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File No.09/18/2008-IR

This AIC is issued for dissemination of the directions of Ministry of Civil Aviation in their letter No. AV.29012/31/2019-AD dated 15.3.2019.



(B.S. BHULLAR)

Director General of Civil Aviation

**ISSUE OF AIC IN RESPECT OF AERONAUTICAL TARIFFS AT INDORE AIRPORT,  
FOR THE 1<sup>ST</sup> CONTROL PERIOD (01.04.2018 TO 31.03.2023)**

The Airports Economic Regulatory Authority (AERA), in exercise of powers conferred on them by section 13(1) of the Airports Economic Regulatory Authority of India Act, 2008, vide Order No. 45/2018-19 dated 08.03.2019 and corrigendum to the order No. 45/2018-19 dated 14.03.2019, has determined the Aeronautical Tariff for Indore Airport for the 1st Control Period (01.04.2018-31.03.2023), as per the details given in Annexure-I of AERA's Order No. 45/2018-19 dated 08.03.2019 and corrigendum to order No.45/2018-19 dated 14.03.2019. The copies of the aforesaid Order are enclosed herewith.

2. These charges shall come into effect on 01.04.2019 in the manner prescribed by AERA.

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File No. AERA/20010/MYTP/AAI-Indore/CP-I/2018-19

Order No. 45/2018-19



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**Airports Economic Regulatory Authority of India**

**In the matter of determination of aeronautical tariffs in respect of  
Devi Ahilya Bai Holkar Airport (IDR), Indore for the first Control  
Period (01.04.2018 to 31.03.2023).**

भा.वि.आ.वि.प्रा.  
08<sup>th</sup> March, 2019

**AERA**  
AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi - 110003



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AFRA



## 1. Introduction

- 1.1 Devi Ahilya Bai Holkar Airport (DABH), located in the city of Indore is the 22<sup>nd</sup> busiest airport in India by passenger traffic, aircraft movement and cargo handled.
- 1.2 Technical and terminal building details of Indore Airport are provided in the table below:

Table 1: Technical details and terminal building details

Technical Details of NSCBIA	
Particulars	Details
Total airport area	729.63 acres
Runway orientation and length	25/07 & 2754 meters
No. of taxi tracks	6
No. of apron bays	11
Operational hours	24 hours
Terminal building details (domestic plus international)	
Particulars	Details
Terminal building area	16,229 sq. meters
Immigration counters	4- departure 10-arrival
Customs counters	2- departure 2-arrival
Departure conveyors	1
Arrival conveyors	3
Peak hour passenger capacity	500 (Departure) 300 (Arrival)
No. of check-in counters	16
Total area of car parking	1800 sq. meters

- 1.3 In the financial year ending March 31, 2016, Indore Airport crossed annual passenger throughput of 1.5 million to become a Major Airport, as defined in Section 2(i) of Airports Economic Regulatory Authority of India (AERA, the Authority) Act. Accordingly, starting from financial year 2016-17, tariff determination of aeronautical services at the airport is to be undertaken by the Authority.
- 1.4 AAI had accordingly submitted its Multi-Year Tariff Proposal dated 19/09/2018 to the Authority for determination of aeronautical tariffs for the 1<sup>st</sup> control period.
- 1.5 The Authority had conducted a detailed review of the Multi-Year Tariff Proposal submitted by AAI. The Authority's proposals regarding the same were placed for stakeholder consultations by way of Consultation Paper No. 27/2018-19 dated 14<sup>th</sup> January, 2019.
- 1.6 A meeting with the stakeholders for inviting responses on the proposed decisions taken by the Authority was held on 07/02/2019.



- 1.7 This Order of the Authority takes into account the proposals of AAI, views expressed by stakeholders in the meeting, the written submissions received from the stakeholders and examination by the Authority with reference to its guidelines for airport operators.



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## 2. Summary of stakeholders' comments

2.1 In response to Consultation Paper No. 27/2018-19 dated 14/01/2019, the Authority received several responses from stakeholders, which were uploaded on the website of the Authority vide Public Notice No. 37/2018-19 dated 13/02/2019 for information of all the concerned stakeholders. The Authority received comments on the Consultation Paper No. 27/2018-19 from FIA and a summary of comments is presented below.

Table 2: Summary of stakeholders' comments

S. No.	Issues Commented Upon
1.	<ul style="list-style-type: none"><li>• Shortfall in ARR compensate with UDF</li><li>• Revenue from Navigation Services and Cargo Services not included in ARR</li></ul>
2.	<ul style="list-style-type: none"><li>• Tariff rate card query</li><li>• Increase in passenger growth rate</li></ul>
3.	<ul style="list-style-type: none"><li>• Traffic projections - passenger and air traffic movement</li></ul>
4.	<ul style="list-style-type: none"><li>• Independent study for aero / non aero allocation</li><li>• Allocation ratios used</li></ul>
5.	<ul style="list-style-type: none"><li>• Status of RAB additions</li><li>• AUCC minutes not provided</li><li>• Deferment of aprons to FY2021</li></ul>
6.	<ul style="list-style-type: none"><li>• Useful life of terminals - 30/60 years</li><li>• Useful life of solar power plant - 25 years</li><li>• Defer capitalization of aprons</li><li>• Allocation ratios for depreciation</li></ul>
7.	<ul style="list-style-type: none"><li>• Detailed component level breakdown of opening RAB and additions</li></ul>
8.	<ul style="list-style-type: none"><li>• Reasonableness of operating expenditure</li><li>• Bifurcation of expenditure into aero and non-aero</li></ul>
9.	<ul style="list-style-type: none"><li>• Conservative view for non-aeronautical revenue</li><li>• Decline in revenue from T.R. Stall in FY21</li></ul>
10.	<ul style="list-style-type: none"><li>• Carry forward of losses to be allowed from before FY17</li></ul>
11.	<ul style="list-style-type: none"><li>• Revenues from ANS and Cargo Operations not considered in aeronautical revenues</li></ul>
12.	<ul style="list-style-type: none"><li>• CUTE charges not mentioned in CP27 for review</li></ul>
13.	<ul style="list-style-type: none"><li>• Consideration for Single till method in calculating ARR</li></ul>

2.2 The Authority has carefully considered the comments made by stakeholders (produced as-is in this Order). The position of the Authority in its Consultation Paper No. 27/2018-19, issue-wise comments of the stakeholders on the Consultation Paper, the response from AAI thereon, Authority's examination, and its decisions are given in the relevant sections of this Order.





### 3. Methodology for tariff determination

- 3.1 The Authority, vide its Order No. 13/2010-11 dated 12/01/2011 ("Airport Order") and Direction No. 5/2010-11 dated 28/02/2011 ("Airport Guidelines"), had issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12/01/2017 to determine the future tariffs using Hybrid Till.
- 3.2 The 1<sup>st</sup> control period for the airport has been decided as FY 2018-19 till FY 2022-23. However considering that the airport came under the definition of a major airport by FY 2016-17, the Authority decided to include FY 2016-17 and FY 2017-18 under its regulatory ambit and accordingly consider the shortfall/surplus of these two financial years towards determination of aeronautical tariff for the 1<sup>st</sup> control period. The tariff determination process consists of determination of regulatory building blocks for the 1<sup>st</sup> control period under Hybrid Till.
- 3.3 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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$$ARR = \sum_{t=1}^5 ARR_t$$

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - \alpha \times NAR_t$$

Where,

- 3.3.1 t is the tariff year in the control period, ranging from 1 to 5
- 3.3.2  $ARR_t$  is the Aggregate Revenue Requirement for tariff year t
- 3.3.3 FRoR is the Fair Rate of Return for the control period
- 3.3.4  $RAB_t$  is the Aeronautical Regulatory Asset Base for tariff year t
- 3.3.5  $D_t$  is the Depreciation corresponding to the Regulatory Asset Base for tariff year t
- 3.3.6  $O_t$  is the Aeronautical Operation and Maintenance expenditure for the tariff year t
- 3.3.7  $T_t$  is the aeronautical taxation expense for the tariff year t
- 3.3.8  $\alpha$  is the cross subsidy factor for revenue from services other than aeronautical services. Under the Hybrid Till methodology followed by the Authority,  $\alpha = 30\%$ .
- 3.3.9  $NAR_t$  is the Non-Aeronautical Revenue in tariff year t.

- 3.4 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$\text{Yield per passenger (Y)} = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 VEt}$$



Where,

3.4.1 PV ( $ARR_t$ ) is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. Further, the date considered by the Authority for discounting of cash flows is one year from the start of the control period, i.e., 1<sup>st</sup> April, 2019.

3.4.2  $VE_t$  is the passenger traffic in year t.

3.5 Further, shortfall/surplus of FY 2016-17 and FY 2017-18 is adjusted for time value of money and added to the ARR as computed above. For this purpose, ARR for FY 2016-17 and FY 2017-18 is computed in a manner similar to para 3.3. This ARR was compared with actual aeronautical revenues of the airport for these two financial years. The future value of this shortfall/surplus is added to the ARR computed for the control period.

### Stakeholder comments

3.6 **Federation of Indian Airlines (FIA):**

**Authority ought to follow Single Till Model for determination of Aeronautical Tariff**

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FIA submits that as per para 2.1 of the Consultation Paper, it is stated that The Authority, vide its Order No. 13/2010-11 dated 12/01/2011 ("Airport Order") and Direction No. 5/2010-11 dated 28/02/2011 ("Airport Guidelines"), had issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended guidelines vide its Order No. 14, 2016-17 dated 12/01/2017 to determine the future tariffs using Hybrid Till. FIA submits that as per para 2.2 of the Consultation Paper, it is stated that the Authority shall determine tariffs for Indore Airport using the Hybrid Till model. It is to be noted that FIA has from time to time, advocated the application of a Single Till model across the airports in India. FIA submits that Single Till is premised on the following legal framework being:

a) Section 13(1)(a)(v) of AERA Act envisages that while determining tariff for aeronautical services, the Authority shall take into consideration revenue received from services other than the aeronautical services.

b) Clause 4.2 of AERA Guidelines recognizes Single Till approach which sets out the following components on the basis of which ARR will be calculated:-

- i. Fair Rate of Return applied to the Regulatory Asset Base
- ii. Operation & Maintenance Expenditure
- iii. Depreciation
- iv. Taxation
- v. Revenues from services other than aeronautical services



- c) It is submitted that determination of aeronautical tariff warrants a comprehensive evaluation of the economic model and realities of the airport – both capital and revenue elements. AERA's approach of Hybrid Till for Indore Airport deserves to be discarded.
- d) In the Single Till Order, Authority has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the Authority in its inter alia Single Till Order has:
- i. Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.
  - ii. Taken into account the legislative Intent behind Section 13(1)(a)(v) of the AERA Act.
  - iii. Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India.
  - iv. The criteria for determining tariff after taking into account standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO.
  - v. The Authority in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services. In this respect, the matter must be dealt with by the Authority considering the ratio pronounced by the Constitutional Bench in the Hon'ble Supreme Court Judgment in PTC vs. CERC reported as (2010) 4 SCC 603 (please ref: Paragraph Nos. 58 to 64 at Page Nos. 639 to 641) wherein it is specifically stated that regulation under an enactment/statute, as a part of regulatory framework, intervenes and even overrides the existing contracts between the regulated entities inasmuch as it casts a statutory obligation on the regulated entities to align their existing and future contracts with the said regulations.
  - vi. The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper airfares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be taken into account by the Authority.

FIA therefore submits as under:

- i. Single Till Model ought to be applied to ALL the airports regulated and operated by the Authority regardless of whether it is a public or private airport or works under the



PPP model and in spite of the concession agreements as the same is mandated by the statute.

- ii. Single Till is in the public Interest and will not hurt the investor's interest and given the economic and aviation growth that is projected for India, Fair Rate of Return (FRoR) alone will be enough to ensure continued investor's interest.
- iii. MoCA's view(s) with respect to any issue at best can be considered as that of a Stakeholder and by no means are binding to Authority's exercise of determination of aeronautical tariff as is admitted by MoCA itself before the AERAAT.

In view of the above, it is submitted without prejudice that determination of aeronautical tariff on Hybrid Till basis for the First control period would set the tone and precedent for determination of aeronautical tariff in subsequent control periods contrary to the applicable legal framework. Thus, it is submitted that Authority should discard the option of determination of aeronautical tariff on Hybrid Till and follow Single Till scrupulously.

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#### **Authority's examination of stakeholder comments**

3.7 The Authority has noted the comments from FIA regarding the regulatory Till applicable for the airport. The Authority has decided to adopt Hybrid Till as per the revised guidelines issued vide its Order No. 14, 2016-17 dated 12<sup>th</sup> January 2017.

3.8 The Authority has provided detailed reasoning and adequately responded to the stakeholders' comments on the adoption of Hybrid Till in its Order No. 14, 2016-17 and passed the following order:

(i) The Authority will in future determine the tariffs of major airports under "Hybrid Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extent the airport operator guideline of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory Till, shall remain the same.

(ii) In case of Delhi and Mumbai airports, tariff will continue to be determined as per the SSA entered into between Government of India and the respective airport operators at Delhi and Mumbai.

3.9 In view of above, the Authority decides to determine aeronautical tariffs at Indore Airport for the first control period on Hybrid Till basis.

**Decision No. 1: Regarding methodology for Tariff Determination**

- 1.a. The Authority decides to determine aeronautical tariffs at Indore Airport for the first control period on Hybrid Till basis.



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#### 4. Multi-Year Tariff Proposal of Indore Airport

- 4.1 AAI made submissions dated 19/09/2018 to the Authority for determination of tariffs for the 1<sup>st</sup> control period (1/4/18 to 31/3/23) on the basis of Hybrid Till.
- 4.2 AAI provides Air Navigation Services (ANS) in addition to landing, parking and other aeronautical services at Indore Airport. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of ANS. This consultation paper discusses the determination of tariffs for aeronautical services at the airport excluding ANS.
- 4.3 AAI has further submitted that all cargo operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned subsidiary and the tariff proposal does not consider revenues, expenditure and assets on account of cargo operations. This consultation paper discusses the determination of tariffs for aeronautical services at the airport excluding cargo operations.
- 4.4 AAI has informed that accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI airports, regional and field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for Indore Airport. The Authority has utilized these documents as submitted by AAI for determination of tariffs.

#### Stakeholder comments

##### 4.5 Federation of Indian Airlines (FIA):

**Revenues from air navigation system (ANS) and cargo operations have not been considered in aeronautical revenues, thus increasing the shortfall.**

FIA submits that as per para 3.2 & 3.3 of Consultation paper 27/2018-19, we understand that tariff proposal submitted by AAI did not consider revenues, expenses & assets related to air navigation services provided by AAI and cargo services provided by AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI.

FIA submits that as per section 2 of AERA Act, 2008, under sub-section (a), "aeronautical services means any services provided-

- (i) For navigation, surveillance and supportive communication thereto for air traffic management
- (iv) For ground handling services relating to aircraft, passengers and cargo at an airport
- (v) For the cargo facility at an airport"



Considering the above provisions, revenue from both services (ANS & cargo services) should form part of aeronautical revenues and accordingly Authority should take into account of the corresponding revenue and revise tariff card accordingly. As highlighted in Para 57 of DIAL TDSAT judgment, "...Even if DIAL engages in providing an Aeronautical Service through its servants or agents, in essence the service must be deemed to be one provided by DIAL".

Hence applying the same principle in Indore airport, cargo operations which have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), services will deemed to be provided by AAI. Therefore, revenue from cargo services should be considered for determining tariff for first control period.

FIA submits that Authority should consider the revenue from air navigation services and cargo services while determining tariff for first control period & propose a new tariff card accordingly.

#### **Authority's examination of stakeholder comments**

- 4.6 The Authority has noted the comments of FIA regarding ANS and AAICLAS operations.
- 4.7 The Authority carries out separate exercise for tariff determination of ground handling service providers and cargo handling service providers. Therefore, any expenses, revenues, and assets for the same should not be considered in determination of aeronautical tariffs for the airport operations.
- 4.8 For ANS, the tariffs are determined by MoCA. Because it is a separate exercise, which considers ANS specific assets, expenses and revenues, these should not be considered in determination of aeronautical tariffs for the airport operations. The Authority, however, recognizes that monies earned by AAI from AAICLAS for transfer of cargo business at Indore Airport should be accounted for in the current Order and has discussed the same in 17.8 below.
- 4.9 The Authority, hence, decides not to consider the ANS Revenues, costs and investments for the present. The Cargo revenues earned by AAI from AAICLAS for doing cargo business at Indore Airport have been considered by the Authority.

#### **Decision No. 2: Regarding consideration of ANS and AAICLAS operations**

The Authority decides to not consider the assets, expenses and revenues pertaining to ANS and AAICLAS operations for the purposes of aeronautical tariff determination of Indore Airport except for monies earned by AAI from AAICLAS for transfer of cargo business at Indore Airport.



## 5. Traffic forecast

5.1 The historical traffic at the Indore airport has been shown in the table below.

Table 3: Historical passenger and ATM traffic at Indore Airport

Year	Domestic passengers	International passengers	Domestic ATM	International ATM
2007-08	5,48,711	-	10,119	-
2008-09	5,99,009	-	13,179	-
2009-10	7,01,423	-	11,577	-
2010-11	8,77,479	-	11,726	-
2011-12	11,10,645	-	13,663	-
2012-13	10,79,548	-	13,798	-
2013-14	11,09,959	-	13,749	-
2014-15	13,50,499	-	14,342	-
2015-16	16,89,986	-	14,836	-
2016-17	17,82,585	-	14,374	-
2017-18	22,66,389	-	18,668	-
<b>Past 10 years CAGR</b>	<b>15.2%</b>	<b>NA</b>	<b>6.3%</b>	<b>NA</b>
<b>Past 5 years CAGR</b>	<b>16%</b>	<b>NA</b>	<b>6.2%</b>	<b>NA</b>

5.2 The traffic growth rates as submitted by AAI for the 1<sup>st</sup> control period are as follows:

Table 4: Traffic growth rates proposed by AAI as per initial submission

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2018-19	10%	NA	10%	8%	NA	8%
2019-20	10%	NA	10%	8%	NA	8%
2020-21	10%	NA	10%	8%	NA	8%
2021-22	10%	NA	10%	8%	NA	8%
2022-23	8%	NA	8%	7%	NA	7%
<b>Traffic</b>						
2018-19	2,493,028	-	2,493,028	20,161	-	20,161
2019-20	2,742,331	-	2,742,331	21,774	-	21,774
2020-21	3,016,564	-	3,016,564	23,516	-	23,516
2021-22	3,318,220	-	3,318,220	25,398	-	25,398
2022-23	3,583,678	-	3,583,678	27,175	-	27,175

5. AAI submitted that the passenger traffic and aircraft movement projections are based on past trends, econometric and regression analysis, and various economic factors including policy framework.



### Authority's Examination at Consultation Stage:

5.4 The Authority has duly examined the submissions from AAI. As part of its examination of AAI's forecast of traffic at Indore Airport, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2007-08 to FY 2017-18 (10 year CAGR) and FY 2012-13 to FY 2017-18 (5 year CAGR). The details have been provided in the table below:

Table 5: Comparison of traffic growth rates as per AAI's submission and actual CAGR

Particulars	Growth rates as per AAI	10 year CAGR	5 year CAGR
<b>Passengers:</b>			
Domestic	10% (except for 8% in year 5)	15.2%	16%
International	NA	NA	NA
<b>ATM:</b>			
Domestic	8% (except for 7% in year 5)	6.3%	6.2%
International	NA	NA	NA

5.5 The Authority observed that the traffic grew from 5.48 lakh passengers in FY 2007-08 to 22.66 lakh passengers in FY 2017-18, i.e., a 10 year CAGR of 15.2%. The traffic in FY 2012-13 was 10.79 lakh passengers, which grew at a CAGR of 16% up to FY 2017-18 (5 year CAGR). The Authority has noted the spurt in traffic in the recent past, which causes CAGR for 5 year period to be higher than that for 10 year period. Given this high growth of air traffic in India in the recent years, the Authority is of the view that 10 year CAGR provides more realistic traffic growth rates for future projections of domestic passenger traffic. AAI's proposed domestic passenger growth rate is significantly lower than the 10 year CAGR and the Authority thus proposed a change in the same from 10% to 15%. For the last year, AAI has proposed a reduction in growth rate, from 10% to 8%. However, to ensure that CAGR based projections are held constant for the continuity of the control period, the Authority has proposed to project the last year's growth rate at 15%, similar to the first four years.

5.6 ATM traffic grew from 10,119 movements in FY 2007-08 to 18,668 movements in FY 2017-18, leading to a 10 year CAGR of 6.3%. ATM traffic in FY 2012-13 was 13,798, which grew at a CAGR of 6.2% up to FY 2017-18 (5 year CAGR). For domestic ATMs, AAI submitted that trends in passengers to aircraft movement ratios combined with the load factors were considered. AAI's proposed domestic passenger growth rate is close to 5 and 10 year CAGR. Therefore, the Authority does not propose a change in the same, except for last year's projections, which the Authority proposed to change from 7% to 8%.



5.7 There have been no international operations at Indore airport. While there have been a few news reports on airlines expressing interest to start a few international operations at the airport, the Authority did not find any evidence to support a concrete projection in this regard. Therefore, the Authority does not project any international traffic during the 1<sup>st</sup> control period. However, in case any international operations begin during the 1<sup>st</sup> control period, AAI may charge the domestic tariff for international passengers and come up with proposal for differential tariff at a later date.

5.8 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the 1<sup>st</sup> control period have been given in the table below.

Table 6: Traffic forecast as considered by the Authority – Consultation Paper

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2018-19	15%	NA	15%	8%	NA	8%
2019-20	15%	NA	15%	8%	NA	8%
2020-21	15%	NA	15%	8%	NA	8%
2021-22	15%	NA	15%	8%	NA	8%
2022-23	15%	NA	15%	8%	NA	8%
<b>Traffic</b>						
2018-19	2,606,347	-	2,606,347	20,161	-	20,161
2019-20	2,997,299	-	2,997,299	21,774	-	21,774
2020-21	3,446,894	-	3,446,894	23,516	-	23,516
2021-22	3,963,929	-	3,963,929	25,398	-	25,398
2022-23	4,558,518	-	4,558,518	27,429	-	27,429

5.9 The Authority proposes to true-up the traffic as per actual growth achieved during the 1<sup>st</sup> control period at the time of determination of tariff for the 2<sup>nd</sup> control period.

#### The Authority had proposed the following regarding traffic forecast

- The Authority proposed to consider the ATM and passenger traffic for the 1st Control Period for Indore Airport as per Table 6.
- The Authority proposed to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in 1st control period while determining tariffs for the 2nd control period.

#### Stakeholder comments

##### 5.10 Federation of Indian Airlines (FIA):



**Traffic projections provided by AAI has been accepted by authority except in case of domestic passenger and has not conducted independent study of its own. Growth rate projections for domestic traffic and ATM are lower than the historical 5-year CAGR**

FIA submits that for traffic projections at Indore Airport, the Authority has considered historical passenger & ATM traffic from FY08 to FY18 from AAI traffic news and its projections for the first control period. FIA has observed that the Authority has done an upward revision in Indore Airport projections for YoY growth rates for domestic passenger traffic from 10% to 15% from FY19 to FY22 and from 8% to 15% for FY23. Growth rate projections submitted by Indore airport for domestic ATMs have been accepted by the Authority. Further, the growth rate projections submitted by AAI for international passenger traffic and ATMs (domestic + International) have been accepted by the Authority.

FIA submits that the Authority has not conducted its own independent study on traffic projections and broadly relied on the data provided by Indore Airport. Further, as per Proposal 1(b) of the Consultation Paper, the Authority has proposed to true up the passenger traffic and ATM for first control period based on actuals.

#### **Passenger traffic and ATM**

FIA submits that as per Table 4 of the Consultation Paper, the historical 5-year and 10- year CAGR for domestic passenger traffic is 16% and 15.2 % respectively.

Increase in passenger growth rates is on similar line with 10-year CAGR rate i.e. 15.2%. However, historical 5 year CAGR for passenger growth rate is 16%. We recommend Authority to conduct an independent study on passenger growth rate as the ATM growth has been projected at 16% which is higher than both 5-year CAGR and 10-year CAGR of ATM traffic. FIA submits that ATM growth will tantamount to increase in passenger throughput over the control period.

Traffic projections are based on the data received from AAI. Authority has not conducted its own independent study on traffic projections and broadly relied on the data provided by AAI. Further, as per Proposal 1(b), Authority has proposed to true up the passenger and ATM for first control period based on actuals. It is submitted that Authority should conduct an independent study in the future and should not defer detailed evaluation under garb of truing up.

Hence, FIA submits that the Authority should consider 5-year CAGR of 16% for YoY growth rate projections for domestic passenger traffic for the first control period.

Also, the Authority has not considered qualitative factors affecting the traffic growth such as the UDAN scheme, double digit growth in



passengers across Indian airports in the last 4 years (as per the DGCA domestic traffic reports).

Without prejudice to the above, FIA submits that the traffic projections are critical in ascertaining the tariffs and CAGR considered by Authority is significantly lower than past CAGR, the Authority must appoint an independent consultant to evaluate traffic forecasts. Also, the expert study would be scientific as apart from past trends of traffic it will also consider various qualitative factors affecting macro environment of the aviation sector like (a) impact of new civil aviation policy (b) commencement of operations from new airlines (b) future changes in economic environment (c) population growth (d) trends of increase in disposable income.

### Authority's examination of stakeholder comments

5.11 **Domestic traffic projections:** FIA has suggested that the Authority should consider the 5-year CAGR of approximately 16 % for domestic passenger growth projections instead of the 10-year CAGR of approximately 15%. The Authority has already provided the reasoning behind the use of 10-year CAGR of 15%. To reiterate, following are the reasons for the same:

5.11.1 The Authority has noted the spurt in traffic in the recent past, which causes CAGR for 5 year period to be higher than that for 10 year period. Given this high growth of air traffic in India in the recent years, the CAGR for 5 years may not be sustainable, and, therefore, the Authority is of the view that 10 year CAGR provides more realistic traffic growth rates for future projections of domestic passenger traffic.

5.12 FIA has pointed out that domestic ATM projections have been considered at a higher rate than the 5 or 10-year CAGRs. As mentioned during the consultation stage, data for first 9 months of current Financial Year 2018-19 indicates that aircraft movements at Indore Airport have exceeded passenger traffic movements. Domestic passengers grew by 39.9% from April to December 2018 as compared to the previous year. Domestic ATM grew by 44.6% in the same period. On account of these fluctuating patterns, the Authority is of the view to not follow 5 or 10 year CAGR in case of ATMs.

Due to the above reasons, the Authority is of the view that the 10-year CAGR provides a more realistic estimate to project passenger traffic growth rates up to the next 5 years. The Authority contemplates conduct of an independent study in future to project a model for traffic projections in respect of AAI Airports.

The Authority observed the actual traffic growth during the current FY 2018-19, for which data up to December 2018 was available. The Authority observed that the airport served 2.31 million domestic passengers from April 2018 to December, 2018. Extrapolating this to



12 months, the estimated domestic passenger traffic for FY 2018-19 comes out to be 3.08 million. There is annual growth of 35.9% over FY 2017-18 traffic, as against the projected 15% during the consultation stage. Because of these significant differences, the Authority has decided to consider a revised 10-year CAGR from FY 2008-09 to FY 2018-19. This revised 10-year CAGR was found to be 17.8%. Based on these assumptions, the revised traffic projections are given in the table below.

Table 7: Traffic forecast as considered by the Authority - Final

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth rates</b>						
2018-19	39.9%	NA	35.9%	8%	NA	8%
2019-20	17.8%	NA	17.8%	8%	NA	8%
2020-21	17.8%	NA	17.8%	8%	NA	8%
2021-22	17.8%	NA	17.8%	8%	NA	8%
2022-23	17.8%	NA	17.8%	8%	NA	8%
<b>Traffic</b>						
2018-19	3,080,005	-	3,080,005	20,161	-	20,161
2019-20	3,627,967	-	3,627,967	21,774	-	21,774
2020-21	4,273,415	-	4,273,415	23,516	-	23,516
2021-22	5,033,695	-	5,033,695	25,398	-	25,398
2022-23	5,929,236	-	5,929,236	27,429	-	27,429

### Decision No. 3: Regarding traffic forecast

- 3.a. The Authority decides to consider the ATM and passenger traffic as per Table 7 (above).
- 3.b. The Authority decides to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in 1<sup>st</sup> control period while determining tariffs for the 2<sup>nd</sup> control period.

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## 6. Allocation of assets between aeronautical and non-aeronautical

- 6.1 Under Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base (RAB). Therefore, all airport assets need to be segregated between aeronautical and non-aeronautical. Further, projections of capitalizations during the control period with regard to only aeronautical assets need to be considered as part of RAB.
- 6.2 For the purposes of this segregation, AAI has divided its assets into three components – aeronautical, non-aeronautical and common. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following ratios:
- Terminal Area Ratio:** This is a ratio of aeronautical area to non-aeronautical area and is applied for all terminal related common assets.
  - Employee Ratio:** This is a ratio of number of staff providing non-aeronautical services (i.e. commercial and land management) to number of staff providing aeronautical services, excluding ANS and cargo.
  - Quarter ratio:** This is a ratio based on number of non-aeronautical staff to aeronautical staff residing at the residential quarters at the airport. It is applied to assets pertaining to such residential quarters.
- 6.3 The table below provides the details of these ratios used for allocation.

Table 8: Ratios used by AAI for allocation of assets into aeronautical and non-aeronautical

Particulars	Ratio	
	FY 2016-17	FY 2017-18
Terminal Area Ratio	5.62%	5.62%
Employee Ratio	3:83	4:81
Quarter ratio	1:27	1:26

- 6.4 The allocation of gross block of assets as on 01/04/2016 between aeronautical and non-aeronautical services as submitted by AAI is given in the table below:

Table 9: Allocation of gross block of assets between aeronautical and non-aeronautical by AAI

S. No.	Asset category	Total assets (INR Crores)	Aero assets (INR Crores)	% Aero
1.	Freehold Land	0.23	0.23	100%
2.	Runways, Aprons and Taxiways	72.43	72.43	100%
3.	Road, Bridges & Culverts	7.21	7.18	99.69%



S. No.	Asset category	Total assets (INR Crores)	Aero assets (INR Crores)	% Aero
4.	Building - Terminal	101.71	96.47	94.84%
5.	Building - Residential	1.23	1.18	95.63%
6.	Boundary Wall - Operational	1.50	1.50	100%
7.	Boundary Wall - Residential	-	-	-
8.	Other Buildings	4.91	4.91	100%
9.	Computer - End user	6.03	6.03	100%
10.	Computer - Servers and networks	0.36	0.36	100%
11.	Intangible Assets - Software	0.29	0.29	100%
12.	Plant & Machinery	10.53	10.53	100%
13.	Tools & Equipment	2.13	2.13	100%
14.	Office Furniture	0.60	0.60	99.97%
15.	Furniture & Fixtures: Other Than Trolley	1.27	1.27	100%
16.	Furniture & Fixtures: Trolley	0.56	0.56	100%
17.	Vehicles	0.20	0.20	100%
18.	Vehicles - car and jeep	0.40	0.40	100%
19.	Electrical Installations	57.59	57.48	99.81%
20.	Other Office Equipment	0.14	0.14	100%
21.	X Ray Baggage System	3.77	3.77	100%
22.	CFT/Fire Fighting Equipment	3.97	3.97	100%
	<b>Total</b>	<b>277.06</b>	<b>271.63</b>	<b>98.04%</b>

#### Authority's Examination at Consultation Stage:

6.5 The Authority observed the use of various ratios for segregation of common assets into aeronautical and non-aeronautical. These are explained in the table below.

Table 10: Allocation of common assets and its justification

S. No.	Asset category	Common assets (INR cr.)	Ratio used for allocation of common assets	Remarks
1.	Roads, bridges and culvers	0.62	100% Quarter ratio	These assets pertain to construction of road in residential colony, and widening and re-carpeting of existing road. Therefore, these are allocated on the basis of quarter ratio.
2.	Building - Terminal	85.13	100% Terminal area ratio	All common assets of INR 85.13 crore have been appropriately allocated as per the Terminal area ratio.
	Building - Residential	1.23	39%- Terminal area ratio 61%- Quarter ratio	Out of total common assets of INR 1.23 crore, 61% pertains to staff quarters and has been appropriately allocated on the basis of quarter ratio.  Remaining 39% comprising construction work pertaining to the



S. No.	Asset category	Common assets (INR cr.)	Ratio used for allocation of common assets	Remarks
				terminal area has been allocated on the basis of Terminal Area ratio.
4.	Electrical installation	1.98	90%- Terminal area ratio 10% - Employee ratio	Majority of the common assets (90%) pertain to the terminal building, and hence have been appropriately allocated on the basis of terminal area ratio.

6.6 The Authority observed that there is one asset under the category 'Other Buildings' amounting to INR 30 lakh, which pertains to ANS operations. Therefore, the Authority proposed to remove the same from RAB.

6.7 The Authority observed that the allocation for electrical works for new terminal building constructed in 2012 was incomplete. There are assets worth INR 38.47 crores (gross block), which pertain to the electrical works for new terminal building constructed in 2012. These have been considered as 100% aeronautical by AAI. The Authority proposed allocating these on the basis of Terminal Area ratio of 5.62% towards non-aeronautical.

6.8 AAI submitted the workings for the calculation of the terminal area ratio, i.e., ratio of non-aeronautical portion to the aeronautical portion of the terminal building. This has been presented in the table below.

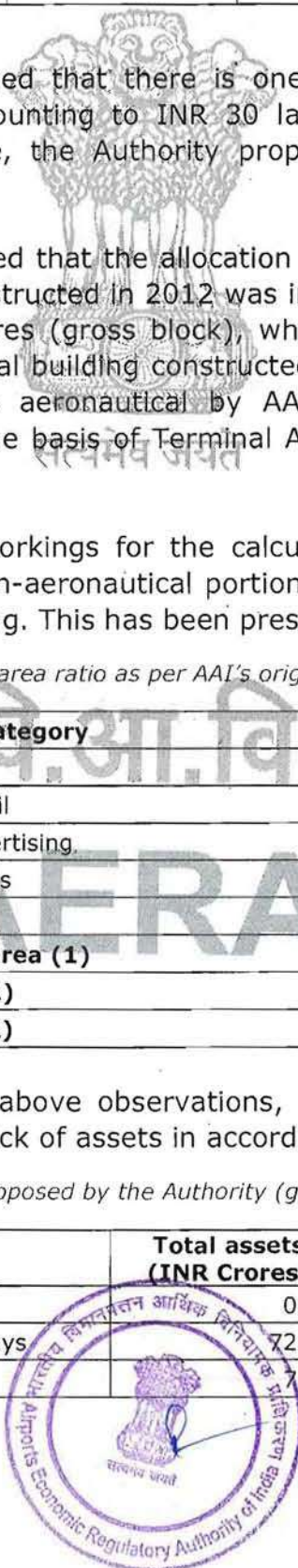
Table 11: Terminal area ratio as per AAI's original submission

S. No.	Category	Area (Sq. meters)
1	Commercial entities – F&B	289.57
2	Commercial entities – Retail	69.60
3	Commercial entities – Advertising	325.28
4	Regulatory & allied agencies	9.29
5	Airlines	211.48
	<b>Total non-aeronautical area (1)</b>	<b>905</b>
	<b>Total area of terminal (2)</b>	<b>16,119</b>
	<b>Terminal area ratio (1/2)</b>	<b>5.62%</b>

6.9 On the basis of the above observations, the Authority proposed the allocation of gross block of assets in accordance with the table below.

Table 12: Allocation of assets proposed by the Authority (gross block) – till 31/03/2019

S. No.	Asset category	Total assets (INR Crores)	Aero assets (INR Crores)	% Aero
1.	Freehold Land	0.23	0.23	100%
2.	Runways, Aprons and Taxiways	72.43	72.43	100%
3.	Road, Bridges & Culverts	7.21	7.18	99.69%





S. No.	Asset category	Total assets (INR Crores)	Aero assets (INR Crores)	% Aero
4.	Building – Terminal	101.65	96.47	94.84%
5.	Building – Residential	1.23	1.18	95.63%
6.	Boundary Wall – Operational	1.50	1.50	100%
7.	Boundary Wall – Residential	-	-	-
8.	Other Buildings	4.61	4.61	100%
9.	Computer - End user	6.03	6.03	100%
10.	Computer - Servers and networks	0.36	0.36	100%
11.	Intangible Assets – Software	0.29	0.29	100%
12.	Plant & Machinery	10.53	10.53	100%
13.	Tools & Equipment	2.13	2.13	100%
14.	Office Furniture	0.60	0.60	99.97%
15.	Furniture & Fixtures: Other Than Trolley	1.27	1.27	100%
16.	Furniture & Fixtures: Trolley	0.56	0.56	100%
17.	Vehicles	0.20	0.20	100%
18.	Vehicles - car and jeep	0.40	0.40	100%
19.	Electrical Installations	57.59	55.32	96.06%
20.	Other Office Equipment	0.14	0.14	100%
21.	X Ray Baggage System	3.77	3.77	100%
22.	CFT/Fire Fighting Equipment	3.97	3.97	100%
	<b>Total</b>	<b>276.76</b>	<b>269.17</b>	<b>97.26%</b>

6.10 The Authority observed that the proportion of non-aeronautical area is on a lesser side when compared to other AAI airports of similar nature. AAI submitted that it has recently awarded new master concessions for retail and food & beverages, leading to much better utilization of the terminal building for non-aeronautical activities. The details of these new concessions have been discussed in Chapter 11 of consultation paper. The Authority sought from AAI a revised calculation for the terminal area ratio on the basis of the new master concessions. AAI provided this revised calculation, given below.

Table 13: Revised terminal area ratio

S. No.	Category	Area (Sq. meters)
1	Commercial entities – F&B	843.74
2	Commercial entities – Retail	69.60
3	Commercial entities – Advertising	325.28
4	Regulatory & allied agencies	9.29
5	Airlines	321.64
	<b>Total non-aeronautical area (1)</b>	<b>1569.55</b>
	<b>Total area of terminal (2)</b>	<b>16,119</b>
	<b>Terminal area ratio (1/2)</b>	<b>9.74%</b>

Further, the Authority verified that the new concessions were awarded with effect from 01/04/2018. Considering that the new retail and F&B



stores will take some time to reach their full potential, the Authority proposed to use the new terminal area ratio with effect from 01/04/2019. Due to this, the allocation of assets between aeronautical and non-aeronautical activities will change with effect from 01/04/2019. This revised allocation has been presented in the table below.

Table 14: Allocation of assets proposed by the Authority (gross block) – beyond 31/03/2019

S. No.	Asset category	% Aero
1.	Freehold Land	100%
2.	Runways, Aprons and Taxiways	100%
3.	Road, Bridges & Culverts	99.69%
4.	Building - Terminal	90.75%
5.	Building - Residential	95.63%
6.	Boundary Wall - Operational	100%
7.	Boundary Wall - Residential	-
8.	Other Buildings	100%
9.	Computer - End user	100%
10.	Computer - Servers and networks	100%
11.	Intangible Assets - Software	100%
12.	Plant & Machinery	100%
13.	Tools & Equipment	100%
14.	Office Furniture	99.97%
15.	Furniture & Fixtures: Other Than Trolley	100%
16.	Furniture & Fixtures: Trolley	100%
17.	Vehicles	100%
18.	Vehicles - car and jeep	100%
19.	Electrical Installations	96.06%
20.	Other Office Equipment	100%
21.	X Ray Baggage System	100%
22.	CFT/Fire Fighting Equipment	100%
	<b>Total</b>	<b>96.0%</b>

#### The Authority had proposed the following regarding allocation of assets

- The Authority proposed the allocation of gross block of assets for the period 01/04/2016 to 31/03/2019 between aeronautical and non-aeronautical assets as per Table 12.
- The Authority proposed the allocation of gross block of assets for the period 01/04/2019 to 31/03/2023 between aeronautical and non-aeronautical assets as per Table 14.

#### Decision No. 4: Regarding allocation of assets between aeronautical and non-aeronautical



- 4.a. The Authority decides the allocation of gross block of assets as on 1st April 2019 between aeronautical and non-aeronautical assets as detailed in Table 14.

## 7. Initial Regulatory Asset Base

- 7.1 As per AAI's submission, the Initial RAB as on 31/03/16 amounted to INR 93.39 crores. AAI submitted the following working for the computation of initial RAB.

Table 15: Initial RAB as per AAI's submission (figures in INR crores)

Asset category	Opening gross block	Accumulated depreciation	Opening net block
Runways, Aprons and Taxiways	72.43	66.50	5.93
Road, Bridges & Culverts	7.18	5.30	1.88
Building - Terminal	96.47	44.59	51.87
Building - Residential	1.18	0.53	0.65
Boundary Wall - Operational	1.50	0.65	0.85
Boundary Wall - Residential	0.00	0.00	0.00
Other Buildings	4.91	0.46	4.45
Computer - End user	6.03	2.60	3.42
Computer - Servers and networks	0.36	0.36	0.00
Intangible Assets - Software	0.29	0.29	0.00
Plant & Machinery	10.53	8.30	2.23
Tools & Equipment	2.13	1.78	0.35
Office Furniture	0.60	0.58	0.02
Furniture & Fixtures: Other Than Trolley	1.27	1.25	0.02
Furniture & Fixtures: Trolley	0.56	0.49	0.08
Vehicles	0.20	0.20	0.00
Vehicles - car and jeep	0.40	0.35	0.05
Electrical Installations	57.48	36.23	21.25
Other Office Equipment	0.14	0.14	0.00
X Ray Baggage System	3.77	3.48	0.29
CFT/Fire Fighting Equipment	3.97	3.93	0.04
<b>Total</b>	<b>271.40</b>	<b>178.02</b>	<b>93.39</b>

### Authority's Examination at Consultation Stage:

- 7.2 The Authority observed that there is one asset under the category 'Other Buildings' amounting to INR 30 lakh, which pertains to ANS operations. Therefore, the Authority proposed to remove the same from RAB.

The Authority observed that the allocation for electrical works for new terminal building constructed in 2012 was incomplete. There are assets



worth INR 38.47 crores (gross block), which pertain to the electrical works for new terminal building constructed in 2012. These have been considered as 100% aeronautical. The Authority proposed allocating these on the basis of Terminal Area ratio of 5.62%.

- 7.4 The revised Initial RAB after the above changes has been presented in table 16 below.
- 7.5 The Authority did not receive any comments from the stakeholders in this regard.

Table 16: Initial RAB as proposed by Authority (figures in INR crores)

Asset category	Opening gross block	Accumulated depreciation	Opening net block
Runways, Aprons and Taxiways	72.43	66.50	5.93
Road, Bridges & Culverts	7.18	5.30	1.88
Building – Terminal	96.47	44.59	51.87
Building – Residential	1.18	0.53	0.65
Boundary Wall – Operational	1.50	0.65	0.85
Boundary Wall – Residential	-	-	-
Other Buildings	4.61	0.44	4.17
Computer - End user	6.03	2.60	3.42
Computer - Servers and networks	0.36	0.36	0.00
Intangible Assets – Software	0.29	0.29	0.00
Plant & Machinery	10.53	8.30	2.23
Tools & Equipment	2.13	1.78	0.35
Office Furniture	0.60	0.58	0.02
Furniture & Fixtures: Other Than Trolley	1.27	1.25	0.02
Furniture & Fixtures: Trolley	0.56	0.49	0.08
Vehicles	0.20	0.20	0.00
Vehicles - car and jeep	0.40	0.35	0.05
Electrical Installations	55.32	35.04	20.28
Other Office Equipment	0.14	0.14	0.00
X Ray Baggage System	3.77	3.48	0.29
CFT/Fire Fighting Equipment	3.97	3.93	0.04
<b>Total</b>	<b>268.94</b>	<b>176.81</b>	<b>92.13</b>

#### The Authority had proposed the following regarding Initial RAB

- The Authority proposed to consider the initial regulatory asset base for the 1st Control Period for Indore Airport as INR 92.13 crores in accordance with Table 16.

#### Decision No. 1: Regarding Initial Regulatory Asset Base



- 5.a. The Authority decides to consider the initial regulatory asset base for the first control period as INR 92.13 crores in accordance with Table 16.



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## 8. Capital Expenditure for the 1<sup>st</sup> control period

8.1 AAI has proposed aeronautical capital expenditure of INR 114.43 crores for the 1<sup>st</sup> control period. This has been shown in the table below.

Table 17: Capital expenditures proposed by AAI (figures in INR crores)

Asset category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Road, Bridges & Culverts	7.51	62.95	-	-	-	70.46
Building – Residential	5.96	-	-	0.40	-	6.36
Boundary Wall – Operational	4.00	-	-	-	-	4.00
Other Buildings	-	-	-	0.45	-	0.45
Plant & Machinery	19.82	-	-	-	-	19.82
Tools & Equipment	4.49	0.01	-	-	-	4.50
Electrical Installations	4.81	-	-	-	-	4.81
CFT/Fire Fighting Equipment	4.03	-	-	-	-	4.03
<b>Total</b>	<b>50.62</b>	<b>62.96</b>	<b>-</b>	<b>0.85</b>	<b>-</b>	<b>114.43</b>

### Authority's Examination at Consultation Stage:

8.2 The Authority observed the following in respect of the proposed capital expenditures.

#### 8.2.1 Development of 15 no. parking bays, parallel taxi track and other associated work- INR 62.95 crores

The existing apron at Indore airport has a capacity to support 11 aircraft (6 aircraft of A320/A321 type, 4 ATR 72 and 1 DH8D). Recently, it was decided to make Indore airport a 24-hour operational facility, with effect from 25<sup>th</sup> March 2018. The reasons for the same were to decongest other major airports, and to provide night parking facility to scheduled airlines. Post this development, AAI has received requests from airlines for 9 night parking stands. Considering a capacity of only 11 aircraft at the existing apron, only 2 stands would be left over for occasional diversionary flights to the airport. In view of this, AAI has proposed extension of the existing apron to accommodate 15 more aircraft (10 aircraft of A320/A321 and 5 ATR-72). This would further involve associated Ground Support Equipment and new line taxi tracks.

Currently, the runway at Indore airport is not supported by a parallel taxi track. Therefore, to improve the airside capacity at the airport, AAI has also planned a parallel taxi track.

The Authority examined the rationale behind the proposed capital expenditure, along with its status. Further, the Authority sought and



observed a detailed break-up of the expected costs for this capital expenditure. The Authority found the amounts and the expected timelines to be appropriate.

The Authority further considered a normative cost of these assets. As per Authority's Order No. 7/2016-17, a normative cost of INR 4,700 per square meter may be considered for construction of pavement (Aprons, taxiways and runways) up to code E aircraft. This cost should be taken as on April 2016. Considering that no international operations are projected at Indore Airport over the first control period, and most of the domestic operations in India are through A320 and B737 families of aircraft (code C) and other regional aircraft (code B and C), the Authority found the normative cost approach to be appropriate. As per details received from AAI, the planned assets will spread across an area of 167,180 square meters. The Authority notes that the cost proposed by AAI (INR 62.95 crores) is within the normative cost calculated according to the above mentioned order. Therefore, the Authority accepts the cost proposed by AAI of INR 62.95 crores.

The Authority observed that AAI classified these assets under 'Roads, bridges and culverts'. Considering the nature of these assets, the Authority proposed to reclassify these assets under 'Runways, Aprons and Taxiways'. While this reclassification did not have an impact on the allocation of assets between aeronautical and non-aeronautical (because of the aeronautical nature of these assets), it had an impact on rate of depreciation to be considered for these assets. As detailed later in Chapter 8 – Depreciation, the rate of depreciation for the category 'Roads, bridges and culverts' is proposed to be 10%, whereas the rate of depreciation for the category 'Runways, Aprons and Taxiways' is proposed to be 3.33%. This reclassification resulted in a lesser depreciation allowance to AAI.

The proposed date of completion of these assets is 31<sup>st</sup> March 2020. Considering the current status, the Authority has found this to be reasonable. The Authority notes that should AAI fail to commission the same by 31<sup>st</sup> March 2020, in addition to the normal true-up with carrying cost, 1% additional penalty, by way of reduction of the said value from ARR, will be imposed on AAI for delays in execution of the project.

### 8.2.2 Supply of inline baggage scanning system – INR 12.50 crore

AAI has planned to install a new CT-EDS in-line baggage screening system (already available at their Chennai, Kolkata and Ahmedabad airports) at airports in Bhubaneswar, Calicut, Indore, Amritsar and Mangalore. The Authority observed the administrative approvals for the same and has found them as appropriate. Further, AAI has provided the proposed date of completion of this asset as 31<sup>st</sup> October

2019. Considering the current status, the Authority has found this to be reasonable.

### 8.2.3 Others:

Other than the above mentioned assets, AAI has proposed 28 other assets of smaller nature amounting to a total of INR 38.98 crores. The prominent ones among these include the following.

- Development of Pucca Drain in air side in tariff year 1 amounting to INR 4.94 crores.
- Construction of staff quarters (total 18 units) including electrical works in tariff year 1 amounting to INR 5.58 crores.
- Supply, Installation, Testing and Commissioning of two passenger boarding bridges along with advanced visual docking guidance system (A-VDGS) in tariff year 1 amounting to INR 4.13 crores.
- Establishment of ground mounted solar power plant amounting to INR 4.03 crores.

For these assets, the Authority verified the administrative approvals and award letters, and discussed the rationale with AAI for proposing them.

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8.3 In accordance with above, the Authority proposed the capital expenditure as per the table below.

Table 18: Capital expenditure as proposed by the Authority – Consultation Paper (figures in INR crores)

Asset category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Runways, Aprons and Taxiways	-	62.95	-	-	-	62.95
Road, Bridges & Culverts	7.51	-	-	-	-	7.51
Building – Residential	5.96	-	-	0.40	-	6.36
Boundary Wall – Operational	4.00	-	-	-	-	4.00
Other Buildings	-	-	-	0.45	-	0.45
Plant & Machinery	19.82	-	-	-	-	19.82
Tools & Equipment	4.49	0.01	-	-	-	4.50
Electrical Installations	4.81	-	-	-	-	4.81
CFT/Fire Fighting Equipment	4.03	-	-	-	-	4.03
<b>Total</b>	<b>50.62</b>	<b>62.96</b>	<b>-</b>	<b>0.85</b>	<b>-</b>	<b>114.43</b>

### Authority had proposed the following regarding capital expenditures

- The Authority proposed to adopt the capital expenditures for the 1<sup>st</sup> control period in accordance with Table 18.
- Regarding the proposed capital expenditure worth INR 62.95 crores pertaining to development of 15 no. parking bays, parallel taxi track and other associated work, the Authority proposed that should AAI fail to commission the same by 31<sup>st</sup> March 2020, in addition to the normal true-up with carrying cost, 1% additional penalty, by way of reduction of the





said value from ARR, will be imposed on AAI for delays arising due to reasons beyond AAI's control.

## Stakeholder comments

### 8.4 Federation of Indian Airlines (FIA):

**Status of RAB additions have not been mentioned in CP. AUCC minutes for review has also not been provided, we cannot comment on RAB additions. Likely deferment for construction for aprons to FY21.**

#### Key additions to RAB

Development of 15 no. parking bays, parallel taxi track and other associated work – INR 62.95 crores

FIA submits that as highlighted by AAI in Para 7.2.1 of the Consultation Paper, an extension of existing apron along with ground support equipment and new line taxi track has been proposed with an estimated expenditure of INR 62.95 crores spanning into 167,180 square meters.

FIA submits that Consultation Paper was issued on 14 January 2019, wherein current status of the project has not been mentioned. FIA also submits that it has not been provided with any minutes of AUCC consultation. Project Investment File (PIF), as applicable. Also details for basic planning, regulatory approvals, financial closure etc. has not been provided for FIA's review. Hence, in the absence of the receipt of such submissions made by Indore Airport, FIA is unable to appreciate, assess and comprehend the facts and figures (and any comparison thereto) of the major capital expenditure works as discussed under the Consultation Paper. Hence, it is submitted to Authority to provide these details for FIA's review.

Without prejudice to the above, FIA would like to submit that the, Authority in the Consultation Paper No. 26/2018 – 19 of Coimbatore airport has mentioned that construction of new aprons and extension of existing aprons is expected to take 18 months from date of award of work. Taking the example of Coimbatore airport and in the absence of any timelines of start/completion of the works for new aprons at Indore Airport, FIA would like to submit that it may appear prudent to assume that above mentioned works involving significant capital expenditure at Indore Airport may appear to not be operationalized in FY20. Hence, it is submitted to Authority to defer the capitalization of new aprons to FY21 and recompute the ARR & depreciation accordingly.

#### Other assets



Authority has not mentioned the detailed breakup of other assets of INR 38.98 crores. Also, the split of these other assets under various categories mentioned in table 16 of Consultation Paper has not been provided. These assets have been considered 100% aeronautical, for which no basis has been given by Authority

FIA submits that the Authority should give a detailed breakup of each category of additions along with year of capitalization & the same shall be considered for the purpose of calculation of depreciation.

### Authority's examination of stakeholder comments

The Authority has carefully examined the comments received from FIA regarding RAB additions.

- 8.5. With regards to FIA comments on conducting an AUCC meeting for proposed capital works, the Authority notes that an AUCC meeting has been conducted and the minutes of the AUCC meeting is being provided as annexure to this document (Annexure 1).
- 8.6. FIA has requested to defer the capitalization of the new aprons and extension of existing aprons towards FY21. However, the Authority has already stated the reasons as to why deferment by one year is sufficient. Moreover, the Authority has proposed a penalty of 1% by way of reduction of the said value from ARR, in case of delay in operationalization of the new aprons and extension of existing aprons beyond the proposed date of completion due to reasons beyond AAI's control.
- 8.7. **Other Assets** - The Authority, in the consultation paper, had discussed that AAI had proposed 28 other assets of smaller nature amounting to a total of INR 38.98 crores. For these assets, the Authority verified the administrative approvals and award letters, and discussed the rationale with AAI for proposing them. The Authority also provided a list and description of the most prominent of these assets. However, in response to the comment received from FIA, the Authority is providing a complete list of these other assets, as provided to it by AAI as part of MYTP. This list of assets (in descending value) is given in the table below.

Table 19: Other Capital expenditure as proposed by the Authority - Final (figures in INR crores)

Asset category	Constituents	Year 1	Year 2	Year 4	Total
Road, Bridges & Culverts	Civil works in operational area, Development of Pucca Drain, Fixed finger for Rotunda Passenger Boarding Bridge	7.51	-	-	<b>7.51</b>
Building - Residential	Staff quarters, Civil work for existing residential accommodation	5.96	-	0.40	<b>6.36</b>
Boundary Wall - Operational	Aluminium composite panel cladding, Boundary wall, Perimeter road	4.00	-	-	<b>4.00</b>
Other Buildings	Civil work for city side beautification	-	-	0.45	<b>0.45</b>

Other Plant & Machinery	Air conditioning in residential guest house, SITC of PBBs and AVDGS at Indore, Rubber removal machine, Grass cut machines and tractors	7.32	-	-	<b>7.32</b>
Tools & Equipment	Walkie talkies, CCTV cameras, DFMD, SITC of smart dustbin project, BDDS cum dog squad vehicles, Mobile Command post	4.49	0.01	-	<b>4.50</b>
Electrical Installations	Solar power plant, street lighting, procurement of tools and plants	4.81	-	-	<b>4.81</b>
CFT/Fire Fighting Equipment	Supply of RIVS. (ACFTS) at Indore	4.03	-	-	<b>4.03</b>
<b>Total</b>		<b>38.12</b>	<b>0.01</b>	<b>0.85</b>	<b>38.98</b>

Further, the Authority evaluated the appropriate allocation of these assets between aeronautical and non-aeronautical. A major portion of these assets were found to be purely aeronautical. Therefore, the Authority has decided to consider these as aeronautical.

### **Decision No. 2: Regarding capital expenditure**

- 6.a. The Authority decides to adopt the capital expenditures in accordance with Table 18.

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## 9. Depreciation

- 9.1 AAI follows its own set of rates of depreciation for different asset classes, which are approved by its Board. While submitting the Multi-Year Tariff proposal for the first control period, AAI has taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders. Accordingly, AAI has proposed three different sets of rates. These are based on three different periods – up to FY 2015-16, from 01/04/16 to 31/03/18, and beyond 01/04/18.
- 9.2 In the first period, i.e., up to FY 2015-16, the airport was not under the definition of a Major Airport as per Section 2(i) of Airports Economic Regulatory Authority of India Act. Therefore, the depreciation rates for this period has been proposed by AAI to be as per AAI's accounting policy. For the second period, i.e., from 01/04/16 to 31/03/18, the airport was covered under the definition of the Major Airport. Therefore, the depreciation rates for this period has been proposed by AAI to be as per the Authority's examination. For the 3rd period, i.e., beyond 01/04/18, the depreciation rates has been proposed by AAI to be as per the Authority's order No. 35/2017-18 titled "In the matter of Determination of Useful life of Airport Assets", which defines the normative useful lives for various airport assets.
- 9.3 Further, depreciation has been computed separately on opening block of assets and on proposed additions.
- 9.4 The depreciation rates proposed by AAI have been summarized in the table below.

Table 20: Depreciation rates proposed by AAI

Asset category	Up to FY 2016	Between FY 2016 and FY 2018	Beyond FY 2018
Freehold Land	0%	0%	0%
Runways, Aprons and Taxiways	13%	3.33%	3.33%
Road, Bridges & Culverts	13%	3.33%	10.00%
Building – Terminal	8%	3.33%	3.33%
Building – Residential	5%	3.33%	3.33%
Boundary Wall – Operational	8%	3.33%	10.00%
Boundary Wall – Residential	5%	3.33%	10.00%
Other Buildings	8%	3.33%	3.33%
Computer - End user	20%	16.67%	33.33%
Computer - Servers and networks	20%	16.67%	16.67%
Intangible Assets – Software	20%	20.00%	20.00%
Plant & Machinery	11%	6.67%	6.67%
Tools & Equipment	20%	6.67%	6.67%
Office Furniture	20%	10%	14.29%

Asset category	Up to FY 2016	Between FY 2016 and FY 2018	Beyond FY 2018
Furniture & Fixtures: Other Than Trolley	20%	10%	14.29%
Furniture & Fixtures: Trolley	20%	10%	33.33%
Vehicles	14%	12.50%	12.50%
Vehicles - car and jeep	14%	6.67%	12.50%
Electrical Installations	11%	10.00%	10.00%
Other Office Equipment	18%	20.00%	20.00%
X Ray Baggage System	11%	6.67%	6.67%
CFT/Fire Fighting Equipment	13%	6.67%	6.67%

9.5 The depreciation amount proposed by AAI for the 1st control period has been presented in the table below.

Table 21: Depreciation proposed by AAI (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Depreciation	12.04	12.30	14.50	16.25	17.18	14.90	14.77

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#### Authority's Examination at Consultation Stage:

9.6 The Authority has noted the submission of three different rates of depreciation by AAI for different periods under consideration and has duly examined these for consideration towards determination of aeronautical tariff.

9.7 For period up to FY 2016, the Airport did not come under the regulatory ambit of the Authority. Therefore, the Authority has determined that the depreciation rates used by AAI according to its internal accounting policies are allowed to be followed in order to compute the net block of initial RAB. The Authority observed that the depreciation rates used by AAI up to FY 2016 were in line with its accounting policies, and hence the Authority does not propose any change in these.

9.8 As far as the period between 01/04/2016 and 31/03/2018 is considered, the Authority has had reference to its previous Tariff Orders for various AAI airports (Order No. 23/2017-18 dated 27/11/2017 for Kolkata airport, Order No. 10/2017-18 dated 04/08/2017 for Jaipur airport, and Order No. 03/2017-18 dated 02/06/2017 for Trivandrum Airport). In these Tariff Orders, the Authority considered the depreciation rates as prescribed in the Companies Act, 2013 for the purposes of tariff determination. Continuing with this approach, the Authority proposed to consider



these rates of depreciation for the period between 01/04/2016 and 31/03/2018 for the purposes of tariff determination of Indore Airport as well.

9.9 Upon examination of rates of depreciation proposed by AAI for this period, the Authority observed that except in case of one asset category, the rates proposed by AAI are in line with the above mentioned previous tariff orders. In case of Vehicles - car and jeep, AAI has used 6.67% rate. However, the Authority proposed to revise this to 12.5% in accordance with the above mentioned previous tariff orders.

9.10 For the period from 01/04/2018 onwards, the Authority has had reference to its study, which was commissioned to determine appropriate depreciation rates for regulation of airports in line with the provisions of the Companies Act, 2013.

9.11 As a result of this study, the Authority, vide its Order No. 35/2017-18 titled "In the matter of Determination of Useful life of Airport Assets", spelled out the normative depreciation rates which need to be used for computation of Aggregate Revenue Requirement.

9.12 These normative depreciation rates of airport assets as per the above mentioned Order, relevant to Indore Airport, have been presented in the table below.

Table 22: Depreciation rates as per Authority's Order No. 35 / 2017-18

Asset category	Beyond FY 2018
Freehold Land	0.00%
Runways, Aprons and Taxiways	3.33%
Road, Bridges & Culverts	10.00%
Building - Terminal	3.33%
Building - Residential	3.33%
Boundary Wall - Operational	10.00%
Boundary Wall - Residential	10.00%
Other Buildings	3.33%
Computer - End user	33.33%
Computer - Servers and networks	16.67%
Intangible Assets - Software	20.00%
Plant & Machinery	6.67%
Tools & Equipment	6.67%
Office Furniture	14.29%
Furniture & Fixtures: Other Than Trolley	14.29%
Furniture & Fixtures: Trolley	33.33%
Vehicles	12.50%
Electrical Installations	10.00%

Asset category	Beyond FY 2018
Other Office Equipment	20.00%
X Ray Baggage System	6.67%
CFT/Fire Fighting Equipment	6.67%

9.13 The Authority observed that the depreciation rates used by AAI for the period beyond 01/04/2018 are in line with the rates as per the above mentioned Order. Therefore, the Authority does not propose any change in these.

9.14 Combining its observations across the three periods, the Authority proposed the depreciation rates to be considered for tariff determination in respect of Indore Airport as per the following table.

Table 23: Depreciation rates proposed by the Authority – Consultation Paper

Asset category	Up to FY 2016	Between FY 2016 and FY 2018	Beyond FY 2018
Freehold Land	0%	0%	0%
Runways, Aprons and Taxiways	13%	3.33%	3.33%
Road, Bridges & Culverts	13%	3.33%	10.00%
Building – Terminal	8%	3.33%	3.33%
Building – Residential	5%	3.33%	3.33%
Boundary Wall – Operational	8%	3.33%	10.00%
Boundary Wall – Residential	5%	3.33%	10.00%
Other Buildings	8%	3.33%	3.33%
Computer - End user	20%	16.67%	33.33%
Computer - Servers and networks	20%	16.67%	16.67%
Intangible Assets – Software	20%	20.00%	20.00%
Plant & Machinery	11%	6.67%	6.67%
Tools & Equipment	20%	6.67%	6.67%
Office Furniture	20%	10%	14.29%
Furniture & Fixtures: Other Than Trolley	20%	10%	14.29%
Furniture & Fixtures: Trolley	20%	10%	33.33%
Vehicles	14%	12.50%	12.50%
Vehicles - car and jeep	14%	12.50%	12.50%
Electrical Installations	11%	10.00%	10.00%
Other Office Equipment	18%	20.00%	20.00%
X Ray Baggage System	11%	6.67%	6.67%
CFT/Fire Fighting Equipment	13%	6.67%	6.67%

9.15 On account of changes in depreciation rates, and the changes in proposed capital expenditure, the Authority proposed the following depreciation during the 1st control period.



Table 24: Depreciation proposed by the Authority – Consultation Paper (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Depreciation	12.05	12.31	14.49	14.14	12.98	10.70	10.57

### The Authority had proposed the following regarding depreciation

- The Authority proposed to adopt depreciation rates for Indore airport as per Table 20 for the 1<sup>st</sup> control period.
- The Authority proposed depreciation amounts as per Table 24 for the 1<sup>st</sup> control period.

### Stakeholder comments

#### 9.16 Federation of Indian Airlines (FIA):

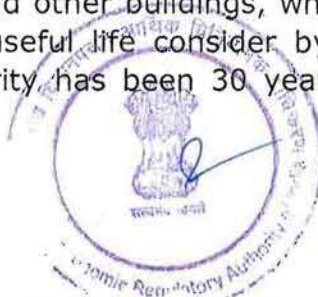
**Issue 1: Useful life of 30 years considered for terminal building and aprons which is conservative view. Considering airport assets have useful life up to 99 years in international airports, 60 years useful life for terminal buildings and aprons ought to be considered by Authority.**

FIA submits that, on an overall basis, average useful life of assets including opening RAB ranging between 7-14 years during control period, is lower considering the international airports & new additions. FIA's review of RAB additions & its allocation indicated that shorter useful lives have been broadly considered by Authority.

Detailed component level breakup has not been provided by Authority & accordingly same has been considered for the purpose of depreciation. Broad heads of capitalization has been provided. Hence, we understand that depreciation has also been computed as per depreciation order on basis of useful life of these heads rather than useful life of these head component. This might lead to accelerated depreciation. For instance, solar power plant has been classified under electrical installation or plant & machinery rather than component level.

#### Depreciation of new terminal building:

FIA's submit that as per Para 8.14 of the Consultation Paper, depreciation from FY 18 onwards has been computed as per rates prescribed under AERA Order No. 35/ 2017-18 "In the matter of Determination of Useful life of Airport Assets" dated 12 January 2018 (Order 35). Further, half yearly rates of depreciation have been considered for additions to RAB in the first year of capitalization. For terminal building and other buildings, while Order 35 states useful life as 30 or 60, the useful life consider by AAI for Indore airport and accepted by Authority has been 30 years in the Consultation Paper.





For reference FIA would like to highlight, life of buildings as 30 years, considered by Authority, and is not in accordance with Part C of Schedule II of Companies Act, 2013, which provides useful life of buildings having Reinforced Concrete Cement (RCC) frame structure to be 60 years. FIA submits that that there is no mention with respect to the structure of buildings, although it is highly unlikely that terminal buildings are not built with RCC technology.

Hence, FIA submits that authority has taken adopted conservative view with respect to useful life of terminal and other buildings. FIA submits that accordingly, in the interest of consumers, Authority could consider useful life of buildings as 60 years instead of taking a conservative view.

Further, FIA's review of useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal building have useful life of as long as 60 years and aprons have it as long as 99 years. Also, the useful life of terminal building for Kannur & Cochin airports have been considered 60 years by Authority. However as per the Consultation Paper, average life of airport assets additions between FY19 to FY23 is ranging between 7-14 years during the control period which primarily comprises of Terminal & other buildings and Aprons.

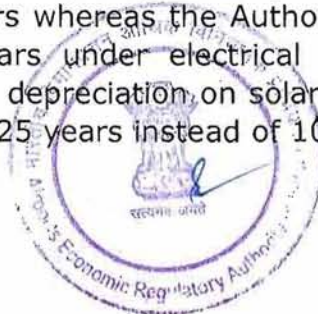
FIA states that as submitted under RAB section, to defer the capitalization of new apron of INR 62.95 crores to FY21. It is submitted to Authority to not to consider aprons for the purpose of capitalization in FY20 and accordingly, revise depreciation calculation for FY20 onwards.

#### **Depreciation on correct allocation ratio:**

Allocation of assets: - FIA submits that the Authority has not mentioned allocation of RAB additions for first control period. As submitted under RAB allocation section, "to consider the asset allocation ratio of 80%: 20% in the 1st control period", FIA submits that Authority should recompute the depreciation basis the allocation of RAB assets in the ratio of 80:20 for this control period.

#### **Depreciation on solar power plant:**

We noted that solar power plant of INR 4.03 crores has been considered as electrical installation or plant & machinery by virtue of which its useful life has been considered as 10 or 15 years. However, as per CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2017, useful life of solar power plants is 25 years whereas the Authority has considered life of such assets as 10 years under electrical installation. Hence, it is submitted to revise the depreciation on solar plant considering the life of solar power plant as 25 years instead of 10 years.



It is also submitted that Authority should provide detailed calculations for depreciation charged on opening RAB & additions made therein, rather than just giving a consolidated number. Absence of detailed calculations for depreciation, FIA cannot comment on the depreciation considered for tariff determination.

**Issue 2: Companies act 2013 and AERA order 35/2017-18 has not been considered while calculating depreciation on opening RAB resulting in accelerated depreciation leading to higher ARR. FIA cannot comment on depreciation calculation in absence of detailed component level breakup of opening RAB and additions.**

FIA submits that in terms of per Para 8.2 of the Consultation Paper, FIA understands that prior to FY17, the depreciation computed is as per AAI depreciation rates and during FY17& FY18 depreciation has been computed as per Companies Act, 2013. However, depreciation from FY19 has been computed as per rates prescribed under AERA order No. 35/2017-18.

FIA further submits that as per note 7 of schedule II of Companies Act, 2013, in case of first time adoption of Companies Act, 2013 , depreciation on opening RAB is calculated as follows:-

"From the date this Schedule comes into effect, the carrying amount of the asset as on that date— (a) shall be depreciated over the remaining useful life of the asset as per this Schedule;" As per Decision 1d of Authority's order no. 35/2017-18, "to propose the carrying amount of the asset as on the date of effect shall be depreciated over the remaining useful life of asset."

Hence, considering the provisions of schedule II of Companies Act, 2013 and order 35/2017-18, opening RAB as on 01.04.2016 will be depreciated over remaining useful life (as per Companies Act,2013) till 31.03.2018. Accordingly, opening RAB as on 01.04.2018 will be depreciated over remaining useful life (as per order 35/2017-18).

However, in absence of detailed component level breakup of depreciation, FIA cannot comment whether depreciation calculated in table 21 of the Consultation Paper has been in compliance with above mentioned provision.

Hence, FIA submits that Authority should clarify whether the depreciation order no. 35/2017-18 & schedule II of Companies Act, 2013 (with respect to opening RAB as on 01.04.2016) has been followed or not. Further, FIA would request Authority to review the depreciation calculation in detail and explain the basis of computation of depreciation at the time of passing of order. FIA submits to Authority to adjust the accelerated depreciation before issuing the final Order for Indore Airport.

## Authority's examination of stakeholder comments

### Issue 1:

The Authority has carefully examined the comments received from FIA regarding depreciation. The Authority understands that FIA has two suggestions regarding useful life of assets:

- Terminal building – 60 years instead of 30 years, and
- Solar power plant – 25 years instead of 10 years

9.17 **Regarding the terminal building**, the Authority has followed its Order No. 35 / 2017-18 dated 12<sup>th</sup> January, 2018. Following are the relevant extracts from this Order:

- As per Annexure I - Useful life of assets, the Authority decided to consider useful life of terminal building as either 30 years or 60 years. The choice between 30 years and 60 years should be evaluated by the airport operator (AAI). AAI has evaluated the useful life of terminal building at Indore Airport as 30 years.
- As part of the consultation proceedings before the Order was made effective, the Authority invited suggestions from various stakeholders. Various airport operators submitted their suggestions regarding useful life of terminal buildings. These are reproduced below.
  - BIAL commented, "We would like to draw reference to Para 2.2.5 of Consultation Paper wherein Part-C Building and Roads, Companies Act 2013 rates for different types of buildings has been specified as RCC frame structure/ Other than RCC frame structure/ factory buildings etc. In the final rates proposed under Annexure-5, the useful lives have been specified as 30/60 years. As the Terminal Building, even though RCC frame structure, **because of 24\* 7 usage for 365 days and due to high wear and tear**, we request the Authorities to consider the Terminal Buildings to be equated to Factory Building with life of **30** years in line with Companies Act 2013."
  - GGIAL commented, "In the above-mentioned consultation paper, Authority has proposed useful life of 60 years for the building with RCC Frame Structure. **However, keeping in mind the airport operations which is 24X7 365 days in a year, building has got higher wear and tear** and hence the said structure needs to be treated as factory building and should be depreciated as per the rate prescribed by Companies Act for factory building. Accordingly we suggest that the useful life of asset with



respect to building with RCC structure should be lower of **30** years or the residual period of initial concession term.”

- o HIAL commented, “In the abovementioned consultation paper Authority has proposed useful life of 60 years for the building with RCC Frame Structure. **However, keeping in mind the airport operations which is 24X7 365 days in a year, building has got higher wear and tear** and hence the said structure needs to be treated as factory building and should be depreciated as per the rate prescribed by Companies Act for factory building. Accordingly we suggest that the useful life of asset with respect to building with RCC structure should be lower of **30** years or the residual period of initial concession term.
- The Authority, at that time, had carefully evaluated these comments. In all these comments, the Authority noted that because of 24 hour operations, the airport operator felt that terminal buildings face faster wear and tear as compared to other buildings, despite the RCC Frame structure. In response to these comments, the Authority decided to keep the provision unchanged. Thereby, the airport operator was given the option to evaluate the useful life of the terminal building as either 30 years or 60 years. Considering the above stated reasoning, the Authority does not see a need to re-evaluate the useful life of the building.

Therefore, the Authority decides to keep the useful life of the terminal building at Indore Airport unchanged at 30 years.

9.18 **Regarding the solar power plant**, the Authority had classified the asset as electrical installations, thereby attracting a depreciation rate of 10%, i.e., a useful life of 10 years. FIA has submitted that as per CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2017, the useful life of solar power plants is 25 years. The Authority acknowledges that CERC Regulations are an appropriate source for determination of useful life of solar power plant. Therefore, the Authority decides to change the useful life from 10 years to 25 years.

Table 25: Depreciation rates proposed by the Authority - Final

Asset category	Up to FY 2016	Between FY 2016 and FY 2018	Beyond FY 2018
Freehold Land	0%	0%	0%
Runways, Aprons and Taxiways	13%	3.33%	3.33%
Road, Bridges & Culverts	13%	3.33%	10.00%
Building – Terminal	8%	3.33%	3.33%
Building – Residential	5%	3.33%	3.33%



Asset category	Up to FY 2016	Between FY 2016 and FY 2018	Beyond FY 2018
Boundary Wall – Operational	8%	3.33%	10.00%
Boundary Wall – Residential	5%	3.33%	10.00%
Other Buildings	8%	3.33%	3.33%
Computer - End user	20%	16.67%	33.33%
Computer - Servers and networks	20%	16.67%	16.67%
Intangible Assets – Software	20%	20.00%	20.00%
Plant & Machinery	11%	6.67%	6.67%
Tools & Equipment	20%	6.67%	6.67%
Office Furniture	20%	10%	14.29%
Furniture & Fixtures: Other Than Trolley	20%	10%	14.29%
Furniture & Fixtures: Trolley	20%	10%	33.33%
Vehicles	14%	12.50%	12.50%
Vehicles - car and jeep	14%	12.50%	12.50%
Electrical Installations – non solar	11%	10.00%	10.00%
Electrical Installations – solar	NA	NA	4%
Other Office Equipment	18%	20.00%	20.00%
X Ray Baggage System	11%	6.67%	6.67%
CFT/Fire Fighting Equipment	13%	6.67%	6.67%

The depreciation expense as per revised rates is presented in the table below.

Table 26: Depreciation proposed by the Authority – Final (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Depreciation	11.8	12.1	14.1	13.5	12.5	10.3

### Issue 2:

- 9.19 The Authority has carefully examined the comments received from FIA regarding application of Companies act 2013 and AERA order 35/2017-18 while calculating depreciation on opening RAB. The depreciation order no. 35/2017-18 & schedule II of Companies Act, 2013 has been followed in calculation from FY 2017 onwards in accordance with the said orders.

### Decision No. 7: Regarding Depreciation

- 7.a. The Authority decides to adopt depreciation rates as per Table 25 above for the 1<sup>st</sup> control period.
- 7.b. The Authority decides the depreciation amounts as per Table 26 above for the 1<sup>st</sup> control period.



## 10. Regulatory Asset Base for the 1<sup>st</sup> control period

10.1 AAI has submitted RAB for the 1<sup>st</sup> control period as follows:

Table 27: RAB for the 1<sup>st</sup> control period as per AAI's submission (figures in INR crores)

S. No.	Particulars	Pre-control regulatory period		Control period				
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A	Opening RAB	93.39	82.47	83.42	119.54	166.25	149.07	135.02
B	Capitalizations	1.12	13.26	50.62	62.96	0.00	0.85	0.00
C	Disposals	-	-	-	-	-	-	-
D	Depreciation	12.04	12.30	14.50	16.25	17.18	14.90	14.77
E	Closing RAB	82.47	83.42	119.54	166.25	149.07	135.02	120.25
F	<b>Average RAB</b>	<b>87.93</b>	<b>82.94</b>	<b>101.5</b>	<b>142.9</b>	<b>157.7</b>	<b>142.0</b>	<b>127.6</b>

### Authority's Examination at Consultation Stage:

10.2 The Authority has duly examined each element of RAB in the previous chapters. The Authority proposed to adopt the Initial RAB as per Table 14, the capital expenditures in accordance with Table 16, and the depreciation amounts in accordance with Table 21.

10.3 As discussed in paragraphs 5.7 to 5.10 of this paper, the Authority proposed a terminal area ratio of 5.62% till 31/03/2019. Beyond this date, the Authority proposed to consider the same as 9.74%. Due to this, the closing RAB of FY 2019 and opening RAB of FY 2020 will not be equal.

10.4 Combining all its propositions, RAB to be considered by the Authority for determination of aeronautical tariff for the 1<sup>st</sup> Control Period in respect of Indore Airport is as follows:

Table 28: RAB for the 1<sup>st</sup> control period after Authority's examination - Consultation Paper (figures in INR crores)

S. No.	Particulars	Pre-control regulatory period		Control period				
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A	Opening RAB	92.13	81.20	82.15	116.39	165.21	152.23	142.38
B	Capitalizations	1.12	13.26	50.62	62.96	0.00	0.85	0.00
C	Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D	Depreciation	12.05	12.31	14.49	14.14	12.98	10.70	10.57
E	Closing RAB	81.20	82.15	118.28	165.21	152.23	142.38	131.81
F	<b>Average RAB</b>	<b>86.67</b>	<b>81.68</b>	<b>100.2</b>	<b>140.8</b>	<b>158.7</b>	<b>147.3</b>	<b>137.1</b>



## The Authority had proposed the following regarding average RAB

- The Authority proposed to consider average RAB for the 1<sup>st</sup> control period for Indore airport as per Table 28.

### Stakeholder comments

#### 10.5 Federation of Indian Airlines (FIA):

**Authority has broadly relied on Indore airport's submission on allocation of assets between aeronautical and non-aeronautical without considering: a) technical study by independent agency and b) normative approach parameters**

FIA submits that the Authority has broadly relied on AAI's submission on Allocation of assets between Aeronautical and Non-aeronautical without considering: a) Technical Study by Independent agency and B) Normative approach parameters.

Further, FIA submits that the Depreciation for control period has been computed on the basis of order 35/2017-18. However, Authority has taken a conservative approach on useful life for Buildings and Aprons.

#### Asset allocation

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FIA submits that as per para 5.2 of the Consultation Paper, the Authority has allocated the common assets in opening RAB as at 01 April, 2016 into aeronautical and non- aeronautical terminal building FIA submits that in relation to the opening RAB, the Authority has proposed allocation of assets from 01 April 2016 to 31 March 2019 as mentioned in table 10 of CP 27 which is presented in appendix 1 of our report. Similarly, for allocation of assets between 01 April 2019 to 31 March 2023, allocation ratio has been mentioned in table 12 of Consultation Paper.

As per Para 5.10, FIA understands that the Authority has observed that existing non- aeronautical area to total area is on lesser side when compared to other AAI airports of similar nature. However, Indore airport has entered into new agreements with retail and food & beverage vendors w.e.f. from 01/04.2018, which will lead to better utilization of terminal building for non-aeronautical purposes.

However, considering new retail and F&B stores will take some time to reach full potential, Authority proposed to non-aeronautical area allocation ratio to be revised from existing 5.62% to 9.74% w.e.f. 01/04/2019.

Given the criticality of allocation of the airport assets between aeronautical and non- aeronautical in a shared/hybrid till approach, FIA submits that the Authority should mention the allocation ratio of additions to RAB. However, such ratio should be supported by an independent study.



Without prejudice to the above, FIA submits that if an independent study cannot be conducted due to paucity of time, it is submitted that Authority consider aero allocation of 80% as per Proposal 6(a) of CP 5/2014-15 "In the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports" for the first control period and true up the allocation ratio based on independent study in the second control period.

### Authority's examination of stakeholder comments

10.6. The Authority has noted the comments from FIA regarding allocation ratios for RAB. FIA has suggested the following:

- The Authority should conduct an independent study for allocation of RAB.
- The Authority should consider this ratio as 80:20 for initial RAB as well as for proposed capital additions.

The Authority is of the view that an independent study on allocations of assets may be conducted depending upon the size, scale, complexity, and multiple ownerships of overall assets to ascertain the aeronautical part. The Authority exercised its own diligence and sought necessary clarifications from AAI to form its view on the admissible part of the overall assets towards RAB. For the current Control Period, the Authority is not persuaded to conduct an independent study.

Regarding the actual allocation ratios for initial RAB, the Authority has provided detailed justifications for the ratios considered. These can be found on Page 13, Table 8 of the Consultation Paper, which are reproduced in this Order as well.

10.7. Based on the changes made in Regulatory Asset Base post suggestions from stakeholders, the Authority decides the following RAB schedule for the 1<sup>st</sup> control period in respect to Indore Airport.

Table 29: RAB for the 1<sup>st</sup> control period after Authority's examination - Final (figures in INR crores)

S. No.	Particulars	Pre-control regulatory period		Control period				
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
A	Opening RAB	92.13	81.20	82.6	117.2	166.6	154.2	144.7
B	Capitalizations	1.12	13.26	50.62	62.96	0.00	0.85	0.00
C	Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D	Depreciation	11.8	12.1	14.1	13.5	12.5	10.3	10.2
E	Closing RAB	81.4	82.6	119.1	166.6	154.2	144.7	134.5
F	<b>Average RAB</b>	<b>86.78</b>	<b>82.02</b>	<b>98.72</b>	<b>137.75</b>	<b>156.40</b>	<b>145.61</b>	<b>135.97</b>



**Decision No. 8: Regarding average regulatory asset base**

- 8.a. The authority decides to consider average RAB for the 1<sup>st</sup> control period in respect of Indore Airport as per Table 29.



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## 11. Fair Rate of Return (FRoR)

- 11.1 AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority for other AAI airports, including Kolkata, Jaipur and Trivandrum, among others.
- 11.2 AAI has submitted that all financing activities are undertaken centrally at the corporate office of AAI. The funds are apportioned among airports by the corporate office.

### Authority's Examination at Consultation Stage:

- 11.3 The Authority has recognized that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure to determine the FRoR at a later date. It may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.
- 11.4 The Authority notes that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011, it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority notes that it has considered FRoR at 14% for other AAI airports considering the recommendations of another study done by NIPFP.
- 11.5 Based on the above, the Authority proposed to consider FRoR at the rate of 14% for Indore Airport for the 1<sup>st</sup> control period as submitted by AAI.
- 11.6 The Authority did not receive comments from stakeholders for this chapter.

### Decision No. 3: Regarding Fair Rate of Return

- 9.a. The Authority decides to consider FRoR at 14% for Indore Airport for the 1<sup>st</sup> control period.



## 12. Non-aeronautical revenue

12.1 AAI has forecasted revenue from services other than aeronautical services as below.

Table 30: Non-aeronautical revenue projections as per AAI (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>1. Trading concessions</b>							
Restaurant / snack bars	0.34	0.38	6.20	6.82	7.50	8.25	9.08
Retail and other stalls	0.39	0.60	3.59	3.59	3.94	4.34	4.77
Hoarding & display	3.38	0.55	0.61	0.67	0.74	0.81	0.89
<b>2. Rent and services</b>							
Land leases	1.05	0.75	0.75	0.75	0.75	0.75	0.81
Building (residential)	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Building (non-residential)	1.27	1.21	1.33	1.47	1.61	1.77	1.95
<b>3. Miscellaneous</b>							
Car rentals	0.58	0.55	0.61	0.67	0.74	0.81	0.89
Car parking	0.76	1.98	2.18	2.40	2.63	2.90	3.19
Admission tickets	0.33	0.23	0.26	0.28	0.31	0.34	0.38
Other income	0.39	0.45	0.47	0.50	0.52	0.55	0.57
<b>Total</b>	<b>8.53</b>	<b>6.73</b>	<b>16.02</b>	<b>17.16</b>	<b>18.78</b>	<b>20.55</b>	<b>22.56</b>

12.2 The growth rates assumed by AAI has been presented in the table below.

Table 31: Growth rates assumed by AAI for non-aeronautical revenue

Particulars	Control period				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>1. Trading concessions</b>					
Restaurant / snack bars	Bottom up	10%	10%	10%	10%
Retail and other stalls	Bottom up	0%	10%	10%	10%
Hoarding & display	10%	10%	10%	10%	10%
<b>2. Rent and services</b>					
Land leases	0%	0%	0%	0%	7.5%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	10%	10%	10%	10%	10%
<b>3. Miscellaneous</b>					
Car rentals	10%	10%	10%	10%	10%
Car parking	10%	10%	10%	10%	10%
Admission tickets	10%	10%	10%	10%	10%
Other income	5%	5%	5%	5%	5%

Particulars	Control period				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Total</b>	<b>138%</b>	<b>7%</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>

### Authority's Examination at Consultation Stage:

12.3 The Authority examined the non-aeronautical revenues for FY 2017 and FY 2018 from the trial balances of the respective years submitted by AAI. There were two instances where revenues from ANS services were included as part of non-aeronautical revenues.

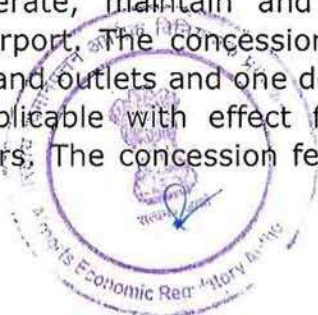
- a) In FY 2017, under 'Building (residential)', the Authority observed that revenue amounting to INR 0.54 lakhs pertaining to ANS services was included.
- b) In FY 2017, under 'Admission tickets', the Authority observed that revenue amounting to INR 1.72 lakhs pertaining to ANS services was included.

Because ANS services are considered separate from airport operations, the Authority proposed to exclude these from non-aeronautical revenues. Other than the above two instances, the Authority found the revenue figures to be in line with the trial balances for FY 2017 and FY 2018.

12.4 On examination of the trial balances for the two historical financial years as mentioned above, the Authority observed that revenues from hoarding and display for FY 2017-18 were understated by INR 5.26 crores. AAI earned INR 5.81 crores from this revenue stream, instead of INR 0.55 crores, as per the multi-year tariff proposal by AAI. This has a bearing on the projected revenues of all years of the control period for this revenue stream, which stand increased due to the growth rate being applied on a higher base.

12.5 **Retail and other stalls:** The Authority observed that AAI did a bottom-up projection for revenue from retail and other stalls for FY 2019. Upon examination, the Authority found that with effect from FY 2018-19, AAI has entered into three new concession agreements for retail and other stalls. These new concessions replaced the previous retail operations at the airport.

- a) For retail outlets, AAI awarded a master concession to develop, market, setup, operate, maintain and manage multiple retail outlets at Indore airport. The concession includes a minimum of two international brand outlets and one domestic brand outlet. The concession was applicable with effect from 1<sup>st</sup> May, 2018 and applicable for 7 years. The concession fee was decided as INR 30



lakh per month, or a certain percentage of net sales, whichever is higher. Further, this would increase by 10% each year. The Authority notes that it is not possible to forecast the actual sales at the retail outlets. Therefore, the Authority proposed to consider the minimum monthly guaranteed amount of INR 30 lakh per month to forecast the revenues to AAI.

- b) AAI awarded a concession to set up hotel reservation counter at Indore airport. The commercial terms indicated an inflow of INR 2.21 lakh per month to AAI. This was applicable with effect from 1<sup>st</sup> May 2018.
- c) AAI awarded a concession to set up a smoking lounge at Indore airport. The commercial terms indicated an inflow of INR 0.35 lakh per month to AAI. This was applicable with effect from 1<sup>st</sup> Feb 2018.

The bottom-up projections for FY 2019 pertaining to retail and other stalls, as proposed by AAI and verified by the Authority has been given in the table below.

Table 32: Revenue from retail and other stalls for FY 2018-19

Particulars	Working	Amount (INR crores)
Retail outlets	INR 30 lakh per month from 01/05/2018 to 31/03/2019	3.30
Hotel reservation counter	INR 2.21 lakh per month from 01/05/2018 to 31/03/2019	0.24
Smoking lounge	INR 0.35 lakh per month from 01/04/2018 to 31/03/2019	0.04
	<b>Total</b>	<b>3.59</b>

The Authority observed that for FY 2019-20, AAI projected a revenue of INR 3.59 crores, which was similar to the projections for FY 2018-19. This was found to be erroneous. The Authority proposed to increase the projections for FY 2019-20 by 10%, in line with the terms of the concession agreements. This led to increase in projected revenues of all years of the control period. The revenue projections for FY 2019-20 are given in the table below.

Table 33: Revenue from retail and other stalls for FY 2019-20

Particulars	Working	Amount (INR crores)
Retail outlets	INR 30 lakh * (1+10%) * 12 months	3.96
Hotel reservation counter	INR 2.21 lakh * (1+10%) * 12 months	0.29
Smoking lounge	INR 0.35 lakh * (1+10%) * 12 months	0.05
	<b>Total</b>	<b>4.30</b>

12.6 **Revenue from restaurant / snack bars:** The Authority observed that AAI did a bottom-up projection for revenue from F&B outlets for FY 2019. Upon examination, the Authority found that with effect from FY 2018-19, AAI awarded a master concession to develop, market, setup, operate, maintain and manage multiple food and beverages outlets at Indore airport. The concession includes a minimum of one international brand outlet and one domestic brand outlet. The concession was applicable with effect from 1<sup>st</sup> April, 2018 and applicable for 7 years. The concession fee was decided as INR 51.66 lakh per month, or a certain percentage of net sales, whichever is higher. Further, this would increase by 10% each year. The Authority has found the projections to be in line with the new agreement. The Authority notes that it is not possible to forecast the actual sales at these F&B outlets. Therefore, the Authority proposed to consider the minimum monthly guaranteed amount of INR 51.66 lakh per month to forecast the revenues to AAI.

12.7 For revenues from all other sources, the Authority examined the commercial agreements that AAI has entered into with various parties, and found the projections to be in line with these agreements.

12.8 The revised growth rates as per Authority's examination have been presented in the table below.

Table 34: Growth rates in non-aeronautical revenue considered by the Authority

Particulars	Control period				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>1. Trading concessions</b>					
Restaurant / snack bars	Bottom up	10%	10%	10%	10%
Retail and other stalls	Bottom up	10%	10%	10%	10%
Hoarding & display	10%	10%	10%	10%	10%
<b>2. Rent and services</b>					
Land leases	0%	0%	0%	0%	7.5%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	10%	10%	10%	10%	10%
<b>3. Miscellaneous</b>					
Car rentals	10%	10%	10%	10%	10%
Car parking	10%	10%	10%	10%	10%
Admission tickets	10%	10%	10%	10%	10%
Other income	5%	5%	5%	5%	5%
<b>Total</b>	<b>82%</b>	<b>11%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>

12.9 The revised non-aeronautical revenues as per Authority's examination have been presented in the table below.



Table 35: Non-aeronautical revenues proposed by the Authority – Consultation Paper (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>1. Trading concessions</b>							
Restaurant / snack bars	0.34	0.38	6.20	6.82	7.50	8.25	9.08
T.R. stall	0.39	0.60	3.59	4.30	3.94	4.34	4.77
Hoarding & display	3.38	5.81	6.40	7.04	7.74	8.51	9.36
<b>2. Rent and services</b>							
Land leases	1.05	0.75	0.75	0.75	0.75	0.75	0.81
Building (residential)	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Building (non-residential)	1.27	1.21	1.33	1.47	1.61	1.77	1.95
<b>3. Miscellaneous</b>							
Car rentals	0.58	0.55	0.61	0.67	0.74	0.81	0.89
Car parking	0.76	1.98	2.18	2.40	2.63	2.90	3.19
Admission tickets	0.33	0.23	0.26	0.28	0.31	0.34	0.38
Other income	0.39	0.45	0.47	0.50	0.52	0.55	0.57
<b>Total</b>	<b>8.50</b>	<b>11.99</b>	<b>21.80</b>	<b>24.24</b>	<b>26.56</b>	<b>29.11</b>	<b>31.98</b>

**The Authority had proposed the following regarding non-aeronautical revenues**

- The Authority proposed to consider non-aeronautical revenues for the 1<sup>st</sup> control period for Indore airport in accordance with Table 35.

**Stakeholder comments**

**12.10 Federation of Indian Airlines (FIA):**

**Conservative view of authority has been taken for projecting non- aeronautical revenue growth rate. Non-aero revenue per passenger is on a constant decline over the control period.**

**Issue 1: Conservative approach while projecting growth in non-aeronautical revenue**

FIA further submits that increase in non-aeronautical revenue is function of increase in terminal building area, passenger traffic growth, inflationary increase and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the non-aeronautical revenue projected for the first control period by Authority, it was noted that a conservative approach has been taken by the Authority.

Further, as per agreement entered by AAI with various vendors, eight non-aeronautical revenue streams (namely restaurant/snack bar, T.R.



stall, hoarding & display, car rentals, car parking, building-nonresidential, duty free shops and admission tickets) which contributes 95% of total non-aeronautical revenue for first control period, year on year 10% increase has been proposed by Authority between FY20 to FY23. As per

Para 10.5, 10.6 & 10.7, we understand that Authority has verified the agreement in respect of escalation terms for key vendors.

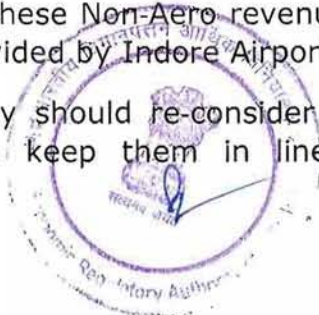
FIA submits that as per Table 2 of Consultation Paper, Indore Airport had registered domestic passenger growth over 5 year CAGR is 16%. However, as per table 5 of the Consultation Paper, on a conservative basis, passenger growth over the control period has been projected to be 15% p.a. As per Para 10.5 & 10.6, Authority noted that new contracts entered with retail outlets wherein concession fee is based on certain percentage of net sales or INR 30 lakhs per month (minimum guaranteed amount) whichever is higher. On comparing the passenger growth rate with the escalation clauses in agreement, we analyzed that escalation clauses as per agreements is c.10% during FY19 to FY23, which is lower than year on year projected passenger growth over the control period. Therefore, non-aeronautical revenue per passenger was analyzed for each year of the first control period and a decreasing trend was noted in the same, which clearly indicated that the Authority has taken lower growth rate projections/conservative view for non-aero revenue.

As per Para 10.4, FIA understands that revenue from hoarding and display for FY18 were understated by 5.26 crores. Authority has revised figures for FY18 to INR 5.81 crores from INR 0.55 crores and growth rate is applied for projecting income in first control period. However, Authority did not mention the basis of taking 10% as growth rate for the first control period.

FIA further submits that as per clause 5.6.1 of the AERA Guidelines, the Authority's review of forecast of revenues from services other than aeronautical services may include scrutiny of bottom-up projections of such revenues prepared by the Airport Operator, benchmarking of revenue levels, commissioning experts to consider where opportunities for such revenues are under-exploited, together with the review of other forecasts for operation and maintenance expenditure, traffic and capital investment plans that have implications for such activities.

However, FIA's review of the Consultation Paper indicated that for the purpose of determining Non-Aeronautical Revenue, Authority, rather than evaluating non-aeronautical revenue in detail as per AERA Guidelines to consider the impact of inflationary increase and real increase while projecting these Non-Aero revenue has relied on ad hoc growth rate and basis provided by Indore Airport.

FIA submits that Authority should re-consider growth rates for non-aero revenues so as to keep them in line with the growth in





passengers. Further, Authority has not commented on the real increase, inflationary increase and passenger traffic based increase for the growth rates proposed for the first control period. Since, each of them affect the non-aeronautical revenues, FIA submits that the Authority should re-evaluate the growth rates for non-aeronautical revenue basis a consultant study. However, for the purpose of the order, FIA submits that the Authority should consider 16 % YoY growth (being 5-year passenger growth CAGR) in non-aero revenue during the control period except in case of long term contracts where YoY escalation is agreed.

FIA submits that Authority should direct AAI to enter into contracts where an escalation clause is linked with passenger growth and propose true up in second control period based on actuals.

FIA submits to Authority, if the capitalization for new terminal building is done in FY22, then the Authority should reconsider the growth rates projected in FY 22 & FY 23 as new contracts will be entered with various vendors which will lead to higher non- aeronautical income.

#### **Issue 2:-Decline in revenue from T.R. Stall in FY21**

As per Para 10.8, FIA understands that income from retail and other stalls will increase by 10% in FY21. However, in FY21, income from T.R. Stall has declined by 8%. No reason has been explained for such decline. Hence, it is submitted to Authority to rectify the non-aeronautical income for FY21.

#### **Authority's examination of stakeholder comments**

The Authority has carefully examined the comments received from FIA regarding the non-aeronautical revenue projections. The Authority notes that FIA has commented on two issues. Authority's position on each of these two issues is stated below:

##### **12.11 Issue 1: Conservative approach adopted for projections**

The Authority notes that FIA suggests a growth rate in line with passenger growth rate for those non-aeronautical revenue streams for which long term agreements with vendors do not exist. The Authority evaluated each of such revenue streams. The observations thereon are discussed below:

FIA has compared growth in non-aeronautical revenues with the passenger growth. From this comparison, FIA has suggested that the passenger growth is assumed at 15%, whereas the growth in most non-aeronautical revenue streams is assumed at 10% from FY20 to FY23, which is less than the growth in passenger traffic. However, this comparison has not taken into account the growth in non-aeronautical revenues from FY 2017-18 to FY 2018-19, which have been projected to grow at 82%. When this growth is considered, then the growth in

non-aeronautical revenues over five years averages 21.7%, which is more than the passenger growth rate. Doing a selective comparison by excluding the first year of the control period is not appropriate.

FIA has also suggested a higher proportional increase in non-aeronautical revenues during the last two years of the control period, when a new terminal building is being assumed to be operationalized. In this regard, the Authority expects a minor off-take in terms of non-aeronautical revenues for the last year. Considering that the building is assumed to be operational only for half of the year, and that setting up new outlets (retail and food & beverages) will take time, the Authority decides to keep the growth rates unchanged.

### Issue 2: Decline in revenue from T.R. Stall in FY21:

The Authority has duly noted the comments received by FIA in this regard. The Authority hereby clarifies that the revenue from T.R. Stall will increase by 10% in FY21 and the suggestion is being incorporated into calculations for non-aeronautical revenue. Table no. 33 below outlines the said changes.

Table 36: Non-aeronautical revenues proposed by the Authority – Final (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>1. Trading concessions</b>							
Restaurant / snack bars	0.34	0.38	6.20	6.82	7.50	8.25	9.08
T.R. stall	0.39	0.60	3.59	4.30	4.73	5.20	5.72
Hoarding & display	3.38	5.81	6.40	7.04	7.74	8.51	9.36
<b>2. Rent and services</b>							
Land leases	1.05	0.75	0.75	0.75	0.75	0.75	0.81
Building (residential)	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Building (non-residential)	1.27	1.21	1.33	1.47	1.61	1.77	1.95
<b>3. Miscellaneous</b>							
Car rentals	0.58	0.55	0.61	0.67	0.74	0.81	0.89
Car parking	0.76	1.98	2.18	2.40	2.63	2.90	3.19
Admission tickets	0.33	0.23	0.26	0.28	0.31	0.34	0.38
Other income	0.39	0.45	0.47	0.50	0.52	0.55	0.57
<b>Total</b>	<b>8.52</b>	<b>11.99</b>	<b>21.80</b>	<b>24.24</b>	<b>26.56</b>	<b>29.11</b>	<b>31.98</b>

### Decision No. 10: Regarding non aeronautical revenue

- 10.a. The Authority decides to consider non-aeronautical revenues for the 1<sup>st</sup> control period in accordance with Table no. 36 above.

### 13. Operation and maintenance expenditure

- 13.1 Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into the following:
- Payroll expenses,
  - Admin and general expenditure,
  - Repair and maintenance expenditure,
  - Utilities and outsourcing expenditure, and
  - Other outflows, i.e. collection charges on UDF
- 13.2 The expenses related to Cargo, AAICLAS, ANS and CISF security have not been considered by AAI.
- 13.3 AAI has segregated the expenses into aeronautical expenses, non-aeronautical expenses, and common expenses. The common expenses have been further segregated into aeronautical and non-aeronautical on the basis of relevant ratios.
- 13.4 AAI submitted that the allocation of CHQ/RHQ expenses among individual airports has been done on the basis of revenue.
- 13.5 The summary of aeronautical expenses proposed by AAI for the 1<sup>st</sup> control period has been presented in the table below:

Table 37: Operation and Maintenance (O&M) expenditure (in INR crore) as per AAI

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Payroll expenses - non CHQ/RHQ	9.67	10.75	12.83	13.45	14.12	14.83	15.57
Payroll expenses - CHQ/RHQ	2.01	2.12	2.51	2.64	2.77	2.91	3.06
Administration and General expenses - non CHQ/RHQ	1.98	2.91	2.99	3.50	3.85	4.24	4.66
Administration and General expenses - CHQ/RHQ	2.10	2.21	2.32	2.44	2.56	2.69	2.82
Repairs and maintenance	5.27	7.50	8.19	8.78	9.43	8.67	8.80
Utilities and outsourcing expenses	2.71	2.99	3.01	3.04	3.07	3.10	3.13
Other outflows - Collection Charges on UDF	0.19	0.23	0.25	0.27	0.29	0.32	0.35
<b>Total</b>	<b>23.94</b>	<b>28.70</b>	<b>32.10</b>	<b>34.11</b>	<b>36.09</b>	<b>36.75</b>	<b>38.39</b>

- 13.6 The summary of growth rates assumed by AAI for the operation and maintenance expenses have been presented in the table below:

Table 38: Growth rates in O&M as per AAI

Particulars	Control period
-------------	----------------

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Payroll expenses - non CHQ/RHQ	19%	5%	5%	5%	5%
Payroll expenses - CHQ/RHQ	19%	5%	5%	5%	5%
Administration and General expenses - non CHQ/RHQ	3%	17%	10%	10%	10%
Administration and General expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Repairs and maintenance	9%	7%	7%	-8%	2%
Utilities and outsourcing expenses	1%	1%	1%	1%	1%
Other outflows - Collection Charges on UDF	8%	8%	8%	11%	11%
<b>Total</b>	<b>12%</b>	<b>6%</b>	<b>6%</b>	<b>2%</b>	<b>4%</b>

13.7 Further, summary of allocation of expenses between aeronautical and non-aeronautical as proposed by AAI is given in the table below:

Table 39: Allocation of O&M expenses as per AAI

Particulars	Aeronautical	Non-aeronautical
Payroll expenses - non CHQ/RHQ	96.5%	3.5%
Payroll expenses - CHQ/RHQ	95%	5%
Administration and General expenses - non CHQ/RHQ	100%	0%
Administration and General expenses - CHQ/RHQ	95%	5%
Repairs and maintenance	96%	4%
Utilities and outsourcing expenses	100%	0%
Other outflows - Collection Charges on UDF	100%	0%

### Authority's Examination at Consultation Stage:

13.8 The Authority examined the trial balances for FY 2017 and FY 2018 to ensure that the actual figures considered by AAI for these two years are accurate. In all instances except the following four, the numbers were found to be consistent with the trial balances.

- In the tariff determination model, the Authority observed that repairs and maintenance expenses were found to be underestimated by INR 4 lakh for FY 2016-17. The Authority proposed to revise the same.
- For FY 2017, an expense included in 'Other outflows' amounting to INR 5.44 lakh pertained to ANS services. Because ANS services are considered separate from airport operations, the Authority proposed to exclude this expense.



13.9 Regarding other outflows, the Authority observed that AAI has projected two separate collection charges - collection charges on PSF (FC) and collection charges on UDF. These are given in the table below.

Table 40: Other outflows - Collection charges as proposed by AAI (INR crores)

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Collection Charges on PSF (FC)	0.19	0.23	0.25	0.27	0.29	0.31	0.33
Collection Charges on UDF	-	-	-	-	-	0.01	0.02
<b>Total</b>	<b>0.19</b>	<b>0.23</b>	<b>0.25</b>	<b>0.27</b>	<b>0.29</b>	<b>0.32</b>	<b>0.35</b>

Upon examination of the proposed tariff card, the Authority found that with implementation of new charges, AAI has proposed to subsume PSF (FC) charges under the UDF charges as one single charge. Therefore, projections of such outflows should be based on this one single charge of UDF, and not on two separate charges. On account of this, the Authority proposed to exclude INR 1 lakh and INR 2 lakhs projected by AAI in tariff years 4 and 5, respectively from O&M expenses. Accordingly, the revised projections of other outflows, based on revised ATM traffic projections, are given in the table below.

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Table 41: Other outflows - Collection charges as proposed by Authority (INR crores)

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Collection Charges on UDF	0.13	0.23	0.25	0.27	0.29	0.31	0.33
Collection Charges on PSF (FC)	-	-	-	-	-	-	-
<b>Total</b>	<b>0.13</b>	<b>0.23</b>	<b>0.25</b>	<b>0.27</b>	<b>0.29</b>	<b>0.31</b>	<b>0.33</b>

13.10 The Authority observed in the tariff determination model that the total utilities and outsourcing expenses did not include water and manpower hiring charges, while the same should have been included as it is actually incurred by the Airport. The Authority accordingly proposed to include the same in utilities and outsourcing expenses.

13.11 The Authority examined the allocation of expenses between aeronautical and non-aeronautical. The Authority compared the allocation proposed by AAI to its recent orders for other AAI airports. A summary of these has been presented in the table below.

Table 42: Comparison of allocation of O&M expenses with other AAI airports

Expense category	Indore	Kolkata	Jaipur	Trivandrum
Payroll expenses - non CHQ/RHQ	96.5%	88%	94%	95%
Payroll expenses - CHQ/RHQ	95%	88%	95%	95%
Administration and General expenses - non CHQ/RHQ	100%	96%	88%	94%
Administration and General expenses - CHQ/RHQ	95%	85%	90%	90%

Expense category	Indore	Kolkata	Jaipur	Trivandrum
Repairs and maintenance	96%	89%	93%	97%
Utilities and outsourcing expenses	100%	91%	93%	98%
Other outflows - Collection Charges on UDF	100%	93%	100%	100%

13.12 The Authority observed that the Administration and General expenses - non CHQ/RHQ were not allocated between aeronautical and non-aeronautical. To ensure that these expenses are allocated between aeronautical and non-aeronautical in an appropriate manner, the Authority examined them in detail. These expenses comprise various other sub-expenses. The Authority made the following observations for these sub-expenses:

- 'Upkeep expenses' pertain to the terminal building, and hence are proposed to be allocated in terminal area ratio.
- 'Office expenses' pertain to expenses incurred in AAI's office areas at the airport. These are proposed to be allocated as per employee ratio.
- 'Telephone expenses' are proposed to be allocated as per employee ratio.
- 'Printing expenses' are proposed to be allocated as per employee ratio.

Refer Chapter 5 for details of these ratios. After incorporating these changes, the overall allocation of administration and general expenses (non-CHQ/RHQ) is proposed to be revised to 96%.

13.13 The Authority noted 100% allocation of the utilities and outsourcing expenses as aeronautical by AAI. The Authority desired to have an ideal allocation based on actual consumption by the non-aeronautical avenues like stalls, kiosks etc. at the airport. In absence of data pertaining to actual consumption by such avenues, the Authority proposed to consider 1% of power charges as non-aeronautical.

13.14 For allocation of payroll expenses (non-CHQ/RHQ), the Authority observed that AAI considered an employee ratio of 3:83 in FY 2017-18. However, as discussed in Chapter 5, the actual employee ratio for FY 2017-18 was 4:81. Therefore, the Authority proposed to revise the allocation of payroll expenses for FY 2017-18 on the basis of this revised ratio.

13.15 The Authority proposed the following allocation of O&M expenses into aeronautical and non-aeronautical.



Table 43: Allocation of O&M expenses as per the Authority

Particulars	Aeronautical	Non-aeronautical
Payroll expenses - non CHQ/RHQ	95%	5%
Payroll expenses - CHQ/RHQ	95%	5%
Administration and General expenses - non CHQ/RHQ	96%	4%
Administration and General expenses - CHQ/RHQ	95%	5%
Repairs and maintenance	96%	4%
Utilities and outsourcing expenses	99%	1%
Other outflows - Collection Charges on UDF	100%	0%

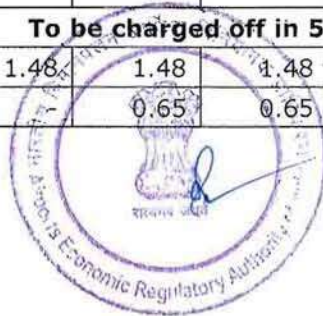
13.16 The Authority examined the growth rates considered by AAI. For payroll expenses, AAI has considered an overall growth rate of approximately 19% for FY 2019. This was on account of revised pay commission, which is applicable to employees of AAI. Upon examination and consultation with AAI, it was found that the revised pay commission was implemented by AAI in FY 2018 for executive grade employees. The implementation for non-executive grade employees is proposed to be done in FY 2019. Therefore, the Authority proposed to consider that the growth in overall payout of non-executive grade employees should be similar to the actual growth in payout of executive grade of employees in FY 2018 based on revised pay commission. The Authority found this to be an increment of 37.16% for non-executive grade employees. Based on the proportion of employees in the two grades, the Authority has found the overall growth of 19% in FY 2019 to be reasonable.

13.17 AAI considered a growth rate of 5% in payroll expenses beyond FY 2019. AAI made a revised submission for a 7% growth rate in payroll expenses, for consistency with other AAI airports. The Authority has found the growth rate of 7% to be reasonable.

13.18 The repairs and maintenance expenses included runway resurfacing expenses. Details of this have been given in the table below.

Table 44: Runway resurfacing charges (INR crores)

Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual cash expense incurred	7.38						
Expense 1		3.26					
Expense 2			0.77				
Expense 3							
<b>To be charged off in 5 years</b>							
Incurred in FY 17	1.48	1.48	1.48	1.48	1.48	-	-
Incurred in FY 18		0.65	0.65	0.65	0.65	0.65	-



Particulars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Incurred in FY 19	-	-	0.15	0.15	0.15	0.15	0.15
<b>Total expense</b>	<b>1.48</b>	<b>2.13</b>	<b>2.28</b>	<b>2.28</b>	<b>2.28</b>	<b>0.81</b>	<b>0.15</b>

The Authority notes that these expenses are expected to provide a benefit of 5 years, after which resurfacing of runway would be needed again. Therefore, the expense incurred is spread over 5 years. The Authority examined the commercial documents in this regard, and has found the expense projected to be reasonable. Moreover, because this expense has reduced from FY 2022 onwards, there was a significant decrease in implied growth rate for repairs and maintenance expenses in FY 2022 (-8%).

13.19 The Authority examined actual growth trend of expenses for the past few years at the airport. Further, the Authority examined a few contractual agreements with vendors on a sample basis to understand the escalation dynamics. On the basis of these checks, the Authority has found the considered growth rates to be reasonable.

13.20 For other outflows, i.e., collection charges on UDF, AAI considered the growth rate to be the same as that of ATM traffic. The Authority found the same to be a reasonable driver.

13.21 Based on above considerations, the Authority proposed the following growth rates in operation and maintenance expenses.

Table 45: Growth rates in O&M expenses considered by the Authority

Particulars	Control period				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Payroll expenses - non CHQ/RHQ	20%	7%	7%	7%	7%
Payroll expenses - CHQ/RHQ	20%	7%	7%	7%	7%
Administration and General expenses - non CHQ/RHQ	6%	17%	10%	10%	10%
Administration and General expenses - CHQ/RHQ	5%	5%	5%	5%	5%
Repairs and maintenance	9%	7%	7%	-8%	2%
Utilities and outsourcing expenses	2%	2%	2%	2%	3%
Other outflows - Collection Charges on UDF	8%	8%	8%	8%	8%
<b>Total</b>	<b>13%</b>	<b>7%</b>	<b>7%</b>	<b>3%</b>	<b>6%</b>

13.22 After incorporating the above observations by the Authority, the revised O&M expenses have been presented in the table below.





Table 46: Operation and maintenance (O&M) expenses as revised by the Authority (INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Payroll expenses - non CHQ/RHQ	9.67	10.62	12.78	13.65	14.61	15.63	16.72
Payroll expenses - CHQ/RHQ	2.01	2.12	2.54	2.72	2.91	3.11	3.33
Administration and General expenses - non CHQ/RHQ	1.81	2.81	2.97	3.49	3.84	4.22	4.65
Administration and General expenses - CHQ/RHQ	2.10	2.21	2.32	2.44	2.56	2.69	2.82
Repairs and maintenance	5.31	7.50	8.19	8.78	9.43	8.67	8.80
Utilities and outsourcing expenses	2.81	3.35	3.41	3.48	3.55	3.63	3.73
Other outflows - Collection Charges on UDF	0.13	0.23	0.25	0.27	0.29	0.31	0.33
<b>Total</b>	<b>24.03</b>	<b>28.82</b>	<b>32.46</b>	<b>34.82</b>	<b>37.18</b>	<b>38.26</b>	<b>40.38</b>

### The Authority had proposed the following regarding O&M expenses

- The Authority proposed to consider O&M expenses for the 1st Control Period for Indore Airport as per Table 46.

### Stakeholder comments

#### 13.23 Federation of Indian Airlines (FIA):

Without considering past trends, productivity improvements and cost drivers, the authority has accepted the operating expenditure submitted by AAI as is, which was forecasted on very broad basis by Indore airport. Allocation ratio and basis of allocation of gross operating expenditure has not been mentioned by the authority.

#### Issue 1: Reasonableness of operating expenditure

FIA submits that the Operating expenditure is one of the major component for determining ARR (51% of ARR), hence, the Authority should have evaluated these expenses in detail rather than accepting projections and basis provided by AAI on an "as is". Authority should have scrutinized the expenses in detail instead of leaving it for true up in the next control period.

As per clause 5.4.2 of AERA Guidelines, while reviewing forecast of operating expenditure the Authority has to assess (a) baseline operation and maintenance expenditure based on review of actual expenditure indicated in last audited accounts and check for underlying factors impacting variance over the preceding year; and (b) efficiency improvement with respect to such costs based on review of factors

such as trends in operating costs, productivity improvements, cost drivers as may be identified, and other factors as maybe considered appropriate.

FIA submits that considering the approach of the Authority for reviewing the operating expenditure is not in line with provision of AERA Guidelines, Authority should have taken independent analysis.

FIA submits that Indore Airport has already completed a significant period of operations, hence benchmarking the costs would not be difficult for the Authority. Therefore, rather than truing up, price cap should be mandated by the Authority for each of the operating expenditures depending on the evaluation of past trends, cost drivers, productivity movements, future expansions otherwise the Indore airport would not make palpable efforts to contain the costs. This would lead to additional burden on the passengers for the next control period.

### **Issue 2: Bifurcation of expenditure into aeronautical & non-aeronautical**

As per Para 11.13, certain expenditure have been considered tentative, no data is available by virtue of which Authority ought to have done proper analysis. Authority ought to have sought the information for the purpose of computing the ratios. Hence, the present ratios does not have any basis and is tentative, which depicts a very lenient approach of the Authority.

FIA submits that allocation of the operating expenditure between Aeronautical or Non-Aeronautical categories is critical under Shared Till approach. However, till the time study is conducted, FIA would like to highlight aero allocation ratio proposed as per CP 5/2014-15 of Normative approach of 80% should be used, hence it is submitted that aero expenditure should be considered at 80% for the first control period.

### **Authority's examination of stakeholder comments**

The Authority has carefully examined the comments made by FIA for operation and maintenance expenses. FIA has raised two issues. Authority's examination of these is discussed below.

#### **13.24 Issue 1 - Reasonableness of expenses:**

FIA has suggested a separate independent study for determination of efficient operating and maintenance expenses. In this regard, the Authority would like to state that it carefully examines the requirement of an independent study vis-à-vis its own diligence based on size, scale, complexity, and involvement of multiple agencies in provision of airport services / operations. Having carefully examined the proposals submitted by AAI and sought necessary clarifications from it, the Authority has proceeded with its own diligence.

13.25 **Issue 2 – Bifurcation of expenditure into aeronautical and non-aeronautical:**

FIA has commented that allocation of certain expenses have not been discussed in the consultation paper, thereby implying that the allocation has been done without any basis. However, the Authority undertook a careful assessment of allocation for all expenses. These are discussed below:

- **Payroll expenses (CHQ/RHQ):**

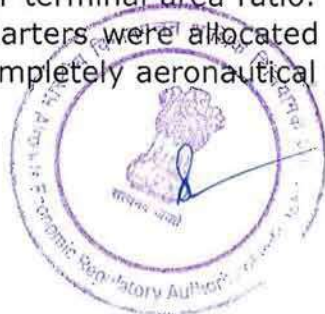
- For allocation of payroll expenses (CHQ/RHQ), the Authority used that actual employee ratio of aero and non-aero employees. This ratio was 4:81 for Indore Airport for the year FY 2017-18

- **Administration and general expenses (CHQ/RHQ):**

- First, the Authority compared the allocation of these expenses with other AAI airports. Refer Para 12.10 of the consultation paper. Comparing with similarly placed other AAI airports, allocation of administration and general expenses was proposed at 96%.
- Second, the Authority examined the Trial Balance provided by AAI for these expenses. The Authority observed that all common expenses were allocated on an actual basis, or through an appropriate ratio. For example, common office expenses pertaining to administrative block were allocated in integrated office building ratio of 10:72. Similarly, upkeep expenses were assessed on an individual basis and allocated as per actual use derived out of such expenses. On an overall basis, 8% of upkeep expenses were allocated to non-aeronautical, mostly based on terminal area ratio.

- **Repairs and maintenance expenses:**

- First, the Authority compared the allocation of these expenses with other AAI airports. Refer Para 12.10 of the consultation paper. Comparing with similarly placed other AAI airports, allocation of repairs and maintenance expenses was proposed at 97.5%.
- Other than this, the Authority assessed the Trial Balance provided by AAI for repairs and maintenance expenses. Individual items were checked for the appropriateness of their allocation. For example, repairs and maintenance expenses pertaining to terminal building were allocated as per terminal area ratio. Expenses pertaining to residential quarters were allocated as per quarter ratio. Expenses at completely aeronautical places were not allocated.



- **Other outflows:**

- These expenses pertain to charges paid by AAI to airline operators for collecting UDF from passengers. These are purely aeronautical expenses and hence no allocation is needed.

FIA has further suggested a ballpark ratio of 80% for allocation of expenses. In the absence of any reasonable justification to do so, the Authority decides to not consider this suggestion.

FIA has also suggested that the Authority should conduct an independent study to determine allocation of expenses. In this regard, the Authority does not see the need to conduct an independent study for Indore Airport.

13.26 Due to above reasons, the Authority decides to not change the allocation ratios of operating and maintenance expenses.

13.27 During the consultation stage, the Authority noted that while a new solar power plant has been proposed at Indore airport, which will be used for AAI's internal consumption of electricity, AAI has not submitted any details on savings on the electricity bill due to this solar power plant. Noting that the plans are at initial stage, the Authority is of the view that savings due to solar power plant will be factored during determination of tariff for the next Control Period as part of the true-up exercise.

13.28 Based on the above, the Authority did not make any change in its computation of the O&M expenses for Indore Airport from the consultation stage.

### **Decision No. 11: Regarding Operating and Maintenance expenses**

- 11.a. The Authority decides to consider O&M expenses as per Table 46 above.



## 14. Taxation

14.1 To compute depreciation for tax purposes, AAI has used the depreciation rates in accordance with the following table:

Table 47: Depreciation rates for tax purposes as per AAI

Asset category	IT Depreciation rate - up to FY 18	IT Depreciation rate - from FY 19
Freehold Land	0%	0%
Runways, Aprons and Taxiways	15%	10%
Road, Bridges & Culverts	10%	10%
Building - Terminal	10%	10%
Building - Residential	5%	5%
Boundary Wall - Operational	15%	10%
Boundary Wall - Residential	5%	5%
Other Buildings	10%	10%
Computer - End user	60%	40%
Computer - Servers and networks	60%	40%
Intangible Assets - Software	60%	40%
Plant & Machinery	15%	15%
Tools & Equipment	15%	15%
Office Furniture	10%	10%
Furniture & Fixtures: Other Than Trolley	10%	10%
Furniture & Fixtures: Trolley	10%	10%
Vehicles	15%	15%
Vehicles - car and jeep	15%	15%
Electrical Installations - no solar	10%	10%
Other Office Equipment	10%	10%
X Ray Baggage System	15%	15%
CFT/Fire Fighting Equipment	15%	15%

14.2 The tax calculation as submitted by AAI has been presented in the table below:

Table 48: Taxation as per AAI (figures in INR crores)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Aero revenue with revised rates	22.30	24.97	48.84	88.30	97.52	107.7	117.2
Non aeronautical revenue	2.56	2.02	4.81	5.15	5.63	6.17	6.77
O&M expenses	-23.94	-28.70	-32.10	-34.11	-36.09	-36.75	-38.39
Depreciation	-11.58	-9.80	-12.64	-17.30	-18.38	-16.31	-14.50
<b>Profit before tax</b>	<b>-10.67</b>	<b>-11.52</b>	<b>8.91</b>	<b>42.04</b>	<b>48.69</b>	<b>60.83</b>	<b>71.08</b>
Tax rate (%)	34.608%	34.608%	34.944%	34.944%	34.944%	34.944%	34.944%
<b>Taxes</b>			<b>3.11</b>	<b>14.69</b>	<b>17.01</b>	<b>21.26</b>	<b>24.84</b>

### Authority's Examination at Consultation Stage:

14.3 The Authority observed that AAI had proposed 01/11/2018 as the implementation date of the new tariffs. The Authority proposed to revise the same to 01/04/2019. This had an impact on the projected aeronautical revenues, leading to difference in tax computation.

14.4 The Authority examined the depreciation rates considered by AAI and compared them with the rates prescribed in the Income Tax Act, 1961. The Authority observed that in case of one asset category, the depreciation rates proposed by AAI were not in line with the Income Tax Act, 1961. These have been presented in the table below.

Table 49: Difference in depreciation rates for tax purposes

Asset category	Up to FY 2018	
	Rate used by AAI	Rate as per Income Tax Act, 1961
Boundary wall-operational	15%	10%

14.5 The Authority observed that the tax treatment of losses by AAI is not appropriate. AAI did not consider carry-forward of losses and their set-off in subsequent years of profit. In the period between FY 2016-17 and FY 2017-18, existing airport charges were levied. Further, in the first year of the control period, i.e. FY 2018-19, existing charges are being levied until the implementation of revised charges. The Authority observed that the existing charges led to aeronautical losses in these years. In its computation of tax expenses, AAI did not consider the benefit of these losses on taxable aeronautical profits of subsequent years, leading to increase in overall projected tax expenses. The Authority proposed to consider the carry forward and set-off of these losses. Refer Table 47 for application of carry forward and set-off of losses.

14.6 The Authority evaluated the computation of depreciation for tax allowance purposes as submitted by AAI. The Authority observed that for FY 2017-18, the depreciation rate used by AAI was not appropriate. For this financial year, AAI considered the set of rates that are applicable from FY 2018-19. The Authority proposed to use the set of rates that are applicable to FY 2017-18. The difference between these two sets of depreciation rates impacted four categories of assets. These are:

- Runways, aprons and taxiways
- Computer - End user
- Computer - Servers and networks
- Intangible Assets - Software



Refer Table 40 of the consultation paper for the depreciation rates pertaining to these asset categories.

14.7 The Authority observed that non-aeronautical revenues have been considered for computation of taxes. Under hybrid till, only aeronautical taxes are considered for tariff determination. Therefore, the Authority proposed to exclude the non-aeronautical revenues from this computation.

14.8 The Authority proposed to consider the O&M expenses in accordance with Table 39 of the consultation paper for computation of tax expense.

14.9 The Authority proposed to consider the capital expenditures for computation of depreciation in accordance with Table 16 of the consultation paper.

14.10 After considering all the observations from Depreciation, O&M expenses and Capital Expenditures analysis, the Authority proposed the following tax expense during the 1<sup>st</sup> control period.

Table 50: Tax expense as per Authority - Consultation Paper (figures in INR crores, except those in %)

Particulars	Pre control regulatory period		Control period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Aero revenue with proposed rates	22.3	24.9	32.2	84.5	96.4	110.1	125.7
Non aeronautical revenue	-	-	-	-	-	-	-
O&M expenses	-23.9	-28.8	-32.5	-34.8	-37.2	-38.3	-40.4
Depreciation	-11.4	-10.3	-12.4	-17.1	-18.2	-16.2	-14.4
<b>Profit before tax</b>	<b>-13.0</b>	<b>-14.1</b>	<b>-12.7</b>	<b>32.6</b>	<b>41.0</b>	<b>55.6</b>	<b>71.0</b>
Carry forward of loss	-13.0	-14.1	-12.7	-	-	-	-
Set-off of loss	-	-	-	32.6	7.3	-	-
<b>Profit before tax after set-off of loss</b>	<b>-13.0</b>	<b>-14.1</b>	<b>-12.7</b>	<b>-</b>	<b>33.8</b>	<b>55.6</b>	<b>71.0</b>
Tax rate (%)	34.61	34.61	34.94	34.94	34.94	34.94	34.94
<b>Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.8</b>	<b>19.4</b>	<b>24.8</b>

### The Authority had proposed the following regarding tax expense

- The Authority proposed to consider the tax expense for the 1st Control Period for Indore Airport as per Table 50 above.

### Stakeholder comments

#### 14.11 Federation of Indian Airlines (FIA):



**Carry forward of losses prior to FY17 should be allowed to set off from future profits.**

FIA submits that as per Proposal 10 of the Consultation Paper, Authority has considered carry forward of losses for prior 2 years i.e. FY17 & FY18 only and setoff the carried forward losses FY20 (INR 27.1 crores).

FIA submits that as per AERA guidelines Para 5.5.1 which states "Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement." The guidelines are clear that tax payments under Income Tax Act, 1961 will be considered for calculation of target revenue.

Para 5.5.2 of AERA guidelines states "The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof". However as per proviso to sub-section (ii) Section 72 of Income Tax Act, 1961, "if the loss cannot be wholly so set off, the amount of loss not so set off shall, in case the business so re-established, reconstructed or revived continues to be carried on by the assessee, be carried forward to the following assessment year and so on for seven assessment years immediately succeeding". Hence, business losses can be carried forward for 8 years and can be set off with profits in future years. Hence, the actual tax paid by the Company in control period shall be lower due to the set off of carry forward of losses prior to FY17.

It is submitted that losses for periods prior to FY17 (if any) that are allowed to carry forward as per Income Tax Act, 1961 should be considered while computing taxation in the first control period rather than leaving it for true up in the second control period. Also, actual payment of income taxes should be considered for true up purposes.

**Authority's examination of stakeholder comments**

14.12 The Authority has carefully examined the comments made by FIA regarding tax expense. FIA has suggested that aeronautical losses from earlier years (before FY 2016-17) should be considered for carry forward and set off from aeronautical profits during the control period.

The Authority does not agree with this view presented by FIA. Before FY 2016-17, the airport was not under the regulatory ambit of the Authority. Therefore, the Authority does not intend to compute the regulatory building blocks for years prior to FY 2016-17.

14.13 The Authority separately verified the depreciation rate for solar power plant for tax purposes. This was found to be 40%. Therefore, the





Authority decides to change this rate to 40%, 10% considered during the consultation stage.

14.14 Based on the revised components of aeronautical income, the Authority computed the tax expense. This has been presented in the table below.

Table 51: Tax expense as per Authority - Final (figures in INR crores)

Particulars	Pre control regulatory period				Control period		
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Aero revenue with proposed rates	22.3	25.8	30.4	80.2	93.1	108.2	125.8
Non aeronautical revenue	-	-	-	-	-	-	-
O&M expenses	-24.2	-28.8	-32.5	-34.8	-37.2	-38.3	-40.4
Depreciation	-11.4	-10.3	-13.0	-18.1	-18.7	-16.4	-14.4
<b>Profit before tax</b>	-13.2	-13.3	-15.1	27.3	37.2	53.5	71.0
Carry forward of loss	-11.0	-13.3	-15.1	-	-	-	-
Set-off of loss	-	-	-	27.3	14.3	-	-
<b>Profit before tax after set-off of loss</b>	<b>-13.2</b>	<b>-14.1</b>	<b>-11.6</b>	<b>-</b>	<b>22.9</b>	<b>53.5</b>	<b>71.0</b>
Tax rate (%)	34.6%	34.6%	34.9%	34.9%	34.9%	34.9%	34.9%
<b>Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.0</b>	<b>18.7</b>	<b>24.8</b>

### Decision No. 12: Regarding taxation expense

12.a. The Authority decides to consider the tax expense as per Table 51 above.

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## 15. True-up

15.1 As explained in Chapter 2 of this consultation paper, the Authority considered the Aggregate Revenue Requirement, or ARR, for the first two years, i.e. FY 2016-17 and FY 2017-18. This ARR would be compared with the actual aeronautical revenues earned by AAI. Any shortfall (or surplus) would be added (true-up) to the ARR for the five-year control period.

15.2 AAI submitted a computation of true up based on actual figures of FY 2016-17 and FY 2017-18.

15.3 The shortfall has been compounded up to 1<sup>st</sup> April, 2019. The true-up computation proposed by AAI has been presented in the table below.

Table 52: True up calculation as per AAI (figures in INR crores)

Particulars	FY 2017	FY 2018	FY 2019
ARR	45.73	50.60	
Actual aero revenues	22.30	24.97	
<b>Shortfall</b>	<b>23.44</b>	<b>25.63</b>	
Future value factor at 14%	1.30	1.14	
<b>Future value of shortfall at 14%</b>	<b>30.46</b>	<b>29.22</b>	<b>59.68</b>

### Authority's Examination at Consultation Stage:

15.4 The Authority proposed to revise the above computation on the basis of its proposals of various regulatory building blocks discussed in this paper, as those observations and proposals are applicable for these two years as well. Accordingly, the Authority's computation of true-up is presented in the table below.

Table 53: True up calculation as per the Authority - Consultation Paper (figures in INR crores)

Particulars	FY 2017	FY 2018	FY 2019
ARR	45.49	48.97	
Actual aero revenues	22.25	24.94	
<b>Shortfall</b>	<b>23.24</b>	<b>24.03</b>	
Future value factor at 14%	1.30	1.14	
<b>Future value of shortfall at 14%</b>	<b>30.20</b>	<b>27.40</b>	<b>57.60</b>

### The Authority had proposed the following regarding true-up

- The Authority proposed to consider the true up calculations for the 1st Control Period for Indore Airport as per Table 53.

15.5 The Authority did not receive any comments regarding computation of True-up. During the consultation, the Authority noticed that the cargo



operations were with AAI for FY 2016-17 before being handed over to AAICLAS from FY 2017-18 onwards. The Authority has accordingly included the ARR and revenue from cargo operations in its calculation of True-up for FY 2016-17 and outlined its approach in 17.9.2. Therefore, after revising the regulatory building blocks after consultation with stakeholders as per the separate chapters discussed in this Order, the Authority has decided the following true-up, as presented in the table below.

Table 54: True up calculation as per the Authority – Final (figures in INR crores)

Particulars	FY 2017	FY 2018	FY 2019
ARR	46.42	48.79	
Actual aero and cargo revenues	24.67	25.79	
<b>Shortfall</b>	21.76	23.00	
Future value factor at 14%			54.50
<b>Future value of shortfall at 14%</b>	<b>28.28</b>	<b>26.22</b>	<b>54.50</b>

### Decision No. 13: Regarding true-up

- 13.a. The Authority decides to consider the true up calculations as per Table 54 above.

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## 16. Aggregate Revenue Requirement for the 1<sup>st</sup> control period

- 16.1 AAI has submitted Aggregate Revenue Requirement (ARR) and yield per passenger (Y) for the 1<sup>st</sup> control period as per the regulatory building blocks discussed.
- 16.2 All cash flows are assumed to occur at the end of the year. Further, all cash flows are discounted to 1<sup>st</sup> April, 2019.
- 16.3 The summary of ARR and Yield has been presented in the table below.

Table 55: ARR and Yield as per AAI

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Average RAB (INR crores)	101.48	142.89	157.66	142.04	127.63
Fair Rate of Return	14%	14%	14%	14%	14%
Return on average RAB (INR crores)	14.21	20.00	22.07	19.89	17.87
O&M expenses (INR crores)	32.10	34.11	36.09	36.75	38.39
Depreciation (INR crores)	14.50	16.25	17.18	14.90	14.77
Tax expense (INR crores)	3.11	14.69	17.01	21.26	24.84
Less: 30% NAR (INR crores)	4.81	-5.15	-5.63	-6.17	-6.77
<b>ARR per year (INR crores)</b>	<b>59.12</b>	<b>79.91</b>	<b>86.72</b>	<b>86.63</b>	<b>89.10</b>
Add: True up	59.68				
PV of ARR based @14% (INR crores)	118.79	70.09	66.73	58.47	52.76
Total present value of ARR (INR cr.)	366.84				
Total traffic (million passengers)	15.15				
<b>Yield per passenger (Y) (INR)</b>	<b>242.08</b>				

### Authority's Examination at Consultation Stage:

16.4 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the Table 46 above, the Authority proposed as below:

- 16.4.1 To consider the average RAB in accordance with Table 23 of the consultation paper.
- 16.4.2 To consider the FRoR at 14%.
- 16.4.3 To consider the O&M expenses as per Table 39 of the consultation paper.
- 16.4.4 To consider the depreciation as per Table 21 of the consultation paper.



- 16.4.5 To consider the tax expense as per Table 43 of the consultation paper.
- 16.4.6 To consider the non-aeronautical revenue as per Table 29 of the consultation paper.
- 16.4.7 To consider the total traffic in accordance with Table 5 of the consultation paper.
- 16.5 After considering the above, the Authority proposed the following ARR and Yield, as presented in the table below.

Table 56: ARR and Yield as per Authority – Consultation Paper

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Average RAB (INR crores)	100.22	140.80	158.72	147.30	137.09
Fair Rate of Return	14%	14%	14%	14%	14%
Return on average RAB (INR crores)	14.03	19.71	22.22	20.62	19.19
O&M expenses (INR crores)	32.46	34.82	37.18	38.26	40.38
Depreciation (INR crores)	14.49	14.14	12.98	10.70	10.57
Tax expense (INR crores)	-	-	11.80	19.44	24.80
Less: 30% NAR (INR crores)	-6.54	-7.27	-7.97	-8.73	-9.59
<b>ARR per year (INR crores)</b>	<b>54.44</b>	<b>61.40</b>	<b>76.21</b>	<b>80.28</b>	<b>85.34</b>
Add: True up	57.60				
PV of ARR based @14% (INR crores)	112.04	53.86	58.64	54.19	50.53
Total present value of ARR (INR cr.)	329.26				
Total traffic (million passengers)	17.57				
<b>Yield per passenger (Y) (INR)</b>	<b>187.37</b>				

- 16.6 It is to be noted that the above yield is based on total passengers expected at the airport, i.e., departing as well as embarking. It is an indicative figure, not to be confused with revenue entitlement to the airport per departing passenger only. The yield per departing passenger in similar terms would be twice of yield as per the above table, i.e. INR 374.74.

### The Authority had proposed the following regarding Aggregate Revenue Requirement

- The Authority proposed to consider the ARR and Yield for the 1<sup>st</sup> control period for Indore airport in accordance with Table 53 above.

### Stakeholder comments

#### 16.7 Federation of Indian Airlines (FIA):



**Shortfall (68%) in ARR has been compensated by burdening the passengers with levy of UDF. Shortfall stems from acceptance of AAI's submission in all building blocks leading to higher ARR.**

FIA submits that as per Proposal 13 of Consultation Paper, the Authority has accepted the shortfall of INR 223.58 crores i.e. 68% of ARR before imposing User Development Fee (UDF) which has reduced to NIL post introduction of UDF. FIA submits that the same implies 68% of shortfall is recovered from UDF. However, the Authority has not discussed or suggested any means to recover such a significant shortfall. FIA submits that if the shortfall of 68 % in ARR, is met through an increase in the tariffs, the viability and affordability of airport for airlines and passengers will be adversely affected.

FIA further submits that the one of the key reasons of shortfall is acceptance of AAI's submission in all building blocks like higher RAB, higher FRoR, operating expenditure, and lower non-aero revenue; these all factors have cumulatively led to a higher ARR. FIA has also noted that revenue from cargo operations and air navigation services have not been formed part of tariff proposal, which has led to an increase in shortfall during control period. FIA has conducted analysis on each of the building blocks as discussed hereinafter.

Accordingly, FIA submits that the Authority should expressly comment about the measures to contain the above-mentioned shortfall by adjusting the current building blocks as it will impact the viability and affordability of the Indore Airport for airlines and passengers.

### **Authority's examination of stakeholder comments**

16.8 The Authority has noted the comments of FIA regarding shortfall in ARR being recovered through UDF. The Authority clarifies that it has a defined approach for determination of ARR, which is based on its building blocks. The Authority has examined each building block carefully from various perspectives while being included in the determination of ARR. Resultant ARR needs to be recovered through aeronautical sources including landing, parking, housing charges, UDF etc. The Authority encourages airport operators to first explore and exhaust the charges other than UDF to meet its ARR. Only in cases, where increases in charges other than UDF concerns the stakeholders such as airlines, and other service providers, the Authority considers levy of UDF. The same approach has been adopted in respect of Indore Airport.

16.9 Having considered the above, the Authority decides to consider the ARR and Yield for the 1st control period in accordance with Table 57 below.



Table 57: ARR and Yield as per Authority - Final

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Average RAB (INR crores)	98.72	137.75	156.40	145.61	135.97
Fair Rate of Return	14%	14%	14%	14%	14%
Return on average RAB (INR crores)	13.82	19.29	21.90	20.39	19.04
O&M expenses (INR crores)	32.45	34.81	37.18	38.26	40.37
Depreciation (INR crores)	14.14	13.53	12.48	10.30	10.18
Tax expense (INR crores)		-	8.01	18.71	24.82
Less: 30% NAR (INR crores)	-6.54	-7.27	-7.97	-8.73	-9.59
<b>ARR per year (INR crores)</b>	<b>53.87</b>	<b>60.36</b>	<b>71.59</b>	<b>78.92</b>	<b>84.82</b>
Add: True up	54.50				
PV of ARR based @14% (INR crores)	53.87	52.94	55.09	53.27	50.22
Total present value of ARR (INR cr.)	319.89				
Total traffic (million passengers)	21.94				
<b>Yield per passenger (Y) (INR)</b>	<b>145.77</b>				

16.10 It is to be noted that the above yield is based on total passengers expected at the airport, i.e., departing as well as arriving. The yield per departing passenger in similar terms would be twice of this yield as per the above table, i.e. INR 291.44 मेव जयते

#### Decision No. 14: Regarding Aggregate Revenue Requirement

14.a. The Authority decides to determine the Aggregate Revenue Requirement in respect of Indore Airport as per Table 57.

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## 17. Annual Tariff Proposal

- 17.1 As part of the Multi-year Tariff proposal, AAI submitted a tariff card for all five years of the first control period. This tariff card has been reproduced in this chapter. The Authority examined AAI's Multi-year Tariff Proposal, along with all regulatory building blocks. The Authority's examination has been discussed in this consultation paper in the previous chapters. Except a revised UDF, AAI has not revised the tariff card after Authority's examination.
- 17.2 AAI has proposed the implementation date of new tariffs from 01/11/2018. The Authority has proposed to revise the implementation date to 01/04/2019.
- 17.3 The tariff card proposed for the first control period has been reproduced here. For purposes of comparison, the existing aeronautical charges have been provided along with each charge.
- 17.4 Because there are no international operations at Indore airport, and no traffic projections made, the Authority proposes same tariff for international operations, as is being approved for domestic operations. This measure is just to allow levy of tariff on an international operations, when it happens for the first time. As and when the international operations appear to sustain for a period at Indore Airport, AAI may approach the Authority with a separate tariff proposal for international operations.

### I) LANDING CHARGES

Table 58: Landing charges proposed for the first control period

Weight of the Aircraft	Domestic rate per landing (INR)
Up to 25 MT	160 Per MT
Above 25 MT up to 50 MT	4,000+280 per MT in excess of 25 MT
Above 50 MT up to 100	11,000+320 per MT in excess of 50 MT
Above 100 MT to 200 MT	27,000+390 per MT in excess of 100 MT
Above 200 MT	66,000+440 per MT in excess of 200 MT

Table 59: Existing landing charges

Weight of Aircraft	Domestic flights
Up to 10 MT	INR 67.10 per MT
Above 10 MT up to 20 MT	INR 671 plus INR 117.70 per MT in excess of 10 MT
Above 20 MT up to 50 MT	INR 1,848 plus INR 231 per MT in excess of 20 MT
Above 50 MT up to 100 MT	NA
Over 100 MT	NA



- 17.4.1 No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- 17.4.2 All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
- 17.4.3 Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
- 17.4.4 Flights operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.

## **II) PARKING AND HOUSING CHARGES**

Table 60: Parking and housing charges proposed for the first control period

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour (INR)</b>	<b>Housing Charges Rates per Hour (INR)</b>
Up to 25 MT	3.00 Per Hour Per MT	6.00 Per Hour Per MT
Above 25 MT up to 50 MT	75.00+4.00 per Hour per MT in excess of 25 MT	150.00+8.00 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	175.00+8.00 per MT per Hour in excess of 50 MT	350.00+16.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	575.00+10.00 per MT per Hours in excess of 100 MT	1150.00+20.00 per MT per Hours in excess of 100 MT
Above 200 MT	1575.00+11.00 per MT per Hours in excess of 200 MT	3150.00+22.00 per MT per Hours in excess of 200 MT

Table 61: Existing parking, housing and night parking charges

<b>Weight of Aircraft</b>	<b>Domestic flights</b>	<b>International flights</b>
<b>Housing charges:</b>		
Up to 40 MT	INR 3.50 per hour per MT	INR 4.10 per hour per MT
Above 40 MT up to 100 MT	INR 140 plus INR 6.80 per hour per MT in excess of 40 MT	INR 164 plus INR 7.90 per hour per MT in excess of 40 MT
Above 100 MT	INR 548 plus INR 10.30 per hour per MT in excess of 100 MT	INR 638 plus INR 11.90 per hour per MT in excess of 100 MT

Weight of Aircraft	Domestic flights	International flights
<b>Parking charges:</b>		
Up to 40 MT	INR 1.80 per hour per MT	INR 2.10 per hour per MT
Above 40 MT up to 100 MT	INR 72 plus INR 3.40 per hour per MT in excess of 40 MT	INR 84 plus INR 3.90 per hour per MT in excess of 40 MT
Above 100 MT	INR 276 plus INR 5.20 per hour per MT in excess of 100 MT	INR 318 plus INR 6.00 per hour per MT in excess of 100 MT
<b>Night parking charges (between 2200 hours and 0600 hours):</b>		
Up to 40 MT	INR 0.90 per hour per MT	INR 1.10 per hour per MT
Above 40 MT up to 100 MT	INR 36 plus INR 1.70 per hour per MT in excess of 40 MT	INR 44 plus INR 2.00 per hour per MT in excess of 40 MT
Above 100 MT	INR 138 plus INR 2.60 per hour per MT in excess of 100 MT	INR 164 plus INR 3.00 per hour per MT in excess of 100 MT

17.4.5 No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.

17.4.6 For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.

17.4.7 Charges shall be calculated on the basis of nearest MT.

17.4.8 Charges for each period parking shall be rounded off to nearest rupee.

17.4.9 At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.

17.4.10 It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Indore Airport if the State Government has brought the rate of tax (VAT) on ATF  $\leq$  5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made

applicable from the date of implementation of  $\leq 5\%$  tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.

17.4.11 The tariff for flights operating under Regional Connectivity Scheme will be governed by AIC issued on this subject by DGCA.

### **III) THROUGHPUT CHARGES**

<b>Proposed Rate Per KL (IN INR)</b>
164.57

### **IV) PASSENGER SERVICE FEE (PSF) - FACILITATION/USER DEVELOPMENT FEES (UDF)**

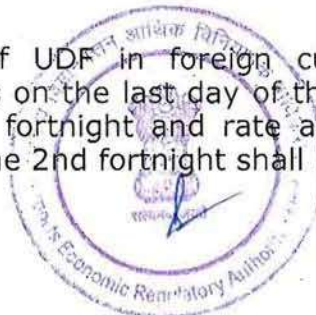
Category	Existing rate - PSF (FC) - INR per embarking passenger	Proposed rate - UDF - INR per embarking passenger
Domestic	77	394

**Note:** PSF (FC) is proposed to be subsumed under UDF. PSF (SC) would be applicable as prescribed by the Ministry of Civil Aviation. Originally, AAI proposed a UDF of INR 460 per embarking domestic passenger. However, after examination of the regulatory building blocks by the Authority and the resultant ARR, there was a surplus in projected aeronautical revenues when compared with ARR. Therefore, to ensure that the projected aeronautical revenues match with the ARR, AAI has proposed the UDF per embarking domestic passenger at INR 394 for domestic passengers. Further, the Authority notes that Credit Policy of AAI is being revised with effect from 01/04/2019. However, the same shall be considered by the Authority after consultation with the stakeholders.

17.4.12 Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at INR 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.

17.4.13 No collection charges are payable to casual operator/non-scheduled operators.

17.4.14 For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.



- 17.4.15 Revised UDF charges will be applicable on tickets issued on or after **01/04/2019.**

**V) Exemption from levy and collection from UDF at the Airports**

The following categories of persons are exempted from levy and collection of UDF:

- 17.4.16 Children (under age of 2 years),
- 17.4.17 Holders of Diplomatic Passport,
- 17.4.18 Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- 17.4.19 Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- 17.4.20 Persons traveling on official duty for United Nations Peace Keeping Missions,
- 17.4.21 Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket. In case two separate tickets are issued, it would not be treated as transit passenger), and
- 17.4.22 Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**VI) GENERAL CONDITION:**

All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.

**Aeronautical revenue under the proposed tariff card:**

- 17.4.23 The Authority ensured that the proposed tariff card leads to projected revenues in line with the ARR. This has been further detailed in the table below.

Table 62: Computation of shortfall or surplus from proposed aeronautical charges - Consultation Paper (in INR crores)

Particulars	FY 2019 - up to 28/02/19	FY 2019 - from 01/03/19	FY 2020	FY 2021	FY 2022	FY 2023
Total PV of ARR including true up	329.26					

Particulars	FY 2019 - up to 28/02/19	FY 2019 - from 01/03/19	FY 202 0	FY 202 1	FY 202 2	FY 202 3
<b>Landing charges:</b>						
Domestic	12.4	1.5	19.9	22.3	25.1	28.2
International	-	-	-	-	-	-
<b>Parking and housing charges:</b>						
Domestic	0.0	0.0	0.1	0.1	0.1	0.1
International	-	-	-	-	-	-
Fuel Throughput charges	0.6	0.1	0.8	0.9	1.1	1.2
Ground handling charges	1.0	0.1	1.2	1.3	1.4	1.5
Land lease - Oil companies / Ground Handling	0.7	0.1	0.8	0.8	0.8	0.8
CUTE charges	2.1	0.2	2.6	3.0	3.5	4.0
<b>Total - before UDF</b>	<b>16.8</b>	<b>1.9</b>	<b>25.4</b>	<b>28.5</b>	<b>31.9</b>	<b>35.9</b>
PV factor	1.00	1.00	0.88	0.77	0.67	0.59
PV of above	16.8	1.9	22.3	21.9	21.5	21.2
<b>Σ PV of above</b>	<b>105.68</b>					
<b>Shortfall before UDF</b>	<b>223.58</b>					
<b>UDF:</b>						
Domestic	9.2	4.3	59.1	68.0	78.2	89.9
International	-	-	-	-	-	-
PV of UDF	9.2	4.3	51.8	52.3	52.8	53.2
<b>Σ PV of UDF</b>	<b>223.58</b>					
<b>Shortfall / (surplus)</b>	<b>-</b>					

### Authority's Examination at Consultation Stage:

17.5 As can be observed from the table above, AAI is entitled to recover an ARR of INR 329.26 crores, as per Authority's proposals, summarized in Chapter 17. From the tariff card proposed and further revised by AAI, the present value of total projected aeronautical revenues is INR 329.26 crores (INR 105.68 crores + INR 223.58 crores), which is within the ARR.

### The Authority had proposed the following regarding tariff rate card in Consultation Paper

- The Authority proposed the Annual Tariff Proposal as given in table 56 under section 16.5 for determination of tariff during 1<sup>st</sup> control period as the present value of proposed revenues by AAI matches with the ARR as per Authority.
- Because there are no international operations at Indore Airport, and no projections made, the Authority does not intend to propose any tariff for international operations. As and when the international operations commence at Indore Airport, AAI may approach the Authority with its tariff proposal.



## Stakeholder comments

### 17.6 Federation of Indian Airlines (FIA):

**Issue 1: Tariff card for 1st control period – increase in charges borne by airlines as proposed by Indore airport has been accepted by authority. 114% in housing & parking charges, 31% in domestic landing charges. Authority should consider 16% YoY growth rate for domestic passengers and other components of ARR to reevaluate increase in charges**

FIA further submits that the tariff rates are proposed to be applicable with effect from 01 March, 2019. FIA submits that there is an increase in charges to be borne by the airline i.e. 114% increase in Housing & Parking Charges and 31% increase in domestic landing charges.

FIA has observed that the Authority has accepted the tariffs proposed by Indore airport. However, the Authority has not mentioned or analyzed the percentage increase in proposed tariff.

FIA submits that as per "Charges for airport services (major / non major airports) effective from 1 April 2017" as issued by AAI, it was noted that existing tariff rates at Indore airport are based on the following slabs: (i) up to 40 MT, (ii) Above 40MT up to 100MT and (iii) Above 100MT. Since, the weight slabs mentioned for all charges as per AAI tariff card are different from the ones mentioned in Proposal 13 (Annual Tariff Proposal) of the Consultation Paper and no bridge has been provided between these slabs, FIA requests Authority to confirm the manner in which the increase of tariffs has been computed for first control period over the existing tariff rates.

FIA submits that on best effort basis, FIA has tried to compute the percentage increase in proposed tariffs vis-à-vis existing tariffs. FIA have computed the increase for certain weight categories of aircrafts due to non-availability of certain slabs in existing rates and proposed rates in above mentioned table. FIA has observed that key charges have increased in the range of 25% to 110%. However, percentage increase as per FIA's analysis is different in each category as compared to percentage increase under MYTP submitted by AAI.

FIA further submits that Authority has proposed INR 394 as UDF per domestic embarking passenger. At present, no UDF is charged by Indore airport. Authority should consider 16% YoY growth rate for domestic passengers while computing UDF.

FIA further submits that give due consideration needs to be given by the Authority to other issues highlighted by FIA in the present submission, while proposing a new tariff card in order.

**Issue 2: Adequate information not provided**

FIA submits that following are certain instances wherein no adequate information has been provided by the Authority:



(i)Tariff rates: The Authority has not mentioned CUTE charges in CP 27 for stakeholder review despite each of them forming a part of Aeronautical Revenues.

### Authority's examination of stakeholder comments

#### Issue 1:

17.7. The Authority has noted the comments by FIA and accordingly encourages airport operators, in this instance AAI, to provide the said charges for different aircraft types such as Airbus A320 and Boeing 737, which are more prevalent in India.

#### Issue 2:

17.8. The Authority has noted the comments by FIA regarding CUTE charges. CUTE charges for Indore Airport are fixed at INR 17.55 per pax for the period between 01/09/2014 and 31/08/2021. For the period between FY21 and FY23, the CUTE charges have been assumed to remain unchanged. Any changes to the rates will be reflected in the calculation of ARR in the second control period.

17.9. **Cargo revenues:** The Authority acknowledges that monies earned by AAI from AAICLAS for transfer of cargo business at Indore Airport should be accounted for in this Order. The Authority accordingly asked AAI for agreement between AAICLAS and AAI for such details in terms of revenue share / other nature of payments to be made by AAICLAS to AAI in lieu of transfer of cargo business. AAI confirmed that the agreement is in progress, and as of now, there are no payments exchanged between the two entities. The Authority is of the view that an at-arms-length business transaction would involve monies to be paid by AAICLAS to AAI in lieu of transfer of business and assets thereof. Therefore, the Authority decides to consider notional revenue from AAICLAS to be included in projected revenue for AAI at Indore Airport. The Authority will true this up once actual details are shared by AAI at the time of determination of aeronautical tariff for Indore Airport for the next Control Period.

17.9.1 To estimate this notional revenue from AAICLAS to AAI for Indore Airport, the Authority has considered the past trend in revenue from cargo operations at Indore Airport and sought this information from AAI. AAI informed that revenue from cargo operations for FY 2017-18 onwards accrued to AAICLAS and the amounts are listed in the table below. The Authority has considered the CAGR mentioned in Table 63 as the estimated growth in revenue from cargo operations at Indore airport and considered 30% of this estimated revenue as the notional revenue from AAICLAS to AAI.

Table 63: Computation of Notional revenue from AAICLAS to AAI - Final (in INR crores)

Notional revenue from AAICLAS	FY 2017#	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
(INR crores)	2.41	2.84	3.07	4.17	5.67	7.71	10.48
% per annum growth rate	-	71%	18%	13%	13%	13%	13%

<b>CAGR</b>			<b>13%</b>				
<b>Notional revenue from AAICLAS to AAI</b>	-	0.9	0.9	1.0	1.2	1.3	1.5
#Revenue for FY 2017 accrued to AAI							

17.9.2 The Authority observed that management of cargo operations was transferred to AAICLAS from FY 2017-18. Because for FY 2016-17, these operations were still under AAI, ARR for cargo operations for FY 2016-17 has been calculated separately and added to its total ARR. The calculation of ARR for cargo operations has been presented in the table below. The ARR and revenue for cargo operations have been included in True-up calculations shown in section 15.5.

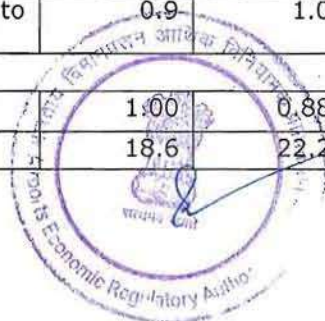
Table 64: Computation of ARR for Cargo Operations - Final (in INR crores)

<b>Cargo ARR Calculations</b>	<b>FY 2017</b>
Average RAB (INR crores)	-
Fair Rate of Return	14%
Return on average RAB (INR crores)	-
O&M expenses (INR crores)	0.21
Depreciation (INR crores)	-
Tax expense (INR crores)	0.76
Less: 30% NAR (INR crores)	-
<b>ARR (INR crores)</b>	<b>0.97</b>
<b>Actual revenue from cargo operations accrued to AAI (INR crores)</b>	<b>2.41</b>

17.10 Based on revised regulatory building blocks, ARR, yield and aeronautical tariffs, the Authority computed the projected aeronautical revenues. These are presented in the table below.

Table 65: Computation of shortfall or surplus from proposed aeronautical charges - Final (in INR crores)

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total PV of ARR including true up</b>	<b>319.89</b>				
<b>Landing charges:</b>					
Domestic	12.4	18.2	20.5	23.0	25.8
International	-	-	-	-	-
<b>Parking and housing charges:</b>					
Domestic	0.0	0.1	0.1	0.1	0.1
International	-	-	-	-	-
Fuel Throughput charges	0.6	0.8	0.9	1.1	1.2
Ground handling charges	1.1	1.2	1.3	1.4	1.5
Land lease - Oil companies / Ground Handling	0.8	0.8	0.8	0.8	0.8
CUTE charges	2.7	3.2	3.7	4.4	5.2
Notional revenue from AAICLAS to AAI	0.9	1.0	1.2	1.3	1.5
<b>Total - before UDF</b>					
PV factor	1.00	0.88	0.77	0.67	0.59
PV of above	18.6	22.2	21.9	21.7	21.4





	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Σ PV of above</b>	<b>105.86</b>				
<b>Shortfall before UDF</b>	<b>214.03</b>				
<b>UDF:</b>					
Domestic	11.9	54.8	64.6	76.1	89.6
International	-	-	-	-	-
PV of UDF	11.9	48.1	49.7	51.3	53.0
<b>Σ PV of UDF</b>	<b>214.03</b>				
<b>Shortfall / (surplus)</b>	<b>-</b>				

17.11 The Authority decides to set UDF charges for Indore Airport as per table 66 below.

Table 66: Existing PSF charges and proposed UDF charges - Final (in INR crores)

Category	Existing rate – PSF (FC) - INR per embarking passenger	Proposed rate – UDF - INR per embarking passenger
Domestic	77	302

17.12 The Authority, taking note of FIA's comments, has provided below an illustrative list of charges, as would be applicable for select configuration of aircrafts. These are indicative, and actual charges may vary based on particular aircraft configuration.

Table 67: Illustrative list of charges for major aircrafts in use in India (figures in INR)

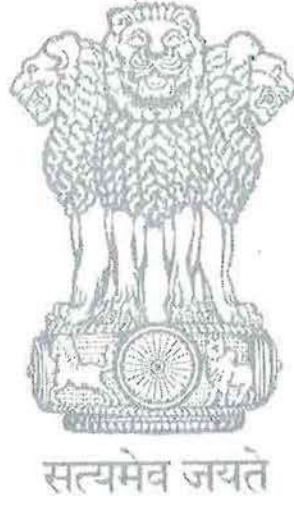
<b>Airbus A320 (Maximum take-off weight = 68 MT)</b>			
Domestic Charges:	Existing	Proposed	Increase
Landing charges	12,936	16,760	30%
Housing charges	330	638	93%
Parking charges	167	319	91%
<b>Boeing 737-800 (maximum take-off weight = 78MT)</b>			
Domestic Charges:	Existing	Proposed	Increase
Landing charges	15,246	19,960	31%
Housing charges	398	798	100%
Parking charges	201	399	98%

### Decision No. 15: Regarding tariff rate card

15.a. To fix the tariff for 1<sup>st</sup> Control Period as per Tariff Card given in Annexure-2.



- 15.b. The Authority decides to set tariff for international operations at the same levels as for domestic operations at Indore Airport.



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## 18. Annual Compliance Statement

- 18.1 The Airport Guidelines issued by the Authority have laid down the error correction mechanism with reference to the adjustment to the Estimated Maximum Allowed Yield per passenger, calculated using the error correction term of Tariff Year t-2 and the compounding factor. The error correction calculated as per the Airport Guidelines indicated the quantum of over-recovery or under-recovery due to increase or decrease respectively of the Actual Yield per passenger with respect to Actual Maximum Allowed Yield per passenger in the Tariff Year.
- 18.2 Accordingly, any recovery / over recovery during the first control period will be accounted for in the second control period.
- 18.3 Further, the Authority has noted that in view of all the corrections/truing up to be carried out at the end of the control period, Indore Airport may submit Annual Compliance Statements for the tariff years FY 2018-19 to FY 2022-23 of the first control period.

### Decision No. 16: Regarding Annual Compliance

- 16.a. Indore Airport shall submit the Annual Compliance Statements as per the Guidelines for all the tariff years from FY 2018-19 to FY 2022-23 of the first control period along with the MYTP for the next Control Period.

सत्यमेव जयते

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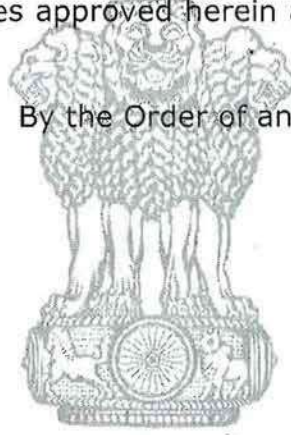
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## 20. Order

20.1 In exercise of power conferred by section 13(1)(a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at Indore Airport for the First Control Period from 01.04.2018 to 31.03.2023 effective from 01.04.2019 and the rate card so arrived at has been attached as Annexure-2 to the Order . The UDF rates indicated in the tariff card are also in accordance with section B(1)(b) read with rule 89 of the Aircraft Rules, 1937. The rates approved herein are the ceiling rates, exclusive of taxes if any.

By the Order of and in the Name of the Authority



  
(Geetha Sahu)  
AGM (F)

To,

**Airports Authority of India,  
Rajiv Gandhi Bhavan,  
Safdarjung Airport,  
New Delhi - 110003**

सत्यमेव जयते

भा.वि.आ.वि.प्रा.  
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# Annexure 1 – AUCC Meeting Minutes

दिनांक 24.07.2018

## // बैठक के कार्यवृत्त //

विषय :- Development of 15 Parking Bays, Part Parallel Taxiway and other associated works  
- Stakeholders के साथ बैठक के कार्यवृत्त

दिनांक 24-07-2018 समय 1530 बजे विषयांतर्गत बैठक आयोजित की गई, जिसके अंश: निम्नलिखित सदस्य उपस्थित रहे :-

1. श्रीमति अरुण सान्याल, विमानपत्तन निदेशक, भाविप्रा, इन्दौर
2. श्री अरुण एस. अल्लावा, संयुक्त महाप्रबंधक, संभार, भाविप्रा, इन्दौर
3. श्री अरुण गुप्ता, सहायक महाप्रबंधक-विद्युत, भाविप्रा, इन्दौर
4. श्री आर.के. सिंह, डीपीटी कमांडरेंट, के.ओ.सूचना, इन्दौर
5. श्री आर.के. श्रीवास्तव, उपमहाप्रबंधक-टर्मिनल, भाविप्रा, इन्दौर
6. श्री राम किशोर, उपमहाप्रबंधक-पट्टीसी, भाविप्रा, इन्दौर
7. श्री एस. सी. भास्कर, सहायक महाप्रबंधक-तन्त्र, भाविप्रा, इन्दौर
8. श्री श्रीवास्तव अग्रवाल, सहायक महाप्रबंधक- विद्युत, भाविप्रा, इन्दौर
9. श्री गिरीश चन्द्र वर्मा, वरिष्ठ प्रबंधक, एटीसी संभार डीपीसी, भाविप्रा, इन्दौर
10. श्री गणेशचंद्र चौहान, प्रबंधक-अभियंता, भाविप्रा, इन्दौर
11. श्री अरुण शर्मा, मुख्या अधिकारी, एटीसी, इन्दौर
12. श्री निशा रघु, स्टेशन प्रबंधक, इंदौर- इन्दौर
13. श्री कल्याणी शर्मा, स्टेशन प्रबंधक, इंदौर एयरपोर्ट, इन्दौर
14. श्री अमित कोठारी, स्टेशन प्रबंधक, एयर भंडारा, इन्दौर
15. श्री लक्ष्मण शर्मा, सी.एस.ओ., एम.पी.एन.सी., इन्दौर

सर्वप्रथम विमानपत्तन निदेशक महोदय के अध्यक्षता में बैठक में उपस्थित सभी सदस्यों का स्वागत किया। इसके पश्चात उन्होंने सभी को सूचित किया कि वर्ष 2019-20 में इन्दौर विमानतल पर 15 पार्किंग बं. जिसमें से 10 A-321 के व्यवहार योग्य एवं 05 ATR-72 के व्यवहार योग्य, भाविप्रा अभियंत्रिक विभाग द्वारा इन्दौर विमानतल पर निर्माण किया जाएगा। उन्होंने बताया कि वर्तमान में इन्दौर विमानतल पर कुल 11 पार्किंग बं है। निर्माण के पश्चात 26 पार्किंग बं हो जाएंगे।

पार्किंग बं के अलावा पार्ट पैरेलल टेक्सी-वे जो कि रनवे 07-25 एवं टेक्सी-वे C & D को जोड़ेगा, जिसके कारण रनवे में विमान को निकाल कराना, टेक्सी-वे में रनवे में प्रवेश करना सहज होगा एवं रनवे efficiency बढ़ जाएगी। इन्दौर विमानतल में 25 मार्च 2018 से 24 घंटे प्रचालन शुरू हो गया है, जिसके कारण 36 नाईट पार्किंग बं अनुमति दे दी गई है एवं वर्तमान में इन्दौर विमानतल पर प्रतिदिन 106 उड़ानों को आवाजाही हो रही है।

श्री अ.स.स. के द्वारा भी उपाय देगे हुए निदेशक विमानतल में बनाया कि, रजिस्ट्रार विमानतल कार्य के दौरान निर्मित प्रबंधन में कोई बाधा नहीं होगी एवं आज जो यह बैठक के रूप में संस्था बैठक की गई थी उस दौरान सभी संस्था सदस्यों को अपनी संस्थाओं के माध्यम से कर किया गया है कि उदात्ततः उदात्त विमानतल महाविभाग को निर्देश प्रेषित कर दिया जाएगा।



(अ. सान्याल)  
विमानपत्तन निदेशक  
भाविप्रा, इन्दौर

# AERA

दिनांक:

- बैठक में उपस्थित सभी सदस्य।





**भारतीय विमानपत्तन प्राधिकरण**  
**देवी आदित्यवाड़ी हॉलकर हवाई जड़ड़ा इन्दौर**

क्रमांक: भाविप्रा/इन्दौर/2318/

दिनांक: 24/07/2018

// बैठक का कार्यवृत्त //

**Subject:- Development of 15 Parking Bays, Part Parallel Taxiway and other associated work are proposed as detailed in system description**

विमानपत्तन निदेशक महोदय की अध्यक्षता में बैठक की आयोजन का विवरण निम्न है-

संस्थान विमान-पत्तन निदेशक महोदय की अध्यक्षता में आयोजित बैठक का परिचयित किया गया। उद्योग संस्था द्वारा प्रस्तावित विकास की शर्तों को **SAFETY CASE ASSESSMENT AND REPORTING SYSTEM SCARS**, की आवश्यकता को ध्यान में रखते हुए प्रस्ताव की अंतिम सीमा की बैठक में उपस्थित सदस्यों को बताया कि इस विकास में पार्किंग में पेशल टैक्सी ट्रेक इत्यादि की निर्माण से संबंधित **CONCEPT DESIGN & EXECUTION LEVEL के SAFETY ASSESSMENT** किया जाना है। अतः बैठक की दौरान प्रस्तावित से संबंधित सम्बन्धित समस्त हज़ारों की पहचान (**HAZARD IDENTIFICATION**) एवं इससे संबंधित खतरों के कमिकरी (**RISK MITIGATION**) की चर्चा की जाती है।

विमानपत्तन निदेशक महोदय ने प्रस्तावित कार्य को **सत्यमेव जयते** के अन्तर्गत ही प्रस्तावित किया जाता है।

**A. Construction of additional 10 Nos. Parking Bays, Part Parallel Taxiway at DABH Airport Indore**

**B. Construction of additional 5 Nos. for ATR 72 linking of Part Parallel Taxiway with runway & taxiway C & D and other associated works at DABH Airport Indore**

इसके पश्चात विमानपत्तन निदेशक महोदय ने बैठक में उपस्थित समस्त सदस्यों को हज़ारों की पहचान में आकलन करने संबंधी प्रक्रिया से अवगत कराया जिसके अन्तर्गत हज़ारों आकलन से संबंधित विन्दुओं को कि (i) घटना की तीव्रता (Severity of Occurrence), (ii) घटना की सम्भावना (Probability of Risk), (iii) मान्य सुरक्षित/सहनशीलता (Risk Index / Tolerability) इत्यादि के खतर में जानकारी दी एवं साथ ही यह बताया कि हज़ारों की आकलन एवं दक्षिण 3 विन्दुओं के आधार पर एकमात्र होकर किया जाता है।

साथ ही उन्होंने कहा भी बताया कि पार्किंग से में निर्माण की प्रक्रिया के दौरान संबंधित विमानों/अनुक्रमों द्वारा होने वाले बहुत सीखें किये गए SOP के अनुसार कार्यवाही किया जाना आवश्यक होगा। इसके अतिरिक्त विमानपत्तन निदेशक महोदय द्वारा यह बताया गया कि 24 घण्टे की एयरपोर्ट ऑपरेशन के कारण पार्किंग की डिमाण्ड काफी बढ़ गई है। जिसके कारण अतिरिक्त पार्किंग का निर्माण करना अनिवार्य है।

इसके पश्चात विमानपत्तन निदेशक महोदय की अध्यक्षता में **SAFETY CASE ASSESSMENT AND REPORTING SYSTEM SCARS** (CONCEPT DESIGN & EXECUTION LEVEL के प्रिय पर पार्किंग कार्यवाही आरंभ की गई।

बैठक में उपस्थित समस्त सदस्यों द्वारा हज़ारों विन्दुओं पर हज़ारों का आकलन एकमत होकर किया गया।

1) एकजुतीयता के अन्तर्गत ही हज़ारों का संचय में विमानपत्तन निदेशक महोदय द्वारा यह बताया गया कि एक ही हज़ारों का आकलन एक ही ही के परस्पर ही ही ही के साथ सम्बन्धित स्थापित कर के किया







Name of work :- ① Provision of Passenger Boarding Bridge at Bay no. 1530 Pan  
 4 and AVBGS at DABH Airport, Andhra. 24/1/18. 18  
 ② Development of 15 no. Parking Bay, Parallel Taxi track  
 and other associated work at DABH Airport.  
 ③ Commissioning & development of Pan Station, Hyderabad, Andhra.

क्र.सं.	नाम	पद	कंपनी	आ.सं.	हस्ताक्षर
1	श्री मती कान्हासायन	ए.ए.एस.	ए.ए.एस.	989528965	
2	रम. ए.एस. अलका	इं.प्र.अ/सं	भा.वि.प्रा.	9981541541	
3	श्रीमती	ए.ए.एस.	भा.वि.प्रा.	9919261001	
4	राम किशोर	इ.प्र.अ/सं	भा.वि.प्रा.	991533487	
5	अरविन्द पुरी गोरनाथी	इं.प्र.अ/सं	भा.वि.प्रा.	811531602	Anid.
6	शशि कान्हासायन	इं.प्र.अ/सं	भा.वि.प्रा.	991533487	authr
7	तेजवहादुर	इं.प्र.अ/सं	भा.वि.प्रा.	991533487	
8	Vikram	S.S.M	GET AIRWAYS		
9	NISHA RAGHU	APM	INDIGO	9993502705	
10	ANIT KOHLI	SM	AIRASIA	9810909693	
11	Anand Gupta	SM	AIR	9540953695	
12	Deepak Gupta	SM	QATAR	99720798699	
13	Shashibal Mishra	Security Incharge	Airport	9866210003	
14	Girish Chandra Kumar	SM (ARC)	AIR	9937677703	
15	P.K. Zutshi	AGM (E-E)	AIR	98948667731	

भा.वि.आ.वि.प्रा.  
**AERA**



## Annexure 2 – Tariff card for Indore Airport for the 1<sup>st</sup> Control Period

### 1. Landing charges:

Weight of the Aircraft	Domestic rate per landing (INR)
Up to 25 MT	160 Per MT
Above 25 MT up to 50 MT	4,000+280 per MT in excess of 25 MT
Above 50 MT up to 100	11,000+320 per MT in excess of 50 MT
Above 100 MT to 200 MT	27,000+390 per MT in excess of 100 MT
Above 200 MT	66,000+440 per MT in excess of 200 MT

- No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).

### 2. Parking Charges

Weight of the Aircraft	Parking Charges Rates per Hour (in INR)	Parking Charges Rates per hour (beyond four hours) (in INR)
Up to 25 MT	3.00 Per Hour Per MT	6.00 Per Hour Per MT
Above 25 MT up to 50 MT	75.00+4.00 per Hour per MT in excess of 25 MT	150.00+8.00 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	175.00+8.00 per MT per Hour in excess of 50 MT	350.00+16.00 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	575.00+10.00 per MT per Hours in excess of 100 MT	1150.00+20.00 per MT per Hours in excess of 100 MT
Above 200 MT	1575.00+11.00 per MT per Hours in excess of 200 MT	3150.00+22.00 per MT per Hours in excess of 200 MT

- No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point.



These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.

- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each period parking shall be rounded off to nearest rupee.
- At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- Night parking charges are waived off in principle for all domestic scheduled operators at Indore Airport if the State Government has brought the rate of tax (VAT) on ATF  $\leq 5\%$ . The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of  $\leq 5\%$  tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.
- Tariff for flights operating under Regional Connectivity Scheme will be governed by AIC issued on this subject by DGCA.

### 3. Fuel Throughput Charges – INR 164.57 per kilolitre

### 4. User Development Fees (UDF)

Passenger	UDF - INR per embarking passenger
Domestic	302

- **Collection charges for UDF:** If the payment is made within 15 days of receipt of invoice then collection charges at INR 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
- No collection charges are payable to casual operator/non-scheduled operators.
- For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1st



fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.

- The UDF charges will be applicable on tickets issued from **01/04/2019**.

## 5. Exemption from levy and collection from UDF at the Airports

- The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF.

- (i) Children (under age of 2 years),
- (ii) Holders of Diplomatic Passport,
- (iii) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
- (iv) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- (v) Persons traveling on official duty for United Nations Peace Keeping Missions,
- (vi) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket. In case two separate tickets are issued, it would not be treated as transit passenger), and
- (vii) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

## 6. Passenger Service Fee (PSF)- Facilitation

PSF (FC) is subsumed under UDF. PSF (SC) would be applicable as prescribed by the Ministry of Civil Aviation.

## 7. General condition

- All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- Flights operating under Regional connectivity scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.



[F. No. AERA/20010/AAI-Indore/CP-I/2018-19]  
Airports Economic Regulatory Authority of India

Corrigendum to Order No. 45/2018-19

AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi – 110003


Date of Issue: 14<sup>th</sup> March, 2019

Airport Operator : Airports Authority of India  
Airport : Indore Airport

In the matter of Determination of Aeronautical Tariffs in respect of Indore Airport for the first Control Period (01.04.2018 – 31.03.2023)

1. The Authority vide Order no. 45/2018-19 dated 08.03.2019 determined the tariffs in respect of Indore Airport, for the first control period (01.04.2018 to 31.03.2023).
2. In the aforesaid order, the aeronautical tariffs for only the first year of implementation date (i.e. FY 2019-20) were specified in the annexed tariff card. Tariff for the subsequent years (FY 2020-21, FY 2021-22, & FY 2022-23) were inadvertently missed out. Accordingly, the **updated Annexure-2** Tariff Card is attached with this Corrigendum.
3. Further, para 17.4.12 of the aforesaid tariff order may be read as under :  
Collection charges to be paid by AAI to airlines for collection of UDF on its behalf shall be as per AAI's policy, and, amount as agreed by AAI with the airlines. The Authority does not determine the collection charges.
4. The other terms and conditions of the Order No. 45/2018-19 dated 08.03.2019 shall remain same.

By the Order of and in the  
Name of the Authority

  
(Geetha Sahu)  
AGM (Fin.)

To

Airports Authority of India  
Rajiv Gandhi Bhavan  
Safdarjung Airport  
New Delhi -110 003



## Annexure 2 – Tariff card for Indore Airport for the 1<sup>st</sup> Control Period (01.04.2018 to 31.03.2023)

**Note:** Tariff for **International Operations** during the 1<sup>st</sup> control period, if any, will be same as applicable to Domestic Operations.

### 1. Landing charges:

Weight of the Aircraft	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Domestic rate per landing (INR)</b>				
Up to 25 MT	160 Per MT	166 Per MT	173 Per MT	180 Per MT
Above 25 MT up to 50 MT	4,000+280 per MT in excess of 25 MT	4,160+291 per MT in excess of 25 MT	4,326+303 per MT in excess of 25 MT	4,499+315 per MT in excess of 25 MT
Above 50 MT up to 100	11,000+320 per MT in excess of 50 MT	11,440+333 per MT in excess of 50 MT	11,898+346 per MT in excess of 50 MT	12,374+360 per MT in excess of 50 MT
Above 100 MT to 200 MT	27,000+390 per MT in excess of 100 MT	28,080+406 per MT in excess of 100 MT	29,203+422 per MT in excess of 100 MT	30,371+439 per MT in excess of 100 MT
Above 200 MT	66,000+440 per MT in excess of 200 MT	68,640+458 per MT in excess of 200 MT	71,386+476 per MT in excess of 200 MT	74,241+495 per MT in excess of 200 MT

- No landing charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and, c) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges is concerned, irrespective of flight number assigned to such flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).

### 2. Parking Charges

Weight of the Aircraft	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Parking Charges Rates per Hour (in INR)</b>				
Up to 25 MT	3.00 Per Hour Per MT	3.12 Per Hour Per MT	3.24 Per Hour Per MT	3.37 Per Hour Per MT
Above 25 MT up to 50 MT	75.00+4.00 per Hour per MT in excess of 25 MT	78 + 4.16 per Hour per MT in excess of 25 MT	81.12 + 4.33 per Hour per MT in excess of 25 MT	84.36 + 4.5 per Hour per MT in excess of 25 MT



Weight of the Aircraft	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Above 50 MT up to 100	175.00+8.00 per MT per Hour in excess of 50 MT	182 + 8.32 per Hour per MT in excess of 50 MT	189.28 + 8.65 per Hour per MT in excess of 50 MT	196.85 + 9.00 per Hour per MT in excess of 50 MT
Above 100 MT to 200 MT	575.00+10.00 per MT per Hours in excess of 100 MT	598 + 10.4 per Hour per MT in excess of 100 MT	621.92 + 10.82 per Hour per MT in excess of 100 MT	646.8 + 11.25 per Hour per MT in excess of 100 MT
Above 200 MT	1575.00+11.00 per MT per Hours in excess of 200 MT	1638 + 11.44 per Hour per MT in excess of 200 MT	1703.52 + 11.9 per Hour per MT in excess of 200 MT	1771.66 + 12.38 per Hour per MT in excess of 200 MT
<b>Parking Charges Rates per hour (beyond four hours) (in INR)</b>				
Up to 25 MT	6.00 Per Hour Per MT	6.24 Per Hour Per MT	6.49 Per Hour Per MT	6.75 Per Hour Per MT
Above 25 MT up to 50 MT	150.00+8.00 per MT per Hour in excess of 25 MT	156 + 8.32 per Hour per MT in excess of 25 MT	162.24 + 8.65 per Hour per MT in excess of 25 MT	168.73 + 9.00 per Hour per MT in excess of 25 MT
Above 50 MT up to 100	350.00+16.00 per MT per Hour in excess of 50 MT	364 + 16.64 per Hour per MT in excess of 50 MT	378.56 + 17.31 per Hour per MT in excess of 50 MT	393.7 + 18.00 per Hour per MT in excess of 50 MT
Above 100 MT to 200 MT	1150.00+20.00 per MT per Hours in excess of 100 MT	1196 + 20.80 per Hour per MT in excess of 100 MT	1243.84 + 21.63 per Hour per MT in excess of 100 MT	1293.59 + 22.50 per Hour per MT in excess of 100 MT
Above 200 MT	3150.00+22.00 per MT per Hours in excess of 200 MT	3276 + 22.88 per Hour per MT in excess of 200 MT	3407.04 + 23.80 per Hour per MT in excess of 200 MT	3543.32 + 24.75 per Hour per MT in excess of 200 MT

- No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.



- Charges for each period parking shall be rounded off to nearest rupee.
- At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges.
- Night parking charges are waived off in principle for all domestic scheduled operators at Indore Airport if the State Government has brought the rate of tax (VAT) on ATF  $\leq 5\%$ . The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of  $\leq 5\%$  tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State.
- Tariff for flights operating under Regional Connectivity Scheme will be governed by AIC issued on this subject by DGCA.

### 1. Fuel Throughput Charges (INR per kilolitre)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
164.57	172.79	181.43	190.50	200.03

### 2. User Development Fees (UDF)

Passenger	UDF - INR per embarking passenger
Domestic	302

- Collection charges to be paid by AAI to airlines for collection of UDF on its behalf shall be as per AAI's policy, and, amount as agreed by AAI with the airlines. The Authority does not determine the collection charges.
- No collection charges are payable to casual operator/non-scheduled operators.
- For conversion of UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- UDF will be applicable on tickets issued on or after **01/04/2019**.





### 3. Exemption from levy and collection from UDF at the Airports

- The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI dated 30.11.2011 has directed AAI to exempt the following categories of persons from levy and collection of UDF.
  - (i) Children (under age of 2 years),
  - (ii) Holders of Diplomatic Passport,
  - (iii) Airlines crew on duty including sky marshals & airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
  - (iv) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
  - (v) Persons traveling on official duty for United Nations Peace Keeping Missions,
  - (vi) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hours. A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket. In case two separate tickets are issued, it would not be treated as transit passenger), and
  - (vii) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

### 4. Passenger Service Fee (PSF)- Facilitation

PSF (FC) is subsumed under UDF. PSF (SC) would be applicable as prescribed by the Ministry of Civil Aviation.

### 5. General conditions

- All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- Flights operating under Regional connectivity scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.

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