other Industry Bodies:

12.1. International Air Transport Association (IATA)

Mr. Ujjwal Bakshi, Industry Affairs, expressed gratitude to AERA for convening the stakeholders meeting and for the invitation extended to IATA. He also appreciated AERA for the thorough review and commended AERA for rationalization of cost, non-consideration of financing allowance for brown field airport and thorough review of CHQ/RHQ expenses. He also reiterated that AAI did not conduct AUCC meeting and when conducted in future, he suggested that the same be in Hybrid mode. He further submitted that all Capital Expenditure



proposals should be supported by a proper business case. He pointed out that there are very few international flights, and therefore, the modification of the terminal building for international operations should be carefully evaluated in this context.

12.2. Business Aircraft Operators Association (BAOA)

Gp. Capt. Rajesh K Bali (Retd.), shared his thoughts on the challenges faced by the small aircraft industry, particularly focusing on non-scheduled operators and private operators who serve remote areas across India. These operators are crucial in connecting over 400 airports in the country, many of which are in remote and underserved regions.

He emphasized the role of small aircraft operators in bridging connectivity gaps. He expressed his appreciation for the openness of the meeting and commended AERA for its focus on transparency and quick decision-making. Specifically, he praised the fact that for Coimbatore airport, final order was issued within ten days of completion of consultation process.

He requested that the ground handling charges be itemized and published for the benefit of smaller aircraft operators. This would prevent operators from being overcharged for services they do not need. He also emphasized the importance of clarity and transparency in these charges as a means to prevent conflicts and disputes between operators and airport authorities.

Member, AERA informed the stakeholders that this has already been considered by AERA and order has been issued on the same.

Chairperson, AERA stated that an advisory needs to be issued to airport operators for publishing the Tariff Rate Card, including Itemized Charges for ground handling services on their respective websites. This would ensure that small operators can easily access the rates and are aware before flying to any airport.

Director (P&S), further apprised that AERA has already issued advisory to all the Airport Operators for publishing the CGF Tariff Rate Card at their websites. However, this should be checked at regular intervals whether the websites are actually displaying the requisite information.

12.3. Air Travellers Association (ATA)

Satendra Singh, President, highlighted about the poor service standards at smaller airports, specifically, non-availability of trolleys and wheelchairs, cleanliness of toilets etc. He stated that, there were complaints about Indore Airport with respect to cleanliness of toilets. He requested that a portion of the Repair & Maintenance (R&M) budget be dedicated to maintaining passenger facilities. He stressed the need to maintain standards of services and to ensure that the charges levied by the Airport Operator are known to all the stakeholders.

Chairperson, AERA acknowledged the issues and directed Indore International Airport to actively work on the improvements relating to the service quality standards for passenger amenities. He further suggested the airport to keep adequate R&M budget for passenger services.

13. **Smt. V. Vidya, Member (II)**, AERA thanked all stakeholders for attending the meeting. She stated that the views of the stakeholders are very important to AERA and assured that the views/comments of all stakeholders

will be considered on merits. She remarked that AERA expected more stakeholders to attend the stakeholders' consultation meeting going forward, so as to make the consultation process more meaningful.

She requested all stakeholders to provide their written comments by the stipulated date.

14. **Shri D. K. Kamra, Member (I), AERA** thanked all the stakeholders, on behalf of the Authority for attending the meeting and providing their valuable feedback. He mentioned that AAI team must have noted the issues raised by the stakeholders and advised AAI that in the forthcoming Stakeholders meetings, they should incorporate overview of Master Plan, details of Cargo handled, ASQ survey ratings and other relevant data to provide required information in a comprehensive manner for better understanding of all the stakeholders. He also suggested AAI to consider open Access Fuel Farm system at Major Airports.

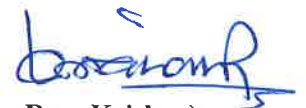
He also informed that the Authority has noted various issues raised in the meeting, including capping of R&M Expenses etc. and requested all the Stakeholders to provide their comments/ feedback in writing, together with justifications/basis thereof.

15. **Shri S.K.G. Rahate, Chairperson, AERA** thanked and appreciated all the participants for attending the Stakeholder Consultation Meeting. Chairperson appreciated the presentation given by AAI and noted presence of AAI officials at the meeting in good number. Chairperson stated that all points raised by AAI and other Stakeholders during the meeting have been noted and will be reviewed and considered on merits.

Chairperson while highlighting the importance of the stakeholders' consultation process requested all to continue providing their valuable feedback on the Consultation Papers. He thanked and appreciated the stakeholders like HPCL, IATA etc. who are regularly attending the consultation meetings and expressed concern over the overall decline in stakeholders' participation. However, AERA hopes to have more participation by the stakeholders in the future consultation meetings.

In view of the fact that some of the stakeholders raised the issue of holding of AUCC on the proposal (MYTP) submitted by Indore International Airport, it was decided that the Airport Director, Indore shall organise in the next 7-8 days the AUCC on priority and submit the discussion minutes of the meeting to AERA. In order to ensure this, the stipulated last date for submission of written comments by the stakeholders i.e. 4th October, 2024 is extended by one week to 11th October, 2024.

Meeting concluded with a vote of thanks.



Ram Krishan)
Director (P&S)

List of Participants:

Airports Economic Regulatory Authority of India

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

Airport Operators:

Airports Authority of India (AAI)

1. Mr. L Kuppulingam, ED (JVC)
2. Mr. Sujoy Dey, ED (Planning)
3. Mr. R Prabhakar, GM (Finance)
4. Mr. Vikram Singh, GM (OPS)
5. Mr. Ramesh Kumar, GM (Engineering)
6. Mr. V.K. Seth, Airport Director (Indore)
7. Mr. Manish Kumar Shukla, AGM (Indore)
8. Mr. Naseem Khurram, GM (CP&MS)
9. Mr. Rakesh Dembla, DGM (Finance)
10. Ms. Vartika Gupta, SM (Fin.)
11. Ms. Vineeta Kumari, SM (Fin.)
12. Mr. Pradeep Kumar Agarwal, SM (Fin.)
13. Mr. Ravi Kanojia, Manager (Finance)
14. Mr. Bibhuti Jha, Mgr. (Law)

GMR Group

1. Mr. Rakesh Vorkala (AGM – Regulatory)

Adani Group

1. Mr. Nitesh Rachh, Senior Manager, Regulatory

Airlines & Associations:

Indigo Airlines

1. Mr. Rajan Malhotra, Vice President – Aeropolitical & Industry Affairs
2. Mr. Lakshya Bhagnari, Senior Manager- Aeropolitical & Industry Affairs

Air India Express

1. Mr. Sunil Joshi

Akasa Air

1. Mr. Tauheed Mohammad, DGM - Regulatory Affairs
2. Mr. Nikunj Gala (Dy. General Manager - Finance)
3. Mr. Prateek Sharma, Dy. General Manager – Regulatory Affairs

Cargo:

AAI Cargo Logistics & Allied Services Company Limited (AAICLAS)

1. Mr. Nishant, Manager

Ground Handling:

AI Airport Services Limited (AIASL)

1. Mr. Amit Mishra, AGM – GH
2. Mr. Amit Toraskar, Sr. AGM- GH

Oil Companies:

Hindustan Petroleum Corporation Limited (HPCL)

1. Mr. Shaik Althaf, Chief Manager – Aviation

Other Industry Bodies:

International Air Transport Association (IATA)

1. Mr. Ujjwal Bakshi, Industry Affairs Manager

Business Aircraft Operators Association (BAOA)

1. Gp. Capt. Rajesh K Bali (retd.)

Air Travellers Association (ATA)

1. Satendra Singh, President

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

1. Ms. Seethalakshmi
2. Ms. Yamini Goyanka