

# Airports Authority of India Amritsar International Airport

Tariff Determination for the Second Control Period – from 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2029  
and

True Up of First Control Period from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2024

## TRUE UP OF FCP -CHQ/ RHQ – ADMN AND GENERAL EXPENSES.

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
CHQ/ RHQ – Admin & General expenses ( <b>approved in the Tariff Order of the First Control Period</b> )	29.16	30.62	32.15	33.76	35.44	<b>161.33</b>
CHQ/ RHQ – Admin & General expenses ( <b>allocation done by AAI</b> ) = A	48.98	23.26	40.45	42.47	44.60	<b>199.76</b>
Revised allocation of CHQ/ RHQ expenses <b>proposed by the Authority</b> in CP= B	41.54	20.22	21.23	22.29	23.41	<b>128.69</b>
Variance (A-B)	<b>7.44</b>	<b>3.04</b>	<b>19.22</b>	<b>20.18</b>	<b>21.19</b>	<b>71.07</b>

- ❖ As per practice adopted by AAI based on Revenue methodology, the allocation to Amritsar station for FY 2021-22 works out to Rs. 63.29 crores.
- ❖ However, AAI has taken the cognizance of AERA's repetitive apprehension to carry out the independent study of CHQ/ RHQ allocation, and get the study done by **ICMAI, an independent renowned institute for FY 2021-22, and CHQ/ RHQ allocation to Amritsar station works to Rs. 40.45 crores** whereas AERA has not considered the study carried out by ICMAI for FY 2021-22. AERA has only proposed 52% of the amount .
- ❖ This has not only impacted the first control period, it has cascading effect in the second control period as the base considered for second control period is also FY 2020-21 (a pandemic year) and thereafter 5% YoY increase till the end of SCP, ) which is not justified .
- ❖ AERA has allowed the apportionment of Admin and General exp of CHQ/RHQ i.e. RS. 128.69 crores, **even below what was approved by AERA in the order of First control period i.e. Rs. 161.13 crores.**
- ❖ AERA is **requested to consider the study conducted by ICMAI for FY 2021-22 and consider 5% YOY increase on it** for future years.

## TRUE UP FOR 1st CP – NON AERO(%) to TOTAL AREA OF TERMINAL BUILDING

<b>Terminal Building Ratio(Space allotted to Airlines considered as Aero instead of Non Aero as per AERA Decision).</b>						
Particulars	Location	2019-20	2020-21	2021-22	2022-23	2023-24
Space Rented (A)	Non Aero-area (SQM)	2486.74	2421.21	1981.63	1611.52	2454.09
Space to Airlines (B) (Included in space rent)	Considered as AERO	717.46	655.81	682.42	698.95	706.34
Airlines space (%) on Non Aero		28.85%	27.09%	34.44%	43.37%	28.78%
Airlines space (%) on total Area		1.61%	1.47%	1.53%	1.57%	1.59%
C= (A-B)	Net Non Aero area (SQM)-Excluding airlines space	1769.28	1765.40	1299.21	912.57	1747.75
Capacity (D)	T. B Area (SQM)	40175	40175.00	40175.00	40175.00	40175.00
	Canopy (SQM)	4329	4329.00	4329.00	4329.00	4329.00
	Total Area(SQM)	44504	44504.00	44504.00	44504.00	44504.00
Non-Aero %		3.98%	3.97%	2.92%	2.05%	3.93%
Aero % for Consideration		96.02%	96.03%	97.08%	97.95%	96.07%

- ❖ At the time of determination of aeronautical tariff for the first control period for Amritsar Airport, Terminal Building Ratio of 90:10 (Aero : Non-Aero) was considered, but at that time revenue from space to airlines used be considered as non aero, however, recently AERA has changed its decision of revenue of Airlines space from Non-Aero to Aero but at the same time, airlines space has been considered as non-aero by AERA while calculating Terminal Building ratio, which is contradictory in nature.
- ❖ It can be seen from the table that Space utilized by airlines is 27% to 43% of Total Non-Aero (Commercial), hence AERA is requested to consider Space allotted to airlines as Aero for calculating Terminal Building Ratio as submitted by AAI in its MYTP, in view of the change in the AERA's methodology regarding the nature of revenue from space allotted to Airlines.

## TRUE UP FOR Ist CP – NON AERO(%) to TOTAL AREA OF TERMINAL BUILDING

- ❖ The IMG norms was issued in year 2008, the back office taken by Airlines was treated as non aero and Terminal Building ratio was in the range of 8%-12% .
- ❖ It is not mandatory for the Airlines to take back office in terminal building. It is only for the convenience and at the option of the Airlines only.
- ❖ Therefore, if AERA has reviewed its decision to consider back office space to Airlines as aero, so TB ratio norms may be relooked and revised accordingly.



# 2<sup>ND</sup> CONTROL PERIOD

1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2029

# CAPEX

Particular	AAI	AERA	Diff	Remarks
CAPEX	309.21	297.26	11.95	<ul style="list-style-type: none"><li>✓ AERA has applied terminal building ratio of 90:10, as against AAI submission of actual terminal building ratio 96.77%: 3.23%, for expansion of terminal building. Further, expansion of terminal building includes aerobridge of Rs 3 crore which is purely 100% aero. Hence, AERA is requested to consider terminal building ratio on actual basis as submitted by AAI.</li><li>✓ AERA has applied terminal building ratio of 90:10 for SCCTV, since the SCCTV is purely for the purpose of security and comes under passenger facilitation and AAI requests AERA to consider these as 100% aeronautical.</li><li>✓ AERA has excluded Rs. 1.95 crores from PTT, claiming it as CMC cost, however same has not been added to repair and maintenance expenses. AERA is requested to consider it either in PTT cost or in repair and maintenance.</li></ul>

## FAIR RATE OF RETURN (FRoR)-AMRITSAR AIRPORT

### Notional application of Debt Equity ratio of 48:52 and application of IDC.

- ❖ Since AERA has notionally considered 48:52 as debt equity mix, AERA is requested to consider 8.35% as notional Interest on Debt and allow Interest during construction (IDC-notional) for the 2<sup>nd</sup> Control Period against the proposed capital investment in 2<sup>nd</sup> Control Period.
- ❖ The FRoR proposed by AERA may be applied only in the year of the capitalization of expansion of terminal building and PTT instead of the entire control period.

## COMPARISON OF O&M EXP (AAI vs AERA)-2nd CP PROPOSED- AMRITSAR AIRPORT

Particular	AAI (Rs. in Cr.)	AERA (Rs. in Cr.)	Impact (Rs. in Cr.)	Remarks
<b>Repairs and maintenance</b>	145.52	104.27	-41.25	<p>✓ AERA has excluded Rs. 1.95 crores from PTT, claiming it as CMC cost , however same has not been considered in repair and maintenance expenses.</p> <p>✓ AERA applied terminal building ratio for all the category of Repair and maintenance. For example on repair and maintenance related to computers, employee ratio needs to be considered as AAI has provided computers to its employee not to the NON AERO counters hence, the application of terminal building ratio is not justified. Again there are some assets like CCTV for surveillance/security purpose and are purely aeronautical in nature, application of terminal building ratio is also not appropriate here.</p> <p>✓ AERA has applied the capping @6% of opening RAB. Applying it on opening RAB means as the time passes, allowable Repair and maintenance will decrease for that asset, however in reality as the asset become old, more repair and maintenance is required. So, applying capping of 6% on opening RAB is not justified.</p> <p>✓ AERA is requested not to cap R&amp;M @6% on opening RAB, as it is required for upkeep of assets for maintaining world class facility.</p>



## R&M EXPENSE - RESTRICTED to 6% by AERA

- To highlight the effect of restricting R&M to 6% of opening RAB, actual values of Ambulifts along with CMC costs has been shown below. Total value of asset is Rs. 62,97,841(Sample)

Year	Capitalisation	1st	2nd	3rd	4th	5th	6th	7th
Opening RAB	6297841	5510611	4723381	3936151	3148921	2361691	1574461	787231
Depreciation @ 12.5%	787230	787230	787230	787230	787230	787230	787230	787230
Net RAB	5510611	4723381	3936151	3148921	2361691	1574461	787231	1

Year	Year of cap	1st	2nd	3rd	4th	5th	6th	7th
AMC Cost	0	634192	728660	1080709	1216113	1361593	1473695	1583277
% of AMC on Net RAB		13%	19%	34%	51%	86%	187%	158327700%
6% of Net RAB		283403	236169	188935	141701	94468	47234	0
Net loss to AAI (Diff.)		-350789	-492491	-891774	-1074412	-1267125	-1426461	-1583277

# R&M EXPENSE: COPY OF AWARD LETTER

Sub: Supply of 20 Nos. Ambulifts with Comprehensive Annual Maintenance and Operation Contract at various Airports in India.

## 1. SUPPLY ITEMS

S. No.	Description	Qty. (Nos.)	Unit Price (INR)	Total Amount (INR)
01.	Basic Cost of Ambulifts excluding GST as per technical specification of AAI and technical offer accepted by AAI.	20	₹ 62,97,841.10	₹ 12,59,56,822.00
02.	Transportation Charges excluding GST from the Factory to the Consignee Airports.	20	As per Para 1.1 below	₹ 7,92,181.29
03.	Transit Insurance Charges excluding GST from the Factory to the Consignee Airports.	20	As per Para 1.1 below	₹ 3,96,090.60
<b>Total Supply Cost of 20 Nos. Ambulifts excluding GST</b>				₹ 12,71,45,093.89
<b>rounded to</b>				₹ 12,71,45,094.00

Asset Cost

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## 2. COMPREHENSIVE ANNUAL MAINTENANCE CONTRACT (CAMC) & OPERATION COST PAYMENT:

Item	CAMC & Operation Cost (in INR)
Comprehensive Annual Maintenance Contract (CAMC) and Operation Cost for each Ambulift from 1 <sup>st</sup> to 7 <sup>th</sup> year excluding GST in INR ₹ in terms with Section C-1 & C-2 of Tender Document.	(i) 1 <sup>st</sup> Year of Operation: ₹ 6,34,192.60
	(ii) 2 <sup>nd</sup> Year of Operation: ₹ 7,28,660.22
	(iii) 3 <sup>rd</sup> Year of Operation & CAMC: ₹ 10,80,709.53
	(iv) 4 <sup>th</sup> Year of Operation & CAMC: ₹ 12,16,113.12
	(v) 5 <sup>th</sup> Year of Operation & CAMC: ₹ 13,61,593.25
	(vi) 6 <sup>th</sup> Year of Operation & CAMC: ₹ 14,73,694.82
	(vii) 7 <sup>th</sup> Year of Operation & CAMC: ₹ 15,83,277.24
<b>Total CAMC and Operation Cost excluding GST for 20 Nos. Ambulifts</b>	<b>Rs. 16,15,64,815.60</b> (i.e. 80,78,240.78 x 20 Nos.)

CMC Cost >>

## COMPARISON OF O&M EXP (AAI vs AERA)-2nd CP PROPOSED- AMRITSAR AIRPORT

Particular	AAI (Rs. in Cr.)	AERA (Rs. in Cr.)	Impact (Rs. in Cr.)	Remarks
<b>Admin . &amp; general – RHQ/CHQ</b>	258.75	135.81	-122.94	<ul style="list-style-type: none"> <li>❖ Prior to ICMA report for FY 2021-22, AAI was allocating the CHQ/RHQ expenses on Revenue methodology and according to that , CHQ/RHQ expenses allocation to Amritsar station works out to Rs. 63.29 crores .</li> <li>❖ Based on the ICMAI report, AAI has considered an amount of Rs. 40.45 crores for FY 2021-22, whereas AERA has not considered the study carried out by ICMAI for FY 2021-22.</li> <li>❖ This has not only impacted the first control period, it has cascading effect in the second control period as the base considered for second control period is also FY 2020-21 (a pandemic year) and thereafter 5% YoY increase till the end of SCP, ) which is not justified.</li> <li>❖ AERA is requested not to consider the year of Covid-pandemic ( FY 2020-21) as the base year : <ul style="list-style-type: none"> <li>(i) since AAI had taken cost cutting measures</li> <li>(ii) lesser revenue due to non operation of international flights and lower volume of domestic flights at Amritsar.</li> </ul> </li> <li>❖ AERA is requested to consider the study conducted by ICMAI for FY 2021-22 and allow 5% YOY increase on it for future years.</li> </ul>

## COMPARISON OF O&M EXP (AAI vs AERA)-2nd CP PROPOSED- AMRITSAR AIRPORT

Particular	AAI (Rs. in Cr.)	AERA (Rs. in Cr.)	Impact (Rs. in Cr.)	Remarks
<b>Total Payroll Expenditure</b>	163.02	147.14	-15.88	<p>Allowed 6% YOY against 7% YOY (AAI) and also disallowed additional 20% in FY 27-28 (pay revision).                      Next year DA will like to cross 50%, this will result in increase in HRA by 3%.                      ✓ AERA is requested to consider the impact of this increase for FY 25-26 and onwards.</p>
<b>Upkeep Expenses</b>	37.81	30.08	-7.73	<p>✓ AAI has proposed the 10% YoY increase to cover the material and labour cost (in order have compliance of labour laws) where as AERA has considered 5% YoY increase.</p> <p>✓ Application of terminal building ratio of 90:10 against AAI submission of 96.07%: 3.93%.</p>

# RATE (AAI vs AERA)-2<sup>nd</sup> CP-PROPOSED AMRITSAR AIRPORT

❖ Rates proposed by AAI vis AERA as under:

Particulars	Proposed increase by AAI w.e.f. 1.1.2025	Proposed increase by AERA w.e.f. 1.3.2025
LANDING (DOM.)	30.0%	-42%
LANDING (INTL.)	5.0%	-42%
PARKING (DOM.)	0.0%	-42%
PARKING(INTL.)	3.0%	-42%

Particulars	Existing	Proposed by AAI w.e.f. 1.1.2025	Proposed by AERA w.e.f. 1.3.2025	Reduction proposed by AERA	Actual Reduction comes out	UDF with 42% reduction as proposed by AERA
UDF Domestic	500	460	288	-42%	$(500-288)/500*100=-42.4\%$	290*
UDF International	1300	1300	749	-42%	$(1300-749)/1300*100=-42.4\%$	754*

\* Correct UDF rates with 42% reduction as proposed by AERA vide para no. 14.2.2. Kindly revise UDF.



THANK YOU