Stakeholder Comments on Consultation Paper No. 08/2025-26 for Determination of Aeronautical Tariff for Navi Mumbai International Airport (NMIA)

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Fri, 20 Mar 2026 6:03:42 PM +0530

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Dear Sir/Madam,

As an aviation passenger who will ultimately bear the financial burden of the proposed aeronautical tariffs, I am submitting my feedback on Consultation Paper No. 08/2025-26. A detailed review of the proposed Aggregate Revenue Requirement (ARR) reveals significant scope for a downward revision. Relying strictly on the empirical facts presented in the consultation document, the financial models and capital expenditure plans submitted by Navi Mumbai International Airport Private Limited (NMIAL) require rigorous adjustments to protect passenger interests.

1. Optimization of the Regulatory Asset Base (RAB) and Capital Expenditure NMIAL has included capital expenditure items that fail strict asset recognition criteria under IndAS 16 (Property, Plant and Equipment):

- **Exclusion of Speculative Costs:** The inclusion of ₹71 crore for unawarded digital and physical artwork, and the ₹42 crore provision for a 5th fuel tank (when only 4 were installed during site inspection), must be strictly excluded from the First Control Period RAB until actual capitalization and readiness for use are proven.
- **Disallowance of EPC-2 Price Adjustments:** The ₹211 crore price adjustment applied to the EPC-2 contract due to a 32-month delay in issuing the Notice to Proceed penalizes passengers for administrative delays. In accordance with prudent capitalization principles, such escalations should be absorbed by the concessionaire's equity, not capitalized to inflate the aeronautical tariff base.
- **Penalties for Delayed Capitalization:** The Authority's proposal to deduct 1% of uncapitalized project costs from the ARR for missed schedules is insufficient. Any asset failing to meet its capitalization timeline should face a total disallowance of the Return on Equity (RoE) component until its actual readiness for use is proven.

2. Rationalization of Cost of Equity (CoE) and Fair Rate of Return (FRoR)

- **Rejection of Speculative Risk Premiums:** NMIAL's attempt to artificially inflate the FRoR by claiming incremental risk premiums for Rehabilitation & Resettlement (R&R), connectivity, and airline willingness must be contested. As the Authority noted, R&R was CIDCO's responsibility, connectivity is resolved by the new MTHL bridge, and capacity constraints at CSMIA inherently guarantee airline demand. The CoE must remain devoid of these hypothetical premiums.

3. Maximizing Non-Aeronautical Revenue (NAR) Cross-Subsidy

- **Imputation of Realistic Commercial Revenue:** NMIAL's projected NAR of a mere ₹347 crore (₹31.78 average revenue per passenger) is overly conservative, especially when greenfield airports like MOPA achieve yields of ₹106.85 per passenger. Realistic commercial revenue generation capabilities must be imputed to maximize the 30% cross-subsidy, directly reducing the burden on aeronautical tariffs.
- **Mandating a 20% Terminal Building Ratio (TBLR):** NMIAL proposed allocating only 10.96% of the terminal area for non-aeronautical activities. Inter-Ministerial Group (IMG) norms stipulate that for airports exceeding 10 MPPA, commercial area should be up to 20%. Enforcing a 20% TBLR would rightfully shift a larger portion of the Gross Block and O&M expenses to the non-aeronautical side, generating a direct downward revision of the ARR.

The current ARR calculation requires a strict downward revision. Pruning the RAB of uncapitalized assets and administrative delays, normalizing the CoE, and enforcing a 20% TBLR for realistic NAR generation will ensure that the aeronautical tariffs remain equitable for the flying public.

Sincerely,

Sumedh