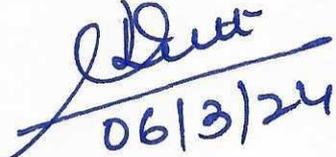


|  |  |  |
|--|--|--|
| Telephone No.: 011-24622495<br>Aeronautical : VIDDYAYX<br>E-Mail: dgoffice@dgca.nic.in<br>Fax 011-24652760 | GOVERNMENT OF INDIA<br>AERONAUTICAL INFORMATION SERVICES<br>DIRECTOR GENERAL OF CIVIL AVIATION<br>OPPOSITE SAFDARJUNG AIRPORT<br><u>NEW DELHI-110003</u> | AIC<br>SI. No.04/2024<br><hr/> <b>06 March, 2024</b> |
|--|--|--|

File No.13009/2/2020-DRI-DGCA

This AIC is issued for dissemination of the decision contained in the Ministry of Civil Aviation's letter No. AV.29012/44/2024-AD dated 29 February, 2024.

  
06/3/24

(Vikram Dev Dutt)

Director General of Civil Aviation

-----  
**IN THE MATTER OF THE DETERMINATION OF AERONAUTICAL TARIFF FOR BHUBANESWAR INTERNATIONAL AIRPORT (BBI), FOR THE SECOND CONTROL PERIOD (01.04.2023 - 31.03.2028).**

The Airports Economic Regulatory Authority (AERA), in the exercise of powers conferred on it by Section 13(1) of the Airports Economic Regulatory Authority of India Act, 2008, has determined the Aeronautical Tariff in respect of Bhubaneswar International Airport (BBI) for second control period (01.04.2023 to 31.03.2028) vide order no 35/2023-24 dated 22.02.2024. These charges shall be effective from 01.04.2024 in the manner as prescribed by AERA. The copy of the above order is enclosed herewith.

\*\*\*\*\*

फा. संख्या ऐरा/20010/एमवाईटीपी/एआई-भुवनेश्वर/सीपी-II/2023-28/  
F. No. AERA/20010/MYTP/AI-Bhubaneswar/CP-II/2023-28

आदेश संख्या 35/2023-24/  
Order No. 35/2023-24



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

भुवनेश्वर अंतरराष्ट्रीय हवाईअड्डे (बीबीआई) के संबंध में द्वितीय नियंत्रण अवधि  
(01.04.2023 -31.03.2028) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF  
DETERMINATION OF AERONAUTICAL TARIFF FOR  
BHUBANESWAR INTERNATIONAL AIRPORT (BBI)  
FOR THE SECOND CONTROL PERIOD  
(01.04.2023 - 31.03.2028)

जारी करने की तारीख : 22.02.2024  
Date of Issue: 22.02.2024

ऐरा भवन /AERA Building  
प्रशासनिक कॉम्प्लेक्स/Administrative Complex  
सफदरजंग हवाईअड्डा/Safdarjung Airport  
नई दिल्ली /New Delhi – 110001



**TABLE OF CONTENTS**

|          |  |           |
|----------|--|-----------|
| <b>1</b> | <b>INTRODUCTION .....</b>  | <b>11</b> |
| 1.1      | Background.....  | 11        |
| 1.2      | Profile of Bhubaneswar International Airport .....   | 11        |
| 1.3      | Cargo Facility, Ground Handling and Supply of Fuel to Aircraft (CGF).....  | 12        |
| <b>2</b> | <b>TARIFF DETERMINATION OF BHUBANESWAR INTERNATIONAL AIRPORT .....</b>   | <b>13</b> |
| 2.1      | Introduction .....   | 13        |
| 2.2      | Issuance of Consultation paper and receipt of Stakeholders' comments .....   | 14        |
| 2.3      | Construct of the Tariff Order.....   | 16        |
| <b>3</b> | <b>FRAMEWORK FOR DETERMINATION OF TARIFF FOR BHUBANESWAR INTERNATIONAL AIRPORT .....</b>   | <b>18</b> |
| 3.1      | Methodology.....   | 18        |
| 3.2      | Control Period.....  | 18        |
| 3.3      | Revenues from Air Navigation Services (ANS) and Cargo .....  | 19        |
| 3.4      | Stakeholders' comments on the Framework for determination of tariff for Bhubaneswar International Airport .....                                | 19        |
| 3.5      | AAI's responses to other stakeholders' comments on Framework for determination of tariff for Bhubaneswar International Airport .....           | 20        |
| 3.6      | Authority's analysis on Stakeholders' comments regarding the Framework for determination of tariff for Bhubaneswar International Airport ..... | 20        |
| <b>4</b> | <b>TRUE UP OF THE FIRST CONTROL PERIOD .....</b>   | <b>21</b> |
| 4.1      | AAI's submission on True up of the First Control Period for Bhubaneswar International Airport.....   | 21        |
| 4.2      | Authority's examination of True up of the First Control Period.....  | 21        |
| 4.3      | True up of Traffic .....   | 22        |
| 4.4      | True up of Capital Expenditure (CAPEX), Depreciation and RAB.....  | 23        |
| 4.5      | True up of Fair Rate of Return .....   | 38        |
| 4.6      | True up of Non-aeronautical revenues.....  | 40        |
| 4.7      | True up of Operation and Maintenance (O&M) expenses .....  | 42        |
| 4.8      | True up of Taxation .....  | 49        |
| 4.9      | True up of Aeronautical Revenue.....   | 51        |
| 4.10     | True up of Aggregate Revenue Requirement (ARR) for the First Control Period .....  | 52        |
| 4.11     | Authority's decisions regarding True up of the First Control Period.....   | 54        |
| <b>5</b> | <b>TRAFFIC FOR THE SECOND CONTROL PERIOD .....</b>   | <b>57</b> |
| 5.1      | AAI's submission on Traffic for the Second Control Period for Bhubaneswar International Airport.....   | 57        |
| 5.2      | Authority's examination regarding Traffic for the Second Control Period at the Consultation Stage.....   | 58        |



|          |  |            |
|----------|--|------------|
| 5.3      | Stakeholders' comments on Traffic for the Second Control Period.....   | 62         |
| 5.4      | AAI's responses to other stakeholders' comments on Traffic for the Second Control Period.....  | 62         |
| 5.5      | Authority's analysis on stakeholders' comments on Traffic for the Second Control Period..  | 62         |
| 5.6      | Authority's decisions regarding Traffic for the Second Control Period .....  | 63         |
| <b>6</b> | <b>CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD .....</b>   | <b>64</b>  |
| 6.1      | Background.....  | 64         |
| 6.2      | Allocation of Gross Block of Assets into Aeronautical and Non-aeronautical.....  | 64         |
| 6.3      | Capital expenditure for the Second Control Period.....   | 66         |
| 6.4      | Depreciation for the Second Control Period .....   | 83         |
| 6.5      | Regulatory Asset Base (RAB) for the Second Control Period .....  | 85         |
| 6.6      | Stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period .....                                | 86         |
| 6.7      | AAI's responses to other stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period .....       | 90         |
| 6.8      | Authority's analysis on stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period ..... | 91         |
| 6.9      | Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period.....                           | 97         |
| <b>7</b> | <b>FAIR RATE OF RETURN (FROR) FOR THE SECOND CONTROL PERIOD .....</b>  | <b>98</b>  |
| 7.1      | AAI's submission on Fair Rate of Return for the Second Control Period for BIA .....  | 98         |
| 7.2      | Authority's examination of FRoR for the Second Control Period at the Consultation Stage ..   | 99         |
| 7.3      | Stakeholders' comments on Fair Rate of Return (FRoR) for the Second Control Period ....  | 101        |
| 7.4      | AAI's responses to other stakeholders' comments on Fair Rate of Return (FRoR) for the Second Control Period.....   | 102        |
| 7.5      | Authority's analysis on stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period.....   | 102        |
| 7.6      | Authority's decisions regarding Fair Rate of Return (FRoR) for the Second Control Period.....  | 103        |
| <b>8</b> | <b>INFLATION FOR THE SECOND CONTROL PERIOD .....</b>   | <b>104</b> |
| 8.1      | AAI's submission on Inflation for the Second Control Period for BIA.....   | 104        |
| 8.2      | Authority's examination on Inflation for the Second Control Period at Consultation stage.....  | 104        |
| 8.3      | Stakeholders' comments on Inflation for the Second Control Period.....   | 104        |
| 8.4      | Authority's analysis on stakeholders' comments on Inflation for the Second Control Period.....   | 104        |
| 8.5      | Authority's decisions regarding inflation for the Second Control Period .....  | 105        |
| <b>9</b> | <b>OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD .....</b>  | <b>106</b> |



|           |  |            |
|-----------|--|------------|
| 9.1       | AAI's submission on Operation and Maintenance expenses for the Second Control Period for BIA.....                              | 106        |
| 9.2       | Authority's examination of Operation and Maintenance expenses for the Second Control Period at Consultation stage.....         | 107        |
| 9.3       | Stakeholders' comments on Operation and Maintenance Expenses for the Second Control Period.....                                | 111        |
| 9.4       | AAI's responses to other stakeholders' comments on Operation and Maintenance Expenses for the Second Control Period.....       | 114        |
| 9.5       | Authority's analysis on Stakeholders' comments regarding Operation and Maintenance Expenses for the Second Control Period..... | 116        |
| 9.6       | Authority's decisions regarding Operation and Maintenance expenses for the Second Control Period.....                          | 118        |
| <b>10</b> | <b>NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD.....</b>   | <b>119</b> |
| 10.1      | AAI's submission on Non-aeronautical Revenue for the Second Control Period for Bhubaneswar International Airport.....          | 119        |
| 10.2      | Authority's examination of Non-aeronautical revenue for the Second Control Period at Consultation Stage.....                   | 120        |
| 10.3      | Stakeholders' comments on Non-aeronautical revenue for the Second Control Period.....  | 121        |
| 10.4      | AAI's responses to other stakeholders' comments on Non-aeronautical revenue for the Second Control Period.....                 | 122        |
| 10.5      | Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for the Second Control Period.....           | 123        |
| 10.6      | Authority's decisions regarding Non-aeronautical revenues for the Second Control Period.....                                   | 124        |
| <b>11</b> | <b>TAXATION FOR THE SECOND CONTROL PERIOD.....</b>   | <b>125</b> |
| 11.1      | AAI's submission on Taxation for the Second Control Period for BIA.....  | 125        |
| 11.2      | Authority's examination of Taxation for the Second Control Period at Consultation Stage.....                                   | 125        |
| 11.3      | Stakeholders' comments regarding Taxation for the Second Control Period.....   | 126        |
| 11.4      | Authority's analysis on Stakeholders' comments regarding Taxation for the Second Control Period.....                           | 126        |
| 11.5      | Authority's decisions regarding Taxation for the Second Control Period.....  | 126        |
| <b>12</b> | <b>QUALITY OF SERVICES FOR THE SECOND CONTROL PERIOD.....</b>  | <b>127</b> |
| 12.1      | AAI's submission on Quality of Services for the Second Control Period for BIA.....   | 127        |
| 12.2      | Authority's examination regarding Quality of Services for the Second Control Period at Consultation Stage.....                 | 127        |
| 12.3      | Stakeholders' comments on Quality of Services for Second Control Period.....   | 127        |
| 12.4      | AAI's responses to other stakeholders' comments on Quality of Services for the Second Control Period.....                      | 128        |
| 12.5      | Authority's analysis on Stakeholders' comments regarding Quality of Services for the Second Control Period.....                | 128        |
| 12.6      | Authority's decisions regarding Quality of Services for the Second Control Period.....   | 128        |



|           |   |            |
|-----------|---|------------|
| <b>13</b> | <b>AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD .....</b>  | <b>129</b> |
| 13.1      | AAI's submission on Aggregate Revenue Requirement for the Second Control Period for BIA.....  | 129        |
| 13.2      | Authority's examination of Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage.....   | 129        |
| 13.3      | Stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Second Control Period.....  | 130        |
| 13.4      | Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Second Control Period .....                                | 130        |
| 13.5      | Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the Second Control Period.....  | 131        |
| <b>14</b> | <b>AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD .....</b>   | <b>132</b> |
| 14.1      | AAI's submission on Aeronautical Revenue for the Second Control Period for BIA .....  | 132        |
| 14.2      | Authority's examination of Aeronautical Revenue for the Second Control Period at Consultation Stage.....  | 132        |
| 14.3      | Stakeholders' comments on Aeronautical Revenue for Second Control Period .....  | 134        |
| 14.4      | AAI's responses to other stakeholders' comments on Aeronautical Revenue for the Second Control Period.....  | 138        |
| 14.5      | Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period.....  | 139        |
| 14.6      | Authority's decisions regarding Aeronautical Revenue for the Second Control Period .....  | 141        |
| <b>15</b> | <b>SUMMARY OF AUTHORITY'S DECISIONS.....</b>  | <b>142</b> |
|           | Chapter 4: True Up of the First Control Period.....   | 142        |
|           | Chapter 5: Traffic for the Second Control Period .....  | 142        |
|           | Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period.....   | 142        |
|           | Chapter 7: Fair Rate of Return for the Second Control Period .....  | 143        |
|           | Chapter 8: Inflation for the Second Control Period.....   | 143        |
|           | Chapter 9: Operation and Maintenance expenses for the Second Control Period .....   | 143        |
|           | Chapter 10: Non-aeronautical revenue for the Second Control Period.....   | 143        |
|           | Chapter 11: Taxation for the Second Control Period .....  | 143        |
|           | Chapter 12: Quality of Service for the Second Control Period .....  | 143        |
|           | Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period .....   | 143        |
|           | Chapter 14: Aeronautical revenue for the Second Control Period .....  | 143        |
| <b>16</b> | <b>ORDER.....</b>   | <b>144</b> |
| <b>17</b> | <b>ANNEXURE .....</b>   | <b>145</b> |
| 17.1      | Annexure I: Tariff Rate Card approved by the Authority for Bhubaneswar International Airport for the Second Control Period (effective from April 1, 2024) ..... | 145        |



**LIST OF TABLES**

|  |    |
|--|----|
| Table 1: Technical and Terminal Building details of BIA submitted by AAI .....   | 11 |
| Table 2: MYTP Submission Timelines .....   | 15 |
| Table 3: Regulatory building blocks with names of Stakeholders who commented on each building block .....  | 15 |
| Table 4: True up for First Control Period submitted by AAI .....   | 21 |
| Table 5: AAI's submission for True up of traffic for the First Control Period for Bhubaneswar International Airport.....   | 22 |
| Table 6: Passenger Traffic and ATM approved by the Authority in the Tariff Order for First Control Period ..22   |    |
| Table 7: Capital additions for true up for the First Control Period submitted by AAI for Bhubaneswar International Airport .....   | 24 |
| Table 8: Capital expenditure approved in the Tariff Order for the First Control Period.....  | 25 |
| Table 9: Depreciation for the First Control Period submitted by AAI for Bhubaneswar International Airport.....   | 25 |
| Table 10: Capital additions proposed by the Authority for True up of the First Control Period at the Consultation Stage .....  | 31 |
| Table 11: Depreciation proposed by the Authority for True up of the First Control Period at the Consultation Stage.....  | 32 |
| Table 12: RAB proposed by the Authority for True up of the First Control Period at the Consultation Stage ..33   |    |
| Table 13: FRoR considered by the Authority for True up of the First Control Period at the Consultation Stage .....   | 38 |
| Table 14: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for Bhubaneswar International Airport .....                                      | 40 |
| Table 15: Non-aeronautical revenue approved by the Authority for the First Control Period .....  | 41 |
| Table 16 : Non-aeronautical revenue decided by the Authority for the First Control Period .....  | 42 |
| Table 17: Actual O&M expenses submitted by AAI for Bhubaneswar International Airport for the First Control Period .....  | 42 |
| Table 18: O&M expenses as per the Tariff Order for the First Control Period .....  | 43 |
| Table 19: Re-allocation of CHQ/ RHQ – Admin and Gen expenses by the Authority for the First Control Period at Consultation Stage .....                                   | 45 |
| Table 20: Details of power costs incurred and recoveries made from Concessionaires.....  | 46 |
| Table 21: O&M expenses as proposed by the Authority for True up of the First Control Period at the Consultation Stage .....  | 47 |
| Table 22: Taxation submitted by AAI for Bhubaneswar International Airport .....  | 49 |
| Table 23: Taxation proposed to be considered by the Authority at the Consultation Stage.....   | 50 |
| Table 24: Taxation decided by the Authority for the First Control Period.....  | 50 |
| Table 25: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport .....  | 51 |
| Table 26 : Aeronautical Revenue decided by the Authority for the First Control Period .....  | 52 |
| Table 27: ARR proposed by the Authority for True up of the First Control Period at the Consultation Stage ..53   |    |
| Table 28: ARR decided by the Authority for the First Control Period .....  | 54 |
| Table 29: Historical passenger and ATM traffic at BIA (in numbers) .....   | 57 |
| Table 30: Traffic growth rates and traffic proposed by AAI .....   | 57 |
| Table 31: CAGR for passenger traffic and ATM .....   | 58 |
| Table 32: Actual Passenger and ATM traffic for FY 2023-24 (YTD Sep 23) .....   | 59 |
| Table 33: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....  | 60 |
| Table 34: Allocation of opening gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical as per AAI.....                                     | 64 |
| Table 35: Allocation of Opening Gross Block of Assets as on April 1, 2023 between Aeronautical and Non-aeronautical proposed by the Authority at Consultation stage..... | 65 |
| Table 36: Summary of Capital Expenditure projects submitted by AAI for Bhubaneswar International Airport for the Second Control Period .....                             | 66 |
| Table 37: Project wise Capital Expenditure submitted by AAI for Bhubaneswar International Airport for Second Control Period .....  | 68 |
| Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Taxiway for   |    |



|  |     |
|--|-----|
| Bhubaneswar International Airport at Consultation Stage.....   | 72  |
| Table 39: Cost of Phase II of PTT and other works proposed by the Authority for Bhubaneswar International Airport at Consultation Stage.....                 | 72  |
| Table 40: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period at Consultation Stage.....                                  | 80  |
| Table 41: Depreciation proposed by AAI for Bhubaneswar International Airport for the Second Control Period.....  | 83  |
| Table 42: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage.....  | 84  |
| Table 43: RAB submitted by AAI for Bhubaneswar International Airport for the Second Control Period.....  | 85  |
| Table 44: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....  | 86  |
| Table 45: Capital Expenditure (Project-wise) decided by the Authority for the Second Control Period.....   | 93  |
| Table 46 : Depreciation decided by the Authority for Second Control Period.....  | 96  |
| Table 47 : RAB decided by the Authority for Second Control Period.....   | 97  |
| Table 48: Debt computation for the Second Control Period submitted by AAI.....   | 98  |
| Table 49: Equity computation for the Second Control Period submitted by AAI.....   | 98  |
| Table 50: FRoR for the Second Control Period submitted by AAI.....   | 98  |
| Table 51: Equity computation proposed to be considered by the Authority for the Second Control Period at the Consultation Stage.....                         | 99  |
| Table 52: Debt computation proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....                               | 100 |
| Table 53: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....                            | 100 |
| Table 54: FRoR decided by the Authority for Second Control Period.....   | 103 |
| Table 55: Inflation rates proposed by the Authority for the Second Control Period for BIA at the Consultation Stage.....                                     | 104 |
| Table 56: Inflation rates decided by the Authority for Second Control Period.....  | 104 |
| Table 57: Operation and Maintenance (O&M) expenditure submitted by AAI for Bhubaneswar International Airport.....  | 106 |
| Table 58: Growth rates in O&M expenditure submitted by Bhubaneswar International Airport.....  | 106 |
| Table 59: Allocation of O&M expenses submitted by AAI for Bhubaneswar International Airport for FY 2022-23.....  | 107 |
| Table 60: Allocation of O&M expenses proposed to be considered by Authority for Bhubaneswar International Airport for FY 2022-23 at Consultation Stage.....  | 108 |
| Table 61: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....       | 110 |
| Table 62: Growth rates in O&M expenses considered by the Authority for the Second Control Period at Consultation Stage.....                                  | 111 |
| Table 63 : Runway recarpeting expenses decided by the Authority for the Second Control Period.....   | 117 |
| Table 64 : Operation and Maintenance (O&M) expenses decided by the Authority for the Second Control Period.....  | 118 |
| Table 65: Non-aeronautical revenue projections submitted by AAI for Bhubaneswar International Airport.....   | 119 |
| Table 66: Growth rates assumed by AAI for Bhubaneswar International Airport for Non-aeronautical revenue.....  | 119 |
| Table 67: Non-aeronautical revenues proposed by the Authority for Bhubaneswar International Airport for the Second Control Period at Consultation Stage..... | 120 |
| Table 68: Growth rates in Non-aeronautical revenue proposed by the Authority at Consultation Stage.....  | 121 |
| Table 69: Non-Aeronautical Revenue decided by the Authority for the Second Control Period.....   | 123 |
| Table 70: Tax Expense submitted by AAI for Bhubaneswar International Airport for the Second Control Period.....  | 125 |
| Table 71: Taxation proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....                                       | 125 |
| Table 72: Taxation decided by the Authority for Second Control Period.....   | 126 |
| Table 73: ASQ rating for Bhubaneswar International Airport for the years 2018-2022.....  | 127 |
| Table 74: ARR submitted by AAI for Bhubaneswar International Airport for the Second Control Period.....  | 129 |

|   |     |
|---|-----|
| Table 75 : ARR proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....                    | 130 |
| Table 76 : ARR decided by the Authority for Second Control Period.....  | 131 |
| Table 77: % Increase in UDF rates proposed by AAI.....  | 132 |
| Table 78: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport for the Second Control Period.....              | 132 |
| Table 79: UDF charges proposed by the Authority for BIA for the Second Control Period at Consultation Stage.....                      | 133 |
| Table 80: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period at Consultation Stage.....   | 133 |
| Table 81: Aeronautical Revenue decided by the Authority for Second Control Period.....  | 140 |
| Table 82: Landing charges (domestic) decided by the Authority for BIA for the Second Control Period.....                              | 145 |
| Table 83: Landing charges (International) decided by the Authority for BIA for the Second Control Period.....                         | 145 |
| Table 84: Parking charges (per hour) decided by the Authority for up to two hours after free hours for the Second Control Period..... | 146 |
| Table 85: Parking charges beyond first four hours decided by the Authority for the Second Control Period.....                         | 147 |



भा.वि.आ.वि.प्रा.  
AERA



**GLOSSARY**

| <b>Abbreviation</b> | <b>Full Form</b>                                 |
|---------------------|--|
| AAI                 | Airports Authority of India                      |
| AAICLAS             | AAI Cargo Logistics and Allied Services          |
| A/A & E/S           | Administrative Approval and Expenditure Sanction |
| AVDGS               | Advanced Visual Docking Guidance System          |
| AERA/ The Authority | Airports Economic Regulatory Authority of India  |
| ANS                 | Air Navigation Services                          |
| ARR                 | Aggregate Revenue Requirement                    |
| ARFF                | Aircraft Rescue and Fire Fighting                |
| ATM                 | Aircraft Traffic Movement                        |
| AOCC                | Airports Operations Control Centre               |
| AUCC                | Airport Users Consultative Committee             |
| BCAS                | Bureau of Civil Aviation Security                |
| BDDS                | Bomb Detection and Disposal Squad.               |
| BIA                 | Bhubaneswar International Airport                |
| BIAL                | Bangalore International Airport Limited          |
| BPCL                | Bharat Petroleum Corporation Limited             |
| BSF                 | Border Security Force                            |
| CAG                 | Comptroller and Auditor General of India         |
| CAGR                | Compounded Annual Growth Rate                    |
| CAPEX               | Capital Expenditure                              |
| CASO                | Cordon And Search Operation                      |
| CCEA                | Cabinet Committee on Economic Affairs            |
| CFT                 | Crash Fire Tender                                |
| CHQ                 | Corporate Headquarters                           |
| CIAL                | Cochin International Airport Limited             |
| CISF                | Central Industrial Security Force                |
| CRPF                | Central Reserve Police Force                     |
| CSR                 | Corporate Social Responsibility                  |
| DGCA                | Directorate General of Civil Aviation            |
| DIAL                | Delhi International Airport Limited              |
| DISHA               | Driving Improvements in Service and Hospitality  |
| DPR                 | Detailed Project Report                          |
| DFMD                | Door Frame Metal Detector                        |
| EPC                 | Engineering, Procurement and Construction        |
| ESI                 | Employees' State Insurance                       |
| ETD                 | Electronic Trace Detector                        |
| FA                  | Financing Allowance                              |
| FIDS                | Flight Information Display System                |
| FRoR                | Fair Rate of Return                              |
| GHIAL               | GMR Hyderabad International Airport Limited      |
| GoI                 | Government of India                              |
| GST                 | Goods and Services Tax                           |
| HPCL                | Hindustan Petroleum Corporation Limited          |



| Abbreviation | Full Form                                     |
|--------------|---|
| IAF          | Indian Air Force                              |
| IDC          | Interest During Construction                  |
| IOCL         | Indian Oil Corporation Limited                |
| MoCA         | Ministry of Civil Aviation                    |
| MoU          | Memorandum of Understanding                   |
| MPPA         | Million Passengers per Annum                  |
| MYTP         | Multi-Year Tariff Proposal                    |
| MIAL         | Mumbai International Airport Limited          |
| NAR          | Non-aeronautical revenue                      |
| NLJD         | Non-Linear Junction Detector                  |
| PBB          | Passenger Boarding Bridge                     |
| PCN          | Pavement Classification Number                |
| PF           | Provident Fund                                |
| PIB          | Public Investment Board                       |
| PMC          | Project Management Consultancy                |
| PPP          | Public Private Partnership                    |
| PSF          | Passenger Service Fee                         |
| PTB          | Passenger Terminal Building                   |
| RAB          | Regulatory Asset Base                         |
| RCC          | Reinforced Cement Concrete                    |
| RHQ          | Regional Headquarters                         |
| SITC         | Supply, Installation, Testing & Commissioning |
| SCCTV        | Secure Closed-Circuit Television              |
| Sq.m.        | Square Metre                                  |
| UDF          | User Development Fee                          |
| YTD          | Year to Date                                  |
| YPP          | Yield per Passenger                           |

भा.वि.आ.वि.प्रा.

AERA



## 1 INTRODUCTION

### 1.1 Background

- 1.1.1 Biju Patnaik International Airport ('Bhubaneswar International Airport' or 'BIA'), operated by Airports Authority of India, is currently the 17<sup>th</sup> busiest Airport<sup>1</sup> in India by passengers handled and 14<sup>th</sup> busiest Airport<sup>1</sup> by air traffic movements. The Airport had received international airport status in October 2013.
- 1.1.2 The total land area of BIA is 854.39 acres. Out of this, the total area of the integrated Terminal Building is 31,737 Sq.m, which handles both domestic and international operations. The Airport has the capacity to handle 550 passengers (domestic and international) at Arrival and 550 passengers (domestic and international) at Departure during peak hours. The length of the Runway is 2,744 meters. The Airport has ten taxi tracks and three apron bays.
- 1.1.3 Bhubaneswar International Airport was declared as a "Major Airport" as per section 2(i) AERA Act, 2008, based on the actual passenger traffic throughput (i.e., in excess of one and half million) in FY 2015-16.
- 1.1.4 As per the AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, a "Major Airport" means any airport which has or is designated to have, passenger throughput in excess of 3.5 MPPA or any other airport or any other group of airports as the Central Government may by notification, specify as such. Bhubaneswar International Airport is a Major Airport, which has a designated capacity of 4.4 MPPA. The total passenger traffic for FY 2022-23 was 3.62 MPPA, out of which 99% comprised of domestic passengers.

The Authority determined tariff for the First Control Period (starting from FY 2018-19 to FY 2022-23) vide Order Number 46/ 2018-19 dated March 08, 2019. Further, the Authority vide Order No. 26/ 2020-21 dated July 9, 2020 had revised the landing charges of BIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

### 1.2 Profile of Bhubaneswar International Airport

- 1.2.1 Technical and Terminal Building details of Bhubaneswar International Airport submitted by the Airport Operator are provided in the table below:

*Table 1: Technical and Terminal Building details of BIA submitted by AAI*

| Particulars                     | Details                               |
|---------------------------------|---------------------------------------|
| Total airport land area         | 854.39 acres                          |
| Total area of Terminal Building | 31,737 sqm                            |
| Car Parking area                | T1- 13,035 sqm<br>T2- 5,023 sqm       |
| Designated Capacity             | 4.4 MPPA                              |
| Runway orientation and length   | Runway 14/32, length: 2,744 m         |
| Apron                           | 03 nos. stands                        |
| Taxiway                         | 10 Nos.- A, B, C, D, E, F, G, J, K, L |
| Boarding/ Aero Bridges          | 04 nos.                               |

<sup>1</sup> As per data on top 50 busiest airports for FY 2022-23, published by AAI

### 1.3 Cargo Facility, Ground Handling and Supply of Fuel to Aircraft (CGF)

#### Cargo Facility

- 1.3.1 M/s AAI Cargo Logistics and Company Limited (AAICLAS) is a 100% subsidiary company of Airports Authority of India (AAI), who provide Cargo Handling Services at Bhubaneswar International Airport.
- 1.3.2 AERA vide Order No. 37/ 2020-21 dated September 1, 2020 determined the tariffs for AAI Cargo Logistics & Allied Service Company Limited for the First Control Period (FY 2019-20 to FY 2023-24) and is valid up to March 31, 2024.

#### Ground Handling Services

- 1.3.3 Currently, there are two Service Providers viz., Indo Thai Bhubaneswar Private Limited and AI Airport Services Limited, who provide Ground Handling services at BIA.

AERA vide Order No. 23/2019-20 dated February 14, 2020 determined tariff for Ground Handling Services for the AI Airport Services Ltd. for FY 2019-20 and FY 2020-21. The Authority from time to time through various Orders had extended the applicability of existing tariff till March 31, 2024.

AERA vide Order No. 34/ 2023-24 dated January 25, 2024 determined tariff for Ground Handling Services for Indo Thai Bhubaneswar Private Limited for the First Control Period (FY 2024 to FY 2028).

#### Supply of Fuel to Aircraft

- 1.3.4 Oil Companies such as M/s IOCL, M/s BPCL, M/s HPCL and Reliance Industries Limited are providing Aviation Fuel Facility at Bhubaneswar Airport.

Further, AAI has awarded contract of New Fuel facility System to M/s IMC Limited, Chennai, India and allotted a piece of unpaved land measuring 20,234.00 Sqm. for Development, Operations and Maintenance of ATF Management System under open access at Bhubaneswar Airport. The said agency will carry out subject services through Special Purpose Vehicle (SPV) namely M/s AVR Aviation Fuel Private Limited and had entered into an Agreement with AAI in June 2022.

भा.वि.आ.वि.प्रा.

AERA



## 2 TARIFF DETERMINATION OF BHUBANESWAR INTERNATIONAL AIRPORT

### 2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12<sup>th</sup> May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') which are as below:

- a) To determine the tariff for Aeronautical services taking into consideration –
- i. the capital expenditure incurred and timely investment in the improvement of airport facilities.
  - ii. the service provided, its quality and other relevant factors
  - iii. the cost for improving efficiency.
  - iv. economic and viable operation of Major Airports
  - v. revenue received from services other than the Aeronautical services
  - vi. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; and
  - vii. any other factor which may be relevant for the purpose of this Act:

Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii).

- b) To determine the amount of the development fees in respect of Major Airports.
- c) To determine the amount of the passengers service fee levied under Rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934.
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf.
- e) To call for any such information as may be necessary to determine the tariff for Aeronautical services; and
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of the Act.

2.1.2 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008 the following are the Aeronautical services:

- i. Aeronautical services provided by the airport operators.
- ii. Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft; and
- iii. Air Navigation Services.

Tariff determination for Air Navigation Services is carried out by the Ministry of Civil Aviation (MoCA) across all airports to maintain uniformity.

2.1.4 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have also been issued. The details of Orders and Guidelines issued in this behalf are as



under:

- i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and
- ii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- iii. Order No. 14/2016-17 dated 23.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.
- iv. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- v. Order No. 42/2018-19 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.1.5 AAI had submitted Multi Year Tariff Proposal (MYTP) for the First Control Period from April 1, 2018, till March 31, 2023. AERA vide its Order No. 46/2018-19 dated March 08, 2019, had determined tariffs for Aeronautical services for Bhubaneswar International Airport for the First Control Period from April 1, 2018 to March 31, 2023. The Authority vide Order No. 26/ 2020-21 dated July 9, 2020 had revised the landing charges of BIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

Further, AERA vide Order No. 41/ 2022-23 dated March 22, 2023 had extended the levy of existing tariff for a further period of 6 months (i.e. up to September 30, 2023) and subsequently, vide Order No. 19/2023-24 dated September 20, 2023, had extended the levy of prevailing tariff for an additional period of 6 months ending up to March 31, 2024.

## 2.2 Issuance of Consultation paper and receipt of Stakeholders' comments

2.2.1 As per proviso to clause 3.1 of the Airport Guidelines, the Airport Operator(s) are required to submit to the Authority for its consideration, a Multi-Year Tariff Proposal (MYTP) for the respective Control Periods within the due date as specified by the Authority. AAI has submitted its initial MYTP on May 17, 2023 for the Second Control Period commencing from FY 2023-24 to FY 2027-28 for BIA. Later, a revised MYTP was submitted by AAI to AERA on August 11, 2023. The MYTP document is available on the AERA's website. Further, the date wise chronology of events is given in Table 2 below.

2.2.2 The Authority had appointed an Independent Consultant, M/s R. Subramanian and Company LLP to assess the MYTP submitted by AAI for the Second Control period. Accordingly, M/s R. Subramanian and Company LLP has assisted the Authority in examining the true up submission on AAI by comparing the each regulatory building block with the Tariff Order for the First Control period, examined the MYTP of AAI for the current Control Period, by verifying the data from various supporting documents submitted by AAI such as audited financials, Fixed Asset Register (FAR), documentary evidence of the process of approval of Capital expenses, Operation and Maintenance expenses, examining the building blocks in tariff determination and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.

The Authority obtained clarifications on the information shared by the AAI from time to time, to review the appropriateness of the classification of assets, the reasonableness of the proposed Capital Expenditure, Operation & Maintenance expenditure, for finalizing this Tariff Order. The sequential timeline of the

TARIFF DETERMINATION OF BHUBANESWAR INTERNATIONAL AIRPORT

above events has been presented in the table below:

Table 2: MYTP Submission Timelines

| Dates              | Event  |
|--------------------|--|
| May 17, 2023       | Initial MYTP Submission by AAI   |
| August 11, 2023    | Revised MYTP submission by AAI   |
| September 19, 2023 | Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of BIA   |
| October 27, 2023   | Clarifications sought on CAPEX for true up and Current Control Period  |
| November 13, 2023  | Queries were floated regarding capitalisation of Terminal Building (T3) at Bhubaneswar International Airport.  |
| November 17, 2023  | Information on proposed Tariff Rate card requested from AAI  |
| November 21, 2023  | Virtual meeting convened by AERA along with its Consultant, with the Representatives of AAI for addressing the delay in the response for the queries raised by AERA's Consultant |
| December 11, 2023  | Clarification obtained on debts obtained by AAI in the First Control Period, FRoR computation, CAPEX etc.  |

2.2.3 AAI has informed that accounts of AAI are audited by the Comptroller and Auditor General of India ('CAG') as mandated by the AAI Act. The CAG audits the financial records and statements of AAI airports, regional and field offices. However, the CAG issues the final audit certificate for the AAI as a whole and only Trial Balance is available for Bhubaneswar International Airport. The Authority has examined the audited Trial Balance (FY 2019 to FY 2023) submitted by AAI for determination of tariff.

2.2.4 After examination of MYTP and other details submitted by AAI, the Authority issued Consultation Paper No. 22/2023-24 dated January 5, 2024. Following the release of the Consultation Paper, the Authority had convened a meeting of the stakeholders on January 16, 2024. The minutes of the meeting are available on AERA's website.

2.2.5 The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No. 22/2023-24.

2.2.6 The following stakeholders have provided their comments on the Consultation Paper No. 22/2023-24:

- i. Airports Authority of India (AAI)
- ii. Federation of Indian Airlines (FIA)
- iii. International Air Transport Association (IATA)

Table 3: Regulatory building blocks with names of Stakeholders who commented on each building block

| Component impacting tariff determination of the Second Control Period                     | Name of the Stakeholder who has provided comments |
|---|---|
| -Process of Tariff Determination  | FIA   |
| True up of the First Control Period   | FIA, IATA, AAI                                    |
| Traffic for the Second Control Period   | FIA   |
| Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period | FIA, AAI  |
| Fair Rate of Return for the Second Control Period   | AAI, FIA  |
| Inflation for the Second Control Period   | No comments                                       |



TARIFF DETERMINATION OF BHUBANESWAR INTERNATIONAL AIRPORT

| Component impacting tariff determination of the Second Control Period | Name of the Stakeholder who has provided comments |
|---|---|
| Operation and Maintenance Expenses for the Second Control Period      | FIA, AAI  |
| Non-aeronautical revenue for the Second Control Period                | FIA, AAI  |
| Taxation for the Second Control Period                                | No comments                                       |
| Quality of service for the Second Control Period                      | IATA  |
| ARR for the Second Control Period                                     | No comments                                       |
| Aeronautical Revenue for the Second Control Period                    | FIA, IATA, AAI                                    |

2.2.7 No inputs were received from Ministry of Civil Aviation (MoCA) as part of the consultation process.

2.2.8 The counter comments from AAI on the comments from other Stakeholders were received on February 13, 2024. Thus, the Stakeholders' Consultation process concluded on the receipt of counter comments on February 13, 2024. The stakeholders' comments and counter comments are available on AERA's website.

2.2.9 The Authority has examined the various comments and observations of stakeholders along with submissions made by AAI to finalize its decisions pertaining to various regulatory building blocks, based on which this Tariff Order is being issued.

2.2.10 All the figures presented in this tariff order, have been rounded off up to two decimals.

### 2.3 Construct of the Tariff Order

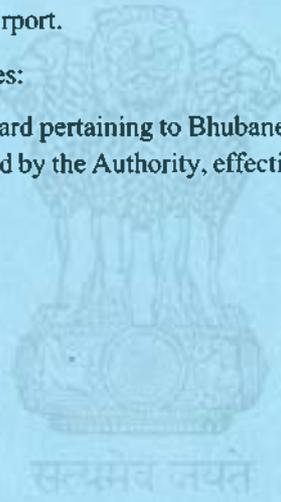
2.3.1 This Tariff Order has been developed/ constructed in the following sequence of Chapters:

- i. The background of the Authority's tariff determination process is explained in this Chapter (Chapter 2) and in Chapter 3, wherein the framework for determination of tariff is discussed.
- ii. Chapter 4 lists out the submissions of AAI for true up of the First Control Period which is from FY 2018-19 to FY 2022-23. This is followed by the Authority's examination of the same as set out in Consultation Paper No. 22/2023-24 dated January 05, 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iii. Chapter 5 discusses the submissions of AAI and the Authority's examination regarding Traffic Projections for the Second Control Period as set out in Consultation Paper No. 22/2023-24 dated January 05, 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- iv. Chapter 6 discusses the submissions of AAI regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period along with the Authority's detailed examination, adjustments, rationalisation and proposals on the Aeronautical Capital Expenditure, Depreciation and RAB for the Second Control Period as set out in Consultation Paper No. 22/2023-24 dated January 05, 2024. Thereafter, the comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.
- v. Chapter 7-12 includes the submissions of AAI regarding various building blocks pertaining to the Second Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's



examination and proposals regarding the same as set out in Consultation Paper No. 22/2023-24 dated January 05, 2024. Thereafter, comments of AAI and other stakeholders, responses of AAI on other stakeholders' comments, Authority's analysis and final decisions are set out.

- vi. Chapter 13 presents the Aggregate Revenue Requirement as determined by the Authority based on the various proposals of the Authority and adjustments considered by the Authority for the Second Control Period at the Consultation stage. This is followed by comments of AAI and other stakeholders. Thereafter, the Authority's analysis and final decisions are set out.
- vii. Chapter 14 presents the Aeronautical Revenue decided by the Authority for Bhubaneswar International Airport for the Second Control Period.
- viii. Chapter 15 summarises Authority's decisions on all the matters relating to the tariff computations and Chapter 16 is the Final Tariff Order issued by the Authority for the Second Control Period of Bhubaneswar International Airport.
- ix. Chapter 17 contains Annexures:
  - Annexure I: Tariff Rate Card pertaining to Bhubaneswar International Airport, for the Second Control Period as approved by the Authority, effective from April 01, 2024 to March 31, 2028.



भा.वि.आ.वि.प्रा.  
AERA



### 3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR BHUBANESWAR INTERNATIONAL AIRPORT

#### 3.1 Methodology

3.1.1 The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA.

3.1.2 As per the guidelines, for the First Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidising the Aeronautical charges. The Authority has considered the same methodology in the true up of the First Control Period and for tariff determination in the Second Control Period.

3.1.3 The ARR under hybrid till for the Control Period (ARR) shall be expressed as under:

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

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

Where,

- $t$  is the tariff year in the control period, ranging from 1 to 5
- $ARR_t$  is the Aggregate Revenue Requirement for tariff year ' $t$ '
- $FRoR$  is the Fair Rate of Return for the Control Period
- $RAB_t$  is the Aeronautical Regulatory Asset Base for tariff year ' $t$ '
- $D_t$  is the Depreciation corresponding to the Regulatory Asset Base for tariff year ' $t$ '
- $O_t$  is the Aeronautical Operation and Maintenance expenditure for the tariff year ' $t$ '
- $T_t$  is the Aeronautical taxation expense for the tariff year ' $t$ '
- $s$  is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Till methodology followed by the Authority,  $s = 30\%$ .
- $NAR_t$  is the Non-aeronautical revenue in tariff year ' $t$ '.

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

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

- Where,  $PV(ARR_t)$  is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.

- $VE_t$  is the passenger traffic in year ' $t$ '.

3.1.5 All the figures presented in this Tariff Order, have been rounded off up to two decimals.

#### 3.2 Control Period

3.2.1 In terms of Direction No. 5 issued on 28 February 2011, Control Period means "a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant

to such order shall subsist". The First Control Period for Bhubaneswar International Airport commenced from April 1, 2018 and the Second Control Period has commenced from April 1, 2023.

### 3.3 Revenues from Air Navigation Services (ANS) and Cargo

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to other Aeronautical services at Bhubaneswar International Airport. AAI has submitted that the tariff proposal does not consider assets, expenses and revenues on account of ANS. This tariff order discusses the determination of tariffs for Aeronautical services at the airport excluding ANS, as tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports. Therefore, all the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across all the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.
- 3.3.2 AAI has further submitted that all Cargo Operations have been transferred to AAI Cargo Logistics and Allied Services (AAICLAS), a wholly owned subsidiary of AAI and the tariff proposal does not consider expenditure and assets on account of cargo operations. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's internal agreement with AAICLAS.
- 3.3.3 This tariff order discusses the determination of tariff for Aeronautical services at Bhubaneswar International Airport excluding Cargo Operations. The tariff related to Cargo Operations of Bhubaneswar International Airport will be determined separately since its operations are carried out by AAICLAS.

### 3.4 Stakeholders' comments on the Framework for determination of tariff for Bhubaneswar International Airport

- 3.4.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/2023-24 with respect to Framework for determination of tariff for Bhubaneswar International Airport. The comments made by the other stakeholders are presented below:

#### **Other Stakeholders' comments on the Framework for determination of tariff for Bhubaneswar International Airport**

- 3.4.2 FIA has commented the following:

##### Para 2.1.3 and 3.3.1 of CP

*"It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services means any services provided -*

*(i) For navigation, surveillance and supportive communication thereto for air traffic management."*

*It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services should form part of aeronautical revenues and accordingly AERA should take into account the corresponding revenue and revise the tariff card."*

##### Para 3.1.2 of CP

*"It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable,*

*FIA has advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up. In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero-assets, thereby having a higher capital base for calculation of return offered by the regulator."*

### 3.5 AAI's responses to other stakeholders' comments on Framework for determination of tariff for Bhubaneswar International Airport

#### 3.5.1 AAI has responded to FIA's comments as under:

- i. *"Air Navigation Services (ANS) are a separate segment of services provided by AAI in addition to Airport Services. AAI does not consider the assets, expenses and revenue pertaining to ANS while submitting the tariff proposal to AERA for determining of tariff for Airport Services. The ANS charges have been fixed by MoCA."*
- ii. *As per National Civil Aviation Policy (NCAP)-2016 there should be uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross subsidise aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the same will be trueing up and adjusted in next control period by AERA.*

*AERA vide Order No. 14/2016-17 dated January 12, 2017 conveyed that to determine the future tariffs using Hybrid Till Methodology in line with the policy of Government of India directed Airport operator to submit the proposal on the lines of above said order. Accordingly, the proposal has been submitted by using Hybrid Till Methodology based on the above said directions of AERA."*

### 3.6 Authority's analysis on Stakeholders' comments regarding the Framework for determination of tariff for Bhubaneswar International Airport

#### 3.6.1 The Authority notes the comments of FIA regarding inclusion of Revenue from ANS and the response of AAI. The Authority is of the view that the tariff for ANS is presently regulated by the Ministry of Civil Aviation for all the airports.

All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses and revenues from ANS.

#### 3.6.2 The Authority has noted the comments of FIA regarding the regulatory till applicable for the Airport. The determination of tariff under Hybrid Till mechanism is as per the recommendation of the National Civil Aviation Policy 2016 of GoI and the Tariff Guidelines issued vide AERA Order No. 14/2016-17 dated January 12, 2017. The Authority provided detailed reasoning and adequately responded to the stakeholders' comments on the adoption of Hybrid Till while issuing its Order No. 14/ 2016-17 dated January 12, 2017. The extract of the Order is provided as under:

*"The Authority will in future determine the tariff 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 guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory Till, shall remain the same."*

Therefore, Hybrid Till methodology has been followed to determine the aeronautical tariff uniformly across all Major Airports.



#### 4 TRUE UP OF THE FIRST CONTROL PERIOD

##### 4.1 AAI's submission on True up of the First Control Period for Bhubaneswar International Airport

4.1.1 AAI had submitted the shortfall of ₹ 455.42 Crores for Bhubaneswar International Airport for the First Control Period, as part of its MYTP submission for the Second Control Period:

Table 4: True up for First Control Period submitted by AAI

(₹ Crores)

| Particulars  | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total   |
|--|------------|------------|------------|------------|------------|---------|
| Total Revenue from Regulated Services (a)  | 48.88      | 103.24     | 51.77      | 63.69      | 108.40     | 375.98  |
| Revenue from services other than Regulated Services (30% considered for Hybrid Till) (b) | 9.65       | 12.33      | 4.67       | 5.08       | 9.35       | 41.08   |
| Operating Expenditure (c)  | 81.32      | 99.73      | 75.98      | 75.46      | 81.44      | 413.93  |
| Depreciation (d)   | 12.31      | 12.77      | 13.95      | 15.10      | 15.00      | 69.13   |
| Total Expenditure (c) + (d) = (e)  | 93.63      | 112.51     | 89.93      | 90.56      | 96.44      | 483.07  |
| Regulatory operating Profit (a) + (b) - (e) = (f)  | (35.11)    | 3.06       | (33.49)    | (21.78)    | 21.31      | (66.01) |
| Average RAB = (g)  | 109.14     | 116.34     | 120.17     | 127.89     | 172.89     |         |
| Return on Average RAB (g) *14% (h)   | 15.28      | 16.29      | 16.82      | 17.90      | 24.20      | 90.50   |
| Return on Land (i)   | -          | -          | -          | -          | -          | -       |
| Interest on Working Capital (j)  | 0.94       | -          | -          | 0.32       | -          | 1.26    |
| Tax @ 34.944% (FY18-19) & 25.17% w.e.f. FY 19-20 on (f) = (k)                            | -          | -          | -          | -          | -          | -       |
| (Excess)/Shortfall of True up Pre- Control Period (l)                                    | 106.17     | -          | -          | -          | -          | 106.17  |
| <b>ARR</b><br>[(e)+(h)+(i)+(j)+(k)+(l)]-(b) = (m)  | 206.38     | 116.47     | 102.08     | 103.70     | 111.29     | 639.91  |
| (Excess)/Shortfall (m-a)   | 157.50     | 13.23      | 50.31      | 40.00      | 2.89       | 263.94  |
| Shortfall including Return @14%  | 303.25     | 22.34      | 74.54      | 51.99      | 3.30       | 455.42  |

##### 4.2 Authority's examination of True up of the First Control Period

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical services for the First Control Period vide Order No. 46/ 2018-19 dated March 08, 2019 had been reproduced below:

- **Decision No:3b – Traffic Forecast:** The Authority decides to true up the traffic volume (ATM and Passengers) on the basis of actual traffic in First Control Period while determining tariff for the Second Control Period.
- **Decision No. 4a – Allocation of assets between Aeronautical and Non-Aeronautical:** The Authority decides the allocation of gross block of assets as on 1<sup>st</sup> April 2016 between aeronautical and non-aeronautical assets as detailed in Table 12.
- **Decision No. 5a – Initial RAB:** The Authority decides to consider the initial regulatory asset base for the first control period as INR 96.45 Crores in accordance with Table 13.
- **Decision No. 6a – CAPEX:** The Authority decides to adopt the capital expenditures in accordance with Table 18.

- **Decision No. 7b – Depreciation:** The Authority decides the depreciation amounts as per Table 26 for the 1<sup>st</sup> Control Period.
- **Decision No. 8a – RAB:** The Authority decides to consider average RAB for the 1<sup>st</sup> Control Period in respect of BBI Airport as per Table 29.
- **Decision No. 9a – FRoR:** The Authority decides to consider the FRoR at 14% for BBI Airport for the 1<sup>st</sup> control period.
- **Decision No. 10a – Non-aeronautical revenues:** The Authority decides to consider Non-aeronautical revenues for the 1<sup>st</sup> Control Period in accordance with Table 35.
- **Decision No. 11a – O&M expenses:** The Authority decides to consider O&M expenses as per Table 46.
- **Decision No. 12a – Taxation:** The Authority decides to consider the tax expense as per Table 51.

### 4.3 True up of Traffic

- 4.3.1 AAI had submitted Passenger Traffic and ATM for Bhubaneswar International Airport for the First Control Period which is as follows:

*Table 5: AAI's submission for True up of traffic for the First Control Period for Bhubaneswar International Airport*

| Particulars                    | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Passenger (In millions)</b> |               |               |               |               |               |
| Domestic                       | 4.06          | 3.60          | 1.57          | 2.14          | 3.62          |
| International                  | 0.09          | 0.07          | 0.01          | 0.00          | 0.00          |
| <b>Total</b>                   | <b>4.16</b>   | <b>3.67</b>   | <b>1.57</b>   | <b>2.14</b>   | <b>3.62</b>   |
| <b>ATM (In No's)</b>           |               |               |               |               |               |
| Domestic                       | 29,702        | 27,308        | 14,174        | 19,397        | 30,714        |
| International                  | 688           | 623           | 91            | 20            | 31            |
| <b>Total</b>                   | <b>30,390</b> | <b>27,931</b> | <b>14,265</b> | <b>19,417</b> | <b>30,745</b> |

#### Authority's examination and proposal regarding true up of traffic of the First Control Period at the Consultation Stage:

- 4.3.2 The traffic approved by the Authority in the Tariff Order No. 46/ 2018-19 for the First Control Period is shown in Table 6.

*Table 6: Passenger Traffic and ATM approved by the Authority in the Tariff Order for First Control Period*

| Particulars                    | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Passenger (In millions)</b> |               |               |               |               |               |
| Domestic                       | 4.03          | 4.84          | 5.80          | 6.96          | 8.36          |
| International                  | 0.12          | 0.17          | 0.23          | 0.30          | 0.41          |
| <b>Total</b>                   | <b>4.15</b>   | <b>5.00</b>   | <b>6.03</b>   | <b>7.26</b>   | <b>8.77</b>   |
| <b>ATM (In No's)</b>           |               |               |               |               |               |

| Particulars                    | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Passenger (In millions)</b> |               |               |               |               |               |
| Domestic                       | 25,912        | 29,799        | 34,268        | 39,409        | 45,320        |
| International                  | 841           | 1,135         | 1,533         | 2,069         | 2,794         |
| <b>Total</b>                   | <b>26,753</b> | <b>30,934</b> | <b>35,801</b> | <b>41,478</b> | <b>48,113</b> |

4.3.3 The Authority had taken cognizance of the facts as detailed below regarding the variation in the passenger traffic and ATM for the First Control Period (actual traffic vis-à-vis the projections approved in the Tariff Order for the First Control Period):

- Cyclone Pheni had hit the Bhubaneswar city in May 2019, which had caused significant damage to the equipment at the Bhubaneswar International Airport, thereby affecting the operations of the Airport.
- The adverse effects of the COVID-19 pandemic further amplified challenges in FY 2020-21. The pandemic, starting in December 2019, led to the cancellation of numerous chartered flights from January 2020 onwards, resulting in a noticeable decline in both domestic and international passenger traffic.
- International Passenger traffic and ATM had significantly reduced during FY 2020-21 to FY 2022-23 due to withdrawal of the subsidy to foreign airlines by the State Government.

Further, the Authority observed that the above subsidy to Foreign Airlines had been reinstated by the State Government from FY 2023-24.

The Authority verified the actual Passenger traffic and ATM (as per Table 5) for the First Control Period based on the details available on AAI's website and noted no variances.

4.3.4 Based on the above analysis, the Authority proposed to consider the actual traffic submitted by AAI for the First Control Period, as shown in Table 5, in line with its decision no. 3b of the Tariff Order No. 46/2018-19 dated March 08, 2019, which states *"The Authority decides to true up the traffic volume (ATM and Passengers) on the basis of actual traffic in the First Control Period while determining tariff for the Second Control Period."*

#### **Stakeholders' comments on true up of Traffic for the First Control Period**

4.3.5 No comments were received from the Stakeholders on True up of Traffic for the First Control Period.

#### **Authority's analysis on stakeholders' comments on true up of traffic for the First Control Period**

4.3.6 The Authority notes that no comments were received from the Stakeholders regarding true up of traffic for the First Control Period. Hence, the Authority has decided to consider the traffic based on actuals for true up of the First Control Period, consistent with the proposal made in the Consultation Paper No. 22/2023-24. The traffic considered by the Authority for true up of the First Control Period has been shown in Table 5.

### **4.4 True up of Capital Expenditure (CAPEX), Depreciation and RAB**

4.4.1 The actual CAPEX submitted by AAI for true up of the First Control Period for Bhubaneswar International Airport is as follows:

Table 7: Capital additions for true up for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

| S. No   | Asset category                           | CAPEX approved by AERA (1) | Actual CAPEX incurred (2) | Variance        | Financing Allowance (included in Actual CAPEX) |
|---|--|----------------------------|---------------------------|-----------------|--|
|   |  |                            |                           | (2) - (1)       |  |
| <b>A. CAPEX incurred towards projects approved by AERA for First Control Period</b> |  |                            |                           |                 |  |
| A1  | Building- Terminal                       | 512.50                     |                           | (512.50)        |  |
| A2  | Runways / taxiway / Aprons               | 139.23                     | 68.80                     | (70.43)         | 14.03  |
| A3  | Electrical Installations- Non-Solar      | 283.08                     | 14.44                     | (268.64)        | -  |
| A4  | Electrical Installations- Solar          | 31.14                      | 0                         | (31.14)         | -  |
| A5  | Other Buildings                          | 31.99                      | 2.85                      | (29.14)         | 0.29   |
| A6  | Plant & Machinery                        | 25.72                      | 0.18                      | (25.54)         | -  |
| A7  | Roads, Bridges & Culverts                | 5.43                       |                           | (5.43)          |  |
| A8  | CFT/ Fire Fighting Equipment             | 4.03                       | 4.03                      | -               | -  |
| A9  | Vehicles                                 | 1.21                       | 0                         | (1.21)          | -  |
| A10   | Other Vehicles                           |                            | 0.77                      | 0.77            |  |
| A11   | Furniture & Fixtures-Trolley             | 0.61                       |                           | (0.61)          | -  |
| A12   | X Ray Baggage System                     |                            | 15.1                      | 15.10           | 0.68   |
| A13   | Other Office Equipment                   | 0.14                       |                           | (0.14)          | -  |
| A14   | Tools & Equipment                        | 0.14                       | 5.69                      | 5.55            | -  |
| A15   | Office Furniture                         | 0.11                       | 0.49                      | 0.38            | -  |
|   | <b>Total Approved CAPEX (A)</b>          | <b>1035.34</b>             | <b>112.35</b>             | <b>(922.98)</b> | <b>15.00</b>                                   |
| <b>B. Unplanned/ Unapproved CAPEX incurred by BIA during First Control Period</b>   |  |                            |                           |                 |  |
| B1  | Runways / taxiway / Aprons               |                            | 20.65                     | 20.65           |  |
| B2  | Roads, Bridges & Culverts                |                            | 4.38                      | 4.38            | 0.61   |
| B3  | Building- Terminal                       |                            | 10.93                     | 10.93           | 1.04   |
| B4  | Building Residential                     |                            | 3.11                      | 3.11            |  |
| B5  | Boundary Wall- Operational               |                            | 0.72                      | 0.72            |  |
| B6  | Plant & Machinery                        |                            | 3.61                      | 3.61            |  |
| B7  | Tools & Equipment                        |                            | 15.74                     | 15.74           |  |
| B8  | Office Furniture                         |                            | 2.97                      | 2.97            |  |
| B9  | Other Vehicles                           |                            | 0.44                      | 0.44            |  |
| B10   | Electrical Installation- Non-Solar       |                            | 5.69                      | 5.69            |  |
| B11   | Other Office Equipment                   |                            | 0.52                      | 0.52            |  |
| B12   | Furniture & Fixtures- OTHER THAN TROLLEY |                            | 0.02                      | 0.02            |  |
| B13   | Furniture & Fixtures- TROLLEY            |                            | 0.55                      | 0.55            |  |
| B14   | X Ray Baggage System                     |                            | 0.82                      | 0.82            |  |
| B15   | CFT/ Fire Fighting Equipment             |                            | 1.65                      | 1.65            |  |
| B16   | Computer & Peripheral: End User Devices  |                            | 0.08                      | 0.08            |  |
| B17   | Computer Software                        |                            | 0.06                      | 0.06            |  |
| B18   | Computer & Peripheral: NETWORK & SERVER  |                            | 0.15                      | 0.15            |  |
|   | <b>Total Unapproved Capex (B)</b>        |                            | <b>72.09</b>              | <b>72.09</b>    | <b>1.65</b>                                    |
|   | <b>Total CAPEX incurred (A+B)</b>        | <b>1035.34</b>             | <b>184.44</b>             | <b>(850.89)</b> | <b>16.65</b>                                   |

4.4.2 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 1,035.34

Crores. Year-wise details of the CAPEX approved by the Authority have been provided as follows:

Table 8: Capital expenditure approved in the Tariff Order for the First Control Period

(₹ Crores)

| S. No | Particulars                         | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total           |
|-------|-------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| 1     | Building- Terminal                  | 0.50          | -             | 51.02         | -             | 460.98        | 512.50          |
| 2     | Runways / taxiway / Aprons          | -             | -             | 62.15         | -             | 77.09         | 139.23          |
| 3     | Electrical Installations- Non Solar | 5.62          | 1.77          | 27.47         | -             | 248.22        | 283.08          |
| 4     | Electrical Installations- Solar     | -             | 31.14         | -             | -             | -             | 31.14           |
| 5     | Other Buildings                     | 31.99         | -             | -             | -             | -             | 31.99           |
| 6     | Plant & Machinery                   | 25.72         | -             | -             | -             | -             | 25.72           |
| 7     | Roads, Bridges & Culverts           | 5.43          | -             | -             | -             | -             | 5.43            |
| 8     | CFT/ Fire Fighting Equipment        | -             | 4.03          | -             | -             | -             | 4.03            |
| 9     | Vehicles                            | 1.21          | -             | -             | -             | -             | 1.21            |
| 10    | Furniture & Fixtures-Trolley        | 0.61          | -             | -             | -             | -             | 0.61            |
| 11    | Other Office Equipment              | 0.14          | -             | -             | -             | -             | 0.14            |
| 12    | Tools & Equipment                   | 0.14          | -             | -             | -             | -             | 0.14            |
| 13    | Office Furniture                    | 0.11          | -             | -             | -             | -             | 0.11            |
|       | <b>Total</b>                        | <b>71.47</b>  | <b>36.94</b>  | <b>140.64</b> | <b>-</b>      | <b>786.29</b> | <b>1,035.34</b> |

4.4.3 The Authority noted a variance of ₹ 850.89 Crores between CAPEX approved in the Tariff Order for the First Control Period and that incurred by AAI for the First Control Period, which has been detailed asset-wise in Table 7.

4.4.4 AAI had submitted the following depreciation for the First Control Period for Bhubaneswar International Airport.

Table 9: Depreciation for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

| Particulars                                | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total |
|--|---------------|---------------|---------------|---------------|---------------|-------|
| Land                                       | -             | -             | -             | -             | -             | -     |
| Leasehold Land                             | -             | -             | -             | -             | -             | -     |
| Runways                                    | 0.47          | 0.56          | 0.56          | 0.56          | 1.96          | 4.11  |
| Taxiway                                    | -             | -             | -             | -             | -             | -     |
| Aprons                                     | -             | -             | -             | -             | -             | -     |
| Road, Bridges & Culverts                   | 2.41          | 2.28          | 2.48          | 2.65          | 1.22          | 11.03 |
| Building- Terminal                         | 1.57          | 1.59          | 1.74          | 1.89          | 1.95          | 8.75  |
| Building – Temporary                       | -             | -             | -             | -             | -             | -     |
| Building – Residential                     | 0.25          | 0.25          | 0.29          | 0.32          | 0.33          | 1.43  |
| Security Fencing –<br>Temporary            | -             | -             | -             | -             | -             | -     |
| Boundary Wall -Operational                 | 0.66          | 0.41          | 0.43          | 0.33          | 0.33          | 2.16  |
| Boundary Wall – Residential                | 0.55          | 0.48          | 0.48          | 0.48          | 0.48          | 2.46  |
| Other Buildings-Unclassified               | -             | -             | -             | -             | -             | -     |
| Computer & Peripherals:<br>END USER DVICES | 0.13          | 0.01          | 0.02          | 0.03          | 0.02          | 0.21  |
| Intangible Assets- Software                | 0.01          | 0.01          | 0.01          | 0.01          | 0.01          | 0.05  |

| Particulars                                 | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total        |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Computer & Peripherals:<br>NETWORK & SERVER | 0.01          | 0.01          | 0.01          | 0.01          | 0.02          | 0.06         |
| Plant & Machinery                           | 0.57          | 0.64          | 0.66          | 0.67          | 0.73          | 3.27         |
| Tools & Equipment                           | 0.39          | 0.80          | 0.97          | 1.28          | 1.47          | 4.92         |
| Office Furniture                            | 0.09          | 0.19          | 0.35          | 0.49          | 0.50          | 1.62         |
| Other Vehicles                              | 0.32          | 0.09          | 0.14          | 0.16          | 0.18          | 0.89         |
| Vehicle- Cars & Jeeps                       | -             | -             | -             | -             | -             | -            |
| Electrical Installations                    | 3.84          | 4.15          | 4.42          | 4.58          | 3.87          | 20.87        |
| Solar power -Electrical Inst.               | -             | -             | -             | -             | -             | -            |
| Other Office equipment                      | 0.22          | 0.20          | 0.22          | 0.11          | 0.10          | 0.85         |
| Furniture & Fixtures-OTHER<br>THAN TROLLY   | 0.11          | 0.12          | 0.10          | 0.10          | 0.03          | 0.46         |
| Furniture & Fixtures-<br>TROLLY             | 0.15          | 0.18          | 0.18          | 0.09          | -             | 0.60         |
| X Ray Baggage System                        | 0.22          | 0.28          | 0.35          | 0.81          | 1.27          | 2.93         |
| CFT/Fire Fighting Equipment                 | 0.34          | 0.53          | 0.53          | 0.53          | 0.53          | 2.45         |
| <b>TOTAL</b>                                | <b>12.31</b>  | <b>12.77</b>  | <b>13.95</b>  | <b>15.10</b>  | <b>15.00</b>  | <b>69.13</b> |

**Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period at the Consultation Stage:**

4.4.5 The Authority analyzed the variances between the approved CAPEX (as per the Tariff Order for the First Control Period) and the actual CAPEX incurred for the First Control Period (refer Table 7) and noted that AAI had not implemented 89.15% of the approved CAPEX. The major items of variances have been presented asset-wise in the below paragraphs.

**A. CAPEX incurred towards projects approved by AERA for First Control Period**

**A1 and A3: Terminal Building (T3):**

The Authority had approved capital expenditure of ₹ 795.58 Crores (out of which 64.41% was of Civil works and 35.58% was of electrical works) towards Construction of Terminal Building in the Tariff Order for the First Control Period for Bhubaneswar International Airport. However, the Authority noted that AAI had not executed the above project, resulting in non-incurrence of CAPEX by AAI on account of the following reasons:

- i. AAI vide its letter to AERA dated 11 August 2023 had submitted that the Government of India was considering leasing out Bhubaneswar International Airport on PPP model, thereby, the major CAPEX pertaining to construction of Terminal Building (approved costs of ₹ 795.58 Crores) was not initiated by AAI. Later, MoCA vide letter dated December 15, 2021 had directed AAI to undertake the above-mentioned CAPEX towards construction of Terminal Building. However, at that time, due to the adverse impact of COVID 19 pandemic on the aviation sector, AAI had decided to re-estimate the traffic projections for BIA and therefore the project on construction of Terminal Building was put on hold.
- ii. AAI had awarded Project Management Consultancy (PMC) on February 15, 2019, however, the Environment clearance was awaited from Pollution Control Board, Odisha. Subsequently, AAI had prepared a Detailed Project Report (DPR) on Terminal Building (which was submitted to MoCA initially in December 2019 and subsequently, an updated report in December 2020) and based on the same, cost of the project had been enhanced from ₹ 795.58 Crores to approx. ₹ 1,200 Crores. The approval from PIB was awaited, post which the project was proposed to be

undertaken by AAI in the current Control Period.

Subsequently, the Authority noted that AAI had shifted the construction of new Terminal Building (T3) to the Third Control Period (refer para 6.3.6 (A3) (ii)).

In the background of the above facts, the Authority noted that the Capital project on Construction of new Terminal Building at Bhubaneswar International Airport had been proposed in the First Control Period by AAI and the same had now been shifted to the Third Control Period. In view of the above proposed CAPEX for the First Control Period, there had already been a substantial increase in the ARR, which had resulted in significant increase in the Aeronautical tariffs. The Authority felt that such a practise was not in the interest of Airport users as they started paying higher tariffs in anticipation of enhanced services at the airport against the proposed capital expenditure, which was eventually shifted to the Third Control period by the Airport Operator.

**B. Unplanned/ Unapproved CAPEX incurred by Bhubaneswar International Airport during First Control Period**

The Authority had sought clarification/ justification from AAI on the major items of unplanned/ unapproved CAPEX and the same have been detailed as follows:

**A2 and B1: Runway/ Taxiway /Aprons:** The Authority noted that ₹ 89.45 Crores (out of which planned CAPEX had been submitted by AAI as ₹68.80 Crores and unplanned CAPEX as ₹ 20.65) had been incurred by AAI towards Widening & Strengthening of Perimeter road, Improvement of Drainage System, Engineering Construction services of Recarpeting of Runway, Parallel Taxi Track, Rapid Exit Taxiway and Apron for parking of Aircraft, etc. This project had been approved by AERA in the Tariff Order for the First Control Period for B1A. Further, the Authority observed that although ₹ 20.65 Crores had been submitted by AAI as unapproved, it pertains to the same project which was approved in the First Control Period. Therefore, the Authority proposed to consider the same for true up of the Capital expenditure of the First Control Period.

**B2: Roads, Bridges and Culverts:** The Authority noted that CAPEX amounting to ₹ 4.38 Crores had been incurred towards the Extension of Box Culvert up to Runway Strip and Widening and Resurfacing of Roads of Residential Colony which was required for operational requirements. Further, the same had been approved in the Tariff Order for the First Control Period. Therefore, the Authority proposed to consider the same for the True up of First Control Period.

**B3: Building Terminal:** The Authority noted that AAI had claimed CAPEX amounting to ₹10.93 Crores (which included ₹ 1 Cr. of Financing allowance). The actual CAPEX amounting ₹ 9.93 Crores was incurred towards the following:

- i. **Extension of Ground Support Equipment (GSE) Area:** To accommodate the growing number of aircrafts, an additional Apron was constructed for parking 8 Code C aircraft, along with an extended GSE area to park ramp equipment. The Apron was planned to make contact bays to the new Terminal Building, T3. Although construction of T3 got postponed due to COVID-19 pandemic and privatization proposals (as detailed in earlier paragraphs), the increased aircraft movement during this period had necessitated the extension of the existing GSE area, resulting in incurrance of ₹ 1.53 crores. Based on the above factors, the Authority proposed to consider this CAPEX for true up of the First Control Period.

- ii. **Rotunda Building & Fixed Finger:** Through the DISHA project, AAI identified congestion



in the Remote Security Hold Area/Bus Lounge due to increased traffic. As part of the project, it was proposed to include two Passenger Boarding Bridges (PBBs) and also Rotunda Buildings and Fixed Fingers as necessary infrastructure for PBB. This had resulted in incurrence of ₹2.13 crore, as against ₹1.82cr approved in the Tariff Order of the First Control Period. As it was an operational requirement, needed to address the congestion issue and enhance airport services, the Authority considered the same to be reasonable.

- iii. **Canopy Civil Work:** The Authority observed that there was absence of canopy/roofed areas connecting Terminal 1 (T1) to the Vehicle Parking/Lane, thereby resulting in passenger discomfort during inclement weather conditions. The above problem was identified as part of the DISHA project and AAI had proposed the construction of a "Tensile Fabric Canopy" in front of T1. The Authority found the capital expenditure of ₹ 2.89 Crores incurred in this project as reasonable, as the same had been incurred to alleviate passenger inconvenience during heavy rain and sunny days and therefore, proposed to consider the same for true up of the First Control Period.
- iv. **Improvement of Terminal Building:** The Authority noted CAPEX of ₹ 1.27 Crore had been incurred by AAI towards implementation of minor additions and modifications, which were suggested as part of the DISHA project. Additionally, various minor enhancements were carried out to elevate customer satisfaction and to improve accessibility for Divyang individuals within the Terminal Building. The Authority proposed to consider such CAPEX as reasonable, as it collectively aimed to provide a more satisfactory experience for passengers.

The Authority further noted that an amount of ₹ 2.11 Crores was incurred by AAI towards Provision of Bird Chaser hut, Security Gate, extension of Substation Building B, and Extension of Existing CASO Office ( for expansion of CISF at the airport for necessitating the expansion of existing office), which the Authority found to be reasonable and therefore, proposed to consider for True up of First Control Period.

**B4: Residential Building:** The Authority noted that capital expenditure of ₹ 3.11 Crores had been incurred towards Residential Building and the same included vertical extension of CISF Barracks amounting to ₹ 2.17 Crores, which was essential for Security purposes. Therefore, the Authority proposed to consider the same for true up of the Capital expenditure of the First Control Period.

**A6 and B6: Plant and Machinery:** The Authority noted that amount of ₹ 3.78 Crores (which included ₹3.61 Crores of Unplanned and ₹ 0.18 Crores of Planned CAPEX) was incurred towards Installation of Inline X Ray Baggage System, Water Depth Measuring Gauge, BDDS Equipment, CCTV Cameras, Fire Proximity Suits, etc. The Authority further analysed that the CAPEX pertained to essential, safety requirements at the Airport and therefore, proposed to consider the same for True up of the First Control Period.

**A14 and B7: Tools & Equipment:** The Authority noted that the capital expenditure incurred for tools and equipment included the following:

- Threat Containment Vessel amounting to ₹ 8.69 Crores. As per AVSEC circular 13/2017, Threat Containment Vessel needs to be provided at all Sensitive and Hypersensitive airports. As Bhubaneswar is a Sensitive airport, the same had been incurred for ₹8.69 Cr., which the Authority considered to be reasonable as compared with other similar airports.
- Passenger Boarding Bridges and AVDGS amounting to ₹ 5.28 Crores.

- CCTV cameras amounting to ₹ 2.96 Crores.
- CUTE & CUSS counters, Scanners and keyboards at a cost of ₹ 1.25 Crores.
- SITC of 124 ETD and DFMD, BMW Heavy Duty grass cutting machine, Cisco Modular Router, Human Life Detectors amounting to ₹ 2.63 Crores.

As the above capital expenditure had been incurred for Security and/or operational requirements, the Authority considered the same to be justifiable.

**A15 and B8: Office Furniture:** The Authority noted that the Office Furniture amounting to ₹ 3.46 Crores included LED Sign boards, LG TV, "May I help you" Counters, safety torch, Metal Shelving Racks, Chairs, Desktops, Printers, etc. for the usage of Employees. The Authority considered the assets necessary for the office usage and proposed to consider the same for the True up of First Control Period.

**A3 and B10: Electrical Installation – Non Solar Power :** The Authority noted that the electrical installations amounting to ₹ 20.13 Crores (out of which ₹ 14.44 Crores pertained to planned CAPEX and ₹ 5.69 Crores was Unplanned CAPEX ) had been incurred towards the following:

- The Wind Direction Indicator, Airfield Ground Lighting System, replacement of apron flood lights, led light fittings and Provision of AC units and Flag Mast, etc amounting to ₹ 3.11 Crores
- The shifting and rerouting of feeder power cables, 3KVA online ups with 30 m backup, electrical work of borewell, Passenger Boarding Bridges Relaying/ Re-routing amounts to ₹ 3.49 Crores
- The amount of ₹ 3.57 Crores towards the electrical work for Rotunda Building, Server room of T2; canopy and LT Panel for CCR Room, Trolley Mounted 62.5 KVA Silent DG Set.
- SITC of UV disinfection system for AC system, High mast for Isolation Bay, purchase of battery, 33 KV of substation allied works amounting to ₹ 9.95 Crores

The Authority noted that the above CAPEX had been incurred for operational requirements at the Airport and therefore proposed to consider the total electrical works amounting to ₹ 20.12 Crores as the part of True up of First Control Period.

**A12 and B14: X-Ray Baggage System:** The Authority noted that the capital expenditure of ₹ 13.13 Crores had been incurred by AAI at Bhubaneswar International Airport, towards purchase and installation of Inline X-Ray Baggage System, so as to reduce the congestion in the Check-in area and improve the efficiency of Baggage Handling at the Departure area. Based on the above factors, the Authority considered the capital expenditure to be justifiable.

**Other minor projects:** The Authority observed that there were minor projects that were undertaken by AAI with respect to improvement of boundary wall, trolley, vehicles, Computer software, network and servers, which the Authority found to be reasonable and proposed to consider for true up of the First Control Period.

Upon analysis of each of the above capital expenditure, the Authority was of the view that most of these expenses were incurred at Bhubaneswar International Airport either for Passenger facilitation or Security purposes to improve operational needs and mitigate threats. Therefore, the Authority proposed to consider the same for true up of the capital expenditure of the First Control Period.

- 4.4.6 The Authority noted that the AO had apportioned the common assets within the Terminal Building in the ratio of 92.47:7.53. The Authority had considered the ratio of 92:8 for apportionment of common assets within the Terminal Building (Aeronautical: Non-aeronautical), in line with the optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger

traffic of less than 10 MPPA) and that approved by AERA for other similar airports.

4.4.7 The Authority noted that Bhubaneswar International Airport had claimed Financing allowance of ₹ 16.65 Crores in the MYTP submitted for the true up of First Control Period. However, at the time of submission of the MYTP for First Control Period, such Financing allowance was neither proposed by Bhubaneswar International Airport nor approved by the Authority in the Tariff Order for the First Control Period. Even though, considering the nature of Bhubaneswar International Airport, as brownfield airport, the issue of Financing allowance did not arise at all. However, the Authority had examined AAI's claim towards Financing Allowance and had the following views:

- The Authority considered that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO was adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority had never provided financing allowance in the case of brownfield airports and any airport of AAI, in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.
- It was pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff was not applicable and no revenue was available to the Airport Operator till the aeronautical services had been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and the AO keeps on enjoying the charges from the users. In the case of BIA, since new projects had included mobilization of existing operations, the said Airport was ought to be considered as a brownfield airport, which would not be eligible for Financing Allowance on the equity portion of newly funded capital projects.
- Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funded the projects through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for execution of a project.

Therefore, based on the above analysis, the Authority proposed not to allow the Financing allowance of ₹ 16.65 Crores claimed by AAI for the First Control Period.

Also, the Authority noted that AAI had availed debts amounting to ₹ 15.23 Cr. during the First Control period (from FY 2020-21 to FY 2022-23), as shown by AAI in the Financial Model in MS-Excel spreadsheet submitted to AERA on August 11, 2023 and confirmed vide email dated December 13, 2023. Further, AAI vide email dated December 15, 2023 had confirmed that the interest on debt had already been capitalized in the Books of Account and the same had been claimed in the MYTP for true up of the First Control Period.

- 4.4.8 Based on the above factors, the difference of ₹ 16.65 Crores was solely due to disallowance of Financing Allowance as explained in para 4.4.7. Therefore, the Authority proposed to consider the actual CAPEX amounting to ₹ 167.80 Crores (after excluding Financing allowance of ₹ 16.65 Crores) for the purpose of true up for the First Control Period. The same is detailed as follows:

Table 10: Capital additions proposed by the Authority for True up of the First Control Period at the Consultation Stage

(₹ Crores)

| S. No   | Asset category                      | FY          | FY          | FY          | FY           | Total        |              |
|---|-------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
|   |                                     | 2018-19     | 2019-20     | 2020-21     | 2021-22      |              | 2022-23      |
| <b>A. CAPEX incurred towards projects approved by AERA for First Control Period</b>                             |                                     |             |             |             |              |              |              |
| 1   | Runways / taxiway / Aprons          |             |             |             |              | 54.77        | 54.77        |
| 2   | Electrical Installations- Non-Solar | 2.11        | 2.31        | 0.22        | -            | 9.48         | 14.11        |
| 3   | Other Buildings                     |             |             |             |              | 2.85         | 2.85         |
| 4   | Plant & Machinery                   |             |             |             |              | 0.18         | 0.18         |
| 5   | CFT/ Fire Fighting Equipment        | 4.03        | -           | -           | -            | -            | 4.03         |
| 6   | Other Vehicles                      | -           | 0.14        | 0.33        | -            | 0.30         | 0.77         |
| 7   | X Ray Baggage System                | -           | 1.98        | -           | 12.45        | -            | 14.43        |
| 8   | Tools & Equipment                   | 0.25        | 0.16        | -           | 5.28         | -            | 5.69         |
| 9   | Office Furniture                    | -           | -           | 0.48        | 0.01         | -            | 0.49         |
|   | <b>Total Approved CAPEX (A)</b>     | <b>6.39</b> | <b>4.59</b> | <b>1.03</b> | <b>17.74</b> | <b>67.58</b> | <b>97.32</b> |
| <b>B. Unplanned/ Unapproved CAPEX incurred by Bhubaneswar International Airport during First Control Period</b> |                                     |             |             |             |              |              |              |
| 10  | Building- Terminal                  | 1.32        | -           | 7.81        | -            | 0.80         | 9.93         |
| 11  | Building- Residential               | 0.19        | -           | 2.17        | -            | 0.75         | 3.11         |
| 12  | Runways / taxiway / Aprons          | 5.62        | -           | -           | -            | 15.03        | 20.65        |
| 13  | Boundary Wall – Operational         | -           | 0.72        | -           | -            | -            | 0.72         |
| 14  | Electrical Installations- Non-Solar | 0.99        | 1.13        | 3.09        | 0.01         | 0.47         | 5.69         |
| 15  | Electrical Installations- Solar     | -           | -           | -           | -            | -            | -            |
| 16  | Other Building                      | -           | -           | -           | -            | -            | -            |
| 17  | Plant & Machinery                   | 1.48        | 0.66        | -           | 0.22         | 1.25         | 3.61         |
| 18  | Roads, Bridges & Culverts           | -           | -           | 3.50        | -            | 0.27         | 3.77         |
| 19  | CFT/ Fire Fighting Equipment        | 1.65        | -           | -           | -            | -            | 1.65         |
| 20  | Vehicles                            | -           | -           | -           | -            | -            | -            |
| 21  | Other Vehicles                      | -           | 0.37        | 0.07        | -            | -            | 0.44         |
| 22  | Furniture & Fixtures-Trolley        | 0.55        | -           | -           | -            | -            | 0.55         |
| 23  | X Ray Baggage System                | -           | -           | -           | 0.68         | 0.14         | 0.82         |
| 24  | Other Office Equipment              | 0.18        | 0.20        | 0.13        | -            | 0.01         | 0.52         |
| 25  | Tools & Equipment                   | 10.29       | 1.47        | 3.65        | 0.27         | 0.06         | 15.74        |

## TRUE UP OF THE FIRST CONTROL PERIOD

| S: No | Asset category                          | FY           | FY          | FY           | FY           | FY           | Total         |
|-------|---|--------------|-------------|--------------|--------------|--------------|---------------|
|       |   | 2018-19      | 2019-20     | 2020-21      | 2021-22      | 2022-23      |               |
| 26    | Office Furniture                        | 1.23         | 0.19        | 1.52         | 0.03         | -            | 2.97          |
| 27    | Computer & Peripheral: End User Devices | -            | 0.06        | 0.02         | -            | -            | 0.08          |
| 28    | Computer Software                       | 0.05         | -           | 0.01         | -            | -            | 0.06          |
| 29    | Computer & Peripheral: NETWORK & SERVER | -            | 0.08        | -            | -            | 0.07         | 0.15          |
|       | <b>Total Unapproved Capex (B)</b>       | <b>23.55</b> | <b>4.88</b> | <b>21.97</b> | <b>1.21</b>  | <b>18.85</b> | <b>70.46</b>  |
|       | <b>Total CAPEX incurred (A+B)</b>       | <b>29.95</b> | <b>9.48</b> | <b>22.99</b> | <b>18.95</b> | <b>86.44</b> | <b>167.80</b> |

4.4.9 The Authority proposed to consider CAPEX of ₹ 167.80 crores (which only excluded Financing Allowance of ₹ 16.65 Cr.) as against CAPEX of ₹ 184.44 Crores claimed by AAI for True up of the First Control Period. The CAPEX considered by the Authority for true up of the First Control Period (₹ 167.80 Cr.) also included unapproved CAPEX of ₹ 70.42 Crores, as the Authority noted that the same was incurred by AAI for Bhubaneswar International Airport for passenger facilitation and/ or security purposes and/ or operational needs and/ or mitigate security related threats.

#### True up of Depreciation for the First Control Period

4.4.10 The Authority noted that while submitting the True up for the First Control Period, AAI had taken cognizance of the rates of depreciation as per Order No. 35/ 2017-18 dated January 12, 2018 read with Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by AERA had been applied by AAI from FY 2018-19 onwards.

4.4.11 The Authority noted that AAI had depreciated assets @ 50% of depreciation rates in the year of capitalization of assets. However, the Authority proposed to consider the depreciation based on the date of capitalization of the asset and compute the depreciation charge accordingly, instead of considering 50% of the depreciation rates in the year of capitalization of the assets.

4.4.12 Based on the above factors, the Authority had recomputed the depreciation as ₹ 69.57 Crores and the same is presented below:

Table 11: Depreciation proposed by the Authority for True up of the First Control Period at the Consultation Stage

(₹ Crores)

| Particulars                  | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total |
|------------------------------|------------|------------|------------|------------|------------|-------|
| Land                         | -          | -          | -          | -          | -          | -     |
| Leasehold Land               | -          | -          | -          | -          | -          | -     |
| Runways                      | 0.72       | 0.62       | 0.62       | 0.62       | 2.37       | 4.96  |
| Taxiway                      | -          | -          | -          | -          | -          | -     |
| Aprons                       | -          | -          | -          | -          | -          | -     |
| Road, Bridges & Culverts     | 2.29       | 2.16       | 2.15       | 2.47       | 1.28       | 10.36 |
| Building- Terminal           | 1.99       | 2.02       | 2.10       | 2.28       | 2.36       | 10.73 |
| Building - Temporary         | -          | -          | -          | -          | -          | -     |
| Building - Residential       | 0.29       | 0.29       | 0.34       | 0.35       | 0.35       | 1.62  |
| Security Fencing - Temporary | -          | -          | -          | -          | -          | -     |
| Boundary Wall -Operational   | 0.43       | 0.44       | 0.38       | 0.36       | 0.36       | 1.97  |
| Boundary Wall - Residential  | 0.35       | 0.33       | 0.31       | 0.31       | 0.31       | 1.60  |
| Other Buildings-Unclassified | -          | -          | -          | -          | -          | -     |

## TRUE UP OF THE FIRST CONTROL PERIOD

| Particulars                                 | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total        |
|---|---------------|---------------|---------------|---------------|---------------|--------------|
| Computer & Peripherals:<br>END USER DVICES  | 0.09          | 0.04          | 0.03          | 0.03          | 0.02          | 0.21         |
| Intangible Assets- Software                 | 0.01          | 0.01          | 0.01          | 0.01          | 0.01          | 0.05         |
| Computer & Peripherals:<br>NETWORK & SERVER | 0.01          | 0.00          | 0.01          | 0.01          | 0.02          | 0.06         |
| Plant & Machinery                           | 0.63          | 0.68          | 0.72          | 0.73          | 0.81          | 3.57         |
| Tools & Equipment                           | 0.29          | 0.82          | 0.89          | 1.23          | 1.47          | 4.69         |
| Office Furniture                            | 0.15          | 0.18          | 0.30          | 0.49          | 0.50          | 1.62         |
| Other Vehicles                              | 0.07          | 0.06          | 0.12          | 0.16          | 0.18          | 0.58         |
| Vehicle- Cars & Jeeps                       | -             | -             | -             | -             | -             | -            |
| Electrical Installations                    | 4.13          | 4.28          | 4.67          | 4.25          | 3.07          | 20.40        |
| Solar power -Electrical Inst.               | -             | -             | -             | -             | -             | -            |
| Other Office equipment                      | 0.21          | 0.19          | 0.21          | 0.16          | 0.10          | 0.88         |
| Furniture & Fixtures-OTHER<br>THAN TROLLY   | 0.12          | 0.10          | 0.09          | 0.09          | 0.04          | 0.44         |
| Furniture & Fixtures-<br>TROLLY             | 0.15          | 0.18          | 0.18          | 0.09          | -             | 0.60         |
| X Ray Baggage System                        | 0.21          | 0.34          | 0.34          | 0.54          | 1.22          | 2.65         |
| CFT/Fire Fighting Equipment                 | 0.50          | 0.60          | 0.49          | 0.49          | 0.49          | 2.57         |
| <b>TOTAL</b>                                | <b>12.64</b>  | <b>13.35</b>  | <b>13.98</b>  | <b>14.67</b>  | <b>14.94</b>  | <b>69.57</b> |

Note: Variance in the depreciation proposed by the Authority (₹ 69.57 Crores) and that claimed by AAI (₹ 69.13 Crores) was on account of following factors:

- Disallowance of Financing Allowance of ₹ 16.65 Cr claimed by AAI for the First Control Period.
- Computation of depreciation based on the date of capitalization of the asset, instead of 50%, as claimed by AAI as part of its true up submission for the First Control Period.

The RAB for the First Control Period is provided in the Table below:

Table 12: RAB proposed by the Authority for True up of the First Control Period at the Consultation Stage

(in ₹ Crores)

| Particulars                               | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total  |
|---|---------------|---------------|---------------|---------------|---------------|--------|
| Opening RAB (A)*                          | 100.17        | 117.48        | 113.61        | 122.62        | 126.90        |        |
| Additions (B) (refer Table 10)            | 29.95         | 9.48          | 22.99         | 18.95         | 86.44         | 167.80 |
| Disposal/Transfers (C)                    | -             | -             | -             | -             | -             | -      |
| Depreciation (D) (Refer Table 11)         | 12.64         | 13.35         | 13.98         | 14.67         | 14.94         | 69.57  |
| Closing RAB (E) = [(A) + (B) - (C) - (D)] | 117.48        | 113.61        | 122.62        | 126.90        | 198.40        |        |
| Average RAB = [(A) + (B)]/2               | 108.83        | 115.55        | 118.12        | 124.76        | 162.65        |        |

\* Opening RAB has been obtained from tariff Order 46/2018-19 dated March 08, 2019 (Table 29). This was further adjusted with re-allocation based on Terminal Building ratio of 92:8, as mentioned in para 4.4.6

### Stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the First Control Period

4.4.13 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 22/2023-24 with respect to True up of Capital Expenditure, Depreciation and RAB for the First Control Period. The comments by stakeholders are presented below:

### AAI's comments on True up of Capital Expenditure, Depreciation and RAB for the First Control Period

4.4.14 AAI has commented the following:

#### Para 4.4.7 of CP

#### **"Disallowing of Financing Allowance**

- *Direction 5 of 2010-11 of AERA, which entails the methodology of aeronautical tariff determination, allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.*
- *The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:*

*"5.2.7. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:*

*$WIPAt = WIPAt-1 + Capital\ expenditure + Financing\ allowance - Capital\ receipts\ of\ the\ nature\ of\ contributions\ from\ stakeholders\ (SC) - Commissioned\ Assets\ (CA)$*

*Where:*

*$WIPAt = Work\ in\ progress\ Assets\ at\ the\ end\ of\ Tariff\ Year\ t$*

*$WIPAt-1 = Work\ in\ progress\ Assets\ at\ the\ end\ of\ the\ Tariff\ Year\ t-1$*

*Capital Expenditure = Expenditure on capital projects and capital items made during Tariff Year t.*

*The Financing allowance shall be calculated as follows:*

$$Financing\ Allowance = R_d \times \left( WIPAt-1 + \frac{Capex - SC - CA}{2} \right)$$

*Where*

*$R_d$  is the cost of debt determined by AERA according to Clause 5.1.4.*

*SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t.*

*CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t.*

- AERA has further provided an Illustration on Page 28 of the Guidelines detailing the working. The extract of the illustration is as follows:

*Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.*

| Forecast Work in Progress Assets |   | 2010-11 | Tariff Year 1 | Tariff Year 2 | Tariff Year 3 | Tariff Year 4 | Tariff Year 5 |
|----------------------------------|---|---------|---------------|---------------|---------------|---------------|---------------|
| Opening WIP/ WIPAs               | OW  | -       | -             | -             | 558           | 628           | -             |
| Capital Expenditure              | CE  | -       | 230           | 244           | -             | -             | -             |
| Financing Allowance              | FA = $R_d \times (OW + CE - CA - DR) / r_d$ | -       | -             | 27            | 80            | 43            | -             |
| Capital Receipts                 | CR  | -       | 230           | -             | -             | -             | -             |
| Commissioned Assets              | CA  | -       | 633           | -             | -             | 681           | -             |
| Closing WIP/ WIPAs               | OW + OW + CE - FA - CR - CA                 | -       | -             | 558           | 628           | -             | -             |

- The cost of debt,  $r_d$ , used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
  - The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
  - The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.
- Further, Para 5.2.5 of Direction No. 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance on the assets, when it was in Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration 4 in Page 23 is given below:

| Forecast RAB            |                        | 2010-11 | Tariff Year 1 | Tariff Year 2 | Tariff Year 3 | Tariff Year 4 | Tariff Year 5 |
|-------------------------|------------------------|---------|---------------|---------------|---------------|---------------|---------------|
| Opening RABs            | OR                     | 22,750  | 20,800        | 18,826        | 16,462        | 13,998        | 12,277        |
| Commissioned Assets     | CA                     | -       | 633           | -             | -             | 681           | -             |
| Depreciation            | DR                     | 2,250   | 2,307         | 2,364         | 2,364         | 2,402         | 731           |
| Disposals               | DS                     | -       | -             | -             | 100           | -             | -             |
| Incentive Adjustments   | IA                     | -       | -             | -             | -             | -             | -             |
| Closing RABs            | OR + CA - DR - DS - IA | 20,500  | 18,826        | 16,462        | 13,998        | 12,277        | 11,547        |
| RAB for calculating ARR | RA = $(OR + CR) / 2$   | 13,653  | 17,644        | 15,230        | 13,138        | 11,912        | -             |

- The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:  
 "Commissioned Assets: Represents investments brought into use during Tariff Year 1, consistent with Clause 5.2.7 herein below."
- Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.
- Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.



- The regulatory principles laid down by AERA and based on which the tariff orders are determined, provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:
- **CIAL 3rd CP Order:** Vide para 4.4.52 of CIAL order for third control period, for true up of SCP, AERA noted that, in the tariff order for the SCP, it was decided that FA would be trued up based on the final capex. In its MYTP submission, CIAL had proposed an addition of Rs. 11.9 Crore in FY 2020-21 as Financing Allowance for true up of 2nd CP. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the true up amount.
- **BIAL 3rd CP Order:** Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the SCP.
- Financing allowance was approved and given by AERA in the First and SCP for BIAL and in SCP order of CIAL.
- **MIAL and DIAL:** It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.

#### AAI's Request

- The AERA Act requires AERA to consider "timely investment in improvement of airport facilities"; and "economic and viable operation of major airports". The statement of objects and reasons of the AERA Act requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.
- Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.
- Based on the above submissions, AAI submits that non-consideration of Financing allowance amounts to contradiction of AERA's own guidelines. Further, by treating the Financing Allowance proposed by private airports and AAI airports differently vitiates the services expected to be provided by the airport and violates the principle that allows a level playing field for all airports. Also, AAI airports would be denied of revenues that they are rightfully entitled to.
- **AAI therefore requests AERA to consider the financing allowance of Rs. 16.65 Crore computed for FCP additions."**

#### **Other Stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the First Control Period**

##### 4.4.15 IATA has commented the following:

*"For the First Control Period, 89% of approved CAPEX was not incurred given the challenges in the last few years. However, this further demonstrates the need for ongoing consultations with users to validate the business case and the phasing of the investments and monitor progress, including decisions to defer or cancel.*

*We support AERA's call for an AUCC to be conducted to review the proposed CAPEX items in the CP, reiterating the importance of ongoing consultations as highlighted in the point above."*



**AAI's responses to other stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the First Control Period**

4.4.16 No response has been provided by AAI to other stakeholders' comments on True up of Capital Expenditure, Depreciation and RAB for the First Control Period.

**Authority's analysis on Stakeholders' comments regarding True up of Capital Expenditure, Depreciation and RAB for the First Control Period**

4.4.17 The Authority had examined the AAI's comments towards Financing Allowance and has the following views:

- i. The Authority considers that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- ii. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.
- iii. Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- iv. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports in its any of the Tariff Orders. Further, financing allowance for greenfield airports of BIAL, CIAL etc. was allowed only for the initial stages of their development, after which such allowance was permitted only on the debt portion of the proposed capital expenditure. AERA doesn't understand why AAI keeps stressing on the issue of BIAL and CIAL even after understanding the issue as brought out by AERA in different Tariff Orders.
- v. It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, in a scenario where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional and the AO keeps on enjoying the charges from the users. In the case of Bhubaneswar International Airport, since new projects have included mobilization of existing operations, the said Airport is ought to be considered as a brownfield airport, which would not be eligible for Financing Allowance on the equity portion of newly funded capital projects.
- vi. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the

Airport Operator funds the projects through a mix of equity and debt. Further, the Financing allowance is to be provided only on the debt borrowings availed for execution of a project.

- vii. AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on both equity and debt portion of the capital expenditure. The proviso to Section 13 (1) (a) states that "different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)".

Based on the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance, at the Consultation Stage. Therefore, the Authority sees no merit in AAI's contention.

4.4.18 The Authority has noted comments of IATA on CAPEX. AERA notes the views of IATA regarding the CAPEX. Regarding AUCC meeting, the Authority notes that AAI had conducted the AUCC meeting during the First Control Period on October 9, 2018 (refer para 6.7.1 (ii) of this Tariff Order).

4.4.19 Based on the above factors, the Authority decides to consider Capital Expenditure, depreciation and RAB as per Table 10, Table 11 and Table 12 respectively.

#### 4.5 True up of Fair Rate of Return

4.5.1 The Authority noted that AAI had claimed 14% as FRoR as part of its True Up submission for the First control period and also noted that AAI had availed debts of ₹ 15.23 Cr. during the First Control period (from FY 2020-21 to FY 2022-23).

4.5.2 The Authority had computed FRoR for the First Control Period by considering cost of debt as 6.57% (submitted by AAI in the MYTP) and cost of Equity as 14% (as explained in para 7.2.2). The same is shown as follows:

Table 13: FRoR considered by the Authority for True up of the First Control Period at the Consultation Stage

| Particulars              | Reference                       | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 |
|--------------------------|---------------------------------|------------|------------|------------|------------|------------|
| Debt                     | A                               | -          | -          | 4.82       | 14.43      | 15.24      |
| Equity                   | B                               | 108.83     | 115.55     | 115.71     | 115.14     | 147.82     |
| Debt + Equity            | C= A+B                          | 108.83     | 115.55     | 120.53     | 129.57     | 163.05     |
| Cost of Equity           | D                               | 14%        | 14%        | 14%        | 14%        | 14%        |
| Cost of Debt             | E                               | 6.57%      | 6.57%      | 6.57%      | 6.57%      | 6.57%      |
| Gearing                  | F                               | 0.00%      | 0.00%      | 4.00%      | 11.14%     | 9.34%      |
| Weighted Average Gearing | $G = \frac{\Sigma A}{\Sigma C}$ |            |            | 5.41%      |            |            |
| Cost of Debt             | H                               |            |            | 6.57%      |            |            |
| Cost of Equity           | I                               |            |            | 14%        |            |            |
| FRoR                     | $J = G * H + (100\% - G) * I$   |            |            | 13.60%     |            |            |

4.5.3 The Authority proposed to consider 13.60% as FRoR for true up of the First Control Period for BIA.

#### Stakeholders' comments on True up of Fair Rate of Return for the First Control Period

4.5.4 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 22/2023-24 with respect to True up of Fair Rate of Return for the First Control Period. The comments by stakeholders are presented below:

**AAI's comments on True up of Fair Rate of Return for the First Control Period**

4.5.5 AAI has commented the following:

**Para 4.5 of CP**

- *The Equity estimation can also yield a range of values depending on the assumptions employed.*
- *COE depends on ownership structure, Comparable Airports & Revenue Till*
- *Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.*
- *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98. The cost of Equity submitted by AAI works out to 16.82%.*
- *In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.*
- *It is also requested to consider the FRoR as submitted by AAI instead of an Average FRoR @ 13.60% for FCP.*

**Other Stakeholders' comments on True up of Fair Rate of Return for the First Control Period**

4.5.6 . FIA has commented the following:

**Para 4.5.1 & 4.5.3 of CP**

*"It is submitted that:*

- a) *Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.*

*Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.*

- b) *We observe that the Fair Rate of Return of 13.60% provided to the BIA is higher in comparison to some of the Airports such as Chennai and Pune. Without prejudice to the above, there appears to be no rationale to provide higher return to BIA and accordingly AERA may reduce the FRoR suitably."*

**AAI's responses to other stakeholders' comments on True-up of Fair Rate of Return for the First Control Period**

4.5.7 AAI has responded to FIA's comments as under:

1. *"The FRoR for an airport depends upon the cost of equity and cost of debt.*
2. *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.*

3. The cost of Equity submitted by AAI in r/o BIA Airport works out to 16%, whereas AERA has considered cost of equity is 14% only resulting FRoR to 13.60%.
4. AERA has been considering cost of equity at 14% as against 16.82% as per study report submitted by M/s KPMG. The variation in the FRoR rates at the airport is due to the gearing and the cost of debt."

#### Authority's analysis on Stakeholders' comments regarding True up of Fair Rate of Return for the First Control Period

- 4.5.8 The Authority notes AAI's comments on PPP airport availing 15.18% as the return on Equity as against AAI's airports, wherein such return is 14%. The Authority would like to state that AAI should bear in mind that in case of AAI airports, the actual debt equity ratio is used for determining FRoR, while in case of PPP airports, a notional debt equity ratio of 48:52 is used. If AAI wants to claim the cost of equity as allowed to PPP airports, then AERA would apply the notional debt equity ratio (48:52), in which case, the FRoR of AAI will be lesser than the 13.60% (which is presently allowed to AAI in True Up for First Control Period).
- 4.5.9 The Authority has noted FIA's comments to consider only reasonable rate of return on the assets or reducing it and the response of the AO. The Authority is of the view that an airport is a long-term asset and in such long-term projects, investors desire a stable return on their investment.

Therefore, the Authority finds that it is not pragmatic or fair to reduce or not to provide any return on the assets of the AO.

Based on the above factors, the Authority sees no reason to deviate from its proposal given at the Consultation stage and decides to consider FRoR as per Table 13.

#### 4.6 True up of Non-aeronautical revenues

- 4.6.1 The Authority noted that the actual Non-aeronautical revenue submitted by AAI for Bhubaneswar International Airport for true up of the First Control Period is ₹ 136.94 Crores and the same has been presented in the table below:

Table 14: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

| S. No. | Revenue categories               | FY 2018-19   | FY 2019-20   | FY 2020-21   | FY 2021-22   | FY 2022-23   | Total         |
|--------|----------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| 1      | Restaurant & Snack Bar           | 7.08         | 14.42        | 0.45         | 2.30         | 4.27         | 28.52         |
| 2      | T.R. Stalls                      | 5.74         | 8.69         | 2.93         | 1.95         | 3.50         | 22.81         |
| 3      | Hoardings & displays             | 6.47         | 6.59         | 2.64         | 2.91         | 8.36         | 26.97         |
| 4      | Land Leases                      | 4.27         | 4.79         | 4.44         | 5.05         | 6.42         | 24.97         |
| 5      | Buildings (Residential)          | -0.04        | 0.03         | 0.05         | 0.06         | 0.03         | 0.22          |
| 6      | Buildings (Non-Residential)      | 1.53         | 1.56         | 1.38         | 1.29         | 0.99         | 6.74          |
| 7      | Car Rental                       | 1.61         | 2.19         | 0.37         | 0.35         | 1.03         | 5.55          |
| 8      | Car Parking                      | 2.61         | 0.67         | 0.37         | 0.50         | 1.15         | 5.29          |
| 9      | Admission Tickets                | 0.87         | 0.27         | 0.04         | 0.04         | 0.06         | 1.29          |
| 10     | Other Income/ Sale of Scrap etc. | 1.94         | 1.88         | 2.92         | 2.49         | 5.36         | 14.58         |
|        | <b>Total</b>                     | <b>32.15</b> | <b>41.09</b> | <b>15.58</b> | <b>16.94</b> | <b>31.17</b> | <b>136.94</b> |

- 4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period

was ₹ 219.36 Crores. Component wise details of the Non-aeronautical revenue approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 15: Non-aeronautical revenue approved by the Authority for the First Control Period

| S. No | Revenue categories          | (₹ Crores)   |              |              |              |              | Total         |
|-------|-----------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|       |                             | FY 2018-19   | FY 2019-20   | FY 2020-21   | FY 2021-22   | FY 2022-23   |               |
| 1     | Restaurant & Snack Bar      | 12.22        | 13.44        | 14.78        | 16.26        | 17.89        | 74.59         |
| 2     | TR Stalls                   | 6.68         | 7.35         | 8.08         | 8.89         | 9.78         | 40.78         |
| 3     | Hoardings & Displays        | 5.91         | 6.50         | 7.15         | 7.87         | 8.66         | 36.09         |
| 4     | Land Leases                 | 5.17         | 5.17         | 5.17         | 5.17         | 5.56         | 26.24         |
| 5     | Buildings (Residential)     | 0.04         | 0.04         | 0.04         | 0.04         | 0.04         | 0.2           |
| 6     | Buildings (Non-Residential) | 0.72         | 0.79         | 0.87         | 0.96         | 1.05         | 4.39          |
| 7     | Car Rentals                 | 1.21         | 1.52         | 1.67         | 1.84         | 2.02         | 8.26          |
| 8     | Car Parking                 | 2.63         | 2.89         | 3.18         | 3.50         | 3.85         | 16.05         |
| 9     | Admission Tickets           | 1.01         | 1.21         | 1.46         | 1.76         | 2.13         | 7.57          |
| 10    | Other Income                | 1.03         | 1.03         | 1.03         | 1.03         | 1.03         | 5.15          |
|       | <b>Total</b>                | <b>36.62</b> | <b>39.95</b> | <b>43.45</b> | <b>47.33</b> | <b>52.01</b> | <b>219.36</b> |

**Authority's examination and proposal regarding true up of Non-aeronautical revenues of the First Control Period at Consultation Stage:**

- 4.6.3 The Authority noted that the actual Non-aeronautical revenue (₹ 136.94 Crores) submitted by AAI for Bhubaneswar International Airport for the First Control Period was lower than that approved by AERA in the tariff order for the First Control Period (₹ 219.36 Crores). The Authority examined variances between projected and actual revenue of Restaurants and Snack bar, T.R stalls, hoardings and displays, Car parking, admission tickets and observed that the same was on account of decline in passenger traffic due to:
- Disruptions in the operations of the Airport due to the impact of Cyclone Pheni, which had hit the Bhubaneswar city in May 2019.
  - The adverse effects of the COVID-19 pandemic, which had led to the cancellation of numerous chartered flights from January 2020 onwards, resulting in a noticeable decline in both domestic and international passenger traffic.
  - Significant decline in the International Passenger traffic and ATM during FY 2020-21 to FY 2022-23 due to withdrawal of the subsidy to foreign airlines by the State Government.

Based on the above analysis, the Authority proposed to consider the actual Non-aeronautical revenue as presented in Table 14 for the purpose of true up of the First Control Period.

**Stakeholders' comments on True up of Non-aeronautical revenues for the First Control Period**

- 4.6.4 No comments were received from the Stakeholders on true up of Non-aeronautical revenues for the First Control Period.

**Authority's analysis on stakeholders' comments on true up of Non-aeronautical revenues for the First Control Period**

- 4.6.5 The Authority notes that no comments were received from the Stakeholders regarding true up of Non-aeronautical for the First Control Period.
- 4.6.6 The Authority notes that AAI has considered Space Rental (from Airlines, etc.) as Non-aeronautical

revenue. However, the same should be treated as Aeronautical Revenue as the space is used for Aeronautical activities which is in line with the similar approach followed in other airports. Therefore, the Authority decides to consider "Space rentals collected from Airlines" amounting to ₹ 3 Crores as Aeronautical Revenue. Hence, the Authority has recomputed the Non-aeronautical revenue for the First Control Period as per the table given below :

Table 16 : Non-aeronautical revenue decided by the Authority for the First Control Period

(in ₹ Crores)

| S. No. | Revenue categories                                    | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total         |
|--------|---|---------------|---------------|---------------|---------------|---------------|---------------|
| 1      | Restaurant & Snack Bar                                | 7.08          | 14.42         | 0.45          | 2.3           | 4.27          | 28.52         |
| 2      | T.R. Stalls   | 5.74          | 8.69          | 2.93          | 1.95          | 3.5           | 22.81         |
| 3      | Hoardings & displays                                  | 6.47          | 6.59          | 2.64          | 2.91          | 8.36          | 26.97         |
| 4      | Land Leases   | 4.27          | 4.79          | 4.44          | 5.05          | 6.42          | 24.97         |
| 5      | Buildings (Residential)                               | 0.04          | 0.03          | 0.05          | 0.06          | 0.03          | 0.22          |
| 6      | Buildings (Non-Residential)                           | 1.53          | 1.56          | 1.38          | 1.29          | 0.99          | 6.74          |
| 7      | Car Rental  | 1.61          | 2.19          | 0.37          | 0.35          | 1.03          | 5.55          |
| 8      | Car Parking   | 2.61          | 0.67          | 0.37          | 0.5           | 1.15          | 5.29          |
| 9      | Admission Tickets                                     | 0.87          | 0.27          | 0.04          | 0.04          | 0.06          | 1.29          |
| 10     | Other Income/ Sale of Scrap etc.                      | 1.94          | 1.88          | 2.92          | 2.49          | 5.36          | 14.58         |
|        | <b>Total (A)</b>                                      | <b>32.15</b>  | <b>41.09</b>  | <b>15.58</b>  | <b>16.94</b>  | <b>31.17</b>  | <b>136.94</b> |
|        | <b>Less: Space Rental collected from Airlines (B)</b> | <b>0.60</b>   | <b>0.58</b>   | <b>0.45</b>   | <b>0.52</b>   | <b>0.85</b>   | <b>3.00</b>   |
|        | <b>Total Non-aeronautical revenue (A-B)</b>           | <b>31.55</b>  | <b>40.51</b>  | <b>15.13</b>  | <b>16.42</b>  | <b>30.32</b>  | <b>133.94</b> |

#### 4.7 True up of Operation and Maintenance (O&M) expenses

4.7.1 The Authority noted that the actual O&M expenses submitted by AAI for Bhubaneswar International Airport for true up of the First Control Period is ₹ 413.93 Crores and the same has been presented in the table below:

Table 17: Actual O&M expenses submitted by AAI for Bhubaneswar International Airport for the First Control Period

(₹ Crores)

| S. No. | Particulars   | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total        |
|--------|---|---------------|---------------|---------------|---------------|---------------|--------------|
| 1      | Pay roll expenditure of Bhubaneswar International Airport   | 15.29         | 17.16         | 17.18         | 16.37         | 17.73         | 83.74        |
| 2      | Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ | 6.30          | 3.74          | 0.48          | 0.20          | (1.05)        | 9.68         |
| A      | <b>Total Payroll expenditure (1+2)</b>  | <b>21.59</b>  | <b>20.91</b>  | <b>17.66</b>  | <b>16.58</b>  | <b>16.68</b>  | <b>93.41</b> |
| 3      | Administrative and General Expenditure  | 5.62          | 10.09         | 8.52          | 7.95          | 8.89          | 41.06        |
| 4      | Apportionment of Administration & General expenditure of CHQ/RHQ                                  | 39.62         | 52.84         | 35.85         | 37.65         | 39.53         | 205.49       |

## TRUE UP OF THE FIRST CONTROL PERIOD

| S. No. | Particulars  | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total  |
|--------|--|------------|------------|------------|------------|------------|--------|
| B      | Total Administration and General expenditure (3+4) | 45.24      | 62.93      | 44.37      | 45.60      | 48.41      | 246.55 |
| C      | Repair & Maintenance Expenditure (Total)           | 9.47       | 10.39      | 10.49      | 9.33       | 9.97       | 49.66  |
| 5      | Power Charges                                      | 3.74       | 3.80       | 2.37       | 2.77       | 4.52       | 17.20  |
| 6      | Water Charges                                      | 0.13       | 0.15       | 0.06       | 0.00       | 0.06       | 0.40   |
| 7      | Consumption of Stores and Spares                   | 0.37       | 0.41       | 0.36       | 0.31       | 0.28       | 1.73   |
| 8      | Other charges                                      | 0.46       | 0.49       | 0.45       | 0.51       | 0.83       | 2.74   |
| D      | Utility and Outsourcing Expenditure (5+6+7+8)      | 4.70       | 4.85       | 3.24       | 3.59       | 5.70       | 22.08  |
| E      | Other Outflows                                     | 0.31       | 0.66       | 0.21       | 0.36       | 0.68       | 2.23   |
|        | Total (A+B+C+D+E)                                  | 81.32      | 99.74      | 75.97      | 75.46      | 81.44      | 413.93 |

4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 372.86 Crores. Component wise details of the O&M expenses approved by the Authority in the Tariff Order for the First Control Period is as follows:

Table 18: O&M expenses as per the Tariff Order for the First Control Period

(₹ Crores)

| S. No. | Particulars   | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total  |
|--------|---|------------|------------|------------|------------|------------|--------|
| 1      | Pay roll expenditure of Bhubaneswar International Airport   | 17.80      | 19.07      | 20.41      | 21.83      | 23.36      | 102.47 |
| 2      | Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ | 3.15       | 3.37       | 3.60       | 3.86       | 4.13       | 18.11  |
| A      | Total Payroll expenditure (1+2)   | 20.95      | 22.44      | 24.01      | 25.69      | 27.49      | 120.58 |
| 3      | Administrative and General Expenditure  | 4.47       | 4.76       | 5.08       | 5.43       | 5.82       | 25.56  |
| 4      | Apportionment of administration & General expenditure of CHQ/RHQ                                  | 28.26      | 29.68      | 31.16      | 32.72      | 34.35      | 156.17 |
| B      | Total Administration and General expenditure (3+4)  | 32.73      | 34.44      | 36.24      | 38.15      | 40.17      | 181.73 |
| C      | Repair & Maintenance Expenditure  | 9.36       | 10.29      | 11.32      | 12.45      | 13.70      | 57.12  |
| D      | Utility and Outsourcing Expenditure   | 2.01       | 2.10       | 2.19       | 2.29       | 2.40       | 10.99  |
| E      | Other Outflows  | 0.36       | 0.41       | 0.48       | 0.55       | 0.64       | 2.44   |
|        | Total (A+B+C+D+E)   | 65.41      | 69.68      | 74.24      | 79.13      | 84.4       | 372.86 |

4.7.3 The Authority noted a variance of ₹ 41.07 Crores between the actual O&M expenses incurred by the Bhubaneswar International Airport and that approved by the Authority in the Tariff Order for the First Control Period. The Authority had examined the variances and the same has been explained in the below-mentioned paragraphs:

**Authority's examination and proposal regarding true up of O&M expenses of the First Control Period at Consultation Stage:**

4.7.4 The Authority examined the variances between the projected and actual O&M expenses and noted the following:

- **Payroll expenses:** The Authority noted that the actual total payroll expenses submitted by AAI for Bhubaneswar International Airport (₹ 93.41 crores) was within the expense approved by the Authority in the Tariff Order of the First Control Period (₹ 120.58 crores). Therefore, the Authority proposed to consider the actual payroll expenses of FY 2018-19 to FY 2022-23 for true up of the First Control Period.
- **Apportionment of administration & General expenditure of CHQ/RHQ:**

The Authority reviewed the basis adopted by AAI for allocation of CHQ and RHQ expenses to Bhubaneswar International Airport and other airports and noted the following:

- All expenses incurred by CHQ and RHQ (like staff costs, Admin and Gen. expenses, Repairs and Maintenance, utilities, outsourcing expenses etc.) was allocated to all the AAI airports, in the ratio of revenues earned by each Airport.
- Expenses such as legal costs, interest/ penalties were related to some specific airports. However, these had been allocated to the common pool and apportioned to all the AAI airports.

The Authority was of the view that the above process followed by AAI for allocating the expenses was not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports. The Authority proposed the following towards allocation of CHQ and RHQ expenses:

**a) Pay and Allowances of CHQ and RHQ:**

- AAI had considered pay and allowances of Commercial department at CHQ and RHQ as Aeronautical expenses, whereas such expenses were Non-aeronautical in nature.
- AAI had excluded pay and allowances of employees involved in ATM, CNS and Cargo departments at CHQ and RHQ while working out the allocation to the airport. However, no exclusion had been done for support services of the departments of HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- Manpower of CHQ and RHQ also provided services to Non-aeronautical activities, ATC, and CNS cadres at respective airports. Hence, pay and allowances needed to be adjusted accordingly.

Considering all the facts and figures as stated above, the Authority was of the view that 20% of pay and allowances of CHQ and RHQ was to be excluded towards the following:

- i. Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
  - ii. Officials of Directorate of Commercial.
- Balance 80% of pay and allowances of CHQ and RHQ had been allocated to the Airports.

**b) Administration & General Expenses of CHQ and RHQ:**

- AAI had incurred Legal & Arbitration Expenses at both CHQ and RHQ level. The Authority was of the view that this expense should be analyzed and distributed to stations on a case-to-case basis. As the above details had not been provided by AAI, the same had not been allocated to the stations.
- AAI had paid interest/penalties to Government of India at both CHQ and RHQ levels. The Authority was of the view that the stakeholders should not be burdened with interest/penalties



paid to Government of India, due to various lapses/delays on the part of the Airport Operator. Hence such expenses had not been allocated to the airports.

Based on the above methodology, the Authority had derived the revised allocation of CHQ and RHQ expenses and the same is presented in the table below:

*Table 19: Re-allocation of CHQ/ RHQ – Admin and Gen expenses by the Authority for the First Control Period at Consultation Stage*

(₹ Crores)

| Particulars  | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total  |
|--|---------------|---------------|---------------|---------------|---------------|--------|
| CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A | 39.62         | 52.84         | 35.85         | 37.64         | 39.53         | 205.48 |
| Revised allocation of CHQ/ RHQ expenses by the Authority = B     | 32.64         | 44.84         | 30.86         | 32.41         | 34.03         | 174.78 |
| Variance (A-B)   | 6.98          | 8.00          | 4.99          | 5.23          | 5.50          | 30.70  |

The Authority was of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 the Authority had a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had rationalised the CHQ/ RHQ expenses being allocated to Bhubaneswar International Airport.

The Authority felt that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue was on higher side, as it brought large variation in such expenses Year on Year, due to change in revenue and was against the basic principle of cost relatedness in tariff determination. Users of the Major Airports had to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports went up due to higher tariffs, it further led to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore expected AAI to examine these issues in detail and devise a fool proof method for allocation of CHQ & RHQ expenses on priority.

Further, the Authority felt that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidisation could be used to cover Aeronautical expenses.

- **Administration expenses (Other than CHQ/ RHQ):** There was significant variance between the Administration Expenses approved in the Tariff Order of the First Control Period (₹ 25.56 Crores) and actual expense claimed by AAI (₹ 41.06 Crores) for true up of the First Control Period. The Authority noted that that such increase in Administration Expenses was due to incurrence of higher upkeep expenses, installation of "May I Help You" counters and introduction of Airport Terminal assistant facility in Terminal 1 and 2. The Authority noted that AAI had paid Municipal Taxes worth ₹ 3.38 Crores for period FY 2005-06 to FY 2019-20, out of which ₹ 1.93 Crores have been claimed as part of true up of the First Control Period.

Further, AAI had incurred ₹ 5.01 Crores (₹ 0.34 Crores for FY 2018-19, ₹ 3.80 Crores in FY 2019-20 and ₹ 0.87 Crores for FY 2020-21) towards CSR expenses. That Authority noted that Bhubaneswar International Airport had incurred losses during all tariff years of the First Control Period. Therefore, the Authority proposed not to consider the CSR expenses claimed by AAI and

consider Administration Expenses (other than CHQ/ RHQ) of ₹35.95 Cr. for true up of the First Control Period of BIA.

- **Repair and Maintenance (R&M):** The Authority noted that the actual repair and maintenance cost for the First Control Period was ₹ 49.66 Crores and the same was within the amount approved by AERA in the Tariff Order for the First Control Period. Further, the Authority observed that the R&M expenses included special repairs of operational boundary wall, residential colony that were undertaken by the Airport due to operational requirements and also awarding of Annual Maintenance and Service contracts for civil and electrical maintenance for the First Control Period. Based on the above factors, the Authority considered the above expenses to be justifiable.
- **Power Charges:** AAI had incurred actual power charges of ₹ 21.04 Crores during First Control Period, out of which ₹ 3.84 Crores had been recovered from the Concessionaires and had claimed the net power charges of ₹ 17.20 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The Authority noted that the above power costs incurred during the First Control Period and claimed by AAI as a part of true up, were net of recoveries made from the Concessionaires. The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:

Table 20: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

| Particulars                            | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total        |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Total power costs (A)                  | 4.52          | 4.55          | 2.78          | 4.03          | 5.17          | 21.04        |
| Recoveries from<br>Concessionaires (B) | 0.78          | 0.75          | 0.41          | 1.26          | 0.64          | 3.84         |
| Recoveries (%) = (B/A%)                | 17%           | 16%           | 15%           | 31%           | 12%           |              |
| <b>Net power costs (A-B)</b>           | <b>3.74</b>   | <b>3.80</b>   | <b>2.37</b>   | <b>2.77</b>   | <b>4.52</b>   | <b>17.20</b> |

However, the actual power charges claimed by AAI (₹ 17.20 Crores) was much higher than the approved expense of ₹ 10.99 Crores. The Authority noted that higher power costs were incurred in the First Control Period, due to delays in the commissioning of the Solar Power Plant (which was proposed to be constructed during the First Control Period, but it was delayed and installed only in the Second Control Period). Based on the above factors, the Authority proposed to consider the actual power costs incurred by AAI for Bhubaneswar International Airport for true up of the First Control Period.

- **Consumption of Stores and Spares:**

The Authority noted that the actual expenses amounting to ₹1.73 Crore incurred by AAI for BIA towards Consumption of Stores and Spares included consumption of electrical spares, tyres for other vehicles, Toiletry and conservancy store, etc. Expenses towards consumption of stores and spares had not been separately approved in the Tariff Order for the First Control Period. The Authority noted the actual expenses towards consumption of Stores and spares to be reasonable and therefore proposed to consider the same for true up of the First Control Period.

- **Other Charges**

The Authority noted that the Other Charges included fees paid to outside consultancy charges for Airport Council for ACI ASC Survey Fees, consultancy charges for management of fuel farm and other activity. The actual expenses amounting to ₹2.74 Crore incurred by AAI for BIA on such expenses towards consultancy had not been separately approved in the Tariff Order for the First Control Period. The Authority noted the actual expenses towards Other charges to be reasonable and therefore proposed to consider the same for true up of the First Control Period.

- 4.7.5 Based on the above review and analysis, the revised Operation and Maintenance expenses proposed to be considered by the Authority for the First Control Period is provided in the table below:

Table 21: O&M expenses as proposed by the Authority for True up of the First Control Period at the Consultation Stage

(₹ Crores)

| S. No. | Particulars   | FY 2018-19   | FY 2019-20   | FY 2020-21   | FY 2021-22   | FY 2022-23   | Total         |
|--------|---|--------------|--------------|--------------|--------------|--------------|---------------|
| 1      | Pay roll expenditure of Bhubaneswar International Airport   | 15.29        | 17.16        | 17.18        | 16.37        | 17.73        | 83.74         |
| 2      | Expenditure for Bhubaneswar International Airport employee's retirement benefits allocated at CHQ | 6.30         | 3.74         | 0.48         | 0.20         | (1.05)*      | 9.68          |
| A      | <b>Total Payroll expenditure (1+2)</b>  | <b>21.59</b> | <b>20.91</b> | <b>17.66</b> | <b>16.58</b> | <b>16.68</b> | <b>93.41</b>  |
| 3      | Administrative and General Expenditure  | 5.28         | 6.28         | 7.65         | 7.95         | 8.78         | 35.95         |
| 4      | Apportionment of Administration & General expenditure of CHQ/RHQ                                  | 32.64        | 44.84        | 30.86        | 32.41        | 34.03        | 174.78        |
| B      | <b>Total Administration and General expenditure (3+4)</b>   | <b>37.92</b> | <b>51.12</b> | <b>38.52</b> | <b>40.36</b> | <b>42.81</b> | <b>210.73</b> |
| C      | <b>Repair &amp; Maintenance Expenditure (Total)</b>   | <b>9.47</b>  | <b>10.39</b> | <b>10.49</b> | <b>9.33</b>  | <b>9.97</b>  | <b>49.66</b>  |
| 5      | Power Charges   | 3.74         | 3.80         | 2.37         | 2.77         | 4.52         | 17.20         |
| 6      | Water Charges   | 0.13         | 0.15         | 0.06         | 0.00         | 0.06         | 0.40          |
| 7      | Consumption of Stores and Spares  | 0.37         | 0.41         | 0.36         | 0.31         | 0.28         | 1.73          |
| 8      | Other charges   | 0.46         | 0.49         | 0.45         | 0.51         | 0.83         | 2.74          |
| D      | <b>Utility and Outsourcing Expenditure (5+6+7+8)</b>  | <b>4.70</b>  | <b>4.85</b>  | <b>3.24</b>  | <b>3.59</b>  | <b>5.70</b>  | <b>22.08</b>  |
| E      | <b>Other Outflows</b>   | <b>0.31</b>  | <b>0.66</b>  | <b>0.21</b>  | <b>0.36</b>  | <b>0.68</b>  | <b>2.23</b>   |
|        | <b>Total (A+B+C+D+E)</b>  | <b>74.00</b> | <b>87.93</b> | <b>70.12</b> | <b>70.22</b> | <b>75.83</b> | <b>378.10</b> |

\*The negative amount of ₹ 1.05 Crores is due to reversal of excess provision.

#### Stakeholders' comments on True up of Operation and Maintenance (O&M) expenses for the First Control Period

- 4.7.6 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 22/2023-24 with respect to True up of Operation and Maintenance (O&M) expenses for the First

Control Period. The comments by stakeholders are presented below:

**AAI's comments on True up of Operation and Maintenance (O&M) expenses for the First Control Period**

4.7.7 AAI has commented the following:

**Para 4.7.4 of CP**

*"CSR expenses: As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.*

*In this regard, it is pertinent to mention that CSR computation based on profit ought to be done for a company as whole and not at station level/standalone basis.*

*CSR Budget will be utilized for implementing CSR projects approved by the Board on an annual basis. The budget allocation to the CSR Schemes shall be made in the beginning of every financial year after considering the CSR budget for that year.*

*In View of the facts explained above AERA is requested to consider CSR expenses as submitted in MYTP for FCP by AAI."*

**Para 4.7.4 & 4.7.5 of CP**

- *"AERA has reduced the allocation of CHQ/RHQ Administration and General Expenses to the tune of 15% for 1st control period (FY 2018-19 to FY 2022-23). It is worthwhile to mention here that AAI has already consider 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by 15% by AERA for the 1st control period is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (as suggested by AERA) to study the methodology CHQ/RHQ allocations.*
- *In view of the above, AERA is requested to consider the CHQ/RHQ expenses as submitted in the MYTP for FCP."*

**Other Stakeholders' comments on True up of Operation and Maintenance (O&M) expenses for the First Control Period**

4.7.8 FIA has commented the following:

**Para 4.7.4 (b) of the CP**

*"It has been noted by AERA that AAI has paid interest/penalties to Government of India at both CHQ and RHQ levels. We appreciate that AERA holds a considered view that stakeholders should not be burdened with interest/penalties paid to the Government of India, due to various lapses/delays on the part of the Airport Operator."*

**AAI's responses to other stakeholders' comments on True up of Operation and Maintenance (O&M) expenses for the First Control Period**

4.7.9 No response provided by AAI to other stakeholders' comments on True up of Operation and Maintenance (O&M) expenses for the First Control Period.

**Authority's analysis on Stakeholders' comments regarding True up of Operation and Maintenance (O&M) expenses for the First Control Period**

4.7.10 The Authority notes the comments of AAI regarding CSR expenses and has the following views:

- CSR expenses are computed based on the statutory limits defined under the Companies Act 2013.

i.e., 2% of the average Regulatory Profits Before Tax (PBT) of the preceding 3 years.

- Further, such expenses are computed at an Airport level, based on regulatory profits earned in the preceding Financial Years, as uniformly followed in all AAI and PPP airports.
- As Bhubaneswar Airport had incurred losses in the previous Financial Years, CSR expenses were not allowed by the Authority (refer para 444.7.4 in the Tariff Order).

4.7.11 Regarding AAI's comments on CHQ/ RHQ expenses, the Authority has the following views:

- The Authority has given its detailed views on CHQ/ RHQ expenses of AAI at the Consultation stage (refer para No. 4.7.4 of this Tariff Order). Based on its detailed analysis, the Authority is of the view that the process followed by AAI for allocation of CHQ/ RHQ expenses is not transparent and necessitates adoption of a scientific/ rational approach for justifiable allocation of expenses to the Airports.
- The Authority expects that AAI should determine the efficient baseline costs through a thorough study, providing a detailed framework for allocation of various operating cost into aeronautical and non-aeronautical activities, so as to avoid undue burden to the end users.
- Therefore, the Authority sees no reason to deviate from its proposal given at the Consultation Stage (refer Table 19).

4.7.12 AERA has noted the comments of FIA, regarding the considered view taken by the Authority on the interest/ penalties paid by AAI to the Government of India.

4.7.13 In view of the above, the Authority decides to consider O&M expense as per Table 21.

#### 4.8 True up of Taxation

4.8.1 AAI had submitted taxation for the First Control Period as follows:

Table 22: Taxation submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

| Particulars  | FY 2018-19     | FY 2019-20    | FY 2020-21     | FY 2021-22     | FY 2022-23    | Total           |
|--|----------------|---------------|----------------|----------------|---------------|-----------------|
| <b>Revenue (A)</b>   |                |               |                |                |               |                 |
| Aeronautical Revenue   | 48.88          | 103.24        | 51.77          | 63.69          | 108.40        |                 |
| <b>Total (A)</b>   | <b>48.88</b>   | <b>103.24</b> | <b>51.77</b>   | <b>63.69</b>   | <b>108.40</b> | <b>375.98</b>   |
| <b>Expenses (B)</b>  |                |               |                |                |               |                 |
| O&M expenses (Refer Table 17)                                    | 81.32          | 99.73         | 75.98          | 75.46          | 81.44         | 413.93          |
| Depreciation (as per Income Tax Act, 1961)                       | 12.16          | 13.35         | 13.71          | 14.89          | 19.68         | 73.79           |
| Interest on Working Capital                                      | 0.94           | -             | -              | 0.32           | -             | 1.26            |
| <b>Total (B)</b>   | <b>94.42</b>   | <b>113.08</b> | <b>89.69</b>   | <b>90.67</b>   | <b>101.12</b> | <b>488.98</b>   |
| <b>Profit /Loss (C=A-B)</b>                                      | <b>(45.54)</b> | <b>(9.85)</b> | <b>(37.92)</b> | <b>(26.98)</b> | <b>7.28</b>   | <b>(113.01)</b> |
| Set off of prior period tax losses (D)                           | -              | -             | -              | -              | (7.28)        | (7.28)          |
| <b>Profit/ Loss after set off of prior period tax losses (E)</b> | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>        |
| Tax Rates (F)  | 34.94%         | 25.17%        | 25.17%         | 25.17%         | 25.17%        |                 |
| <b>Tax (E*F)</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>        |

4.8.2 The Authority had re-computed Aeronautical Taxation based on Regulatory Building Blocks as

discussed in the previous paragraphs and the same is as follows:

Table 23: Taxation proposed to be considered by the Authority at the Consultation Stage

| (₹ Crores)   |                |               |                |                |               |                |
|--|----------------|---------------|----------------|----------------|---------------|----------------|
| Particulars  | FY 2018-19     | FY 2019-20    | FY 2020-21     | FY 2021-22     | FY 2022-23    | Total          |
| <b>Revenue (A)</b>   |                |               |                |                |               |                |
| Aeronautical Revenue (refer Table 25)                            | 48.88          | 103.24        | 51.77          | 63.69          | 108.40        |                |
| <b>Total (A)</b>   | <b>48.88</b>   | <b>103.24</b> | <b>51.77</b>   | <b>63.69</b>   | <b>108.40</b> | <b>375.98</b>  |
| <b>Expenses (B)</b>  |                |               |                |                |               |                |
| O&M expenses (refer Table 21)                                    | 74.00          | 87.93         | 70.12          | 70.22          | 75.83         | <b>378.10</b>  |
| Depreciation (as per Income Tax Act, 1961)                       | 12.14          | 13.34         | 13.60          | 14.65          | 18.71         | <b>72.44</b>   |
| Interest on Working Capital                                      | 0.94           | -             | -              | 0.32           | -             | <b>1.26</b>    |
| <b>Total (B)</b>   | <b>87.08</b>   | <b>101.26</b> | <b>83.72</b>   | <b>85.19</b>   | <b>94.54</b>  | <b>451.79</b>  |
| <b>Profit /Loss (C=A-B)</b>                                      | <b>(38.20)</b> | <b>1.97</b>   | <b>(31.95)</b> | <b>(21.50)</b> | <b>13.86</b>  | <b>(75.81)</b> |
| Set off of prior period tax losses (D)                           | -              | (1.97)        | -              | -              | (13.86)       | <b>(15.83)</b> |
| <b>Profit/ Loss after set off of prior period tax losses (E)</b> | <b>(38.20)</b> | <b>0.00</b>   | <b>(31.95)</b> | <b>(21.50)</b> | <b>-</b>      | <b>(91.64)</b> |
| Tax Rates (F)  | 34.94%         | 25.17%        | 25.17%         | 25.17%         | 25.17%        |                |
| <b>Tax (E*F)</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>       |

4.8.3 The Authority noted that AAI had incurred losses during FY 2018-19, FY 2020-21 and FY 2021-22 and earned profit during the FY 2019-20 and FY 2022-23 of the First Control Period, which had been set off with the losses incurred in the previous Financial Years. The Authority proposed to consider Aeronautical Tax as Nil for true up of the First Control Period, as shown in Table 23.

#### Stakeholders' comments on True up of Taxation for the First Control Period

4.8.4 No comments were received from the Stakeholders on true up of Taxation for the First Control Period.

#### Authority's analysis on stakeholders' comments on true up of Taxation for the First Control Period

4.8.5 The Authority notes that no comments were received from the Stakeholders regarding true up of Taxation for the First Control Period.

4.8.6 The Authority has recomputed the taxation based on Aeronautical Revenue as per Table 26 for true up of the First Control Period. The same is shown below:

Table 24: Taxation decided by the Authority for the First Control Period

| (in ₹ Crores)                         |              |               |              |              |               |               |
|---------------------------------------|--------------|---------------|--------------|--------------|---------------|---------------|
| Particulars                           | FY 2018-19   | FY 2019-20    | FY 2020-21   | FY 2021-22   | FY 2022-23    | Total         |
| <b>Revenue (A)</b>                    |              |               |              |              |               |               |
| Aeronautical Revenue (refer Table 26) | 49.48        | 103.82        | 52.22        | 64.21        | 109.25        |               |
| <b>Total (A)</b>                      | <b>49.48</b> | <b>103.82</b> | <b>52.22</b> | <b>64.21</b> | <b>109.25</b> | <b>378.98</b> |
| <b>Expenses (B)</b>                   |              |               |              |              |               |               |
| O&M expenses (refer Table 21)         | 74.00        | 87.93         | 70.12        | 70.22        | 75.83         | <b>378.10</b> |

## TRUE UP OF THE FIRST CONTROL PERIOD

| Particulars  | FY 2018-19     | FY 2019-20    | FY 2020-21     | FY 2021-22     | FY 2022-23   | Total          |
|--|----------------|---------------|----------------|----------------|--------------|----------------|
| Depreciation (as per Income Tax Act, 1961)                       | 12.14          | 13.34         | 13.60          | 14.65          | 18.71        | 72.44          |
| Interest on Working Capital                                      | 0.92           | -             | -              | 0.30           | -            | 1.22           |
| <b>Total (B)</b>   | <b>87.06</b>   | <b>101.26</b> | <b>83.72</b>   | <b>85.17</b>   | <b>94.54</b> | <b>451.75</b>  |
| <b>Profit /Loss (C=A-B)</b>                                      | <b>(37.58)</b> | <b>2.56</b>   | <b>(31.50)</b> | <b>(20.96)</b> | <b>14.71</b> | <b>(72.77)</b> |
| Set off of prior period tax losses (D)                           | -              | (2.56)        | -              | -              | (14.71)      | (17.27)        |
| <b>Profit/ Loss after set off of prior period tax losses (E)</b> | <b>(37.58)</b> | <b>-</b>      | <b>(31.50)</b> | <b>(20.96)</b> | <b>-</b>     | <b>(90.04)</b> |
| Tax Rates (F)  | 34.94%         | 25.17%        | 25.17%         | 25.17%         | 25.17%       |                |
| <b>Tax (E*F)</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>     | <b>-</b>       |

#### 4.9 True up of Aeronautical Revenue

4.9.1 AAI had submitted the actual Aeronautical revenue for the First Control Period for Bhubaneswar International Airport, which is as follows

Table 25: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport

(₹ Crores)

| Particulars                          | FY 2018-19   | FY 2019-20    | FY 2020-21   | FY 2021-22   | FY 2022-23    | Total         |
|--------------------------------------|--------------|---------------|--------------|--------------|---------------|---------------|
| <b>Parking &amp; Housing charges</b> |              |               |              |              |               |               |
| Parking & Housing charges            | 0.04         | 0.22          | 0.72         | 0.33         | 0.26          | 1.56          |
| <b>PSF and UDF charges</b>           |              |               |              |              |               |               |
| PSF Domestic                         | 15.29        | 0.81          | 0.01         | -            | -             | 16.11         |
| PSF International                    | 0.73         | 0.06          | -            | -            | -             | 0.79          |
| UDF Domestic                         | -            | 66.82         | 31.44        | 40.03        | 70.56         | 208.85        |
| UDF International                    | -            | 1.72          | 0.22         | 0.00         | 0.09          | 2.03          |
| <b>Landing charges</b>               |              |               |              |              |               |               |
| Landing Domestic                     | 21.16        | 24.23         | 15.22        | 18.80        | 29.42         | 108.85        |
| Landing International                | 0.98         | 0.73          | 0.18         | 0.02         | 0.01          | 1.93          |
| <b>Other revenue</b>                 |              |               |              |              |               |               |
| Extension of Watch Hours             | -            | -             | 0.01         | -            | -             | 0.01          |
| CUTE charges                         | 3.58         | 3.20          | 1.41         | 1.76         | 3.78          | 13.74         |
| Fuel Throughput Revenue              | 3.43         | 2.57          | -            | -            | -             | 6.00          |
| Ground Handling Revenue              | 1.40         | 0.94          | 0.53         | 0.48         | 1.62          | 4.98          |
| Cargo Revenue                        | 0.56         | 0.56          | 0.48         | 0.74         | 0.64          | 2.98          |
| Land lease to Oil companies          | 1.40         | 1.32          | 1.33         | 1.33         | 1.71          | 7.08          |
| Land lease to Ground Handling        | 0.30         | 0.05          | 0.21         | 0.20         | 0.30          | 1.05          |
| <b>Total</b>                         | <b>48.88</b> | <b>103.24</b> | <b>51.77</b> | <b>63.69</b> | <b>108.40</b> | <b>375.98</b> |

4.9.2 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2019 to FY 2023) and noted no deviations. Therefore, the Authority proposed to

consider the Aeronautical revenue as per Table 25 for True up of First control period.

#### Stakeholders' comments on True up of Aeronautical Revenue for the First Control Period

- 4.9.3 No comments were received from the Stakeholders on true up of Aeronautical Revenue for the First Control Period.

#### Authority's analysis on stakeholders' comments on true up of Aeronautical Revenue for the First Control Period

- 4.9.4 The Authority notes that no comments were received from the Stakeholders regarding true up of Aeronautical Revenue for the First Control Period.
- 4.9.5 As stated in para 4.6.6, the Authority has considered Space Rental (from Airlines, etc.) as part of the Aeronautical Revenue and the same is shown as follows:

Table 26 : Aeronautical Revenue decided by the Authority for the First Control Period

(in ₹Crores)

| Particulars                                   | FY<br>2018-19 | FY<br>2019-20 | FY<br>2020-21 | FY<br>2021-22 | FY<br>2022-23 | Total         |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Parking &amp; Housing charges</b>          |               |               |               |               |               |               |
| Parking & Housing charges                     | 0.04          | 0.22          | 0.72          | 0.33          | 0.26          | 1.56          |
| <b>PSF and UDF charges</b>                    |               |               |               |               |               |               |
| PSF Domestic                                  | 15.29         | 0.81          | 0.01          | -             | -             | 16.11         |
| PSF International                             | 0.73          | 0.06          | -             | -             | -             | 0.79          |
| UDF Domestic                                  | -             | 66.82         | 31.44         | 40.03         | 70.56         | 208.85        |
| UDF International                             | -             | 1.72          | 0.22          | 0.00          | 0.09          | 2.03          |
| <b>Landing charges</b>                        |               |               |               |               |               |               |
| Landing Domestic                              | 21.16         | 24.23         | 15.22         | 18.80         | 29.42         | 108.85        |
| Landing International                         | 0.98          | 0.73          | 0.18          | 0.02          | 0.01          | 1.93          |
| <b>Other revenue</b>                          |               |               |               |               |               |               |
| Extension of Watch Hours                      | -             | -             | 0.01          | -             | -             | 0.01          |
| CUTE charges                                  | 3.58          | 3.20          | 1.41          | 1.76          | 3.78          | 13.74         |
| Fuel Throughput Revenue                       | 3.43          | 2.57          | -             | -             | -             | 6.00          |
| Ground Handling Revenue                       | 1.40          | 0.94          | 0.53          | 0.48          | 1.62          | 4.98          |
| Cargo Revenue                                 | 0.56          | 0.56          | 0.48          | 0.74          | 0.64          | 2.98          |
| Land lease to Oil companies                   | 1.40          | 1.32          | 1.33          | 1.33          | 1.71          | 7.08          |
| Land lease to Ground Handling                 | 0.30          | 0.05          | 0.21          | 0.20          | 0.30          | 1.05          |
| <b>Total (A)</b>                              | <b>48.88</b>  | <b>103.24</b> | <b>51.77</b>  | <b>63.69</b>  | <b>108.4</b>  | <b>375.98</b> |
| Add: Space Rental collected from Airlines (B) | 0.60          | 0.58          | 0.45          | 0.52          | 0.85          | 3.00          |
| <b>Total Aeronautical revenue (A+B)</b>       | <b>49.48</b>  | <b>103.82</b> | <b>52.22</b>  | <b>64.21</b>  | <b>109.25</b> | <b>378.98</b> |

#### 4.10 True up of Aggregate Revenue Requirement (ARR) for the First Control Period

- 4.10.1 Based on the above factors and the regulatory building blocks discussed under the above sections, the Authority had derived the ARR for true up of the First Control Period which is enumerated in

the table below:

*Table 27: ARR proposed by the Authority for True up of the First Control Period at the Consultation Stage*

(₹ Crores)

| Particulars   | Ref.                | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total  |
|---|---------------------|------------|------------|------------|------------|------------|--------|
| Average RAB (refer Table 12)  | a                   | 108.83     | 115.53     | 118.12     | 124.76     | 162.65     |        |
| FRoR (refer Table 13)   | b                   | 13.60%     | 13.60%     | 13.60%     | 13.60%     | 13.60%     |        |
| Return on Average RAB   | (c) = (a) * (b)     | 14.80      | 15.71      | 16.06      | 16.97      | 22.12      | 85.67  |
| Depreciation (refer Table 11)   | (d)                 | 12.64      | 13.35      | 13.98      | 14.67      | 14.94      | 69.57  |
| O&M expenses (refer Table 21)   | (e)                 | 74.00      | 87.93      | 70.12      | 70.22      | 75.83      | 378.10 |
| Tax   | (f)                 | -          | -          | -          | -          | -          | -      |
| Interest on Working Capital   | (g)                 | 0.94       | -          | -          | 0.32       | -          | 1.26   |
| Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18) * | (h)                 | 106.17     |            |            |            |            | 106.17 |
| Gross ARR   | (i) = (c+d+e+f+g+h) | 208.54     | 116.99     | 100.16     | 102.17     | 112.90     | 640.77 |
| NAR (refer Table 14)  |                     | 32.15      | 41.09      | 15.58      | 16.94      | 31.17      | 136.94 |
| Less 30% NAR  | (j)                 | 9.65       | 12.33      | 4.67       | 5.08       | 9.35       | 41.08  |
| Net ARR   | (k) = (i - j)       | 198.89     | 104.66     | 95.49      | 97.09      | 103.55     | 599.68 |
| Actual Aeronautical Revenue (refer Table 25)                            | (l)                 | 48.88      | 103.24     | 51.77      | 63.69      | 108.40     | 375.98 |
| Under/ (Over) recovery of First Control Period as on March 31, 2024     | m=(k-l)             | 150.01     | 1.42       | 43.72      | 33.40      | (4.85)     | 223.70 |
| Discount Factor (@13.60%)   | (n)                 | 1.89       | 1.67       | 1.47       | 1.29       | 1.14       |        |
| Under/ (Over) recovery of First Control Period as on March 31, 2024     | (m*n)               | 283.81     | 2.37       | 64.09      | 43.10      | (5.51)     | 387.86 |
| True up of Under Recovery of First Control Period as on March 31, 2024  |                     |            |            | 387.86     |            |            |        |

\*Under recovery of First Control Period has been obtained from Table 56 of the Tariff Order No. 46/ 2018-19 for Bhubaneswar International Airport for the First Control Period.

4.10.2 The Authority had re-computed the under-recovery of ₹ 387.86 Crores in the First Control Period and proposed to readjust the same in the ARR computation of the Second Control Period.

4.10.3 The variation between the ARR proposed by the Authority and that claimed by AAI are attributable to following factors:-

- Non-consideration of Financing Allowance claimed by AAI of ₹ 16.65 Crores.
- Determination of FRoR as 13.60% as against 14% claimed by AAI.
- Rationalisation of O&M expenses like CHQ/ RHQ expenses, Administration expenses etc. amounting to ₹ 35.83 Crores.

**Stakeholders' comments on True up of Aggregate Revenue Requirement (ARR) for the First Control Period**

4.10.4 No comments were received from the Stakeholders on true up of Aggregate Revenue Requirement

(ARR) for the First Control Period.

**Authority's analysis on stakeholders' comments on true up of Aggregate Revenue Requirement (ARR) for the First Control Period**

- 4.10.5 The Authority notes that no comments were received from the Stakeholders regarding true up of Aggregate Revenue Requirement for the First Control Period.
- 4.10.6 Based on the changes in the regulatory building blocks (as discussed in the previous sections), the Authority has recomputed the ARR for the True up of the First Control Period. The same is given in the below table :

*Table 28: ARR decided by the Authority for the First Control Period*

(in ₹ Crores)

| Particulars   | Ref.                    | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 | Total  |
|---|-------------------------|------------|------------|------------|------------|------------|--------|
| Average RAB (refer Table 12)  | a                       | 108.83     | 115.55     | 118.12     | 124.76     | 162.65     |        |
| FRoR (refer Table 13)   | b                       | 13.60%     | 13.60%     | 13.60%     | 13.60%     | 13.60%     |        |
| Return on Average RAB   | (c) = (a) *(b)          | 14.80      | 15.71      | 16.06      | 16.97      | 22.12      | 85.67  |
| Depreciation (refer Table 11)   | (d)                     | 12.64      | 13.35      | 13.98      | 14.67      | 14.94      | 69.57  |
| O&M expenses (refer Table 21)   | (e)                     | 74.00      | 87.93      | 70.12      | 70.22      | 75.83      | 378.10 |
| Tax (refer Table 24)  | (f)                     | -          | -          | -          | -          | -          | -      |
| Interest on Working Capital   | (g)                     | 0.94       | -          | -          | 0.32       | -          | 1.26   |
| Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18) * | (h)                     | 106.17     |            |            |            |            | 106.17 |
| Gross ARR   | (i) = (c+ d+ e+ f+ g+h) | 208.54     | 116.99     | 100.16     | 102.17     | 112.90     | 640.77 |
| NAR (refer Table 16)  |                         | 31.55      | 40.51      | 15.13      | 16.42      | 30.32      | 133.93 |
| Less 30% NAR  | (j)                     | 9.47       | 12.15      | 4.54       | 4.93       | 9.10       | 40.18  |
| Net ARR   | (k) = (i - j)           | 199.08     | 104.84     | 95.62      | 97.25      | 103.80     | 600.59 |
| Actual Aeronautical Revenue (refer Table 26)                            | (l)                     | 49.48      | 103.82     | 52.22      | 64.21      | 109.25     | 378.98 |
| Under/ (Over) recovery of First Control Period as on March 31, 2024     | m=(k-l)                 | 149.60     | 1.02       | 43.40      | 33.04      | (5.44)     | 221.61 |
| Discount Factor (@13.60%)   | (n)                     | 1.89       | 1.67       | 1.47       | 1.29       | 1.14       |        |
| Under/ (Over) recovery of First Control Period as on March 31, 2024     | (m*n)                   | 283.02     | 1.69       | 63.62      | 42.64      | (6.18)     | 384.78 |
| True up of Under Recovery of First Control Period as on March 31, 2024  |                         |            |            | 384.78     |            |            |        |

**4.11 Authority's decisions regarding True up of the First Control Period**

Based on the material before it and its analysis, the Authority decides the following with respect to true up of the First Control Period for Bhubaneswar International Airport:

TRUE UP OF THE FIRST CONTROL PERIOD

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as per Table 13 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 16 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the First Control Period.
- 4.11.7 To consider Taxation as per Table 24 for true up of the First Control Period for BIA.
- 4.11.8 To consider actual Aeronautical revenue as per Table 26 for true up of the First Control Period for BIA.
- 4.11.9 To consider ARR and Under-recovery as detailed in Table 28 for true up of the First Control Period for BIA and readjust the shortfall in the Second Control Period.



भा.वि.आ.वि.प्रा.  
AERA





**EVALUATION OF MYTP FOR THE SECOND CONTROL PERIO**

भा.वि.आ.वि.प्रा.  
AERA



## 5 TRAFFIC FOR THE SECOND CONTROL PERIOD

### 5.1 AAI's submission on Traffic for the Second Control Period for Bhubaneswar International Airport

5.1.1 The historical passenger traffic<sup>2</sup> and ATM at the Airport has been shown in the table below:

Table 29: Historical passenger and ATM traffic at BIA (in numbers)

| Year    | Domestic Passengers | International Passengers | Total Passenger traffic | Domestic ATM | International ATM | Total ATM |
|---------|---------------------|--------------------------|-------------------------|--------------|-------------------|-----------|
| 2011-12 | 12,53,263           | -                        | 12,53,263               | 14,672       | 2                 | 14,674    |
| 2012-13 | 13,89,552           | -                        | 13,89,552               | 13,883       | -                 | 13,883    |
| 2013-14 | 13,35,832           | -                        | 13,35,832               | 11,752       | -                 | 11,752    |
| 2014-15 | 14,93,342           | 17                       | 14,93,359               | 12,506       | 6                 | 12,512    |
| 2015-16 | 18,78,559           | 16,173                   | 18,94,732               | 14,032       | 4                 | 14,036    |
| 2016-17 | 23,03,623           | 28,810                   | 23,32,433               | 17,071       | 7                 | 17,078    |
| 2017-18 | 31,58,916           | 91,719                   | 32,50,635               | 22,532       | 623               | 23,155    |
| 2018-19 | 40,64,411           | 94,320                   | 41,58,731               | 29,702       | 688               | 30,390    |
| 2019-20 | 36,01,359           | 70,887                   | 36,72,246               | 27,308       | 623               | 27,931    |
| 2020-21 | 15,65,656           | 6,277                    | 15,71,933               | 14,174       | 91                | 14,265    |
| 2021-22 | 21,35,877           | 16                       | 21,35,893               | 19,397       | 20                | 19,417    |
| 2022-23 | 36,24,905           | 36                       | 36,24,941               | 30,714       | 31                | 30,745    |

5.1.2 The traffic growth rates and traffic as submitted by AAI for the Second Control Period are as follows:

Table 30: Traffic growth rates and traffic proposed by AAI

| Year                                      | Passenger |               |           | ATM      |               |          |
|---|-----------|---------------|-----------|----------|---------------|----------|
|   | Domestic  | International | Combined  | Domestic | International | Combined |
| <b>Growth rates (based on FY 2023-24)</b> |           |               |           |          |               |          |
| 2023-24                                   | 17.84%    | -             | 19.09%    | 8.05%    | -             | 8.77%    |
| 2024-25                                   | 20.00%    | 10.23%        | 19.90%    | 15.00%   | 9.52%         | 14.96%   |
| 2025-26                                   | 16.00%    | 10.00%        | 15.94%    | 12.00%   | 10.87%        | 11.99%   |
| 2026-27                                   | 16.00%    | 10.00%        | 15.95%    | 12.00%   | 9.80%         | 11.99%   |
| 2027-28                                   | 11.00%    | 10.00%        | 10.99%    | 10.00%   | 10.12%        | 10.00%   |
| <b>Traffic</b>                            |           |               |           |          |               |          |
| 2023-24                                   | 42,71,754 | 45,360        | 43,17,114 | 33,188   | 252           | 33,440   |
| 2024-25                                   | 51,26,105 | 50,000        | 51,76,105 | 38,167   | 276           | 38,443   |

<sup>2</sup> Source: Traffic News from AAI website



TRAFFIC FOR THE SECOND CONTROL PERIOD

|         |           |        |           |        |     |        |
|---------|-----------|--------|-----------|--------|-----|--------|
| 2025-26 | 59,46,282 | 55,000 | 60,01,282 | 42,746 | 306 | 43,052 |
| 2026-27 | 68,97,687 | 60,500 | 69,58,187 | 47,876 | 336 | 48,212 |
| 2027-28 | 76,56,432 | 66,550 | 77,22,982 | 52,664 | 370 | 53,034 |

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

**5.2 Authority's examination regarding Traffic for the Second Control Period at the Consultation Stage**

5.2.1 As part of its examination of AAI's forecast of traffic at BIA, the Authority calculated Compounded Annual Growth Rate, or CAGR, for passenger traffic and ATM from FY 2018-19 to FY 2022-23 (5-year CAGR) and FY 2019-20 to FY 2022-23 (3-year CAGR).

5.2.2 The Authority noted that 5-year and 3-year CAGR of International passenger and ATM was significantly low due to the downfall in international passenger and ATM as explained in para 4.3.3. The CAGR details so computed have been provided in the table below:

Table 31: CAGR for passenger traffic and ATM

| Particulars             | 5-year CAGR | 3-year CAGR |
|-------------------------|-------------|-------------|
| <b>Passengers:</b>      |             |             |
| Domestic                | -2.82%      | 0.33%       |
| International           | -86.02%     | -97.75%     |
| Total Passenger Traffic | -3.38%      | -0.65%      |
| <b>ATM:</b>             |             |             |
| Domestic                | 0.84%       | 6.05%       |
| International           | -53.93%     | -77.69%     |
| Total ATM               | 0.29%       | 4.92%       |

5.2.3 The Authority had noted the wide variation in traffic in the recent past, which caused CAGR for 3-year period to be the highest for Domestic Air Traffic Movement.

5.2.4 The Authority noted that AAI had projected growth of 70% and 125% in domestic passenger traffic and international passenger traffic respectively for FY 2022-23 (over previous financial year). Similarly, a growth of 58% and 55%, respectively in domestic ATM and international ATM for FY 2022-23 (over previous financial year) had been projected by AAI.

5.2.5 AAI assumed the traffic volume to increase in FY 2023-24 and had projected a growth of 18% in domestic passenger traffic. Likewise, AAI had projected a growth of 8% in domestic ATM in FY 2023-24.

5.2.6 The Authority noted that the domestic passenger traffic and ATM of FY 2022-23 had surpassed the pre-COVID levels of FY 2019-20. Further, month wise passenger and ATM traffic for the period April 2023 to September 2023, is shown as follows:



Table 32: Actual Passenger and ATM traffic for FY 2023-24 (YTD Sep 23)

| Year   | Passenger |               |          | ATM      |               |          |
|--------|-----------|---------------|----------|----------|---------------|----------|
|        | Domestic  | International | Combined | Domestic | International | Combined |
| Apr-23 | 3,82,885  | 8             | 3,82,893 | 3,060    | 8             | 3,068    |
| May-23 | 3,93,463  | 2,131         | 3,95,594 | 2,975    | 15            | 2,990    |
| Jun-23 | 3,96,354  | 9,158         | 4,05,512 | 2,883    | 57            | 2,940    |
| Jul-23 | 3,55,778  | 7,798         | 3,63,576 | 2,824    | 61            | 2,885    |
| Aug-23 | 3,67,088  | 8,044         | 3,75,132 | 2,889    | 57            | 2,946    |
| Sep-23 | 3,63,840  | 8,431         | 3,72,271 | 2,880    | 61            | 2,941    |

- 5.2.7 The Authority had analyzed the movement of the international passenger traffic and observed a positive trend starting from April 2023 due to the initiation of international operations by Indigo Airlines in destinations such as Dubai, Singapore and Bangkok. The Authority also noted that there had been a slight dip in Passenger traffic of BIA in July 2023, which had then recovered in August 2023. Based on the movement of passenger traffic and ATM for YTD September 2023, the Authority had derived the projected traffic for the FY 2023-24, which has been shown in Table 33.

#### Computation of revised traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

The revised traffic forecasts had been computed by the Authority, after considering the study and analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector:

#### 5.2.8 Airport International Council (ACI)

ACI in its recent report had analysed air travel outlook revealing global passenger traffic expected to recover from the impacts of COVID-19 pandemic in early 2024 as it reaches 9.4 billion passengers:

- While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. The region is expected to reach approximately 3.4 billion passengers in 2024, or 99.5% of the 2019 level.
- Global passenger volume in 2023 is expected to reach 8.6 billion passengers, which is 94.2% of the 2019 level.
- The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level).
- The gap between the Business as Usual (BAU) forecast from 2019 and the current recovery projections reveal that the percentage of lost traffic continues to decrease on a quarterly basis, from -23% in Q1 2023 to -13% in Q4 2024.
- The Latin America-Caribbean region is forecasted to be the first region to surpass its 2019 level. In 2023, the region is estimated to reach 707 million passengers, or 102.9% of the 2019 level.

### 5.2.9 International Air Transport Association (IATA)

IATA in its report on September 9, 2023 had announced the air travel recovery continued through July 2023:

- Total traffic in July 2023 (measured in revenue passenger kilometers or RPKs) rose 26.2% compared to July 2022. Globally, traffic is now at 95.6% of pre-COVID levels.
- Domestic traffic for July rose 21.5% versus July 2022 and was 8.3% above the July 2019 results. July RPKs are the highest ever recorded, strongly supported by surging demand in the China domestic market.
- International traffic climbed 29.6% compared to the same month a year ago with all markets showing robust growth. International RPKs reached 88.7% of July 2019 levels. The passenger load factor (PLF) for the industry reached 85.7% which is the highest monthly international PLF ever recorded.

#### Conclusion on traffic forecasts based on the above assumptions

5.2.10 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecast/data published by ACI and IATA cited in para 5.2.8 and 5.2.9 above for arriving at the revised traffic projections.

5.2.11 In the Authority's opinion, with the gradual revival of the economy, measures taken by the GoI to make the air travel safe along with easing of air travel by various countries, the aviation industry was expected to recover at a better pace in the next few years.

5.2.12 The Authority noted that AAI had projected the growth rate of 16% for passenger traffic and 12% for ATM for the FY 2023-24 to FY 2027-28 in its MYTP. The Authority took cognizance of the rebounding of domestic passenger traffic in FY 2022-23, wherein the passenger traffic and ATM had surpassed the pre-COVID levels of FY 2019-20 and the positive trend in the growth of passenger traffic in FY 2023-24 (April 2023 to September 2023, as shown in Table 32). Further, with the commissioning of Link Building connecting T1 and T2, the Authority was of the view that Bhubaneswar International Airport would be able to handle higher passenger traffic in the Second Control Period.

Based on the above factors, the Authority found the traffic projections of AAI for BIA to be reasonable and proposed to consider the same for the Second Control Period.

5.2.13 The traffic growth rates and the corresponding traffic for passengers and ATM as considered by the Authority for the Second Control Period has been given in the table below:

Table 33: Traffic proposed to be considered by the Authority for the Second Control Period at Consultation Stage

| Domestic Passengers-(in Lacs)                          | FY      | FY      | FY      | FY      | FY      | Total  |
|--|---------|---------|---------|---------|---------|--------|
|  | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |        |
| As submitted by AAI for BIA                            | 42.72   | 51.26   | 59.46   | 68.98   | 76.56   | 298.98 |
| As proposed by the Authority                           | 42.72   | 51.26   | 59.46   | 68.98   | 76.56   | 298.98 |
| Y-o-Y growth of Domestic PAX submitted by AAI for BIA  |         | 20%     | 16%     | 16%     | 11%     |        |
| Y-o-Y growth of Domestic PAX proposed by the Authority |         | 20%     | 16%     | 16%     | 11%     |        |
| International Passengers (in Lacs)                     | FY      | FY      | FY      | FY      | FY      | Total  |
|  | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |        |

TRAFFIC FOR THE SECOND CONTROL PERIOD

|  |                       |                       |                       |                       |                       |              |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
| As submitted by AAI for BIA  | 0.45                  | 0.50                  | 0.55                  | 0.61                  | 0.67                  | 2.78         |
| As proposed by the Authority   | 0.45                  | 0.50                  | 0.55                  | 0.61                  | 0.67                  | 2.78         |
| Y-o-Y growth of International PAX submitted by AAI for BIA             | -                     | 11%                   | 10%                   | 11%                   | 10%                   |              |
| Y-o-Y growth of International PAX proposed by the Authority            | -                     | 11%                   | 10%                   | 11%                   | 10%                   |              |
| <b>Total passengers (in Lacs)</b>                                      | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b> |
| Total as per AAI's submission for BIA                                  | 43.17                 | 51.76                 | 60.01                 | 69.59                 | 77.23                 | 301.76       |
| Total (Domestic and International) proposed by the Authority           | 43.17                 | 51.76                 | 60.01                 | 69.59                 | 77.23                 | 301.76       |
| Y-o-Y growth of total PAX submitted by AAI for BIA                     | -                     | 20%                   | 16%                   | 16%                   | 11%                   |              |
| Y-o-Y growth of total PAX proposed by the Authority                    | -                     | 20%                   | 16%                   | 16%                   | 11%                   |              |
| <b>Domestic ATM (in '000)</b>  | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b> |
| Domestic ATM submitted by AAI for BIA                                  | 33.19                 | 38.17                 | 42.75                 | 47.88                 | 52.66                 | 214.65       |
| Domestic ATM proposed by the Authority                                 | 33.19                 | 38.17                 | 42.75                 | 47.88                 | 52.66                 | 214.65       |
| Y-o-Y growth of Domestic ATM submitted by AAI for BIA                  | -                     | 15%                   | 12%                   | 12%                   | 10%                   |              |
| Y-o-Y growth of Domestic ATM proposed by the Authority                 | -                     | 15%                   | 12%                   | 12%                   | 10%                   |              |
| <b>International ATM (in '000)</b>                                     | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b> |
| International ATM submitted by AAI for BIA                             | 0.25                  | 0.28                  | 0.31                  | 0.34                  | 0.37                  | 1.55         |
| International ATM proposed by the Authority                            | 0.25                  | 0.28                  | 0.31                  | 0.34                  | 0.37                  | 1.55         |
| Y-o-Y growth of International ATM submitted by AAI for BIA             | -                     | 12%                   | 11%                   | 10%                   | 9%                    |              |
| Y-o-Y growth of International ATM proposed by the Authority            | -                     | 12%                   | 11%                   | 10%                   | 9%                    |              |
| <b>Total ATM (in '000)</b>   | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b> |
| Total ATM (Domestic and International) as per AAI's submission for BIA | 33.44                 | 38.45                 | 43.06                 | 48.22                 | 53.03                 | 216.20       |
| Total ATM (Domestic and International) proposed by the Authority       | 33.44                 | 38.45                 | 43.06                 | 48.22                 | 53.03                 | 216.20       |
| Y-o-Y growth of total ATM submitted by AAI for BIA                     | -                     | 15%                   | 12%                   | 12%                   | 10%                   |              |
| Y-o-Y growth of total ATM proposed by the Authority                    | -                     | 15%                   | 12%                   | 12%                   | 10%                   |              |

5.2.14 The Authority proposed to true up the traffic as per actuals achieved during the Second Control Period at the time of determination of tariff for the Third Control Period.

### 5.3 Stakeholders' comments on Traffic for the Second Control Period

5.3.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 22/2023-24 with respect to Traffic for the Second Control Period. The comments by stakeholders are presented below:

#### Other Stakeholders' comments on Traffic for the Second Control Period

5.3.2 FIA has commented the following:

##### Para 5.2.10 and Table 28 of CP

*"While we appreciate that AERA has computed the traffic forecast after considering the forecasted data published by ACI and IATA (refer para 5.2.8 and 5.2.9), we request AERA to kindly conduct an independent study, which may also include demand drivers that may not have been part of report issued by IATA and ACI India.*

*We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, as the same are due to unusual factors including but not limited to the geo-political causes etc.*

*Hence, we request that the Authority may kindly take the same into consideration and appoint independent consultants to evaluate the same while finalising the projected Annual Traffic Movement and passengers."*

### 5.4 AAI's responses to other stakeholders' comments on Traffic for the Second Control Period

5.4.1 AAI has responded to FIA's comments as under:

*"Projection of traffic forecast is carried out by the AAI specialized cell i.e. CP&MS Deptt. which has carried out projections of traffic on real time survey and data analysis."*

### 5.5 Authority's analysis on stakeholders' comments on Traffic for the Second Control Period

5.5.1 The Authority has examined the comments of FIA on conducting an independent study on the traffic projections, which may also include demand drivers. The Authority is of the view that the requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport. Further, AERA has in-house capacity to do the traffic assessment for smaller airports.

Further, the Authority through its Independent Consultant, has examined the actual passenger growth in the initial tariff years (FY 2023-24) and also the recent trends in passenger traffic (YTD September 2023) and has accordingly projected traffic for the remaining tariff years in the Second Control Period. Moreover, AAI has informed that projection of Traffic Forecast is carried out by the AAI's specialized cell i.e. CP&MS Department (refer para 5.4.1).

However, traffic projections for the Second Control Period will be trued up, based on actuals, while determining tariff for the next Control Period.

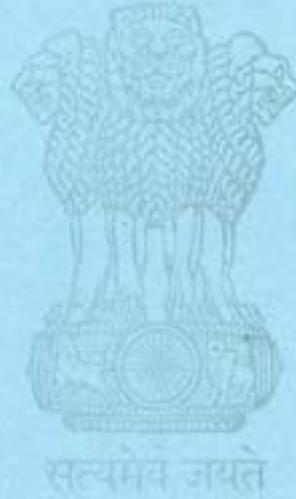
Based on the above factors, the Authority has derived traffic projections for the Second Control

Period and sees no reason to deviate from the proposal made by it at the Consultation stage.

**5.6 Authority's decisions regarding Traffic for the Second Control Period**

Based on the available facts and analysis thereupon, the Authority decides the following with regard to traffic forecast for the Second Control Period:

- 5.6.1 To consider the ATM and passenger traffic for the Second Control Period for Bhubaneswar International Airport as per Table 33.
- 5.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.



भा.वि.आ.वि.प्रा.

AERA



## 6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

### 6.1 Background

6.1.1 The Authority had presented its analysis on this chapter in the following order:

- Allocation of Gross block of assets in to Aeronautical and Non-aeronautical.
- Capital expenditure proposed for Second Control Period
- Depreciation for the Second Control Period
- Regulatory Asset Base for the Second Control Period

### 6.2 Allocation of Gross Block of Assets into Aeronautical and Non-aeronautical

6.2.1 AAI had submitted for Bhubaneswar International Airport the following allocation of gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical services:

Table 34: Allocation of opening gross block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

| Asset Category                                 | Total Assets<br>(Inclusive of<br>ANS) | ANS<br>Assets | Non-<br>Aero<br>Assets | Pure<br>Aero-<br>nautical<br>Assets | Common<br>Assets | Common<br>Assets |              | Total<br>Aeronauti-<br>cal<br>Assets | %     |
|--|---------------------------------------|---------------|------------------------|-------------------------------------|------------------|------------------|--------------|--------------------------------------|-------|
|  |                                       |               |                        |                                     |                  | Aero             | Non-<br>Aero |                                      |       |
|  | A=<br>B+C+D+E                         | B             | C                      | D                                   | E= F+G           | F                | G            | H= D+F                               | I=H/A |
| Land Freehold                                  | -                                     | -             | -                      | -                                   | -                | -                | -            | -                                    | 0%    |
| Land leasehold                                 | -                                     | -             | -                      | -                                   | -                | -                | -            | -                                    | 0%    |
| Runways, Taxiways, Apron                       | 142.75                                | 2.85          | -                      | 139.89                              | -                | -                | -            | 139.89                               | 98%   |
| Building Freehold, Road, Bridge                | 47.33                                 | 0.46          | 8.99                   | 37.52                               | 0.36             | 0.33             | 0.03         | 37.85                                | 80%   |
| Building Freehold, Terminal                    | 90.63                                 | 1.46          | 0.07                   | 33.15                               | 55.95            | 51.50            | 4.45         | 84.65                                | 93%   |
| Building Freehold, Temporary                   | 0.25                                  | -             | -                      | 0.25                                | -                | -                | -            | 0.25                                 | 100%  |
| Building Freehold, Residential                 | 13.63                                 | 1.46          | 0.03                   | 9.57                                | 2.57             | 2.35             | 0.21         | 11.93                                | 87%   |
| Boundary Freehold, Security Fencing            | 0.52                                  | -             | -                      | 0.52                                | -                | -                | -            | 0.52                                 | 100%  |
| Boundary Freehold, Operational                 | 6.39                                  | 0.01          | -                      | 6.35                                | 0.02             | 0.02             | 0.00         | 6.37                                 | 100%  |
| Boundary Freehold, Residential                 | 3.47                                  | -             | -                      | 3.47                                | -                | -                | -            | 3.47                                 | 100%  |
| Office Appliances, Computer: END USER DEVICES  | 0.86                                  | 0.03          | -                      | 0.83                                | -                | -                | -            | 0.83                                 | 97%   |
| Computer Software                              | 0.46                                  | 0.02          | 0.00                   | 0.44                                | -                | -                | -            | 0.44                                 | 95%   |
| Office Appliances, Computer: SERVERS & NETWORK | 0.80                                  | 0.05          | 0.00                   | 0.75                                | -                | -                | -            | 0.75                                 | 94%   |
| Plant & Equipment Freehold                     | 30.61                                 | 5.69          | -                      | 24.43                               | 0.48             | 0.45             | 0.04         | 24.88                                | 81%   |
| Plant & Equip. Tools & Equipment               | 23.02                                 | 0.33          | 0.00                   | 22.60                               | 0.09             | 0.08             | 0.01         | 22.68                                | 99%   |
| Office Furniture                               | 3.48                                  | -             | 0.00                   | 3.48                                | -                | -                | -            | 3.48                                 | 100%  |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| Asset Category                           | Total Assets (Inclusive of ANS) | ANS Assets   | Non-Aero Assets | Pure Aeronautical Assets | Common Assets | Common Assets |             | Total Aeronautical Assets | % Aeronautical |
|--|---------------------------------|--------------|-----------------|--------------------------|---------------|---------------|-------------|---------------------------|----------------|
|  |                                 |              |                 |                          |               | Aero          | Non-Aero    |                           |                |
| Vehicles Freehold. Others                | 2.39                            | 0.17         | -               | 2.22                     | -             | -             | -           | 2.22                      | 93%            |
| Electric installation                    | 75.20                           | 2.46         | -               | 64.56                    | 8.19          | 7.43          | 0.76        | 71.99                     | 96%            |
| Office Appliances. Others                | 2.09                            | 0.18         | 0.02            | 1.61                     | 0.28          | 0.26          | 0.02        | 1.87                      | 90%            |
| Furniture & Fixtures: Other Than Trolley | 3.38                            | 0.18         | -               | 2.70                     | 0.50          | 0.44          | 0.06        | 3.14                      | 93%            |
| Furniture & Fixtures: Trolleys           | 1.09                            | -            | 0.00            | 1.09                     | -             | -             | -           | 1.09                      | 100%           |
| Plant & Equipment-X.BIS                  | 20.92                           | -            | -               | 20.92                    | -             | -             | -           | 20.92                     | 100%           |
| Vehicles Freehold. CFT & Fire Fighting   | 18.47                           | -            | -               | 18.47                    | -             | -             | -           | 18.47                     | 100%           |
| <b>Total</b>                             | <b>487.74</b>                   | <b>15.36</b> | <b>9.12</b>     | <b>394.81</b>            | <b>68.44</b>  | <b>62.87</b>  | <b>5.57</b> | <b>457.68</b>             | <b>94%</b>     |

**Authority's examination of allocation of Gross block of assets into Aeronautical and Non-aeronautical at Consultation Stage**

- 6.2.2 The Authority noted that the common assets within the Terminal Building had been apportioned to Aeronautical and Non-aeronautical activities by AAI for Bhubaneswar International Airport in the Terminal Building ratio of 92.47%:7.53% for the First Control Period. However, as stated in para 4.4.6, the Authority proposed to consider Terminal Building ratio of 92%:8% (Aeronautical : Non Aeronautical) for allocation of assets of BIA for the First Control Period.
- 6.2.3 As mentioned under para 4.4.7 (under True up of Capital Expenditure), the Authority had not allowed Financing allowance of ₹ 16.65 Crores, capitalized by the AO during the First Control Period. Therefore, the above Financing allowance which had not been allowed by the Authority was adjusted against the respective assets such as Apron, Terminal Building and Plant and Machinery and the same is provided in Table 35 below.
- 6.2.4 Based on the above observations, the Authority had presented the allocation of Gross Block of assets as on April 1, 2023 between Aeronautical and Non-aeronautical as per table below:

*Table 35: Allocation of Opening Gross Block of Assets as on April 1, 2023 between Aeronautical and Non-aeronautical proposed by the Authority at Consultation stage*

(₹ Crores)

| Asset Category                  | Total Assets (Inclusive of ANS) | ANS Assets | Non-Aero Assets | Pure Aeronautical Assets | Common Assets | Common Assets |          | Total Aero Assets | % Aeronautical |
|---------------------------------|---------------------------------|------------|-----------------|--------------------------|---------------|---------------|----------|-------------------|----------------|
|                                 |                                 |            |                 |                          |               | Aero          | Non-Aero |                   |                |
|                                 | A= B+C+D+E                      | B          | C               | D                        | E= F+G        | F             | G        | H= D+F            | I=H/A          |
| Land Freehold                   | -                               | -          | -               | -                        | -             | -             | -        | -                 | -              |
| Land leasehold                  | -                               | -          | -               | -                        | -             | -             | -        | -                 | -              |
| Runways, Taxiways, Apron        | 128.71                          | 2.85       | -               | 125.86                   | -             | -             | -        | 125.86            | 98%            |
| Building Freehold. Road, Bridge | 46.72                           | 0.46       | 8.99            | 36.90                    | 0.36          | 0.33          | 0.03     | 37.23             | 80%            |
| Building Freehold. Terminal     | 89.62                           | 1.46       | 0.06            | 32.15                    | 55.95         | 51.26         | 4.68     | 83.41             | 93%            |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| Asset Category                                 | Total Assets (Inclusive of ANS) | ANS Assets   | Non-Aero Assets | Pure Aeronautical Assets | Common Assets | Common Assets |             | Total Aero Assets | % Aeronautical |
|--|---------------------------------|--------------|-----------------|--------------------------|---------------|---------------|-------------|-------------------|----------------|
|  |                                 |              |                 |                          |               | Aero          | Non-Aero    |                   |                |
| Building Freehold. Temporary                   | 0.25                            | -            | -               | 0.25                     | -             | -             | -           | 0.25              | 100%           |
| Building Freehold. Residential                 | 13.63                           | 1.46         | 0.03            | 9.57                     | 2.57          | 2.35          | 0.21        | 11.93             | 87%            |
| Boundary Freehold. Security Fencing            | 0.52                            | -            | -               | 0.52                     | -             | -             | -           | 0.52              | 100%           |
| Boundary Freehold. Operational                 | 6.39                            | 0.01         | -               | 6.35                     | 0.02          | 0.02          | 0.00        | 6.37              | 100%           |
| Boundary Freehold. Residential                 | 3.47                            | -            | -               | 3.47                     | -             | -             | -           | 3.47              | 100%           |
| Office Appliances. Computer: END USER DEVICES  | 0.86                            | 0.03         | -               | 0.83                     | -             | -             | -           | 0.83              | 97%            |
| Computer Software                              | 0.46                            | 0.02         | 0.00            | 0.44                     | -             | -             | -           | 0.44              | 95%            |
| Office Appliances. Computer: SERVERS & NETWORK | 0.80                            | 0.05         | 0.00            | 0.75                     | -             | -             | -           | 0.75              | 94%            |
| Plant & Equipment Freehold                     | 30.61                           | 5.69         | -               | 24.43                    | 0.48          | 0.45          | 0.04        | 24.87             | 81%            |
| Plant & Equip. Tools & Equipment               | 23.02                           | 0.33         | 0.00            | 22.60                    | 0.09          | 0.08          | 0.01        | 22.68             | 99%            |
| Office Furniture                               | 3.48                            | -            | 0.00            | 3.48                     | -             | -             | -           | 3.48              | 100%           |
| Vehicles Freehold. Others                      | 2.39                            | 0.17         | -               | 2.22                     | -             | -             | -           | 2.22              | 93%            |
| Electric installation                          | 74.89                           | 2.46         | -               | 64.24                    | 8.19          | 7.41          | 0.78        | 71.65             | 96%            |
| Office Appliances. Others                      | 2.09                            | 0.18         | 0.02            | 1.61                     | 0.28          | 0.26          | 0.02        | 1.87              | 90%            |
| Furniture & Fixtures: Other Than Trolley       | 3.38                            | 0.18         | -               | 2.70                     | 0.50          | 0.44          | 0.06        | 3.14              | 93%            |
| Furniture & Fixtures: Trolleys                 | 1.09                            | -            | 0.00            | 1.09                     | -             | -             | -           | 1.09              | 100%           |
| Plant & Equipment-X.BIS                        | 20.24                           | -            | -               | 20.24                    | -             | -             | -           | 20.24             | 100%           |
| Vehicles Freehold. CFT & Fire Fighting         | 18.47                           | -            | -               | 18.47                    | -             | -             | -           | 18.47             | 100%           |
| <b>Total</b>                                   | <b>471.09</b>                   | <b>15.36</b> | <b>9.12</b>     | <b>378.18</b>            | <b>68.44</b>  | <b>62.61</b>  | <b>5.83</b> | <b>440.78</b>     | <b>93.57%</b>  |

In view of the above, the total Gross block of Aeronautical assets had been worked out as on April 1, 2023 was ₹ 440.78 crores (which excluded Financing Allowance of ₹ 16.65 Crores).

**AAI's submission on Capital Expenditure (CAPEX), Depreciation and RAB for the Second Control Period**

**6.3 Capital expenditure for the Second Control Period**

6.3.1 AAI had proposed capital expenditure of ₹ 1,738.22 Crores for the Second Control Period for Bhubaneswar International Airport, which had been summarized in the table below:

*Table 36: Summary of Capital Expenditure projects submitted by AAI for Bhubaneswar International Airport for the Second Control Period*

(In Crores)

| No. | Particulars                        | Amount |
|-----|------------------------------------|--------|
| 1   | Building- Terminal                 | 839.14 |
| 2   | Runways/taxiways/Aprons            | 108.87 |
| 3   | Electrical Installations-Non Solar | 473.78 |
| 4   | Electrical Installations-Solar     | 41.24  |
| 5   | Other Buildings                    | 29.52  |



**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

| <b>No.</b> | <b>Particulars</b>  | <b>Amount</b>   |
|------------|---|-----------------|
| 6          | Plant & Machinery   | 15.62           |
| 7          | Roads, Bridges & Culverts   | 4.05            |
| 8          | Tools & Equipment   | 0.66            |
| 9          | X Ray Baggage System  | 3.70            |
|            | <b>Capital expenditure proposed for the Second Control Period</b> | <b>1,516.57</b> |
|            | <b>IDC</b>  | <b>-</b>        |
|            | <b>Financing allowance (FA)</b>                                   | <b>221.65</b>   |
|            | <b>Total (including FA)</b>                                       | <b>1,738.22</b> |

**Authority's examination of Capital Expenditure (CAPEX) for the Second Control Period at Consultation Stage**

6.3.2 The Authority while analyzing the Aeronautical Expenditure proposed by AAI for the Second Control Period, had appropriately rationalized the proposed CAPEX taking into cognizance of the essentiality and necessity of the CAPEX which was absolutely required for the smooth operation of the Airport as explained in the following paragraphs.

The independent consultant appointed by the Authority had visited the Airport site and evaluated each capital item on the basis of the requirement and justifications provided by AAI.

6.3.3 The Authority noted that AAI had not conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure proposed to be undertaken at Bhubaneswar International Airport for the Second Control Period. However, it was noted that the majority of the projects proposed by AAI for the Second Control Period pertained to those that were approved in the First Control Period and shifted to the Second Control Period. The Authority expected AAI to conduct an AUCC meeting in accordance with the AERA Guidelines, 2011 and obtained inputs from all the stakeholders with respect to any new CAPEX/ major revisions to the CAPEX proposed in the First Control Period and which was shifted to the current Control Period at Bhubaneswar International Airport.

6.3.4 The capital additions proposed by AAI for the Second Control Period had been segregated into the following categories:

- A. Capital Addition projects shifted from the First Control Period to the Second Control Period.
- B. Capital Addition projects proposed by AAI for Bhubaneswar International Airport for the Second Control Period.

6.3.5 The Authority noted that AAI had subsequently vide email dated November 1, 2023 had revised the projection for the following capital addition projects.

- i. Construction of Isolated Aircraft Parking Position at Bhubaneswar Airport.
- ii. Improvements in Pavement-Turn pad

Based on the information provided by AAI, project wise capital expenditure submitted by AAI is presented in the table below:



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

Table 37: Project wise Capital Expenditure submitted by AAI for Bhubaneswar International Airport for Second Control Period

(in Crores)

| S. No   | Capital Expenditure Project  | Financial Year of Commissioning | Project cost (includes design, PMC, Pre-operative expenses etc) | Financing allowance (FA) | Total CAPEX (incl. FA) |
|---|--|---------------------------------|---|--------------------------|------------------------|
| <b>A. Capital additions projects shifted from the First Control Period to the Second Control Period</b> |  |                                 |   |                          |                        |
| A1.   | <b>Runways/ Taxiways/Aprons</b>  |                                 |   |                          |                        |
|   | i. Construction of Parallel taxi Track, Rapid Exit Taxi Way and Apron for parking of 08 nos. Code C aircraft at Bhubaneswar Package: Phase-II                              | 2023-24                         | 65.50   | 2.97                     | 68.47                  |
|   | ii. Widening of vehicular lane on the airside of Terminal 2  | 2023-24                         | 0.50  | -                        | 0.50                   |
| A2.   | <b>Roads, Bridges &amp; Culverts</b>   |                                 |   |                          |                        |
|   | i. Annual Contract for minor capital work in operational area at Bhubaneswar International Airport. (SH: Widening and strengthening of road in operational area)           | 2023-24                         | 2.20  | -                        | 2.20                   |
|   | ii. Resurfacing of internal Roads of Residential Colony-Bhubaneswar International Airport  | 2023-24                         | 0.24  | -                        | 0.24                   |
| A3  | <b>Building- Terminal</b>  |                                 |   |                          |                        |
|   | i. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility - and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24                         | 59.14   | 9.15                     | 68.29                  |
|   | ii. Construction of New Domestic Terminal (T3) Building at Biju Patalki International Airport, Bhubaneswar. (65% Civil)  | 2027-28                         | 780.00  | 189.43                   | 969.43                 |
| A4  | <b>Other Building</b>  |                                 |   |                          |                        |
|   | i. Construction of Fire Station category IX & emergency medical centre-Civil work  | 2023-24                         | 13.83   | 3.69                     | 17.52                  |
|   | ii. Constructions of E&M workshop  | 2023-24                         | 14.65   | 2.77                     | 17.42                  |
|   | iii. Provision of profile sheet canopy at VIP & TP gate at B.P.I. Airport, Bhubaneswar   | 2023-24                         | 0.33  | -                        | 0.33                   |
|   | iv. Annual Contract for minor capital work in operational area at Bhubaneswar International Airport. SH: Construction of 07nos. of watch tower.                            | 2023-24                         | 0.30  | -                        | 0.30                   |
|   | v. Supply & Installation of Frangible Hut for bird watching in Operational area at Airport Bhubaneswar   | 2023-24                         | 0.21  | -                        | 0.21                   |
|   | vi. Construction of 33KV ICOG Panel room at B.P.I. Airport, Bhubaneswar. SH: (Civil Works).  | 2023-24                         | 0.20  | -                        | 0.20                   |
| A5  | <b>Electrical Installations-Non-Solar</b>  |                                 |   |                          |                        |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| S. No   | Capital Expenditure Project   | Financial Year of Commissioning | Project cost (includes design, PMC, Pre-operative expenses etc) | Financing allowance (FA) | Total CAPEX (incl. FA) |
|---|---|---------------------------------|---|--------------------------|------------------------|
|   | i. Const. of Fire Station category IX & emergency medical centre-Civil work   | 2023-24                         | 3.22  | -                        | 3.22                   |
|   | ii. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24                         | 28.06   | -                        | 28.06                  |
|   | iii. Construction of New Domestic Terminal (T3) Building at Biju Patalki International Airport, Bhubaneswar. (35% electrical)   | 2027-28                         | 420.00  | -                        | 420.00                 |
|   | iv. Hangar apron illumination   | 2023-24                         | 0.50  | -                        | 0.50                   |
|   | v. SITC of AHF cum Hybrid APFC panel for substation at B.P.I. Airport, Bhubaneswar  | 2023-24                         | 0.30  | -                        | 0.30                   |
|   | vi. SITC of LT Panel for commercial shops etc. at T-1 Building  | 2023-24                         | 0.95  | -                        | 0.95                   |
|   | vii. SITC of 2x250 KVA UPS for providing 15 minutes back up to all essentials loads at T1 Building.   | 2023-24                         | 1.50  | 0.05                     | 1.55                   |
|   | viii. SITC of Electric car battery charging at T1 and T2 car parking area.  | 2025-26                         | 1.50  | -                        | 1.50                   |
|   | ix. SITC of Smoke cabin for T1 and T2 terminal building.  | 2024-25                         | 1.00  | 0.07                     | 1.07                   |
|   | x. Re-location of CCR & Re-routing of GLF cables at New CCR room with ALCMS at B.P.I. Airport, Bhubaneswar.   | 2023-24                         | 4.50  | -                        | 4.50                   |
|   | xi. Improvement of lighting for T1 terminal building and street light   | 2024-25                         | 0.50  | -                        | 0.50                   |
|   | xii. SITC of Energy Efficient pumps and pump automation for BBSR Airport  | 2026-27                         | 1.00  | 0.14                     | 1.14                   |
|   | xiii. Replacement of cooling towers of AC plant T1  | 2027-28                         | 6.00  | -                        | 6.00                   |
|   | xiv. SITC of prepaid electricity billing system for all vendors at BIA  | 2026-27                         | 0.25  | -                        | 0.25                   |
|   | xv. Replacement of AC plant T1  | 2027-28                         | 2.50  | -                        | 2.50                   |
|   | xvi. Replacement of AHU for T1 building   | 2027-28                         | 2.00  | 0.16                     | 2.16                   |
| A6  | <b>Electrical Installations-Solar</b>   |                                 |   |                          |                        |
|   | Provision of 4.0 MWp (DC) ground mounted solar power plant at Bhubaneswar Airport   | 2023-24                         | 41.24   | 6.58                     | 47.82                  |
|   | <b>Total - A</b>  |                                 | <b>1,452.12</b>   | <b>215.01</b>            | <b>1,667.13</b>        |
| <b>B. New Capital Addition projects proposed by AAI for the Second Control Period</b> |   |                                 |   |                          |                        |
| B1  | <b>Runways/ Taxiways/Aprons</b>   |                                 |   |                          |                        |
|   | i. Conversion of Category I Lighting to Category II Lighting System & Resurfacing of Runway at BPI Airport, Bhubaneswar.  | 2024-25                         | 41.67   | 6.54                     | 48.21                  |
|   | ii. Construction of Isolated Aircraft Parking Position at Bhubaneswar International   | 2023-24                         | 6.58  | 0.05                     | 6.63                   |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

| S. No | Capital Expenditure Project   | Financial Year of Commissioning | Project cost (includes design, PMC, Pre-operative expenses etc) | Financing allowance (FA) | Total CAPEX (incl. FA) |
|-------|---|---------------------------------|---|--------------------------|------------------------|
|       | Airport.<br>SH: Civil & Electrical Works                                |                                 |   |                          |                        |
| B2    | <b>Roads, Bridges &amp; Culverts</b>                                    |                                 |   |                          |                        |
|       | i. Improvements in Pavement-Turn Pad                                    | 2023-24                         | 4.22  | 0.05                     | 4.27                   |
| B3    | <b>Plant &amp; Machinery</b>  |                                 |   |                          |                        |
|       | i. Self-Drop Bag (Qty-2)  | 2023-24                         | 0.80  | -                        | 0.80                   |
|       | ii. NLJD (Qty-1)  | 2023-24                         | 0.12  | -                        | 0.12                   |
|       | iii. Body Scanner (Qty-4)   | 2024-25                         | 13.20   | -                        | 13.20                  |
|       | iv. SCCTV (Qty-1)   | 2027-28                         | 1.50  | -                        | 1.50                   |
| B4    | <b>Tools &amp; Equipment</b>  |                                 |   |                          |                        |
|       | i. ETD (Qty 3 + Qty 2)  | 2023-24                         | 0.36  | -                        | 0.36                   |
|       | ETD (Qty 3 + Qty 2)   | 2025-26                         | 0.24  | -                        | 0.24                   |
|       | ii. DFMD (Qty-3)  | 2023-24                         | 0.06  | -                        | 0.06                   |
| B5    | <b>X Ray Baggage System</b>   |                                 |   |                          |                        |
|       | RB XBIS (Qty-5+1 Qty)   | 2024-25                         | 1.75  | -                        | 1.75                   |
|       | RB XBIS (Qty-5+1 Qty)   | 2026-27                         | 0.35  | -                        | 0.35                   |
|       | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2023-25                         | 1.40  | -                        | 1.40                   |
|       | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2026-27                         | 0.20  | -                        | 0.20                   |
|       | <b>Total - B</b>  |                                 | <b>72.45</b>  | <b>6.64</b>              | <b>79.09</b>           |
|       | <b>Capital expenditure proposed for the Second Control Period (A+B)</b> |                                 | <b>1,524.57</b>   | <b>221.65</b>            | <b>1,746.22</b>        |

6.3.6 The Authority's examination of the major Capital Expenditure projected for the Second Control Period had been explained in detail in the ensuing paragraphs. During the detailed analysis, the Authority noted that there are projects which are in planning stage whereas there are other projects, wherein requisite details are not available and for some projects the capitalization had been proposed in the last tariff year i.e. FY 2027-28. Considering the above factors, the Authority had considered some projects on actual incurrence basis and some projects were shifted to the next Control Period.

**A1 – Runways, Taxiways & Apron –**

**i. Construction of PTT, Rapid Exit Taxiway and Apron for Parking of 08 numbers of Code C aircraft. Phase-II**

The Authority noted that the project-relating to the construction of Parallel Taxi Track, Rapid Exit Taxiway and Apron for parking of 8 Code C aircraft had been approved in the First Control Period for Bhubaneswar International Airport. AAI had proposed to carry out this project in two phases, at a sanctioned costs of ₹147.08 Cr. (Phase I amounting to ₹65.65cr and Phase II - ₹81.43cr). Phase I of the project was completed in FY 2022-23, however, the Phase II could not be executed in the First Control Period.

Further, AAI had projected ₹ 65.50 Cr. towards Civil works and electrical works in the MYTP with respect to Phase II of the above project. The Authority further noted that the civil work for the





CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

The Authority had derived the normative costs of Taxiway, which is as follows:

Table 38: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Taxiway for Bhubaneswar International Airport at Consultation Stage

| Particulars                                    | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22         | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|--|------------|------------|------------|------------|------------|------------|--------------------|------------|------------|------------|
| Taxiway (A)                                    | 4,700      |            |            |            |            |            |                    |            |            |            |
| WPI Index (B)*                                 | 109.70     | 111.6      | 114.9      | 119.8      | 121.8      | 123.4      |                    |            |            |            |
| Inflation ** (D)                               |            | 1.73%      | 2.96%      | 4.26%      | 1.67%      | 1.31%      | 7.14% <sup>#</sup> | 9.42%      | 0.30%      | 4.10%      |
| Inflation adjusted Rate per Sq.m. (in ₹)       | 4,700      | 4,781      | 4,923      | 5,133      | 5,218      | 5,287      | 5,664              | 6,198      | 6,217      | 6,472      |
| Rate per Sqm incl. GST @ 6% (refer Note below) |            |            |            |            |            |            |                    |            |            | 6,860      |

\* Source: Office of The Economic Adviser, Government of India (<https://eaindustry.nic.in>)

\*\* Source: Reserve Bank of India Publications (<https://www.rbi.org.in/Scripts/Publications>)

<sup>#</sup> Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated April 18, 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%

Note: In the Order No.7/2016-17 dated June 13, 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports- Capital costs Regarding", the ceiling cost mentioned is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, on the inflation adjusted normative cost worked out above, differential tax @ 6% will be paid extra.

The Authority had derived the allowable costs of the Phase II of this project, by considering the Normative cost of Civil Works and the Technically sanctioned amount for Electrical Works and the same was detailed in the table below:

Table 39: Cost of Phase II of PTT and other works proposed by the Authority for Bhubaneswar International Airport at Consultation Stage

(in ₹Crores)

| Work   | Cost proposed by AAI | Cost with Normative rate | Cost proposed to be considered by the Authority |
|--|----------------------|--------------------------|---|
| <b>Civil Work</b>  |                      |                          |   |
| i. Civil works above subgrade                            | 65.50                | 53.51                    | 53.51   |
| ii. Add cost of works below subgrade                     | -                    | 4.79                     | 4.79  |
| iii. Add for Dismantling and disposal- existing pavement | -                    | 0.18                     | 0.18  |
| Total for Civil Works (i+ii+iii)                         | 65.50                | 58.48                    | 58.48   |
| Electrical Works   |                      | 1.65*                    | 1.65*   |
| <b>Total</b>   | <b>65.50</b>         | <b>60.13</b>             | <b>60.13</b>                                    |

\*As per Technical Sanction.

The Authority proposed to consider ₹ 60.13 Cr towards Phase II of this Project, as shown in Table 39 for capitalisation in FY 2024-25. The said work was in progress and at this stage the likely completion cost may not be ascertained. Therefore, the cost was tried up based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.

**ii. Widening of vehicular lane in airside of Terminal 2**

The Authority observed that this work was necessitated to smoothen the two-way vehicular movement at the airside of T2. AAI had projected the cost of this project as ₹0.50cr, which the Authority considered to be reasonable.

**A2 – Road, Bridges & Culverts:**

**i. Widening and Strengthening of roads in operational area**

The Authority noted that the purpose of this project is to widen and strengthen some of the roads in the operational area so as to facilitate smooth the movement of crash fire tenders in the operational area. Based on the assessment during the site visit through its Independent Consultant, the Authority noted that the project may be completed by March 2024 and the projected costs of ₹2.20cr was justifiable.

**ii. Resurfacing of internal Roads of Residential Colony**

The Authority observed that this project work was needed for strengthening and widening the roads in the residential colony to smoothen the vehicle movement. AAI had projected ₹ 0.24 Cr and had completed this in FY 2023-24. Based on the above factors the Authority considered the cost of this project to be reasonable.

**A3 – Building- Terminal:**

**i. Construction of Link Building between Terminal T1 & T2 for integrated operations using passenger boarding bridge facility and expansion/renovation work of T2. (includes Electrical installation given in para A5 (ii))**

The Authority noted that the AO had submitted ₹ 59.14 Cr. for Civil works and ₹ 28.06 Cr. for electrical works in the MYTP, towards this project which comprised constructing a link building connecting Terminals T1 and T2 (so as to facilitate the Transfer passenger movement smoothly) as well as modifications in T2. The capacity in the Link Building can be utilised for Domestic and International operations.

The Authority noted that this project was approved in the First Control Period for ₹87.21Cr. and was proposed to be completed by FY 2020-21. However, this project got delayed due to Covid-19 pandemic and other contractual issues. AAI had then proposed completion of this project in December 2023. However, the Authority based on the site visit through its Independent Consultant, noted that the works relating to the proposed modifications and renovations in T2 may be completed in September 2024 and therefore, proposed to consider capitalization of this project of ₹ 87.21Cr in FY 2024-25.

**ii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport (includes Electrical installation given in para A5 (iii))**

The Authority noted that, in the First Control Period, AAI had proposed for the construction of a New Terminal Building (T3) with an area of 78,800 sqm having a designed capacity of 4.25 MPPA, which was approved by the Authority for capitalisation in FY 2022-23.

The AAI had submitted that the project on construction of T3 could not be initiated due to COVID-19 Pandemic and Govt's proposed to privatise the Airport (as explained in para 4.4.5 A1). AAI had proposed completion of this project in the Second Control Period (in October 2027) at an estimated cost of ₹ 1,200 Cr. (₹780 Cr. towards Civil works and ₹420 Cr towards Electrical Installations).

The Authority had examined the proposals and other documents submitted by AAI towards construction of T3 and observed the followings:

- a. AAI had submitted the proposal to MoCA for Public Investment Board (PIB) approval in December 2019. On the directions of MoCA, AAI had updated the Detailed Project Report (DPR) and submitted the same to MoCA for obtaining PIB approval in December 2020. However, upon enquiry from AAI on various occasions, it was conveyed that the approval was still awaited from MoCA.
- b. AAI had planned to award the EPC contract by July 2024, subjected to PIB clearance and proposed completion of the construction by July 2027 and commissioning of T3 by October 2027.
- c. The Authority noted that as per the timeline/milestones defined in the DPR, approx. 6 months is needed for completion of the pre- award of the tender and further 36 months is needed for completion of construction of T3. It was pertinent to note that around 3 to 6 months may be needed for commissioning of the Terminal Building. Therefore, cumulatively a minimum of 4 years was needed for completion of this project, after obtaining the PIB approval.
- d. AAI had submitted that the combined designed capacity of T1 and T2 as 4.4 MPPA. The Authority noted that with the commissioning of Link Building connecting T1 and T2, along with swing gate arrangement, additional PBBs and further modifications planned in T1, the capacity of T1 and T2 might increase further.

AAI had further informed that, after addition of Link Building and reconfiguration of the existing Terminal Building, the combined capacity (T1, T2 and T3) will be enhanced to 8.50 MPPA.

Subsequently, AAI vide email dated December 5, 2023 had confirmed that this project of construction of Terminal Building (T3) was proposed to be completed and commissioned only in the Third Control Period.

Based on the above factors and taking cognizance of the above email from AAI, the Authority proposed to shift this project to the next Control Period.

**A4 – Other Building:**

**i. Construction of Fire Station CAT- IX and Emergency Medical Centre (includes Electrical installation given in para A5 (i))**

AAI had proposed ₹13.83 Cr. for Civil works and ₹3.22 Cr. for electrical works with respect to construction of Fire Station CAT IX and Emergency Medical Centre. The Authority noted that these works were approved in the First Control Period for ₹17 Cr. The Authority through the site visit by its Independent Consultant noted that these works had been completed but were not commissioned due to non-completion of certain other associated works.

AAI had proposed capitalization of this project in March 2024, which the Authority also proposed to consider for capitalization in FY 2023-24.



**ii. Construction of E & M Workshop**

The Authority noted that this project was approved in the First Control Period for ₹14.65 Cr. The Authority through the site visit by its Independent Consultant noted that the works had been completed but were not commissioned due to non-completion of certain other aligned works.

AAI had proposed capitalization of this project in March 2024, which the Authority also proposed to consider for capitalization in FY 2023-24.

**iii. Other associated projects (A4 (iii) to A4 (v))**

The Authority observed that there are other minor projects proposed by AAI as part of 'Other Building' such as Provision of profile sheet canopy at VIP gate, Annual Contract for minor capital work in operational area and Supply & Installation of Frangible Hut for bird watching in Operational area totaling to ₹ 0.84 Cr. The Authority noted that these are essential operational requirements of the Airport and proposed to consider the same for capitalization in FY 2023-24.

**vi. Construction of 33KV ICOG panel room - Civil Works**

AAI had submitted civil work construction of 33KV ICOG panel room for ₹ 0.20 Crores for capitalization in FY 2023-24. However, details of this work had not been provided by AAI. Therefore, the Authority proposed to consider this project for capitalization in FY 2024-25.

**A5 – Electrical Installations – Non-Solar**

**iv. Hangar Apron Illumination**

The Authority noted that the Construction of Hangar was completed along with Apron and Link Taxiway. The Authority also agreed with the view of AAI that proper lighting was needed for performing maintenance works on the Aircraft parked on the Apron. The AAI had proposed the illumination of Hangar Apron with LED Flood lights for ₹ 0.50 Cr. for capitalization in FY 2023-24. However, the work was yet to be awarded by AAI and no details regarding the same was available with AAI. Based on the above factors, the Authority proposed to consider capitalization of this project in FY 2024-25.

**v. SITC of AHF cum Hybrid APFC panel for Substation**

The Authority from AAI's submission noted that installation of AHF cum Hybrid APFC panel in Substation could improve the Power Factor and optimize the energy consumption. The AAI proposed this project for ₹ 0.30 Cr. for capitalization in FY 2023-24. However, the Authority noted that the work was in planning stage and no details are currently available with AAI. Based on the above factors, the Authority proposed to consider capitalization of this project in FY 2024-25.

**vi. SITC of Low Tension LT panel for Commercial shops at T1**

The Authority from AAI's submission noted that providing a separate Low Tension (LT) panel offers advantages in terms of maintenance, safety, flexibility, fault isolation and compliance with standards. It allows for a more organised and efficient management of the low voltage part of the electrical infrastructure. The Authority noted that by providing a separate LT panel for the Commercial shops, the efficiency of maintenance of high voltage equipment in the Terminal Building could also be improved.

The AAI had proposed this project for ₹ 1 Cr. for capitalisation in FY 2023 -24, apportioned to aeronautical activities in the Terminal Building ratio of 95:5. However, this project was under planning stage and no details were available with AAI. Based on the above factors, the Authority proposed to consider capitalization of this project in FY 2024-25 and also apportioned to



aeronautical activities in the Terminal Building ratio of 92:8.

**vii. SITC of 2 x 250 KVA UPS for providing 15 minutes back up**

The Authority noted that detailed estimate of this project work amounting to ₹ 1.50 Crores was not available with AAI and hence therefore, the Authority proposed to consider this CAPEX for capitalization in FY 2024-25, instead of FY 2023-24 as proposed by AAI.

**viii. SITC of Electric Vehicle Battery Charger**

The Authority noted that this asset of ₹ 1.50 Crores was proposed to be used in the Car Parking area and the same needed to be categorized as a Non-aeronautical asset. Therefore, the Authority proposed to exclude this asset from RAB.

**ix. SITC of Smoke Cabin**

The Authority noted that separate Smoking areas with appropriate smoke exhaust is generally provided in the Airports. AAI had proposed Smoke Cabin amounting to ₹1 Cr. for capitalisation in FY 2024-25. The Authority observed that the work had been awarded by AAI for this project for ₹0.70 Cr. and the same is reserved only for the passengers. Based on the above factors, the Authority proposed to consider this project for ₹0.70 Cr. for capitalization in FY 2024-25.

**x. Re- location of Constant Current Regulator (CCR) & Re-routing of Ground Light Facility (GLF) cables**

The Authority noted that the subject work was an operational requirement to improve the efficiency of GLF. The AAI had proposed this project for ₹ 4.50 Cr. for capitalisation in FY 2023-24.

Further, the Authority noted that AAI had awarded this work for ₹ 3.10 Cr. with proposed capitalization in FY 2023-24. Based on the above factors, the Authority proposed to consider this project for ₹ 3.10 Cr. for capitalization in FY 2023-24.

**xi. Improvement of lighting for T1 and street light**

The Authority noted that AAI had proposed improvement of lighting for T1 and street light for ₹0.50 Cr for capitalization in FY 2024-25. However, this project was under planning stage and no detailed estimate was currently available with AAI. Considering the essentiality of this project, the Authority proposed to consider the same for capitalization in FY 2024-25.

**xii. SITC of Energy Efficient Pumps**

The Authority observed that the subject work was for saving energy, which forms part of Environment Management System. The Authority noted that AAI had proposed replacement of water pumps with energy efficient pumps at a projected costs ₹1 Cr. for capitalisation in FY 2026-27. However, this project was under planning stage and no detailed estimate was currently available with AAI. Considering the essentiality of the project, the Authority proposed to consider the same for capitalization in FY 2026-27.

**xiii. Replacement of Cooling towers of AC Plant at T1**

The Authority noted that AAI had proposed replacement of Cooling towers of AC Plant in T1 with ₹ 6 Cr. capitalization in February 2028. However, this project was under planning stage and no detailed estimate was currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposed to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project had been proposed by AAI only in the last tariff year

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

and was currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness, and trued up during the determination of tariff for the next Control Period.

xiv. **SITC of prepaid electricity billing system for all vendors**

The Authority observed that prepaid electricity billing system were needed for billing the Concessionaires for the electricity used by them. AAI had proposed ₹ 0.25 Cr. towards capitalization of this asset in FY 2026-27 and the Authority proposed to consider the same.

xv. **Replacement of AC Plant T1**

The Authority noted that AAI had proposed for replacement of AC Plant in T1 for ₹ 2.50 Cr, for capitalization in February 2028. However, this project was under planning stage and no detailed estimate was currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposed to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project had been proposed by AAI only in the last tariff year and was currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness and trued up during the determination of tariff for the next Control Period.

xvi. **Replacement of AHU for T1**

The Authority noted that AAI had proposed replacement of AHU for T1 for ₹ 2 Cr. with capitalization in February 2028. However, this project was under planning stage and no detailed estimate was currently available with AAI. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposed to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project had been proposed by AAI only in the last tariff year and was currently under planning stage. The actual costs incurred by AAI during the current control period towards this project, would be assessed by the Authority based on efficiency and reasonableness and trued up during the determination of tariff for the next Control Period.

**A6 – Electrical Installations-Solar –**

**Provision of 4 MWP Solar Plant**

The Authority noted that this project was approved in the First Control Period for ₹ 41.24 Cr. The Authority through the site visit by its Independent Consultant noted that the project work had been completed and the Solar system had been commissioned in December 2022. However, the Solar System was subject to Performance Ratio (PR) testing, which was expected to be completed by December 2023. The actual cost of this Solar Plant amounts to approx. ₹ 20.58 Cr. Based on the above factors, the Authority proposed to consider the actual cost of the asset for capitalization in FY 2023-24.

**B. New Capital Addition projects proposed by AAI for the Second Control Period**

**B1 - Runways, Taxiways & Apron –**

**i. Conversion of CAT-I Lighting System to CAT-II**

The Authority noted that AAI had proposed this project for ₹ 41.67 Cr. in the MYTP. Further, the sanction (A/A & E/S) for this project had been granted, along with the project on Resurfacing of Runway and the sanctioned amount for this project was ₹ 36.24 Cr. The Authority, further noted

that works relating to Runway Resurfacing and for Conversion of CAT-I Lighting System to CAT-II. had been awarded separately.

However, the cost of Civil work (approx. ₹ 7.1 Cr.) related to this project on Lighting System had been included along with the work on Runway Resurfacing and the amount awarded towards Electrical works for this project was ₹18.33 Cr. (excluding GST). Based on the above factors, the Authority had derived the projected cost of this project as ₹ 29 Cr. Based on the assessment of the project through the site visit by its Independent Consultant and the letters of work award issued by AAI, the Authority proposed to consider capitalization of this project in December 2024.

**ii. Construction of Isolated Aircraft Parking Position (IAPP) at Bhubaneswar Airport**

There was no Isolated Parking bays available at Bhubaneswar airport and Runway 05 Turning Pad had been designed as IAPP. As per BCAS guidelines every airport shall have a separate Isolation Bay, away from the active areas. Accordingly a proper location, at South East side, had been identified by AAI and the work had been taken up. The total area of the IAPP is 10,890 sqm including Link Taxiway and was designed to park one B767-200(Code-D)

The Authority observed that this work had been projected by AAI for ₹ 6.58 Crores and the same had been completed. Based on the above factors, the Authority proposed to consider capitalization of this project in FY 2023-24.

**B2 - Roads, Bridges & Culverts**

**i. Expansion of Turning Pads at both ends of Runway 14-32**

The Authority noted that for enabling the Runway suitable for operation of B777-300ER the Turning Pads of the Runway were required to be widened. Through the site visit by its Independent Consultant, the Authority noted that this project had been completed in FY 2023-24 and the projected costs of ₹ 4.22 Cr. was justifiable.

**B3 - Plant & Machinery -**

**i. Self-Drop Bag**

The Authority noted that this facility is available in all Major Airports and the same was required for enhancing passenger convenience, reduce check - in queues and congestion. The Authority noted that AAI had projected ₹ 0.80 Cr. for procurement of 2 Nos. of Self Drop Bag in the FY 2023-24. Considering it as a passenger facilitation measure, the Authority proposed to consider the same for capitalization in FY 2023-24.

**iii. Body Scanner**

The Authority noted that BIA was categorised as a sensitive airport and as per BCAS guidelines Full Body Scanners (FBS) to be provided in hypersensitive and sensitive airports.

AAI had proposed to capitalize 4 numbers of FBS for ₹ 13.20 Cr in FY 2024-25.

The Authority was of the view that Body Scanner is a relatively new technology and the same can be implemented in a phased manner. Based on the above factors, the Authority proposed to consider capitalization of 2 numbers of FBS for ₹6 Cr (in line with the cost considered by the Authority for other similar airports) in FY 2025-26.

**iv. SCCTV**

The Authority noted that SCCTV was an essential requirement of Airport Security and Surveillance. However, an SCCTV system was already available at BIA. The Authority noted that



AAI projected ₹ 1.50 Cr. in FY 2027-28 to procure 1 no of SCCTV and details were not available. The Authority through its independent consultant reviewed the said capital item and due to non-availability of sufficient details at this stage, proposed to consider 2/3rds of the total cost projected by AAI for this project for capitalization in FY 2027-28, as this project had been proposed by AAI only in the last tariff year and was currently under planning stage. The actual costs incurred by AAI during the Current Control Period towards this project, would be assessed by the Authority based on efficiency and reasonableness and tried up during the determination of tariff for the next Control Period.

#### **B4 – Tools & Equipment**

##### **i. Explosive Trace Detectors (ETD)**

The Explosive Trace Detectors are essential security equipment in airports, as per BCAS guidelines. AAI had projected 3 numbers of ETDs in FY 2023-24 for ₹ 0.36 Cr. and 2 numbers in FY 2025-26 for ₹ 0.24 Cr. However, no work order had been issued by AAI. Considering the essentiality of the equipment, particularly at sensitive airport like Bhubaneswar and the procurement cost of such equipment in other similar airports, the Authority proposed to consider the above Capital Expenditure for capitalization in FY 2024-25 and 2026 -27 respectively.

#### **B5 – X Ray Baggage System –**

##### **X-BIS**

The Authority noted that AAI had projected 6 numbers of RB X-BIS and 8 numbers of HB X-BIS in the MYTP amounting to ₹ 3.70 Crores. As a security related requirement and for the purpose of decongestion of airport, the Authority proposed to consider the projection for 6 numbers of RB X-BIS as proposed by AAI. Also, the Authority proposed to consider 8 numbers of HB X-BIS, as submitted by AAI for the Second Control Period.

- 6.3.7 The Authority noted that AAI for Bhubaneswar International Airport had claimed Financing allowance of ₹ 221.65 Crores, as part of CAPEX proposed for the Second Control Period. The Authority had examined the AAI's claim towards Financing Allowance in detail and the views of the Authority in this regard may be referred to in para no. 4.4.7. Accordingly, the Financing allowance had not been allowed by the Authority in respect of CAPEX allowed for the Second Control Period.
- 6.3.8 The Authority noted that AAI had not implemented the certain major capital projects pertaining to Construction of T3 (as explained in para 4.4.5), which had been shifted to the Current Control Period. Keeping in view the delays in the execution of the approved capital projects, the Authority proposed to adjust 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project was not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period. It was further proposed that if the delay in completion of the project was beyond the timeline vis-à-vis the capitalization schedule, due to any reason beyond the control of AAI or its contracting agency and was properly justified, the same would be considered by the Authority while trying up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue was to protect the interest of the stakeholders who were paying for services provided by AAI.
- 6.3.9 The Authority further noted that AAI had submitted an average Terminal Building ratio of 95.01%: 4.99% for Bhubaneswar International Airport, for the Second Control Period, based on the actual commercial area let out during the FY 2022-23, for apportionment of common assets/ expenses for the

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

current Control Period.

Considering the passenger profile at the Airport, the Authority was of the view that the Terminal Building ratio of 4.99% (Non-aeronautical area to total area) was lesser as compared to the other similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur. Therefore, the Authority proposed to consider the Terminal Building ratio of 92%:8% (Aeronautical: Non-aeronautical) as reasonable for apportionment of common assets within the Terminal Building and common O&M expenses for the Second Control Period, in line with the optimum Non-aeronautical area allocation of 8%-12% as recommended by IMG norms (for airports having passenger traffic of less than 10 MPPA) and that approved by AERA for other similar airports.

6.3.10 In accordance with above, the Authority proposed the capital expenditure for the Second Control Period as per the table below:

*Table 40: Capital Expenditure (Project-wise) proposed by the Authority for Second Control Period at Consultation Stage*

*(₹ Crores)*

| S. No.  | Description of the Project   | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2)-(1) |
|---|--|---|-----------------------|---|---------------------------|--------------------------|
|   |  | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                          |
| <b>A. Capital additions projects shifted from the First Control Period to the Second Control Period</b> |  |   |                       |   |                           |                          |
| A1  | <b>Runways/ Taxiways/Aprons</b>  |   |                       |   |                           |                          |
|   | i. Construction of Parallel taxi Track, Rapid Exit Taxi Way and Apron for parking of 08 nos. Code C aircraft at Bhubaneswar Airport Package: Phase-II                    | 2023-24   | 2024-25               | 65.50   | 60.13                     | 5.37                     |
|   | ii. Widening of vehicular lane in airside of Terminal 2  | 2023-24   | 2023-24               | 0.50  | 0.50                      | -                        |
| A2  | <b>Roads, Bridges &amp; Culverts</b>   |   |                       |   |                           |                          |
|   | i. Annual Contract for minor capital work in operational area at Bhubaneswar Airport. (SH: Widening and strengthening of road in operational area)                       | 2023-24   | 2023-24               | 2.20  | 2.20                      | -                        |
|   | ii. Resurfacing of internal Roads of Residential Colony- Bhubaneswar   | 2023-24   | 2023-24               | 0.24  | 0.24                      | -                        |
| A3  | <b>Building- Terminal</b>  |   |                       |   |                           |                          |
|   | i. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24   | 2024-25               | 59.14   | 59.14                     | -                        |
|   | ii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport. (65% Civil)  | 2027-28   |                       | 780.00  |                           | 780.00                   |
| A4  | <b>Other Building</b>  |   |                       |   |                           |                          |
|   | i. Construction of Fire Station  | 2023-24   | 2023-24               | 13.83   | 13.83                     | -                        |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| S. No. | Description of the Project  | Year of Capitalisation                              |                       | Capitalisation  |                           |                            |
|--------|---|---|-----------------------|---|---------------------------|----------------------------|
|        |   | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) | Difference (3) = (2) - (1) |
|        | category IX & emergency medical centre-Civil work   |   |                       |   |                           |                            |
|        | ii. Constructions of E&M workshop   | 2023-24   | 2023-24               | 14.65   | 14.65                     | -                          |
|        | iii. Provision of profile sheet canopy at VIP & TP gate at Bhubaneswar Airport  | 2023-24   | 2023-24               | 0.33  | 0.33                      | -                          |
|        | iv. Annual Contract for minor capital work in operational area at Bhubaneswar Airport.<br>SH: Construction of 07nos. of watch tower.                                      | 2023-24   | 2023-24               | 0.30  | 0.30                      | -                          |
|        | v. Supply & Installation of Frangible Hut for bird watching in Operational area at Bhubaneswar Airport.   | 2023-24   | 2023-24               | 0.21  | 0.21                      | -                          |
|        | vi. Construction of 33KV ICOG Panel room at Bhubaneswar Airport. SH: (Civil Works).   | 2023-24   | 2024-25               | 0.20  | 0.20                      | -                          |
| A5     | <b>Electrical Installations-Non-Solar</b>   |   |                       |   |                           |                            |
|        | i. Const. of Fire Station category IX & emergency medical centre-Civil work   | 2023-24   | 2023-24               | 3.22  | 3.22                      | -                          |
|        | ii. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24   | 2024-25               | 28.06   | 28.06                     | -                          |
|        | iii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport. (35% electrical)   | 2027-28   |                       | 420.00  | -                         | 420.00                     |
|        | iv. Hangar apron illumination   | 2023-24   | 2024-25               | 0.50  | 0.50                      | -                          |
|        | v. SITC of AHF cum Hybrid APFC panel for substation at Bhubaneswar Airport.   | 2023-24   | 2024-25               | 0.30  | 0.30                      | -                          |
|        | vi. SITC of LT Panel for commercial shops etc. at T-1 Building  | 2023-24   | 2024-25               | 0.95  | 0.92                      | 0.03                       |
|        | vii. SITC of 2x250 KVA UPS for providing 15 minutes back up to all essentials loads at T1 Building.   | 2023-24   | 2024-25               | 1.50  | 1.50                      | -                          |
|        | viii. SITC of Electric car battery charging at T1 and T2 car parking area.  | 2025-26   |                       | 1.50  | -                         | 1.50                       |
|        | ix. SITC of Smoke cabin for T1 and T2 terminal building   | 2024-25   | 2024-25               | 1.00  | 0.70                      | 0.30                       |
|        | x. Re-location of CCR & Re-routing of GLF cables at New   | 2023-24   | 2023-24               | 4.50  | 3.10                      | 1.40                       |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| S. No.  | Description of the Project  | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2)-(1) |
|---|---|---|-----------------------|---|---------------------------|--------------------------|
|   |   | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                          |
|   | CCR room with ALCMS at Bhubaneswar Airport.   |   |                       |   |                           |                          |
|   | xi. Improvement of lighting for T1 terminal building and street light   | 2024-25   | 2024-25               | 0.50  | 0.50                      | -                        |
|   | xii. SITC of Energy Efficient pumps and pump automation for BBSR Airport  | 2026-27   | 2026-27               | 1.00  | 1.00                      | -                        |
|   | xiii. Replacement of cooling towers of AC plant T1*   | 2027-28   | 2027-28               | 6.00  | 4.00                      | 2.00                     |
|   | xiv. SITC of prepaid electricity billing system for all vendors at BIA  | 2026-27   | 2026-27               | 0.25  | 0.25                      | -                        |
|   | xv. Replacement of AC plant T1*   | 2027-28   | 2027-28               | 2.50  | 1.67                      | 0.83                     |
|   | xvi. Replacement of AHU for T1 building*  | 2027-28   | 2027-28               | 2.00  | 1.33                      | 0.67                     |
| A6  | <b>Electrical Installations-Solar</b>   |   |                       |   |                           |                          |
|   | Provision of 4.0 MWp (DC) ground mounted solar power plant at Bhubaneswar Airport                                   | 2023-24   | 2023-24               | 41.24   | 20.58                     | 20.66                    |
|   | <b>Total - A</b>  |   |                       | <b>1,452.12</b>   | <b>219.36</b>             | <b>1,232.76</b>          |
| <b>B. Capital Addition projects proposed by AAI for the Second Control Period</b> |   |   |                       |   |                           |                          |
| B1  | <b>Runways/ Taxiways/Aprons</b>   |   |                       |   |                           |                          |
|   | i. Conversion of Category I Lighting to Category II Lighting System & Resurfacing of Runway at Bhubaneswar Airport. | 2024-25   | 2024-25               | 41.67   | 29.00                     | 12.67                    |
|   | ii. Construction of Isolated Aircraft Parking Position at Bhubaneswar Airport<br>SH: Civil & Electrical Works       | 2023-24   | 2023-24               | 6.58  | 6.58                      | -                        |
| B2  | <b>Roads, Bridges &amp; Culverts</b>  |   |                       |   |                           |                          |
|   | i. Improvements in Pavement-Turn pad  | 2023-24   | 2023-24               | 4.22  | 4.22                      | -                        |
| B3  | <b>Plant &amp; Machinery</b>  |   |                       |   |                           |                          |
|   | i. Self-Drop Bag (Qty-2)  | 2023-24   | 2023-24               | 0.80  | 0.80                      | -                        |
|   | ii. NLJD (Qty-1)  | 2023-24   | 2023-24               | 0.12  | 0.12                      | -                        |
|   | iii. Body Scanner (Qty-4)   | 2024-25   | 2025-26               | 13.20   | 6.00                      | 7.20                     |
|   | iv. SCCTV (Qty-1)*  | 2027-28   | 2027-28               | 1.50  | 1.00                      | 0.50                     |
| B4  | <b>Tools &amp; Equipment</b>  |   |                       |   |                           |                          |
|   | i. ETD (Qty 3 + Qty 2)  | 2023-24   | 2024-25               | 0.36  | 0.36                      | -                        |
|   | ETD (Qty 3 + Qty 2)   | 2025-26   | 2026-27               | 0.24  | 0.24                      | -                        |
|   | ii. DFMD (Qty-3)  | 2023-24   | 2023-24               | 0.06  | 0.06                      | -                        |
| B5  | <b>X Ray Baggage System</b>   |   |                       |   |                           |                          |
|   | RB XBIS (Qty-5+1 Qty)   | 2024-25   | 2024-25               | 1.75  | 1.75                      | -                        |
|   | RB XBIS (Qty-5+1 Qty)   | 2026-27   | 2026-27               | 0.35  | 0.35                      | -                        |
|   | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2023-25   | 2023-25               | 1.40  | 1.40                      | -                        |



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| S. No.   | Description of the Project  | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2)-(1) |
|--|---|---|-----------------------|---|---------------------------|--------------------------|
|  |   | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                          |
|  | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2026-27   | 2026-27               | 0.20  | 0.20                      | -                        |
|  | <b>Total - B</b>  |   |                       | <b>72.45</b>  | <b>52.08</b>              | <b>20.37</b>             |
|  | <b>Capital expenditure proposed for the Second Control Period (A+B)</b> |   |                       | <b>1,524.57</b>   | <b>271.44</b>             | <b>1,253.13</b>          |
| <b>Year-wise Capitalisation of Assets is as follows (₹ Crores)</b> |   |   |                       |   |                           |                          |
|  | <b>FY 2023-24</b>   | <b>FY 2024-25</b>                                   | <b>FY 2025-26</b>     | <b>FY 2026-27</b>                                       | <b>FY 2027-28</b>         | <b>Total</b>             |
|  | 71.94   | 183.46  | 6.00                  | 2.04  | 8.00                      | 271.44                   |

\*The Cost of these projected has been rationalized and actuals will be tried up based on the efficiency and reasonability, at the time of the determination of tariff for the next Control Period.

**Note:** The Authority proposed to consider capitalization schedule of Aeronautical expenditure for BIA for the Second Control Period as ₹ 271.44 Crores, against proposed ₹ 1,524. 57 Cr (exclusive of Financing Allowance) of AAI due to the following factors:

- i. Shifting of the project amounting to ₹ 1,200 Cr. for construction of Terminal Building T3 to the next Control Period due to the reasons as explained in para 6.3.6 (A3) (ii).
- ii. Consideration of actual CAPEX as per letter of award for some CAPEX such as Solar Plant, Parallel Taxi Track, Conversion of Category I Lighting to Category II Lighting System etc.
- iii. Rationalisation of the CAPEX of Body Scanners.

#### 6.4 Depreciation for the Second Control Period

##### AAI's submission on Depreciation for the Second Control Period for BIA

- 6.4.1 Bhubaneswar International Airport follows its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for Bhubaneswar International Airport, AAI had taken cognizance of the rates of depreciation approved by the Authority in previous tariff orders (Order No. 35 dated January 12, 2018, and Amendment No. 01 to Order No. 35 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority had been applied by Bhubaneswar International Airport from FY 2018-19 onwards.
- 6.4.2 Depreciation had been computed separately on opening block of assets and on the proposed additions.
- 6.4.3 The depreciation amount proposed by Bhubaneswar International Airport for the Second Control Period had been presented in the table below.

*Table 41: Depreciation proposed by AAI for Bhubaneswar International Airport for the Second Control Period*

(₹ Crores)

| Particulars    | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|----------------|------------|------------|------------|------------|------------|-------|
| Land           | -          | -          | -          | -          | -          | -     |
| Leasehold Land | -          | -          | -          | -          | -          | -     |
| Runways        | 3.35       | 4.15       | 4.96       | 4.96       | 4.96       | 22.38 |
| Taxiway        | 2.34       | 2.34       | 2.34       | 2.34       | 2.34       | 10.52 |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

| <b>Particulars</b>                       | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b>  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
| Aprons                                   | -                     | -                     | -                     | -                     | -                     | -             |
| Road, Bridges & Culverts                 | 0.95                  | 0.85                  | 0.85                  | 0.85                  | 0.85                  | 4.34          |
| Building- Terminal                       | 3.15                  | 4.28                  | 4.28                  | 4.28                  | 20.42                 | 36.42         |
| Building - Temporary                     | -                     | -                     | -                     | -                     | -                     | -             |
| Building - Residential                   | 0.35                  | 0.35                  | 0.35                  | 0.35                  | 0.34                  | 1.73          |
| Security Fencing - Temporary             | -                     | -                     | -                     | -                     | -                     | -             |
| Boundary Wall -Operational               | 0.33                  | 0.33                  | 0.32                  | 0.23                  | 0.07                  | 1.28          |
| Boundary Wall - Residential              | -                     | -                     | -                     | -                     | -                     | -             |
| Other Buildings-Unclassified             | 0.60                  | 1.20                  | 1.20                  | 1.20                  | 1.20                  | 5.39          |
| Computer & Peripherals: End User Devices | -                     | -                     | -                     | -                     | -                     | -             |
| Intangible Assets- Software              | 0.01                  | -                     | -                     | -                     | -                     | 0.01          |
| Computer & Peripherals: NETWORK & SERVER | 0.03                  | 0.03                  | 0.02                  | -                     | -                     | 0.07          |
| Plant & Machinery                        | 0.80                  | 1.27                  | 1.71                  | 1.70                  | 1.74                  | 7.24          |
| Tools & Equipment                        | 1.48                  | 1.50                  | 1.51                  | 1.51                  | 1.51                  | 7.52          |
| Office Furniture                         | 0.50                  | 0.50                  | 0.50                  | 0.37                  | -                     | 1.85          |
| Other Vehicles                           | 0.19                  | 0.17                  | 0.08                  | -                     | -                     | 0.43          |
| Vehicle- Cars & Jeeps                    | -                     | -                     | -                     | -                     | -                     | -             |
| Electrical Installations                 | 5.06                  | 6.42                  | 6.25                  | 6.38                  | 27.90                 | 52.00         |
| Solar power -Electrical Inst.            | 0.96                  | 1.91                  | 1.91                  | 1.91                  | 1.91                  | 8.61          |
| Other Office equipment                   | 0.10                  | 0.04                  | -                     | -                     | -                     | 0.15          |
| Furniture & Fixtures-Other than Trolley  | 0.02                  | -                     | -                     | -                     | -                     | 0.03          |
| Furniture & Fixtures-Trolley             | -                     | -                     | -                     | -                     | -                     | -             |
| X Ray Baggage System                     | 1.31                  | 1.42                  | 1.49                  | 1.51                  | 1.53                  | 7.25          |
| CFT/Fire Fighting Equipment              | 0.53                  | 0.53                  | 0.46                  | 0.46                  | 0.46                  | 2.43          |
| <b>TOTAL</b>                             | <b>20.88</b>          | <b>27.28</b>          | <b>28.21</b>          | <b>28.05</b>          | <b>65.23</b>          | <b>169.66</b> |

**Authority's examination of Depreciation for the Second Control Period at Consultation Stage**

- 6.4.4 The Authority noted that the Bhubaneswar International Airport had calculated the depreciation for the Second Control Period based on the useful life of the asset with the Order No.35/ 2017-18 dated January 12, 2018. The Authority had reviewed the depreciation submitted by AAI for the Second Control Period with the rates as per the Order No.35/ 2017-18 dated January 12, 2018.
- 6.4.5 Based on changes in the allocation of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Second Control Period.

*Table 42: Depreciation proposed by the Authority for the Second Control Period at Consultation Stage*

(₹ Crores)

| <b>Particulars</b> | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b> |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
| Land               | -                     | -                     | -                     | -                     | -                     | -            |
| Leasehold Land     | -                     | -                     | -                     | -                     | -                     | -            |
| Runways            | 2.95                  | 3.43                  | 3.91                  | 3.91                  | 3.91                  | 18.12        |

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| Particulars                              | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 | Total         |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Taxiway                                  | 0.12          | 1.24          | 2.24          | 2.24          | 2.24          | 8.07          |
| Aprons                                   | -             | -             | -             | -             | -             | -             |
| Road, Bridges & Culverts                 | 1.18          | 1.25          | 1.04          | 1.04          | 1.04          | 5.56          |
| Building- Terminal                       | 2.39          | 3.38          | 4.36          | 4.36          | 4.34          | 18.83         |
| Building - Temporary                     | -             | -             | -             | -             | -             | -             |
| Building - Residential                   | 0.37          | 0.36          | 0.36          | 0.36          | 0.36          | 1.81          |
| Security Fencing - Temporary             | -             | -             | -             | -             | -             | -             |
| Boundary Wall -Operational               | 0.32          | 0.30          | 0.30          | 0.30          | 0.23          | 1.44          |
| Boundary Wall - Residential              | 0.31          | 0.31          | 0.25          | 0.00          | -             | 0.87          |
| Other Buildings-Unclassified             | 0.49          | 0.98          | 0.98          | 0.98          | 0.98          | 4.42          |
| Computer & Peripherals: END USER DVICES  | 0.00          | -             | -             | -             | -             | 0.00          |
| Intangible Assets- Software              | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.01          |
| Computer & Peripherals: NETWORK & SERVER | 0.03          | 0.03          | 0.02          | 0.01          | 0.01          | 0.10          |
| Plant & Machinery                        | 0.84          | 0.87          | 1.06          | 1.00          | 1.01          | 4.79          |
| Tools & Equipment                        | 1.47          | 1.49          | 1.50          | 1.50          | 1.51          | 7.47          |
| Office Furniture                         | 0.50          | 0.50          | 0.35          | 0.31          | 0.20          | 1.86          |
| Other Vehicles                           | 0.18          | 0.18          | 0.16          | 0.15          | 0.14          | 0.81          |
| Vehicle- Cars & Jeeps                    | -             | -             | -             | -             | -             | -             |
| Electrical Installations                 | 3.27          | 4.63          | 5.95          | 6.01          | 6.37          | 26.23         |
| Solar power -Electrical Inst.            | 0.41          | 0.82          | 0.82          | 0.82          | 0.82          | 3.70          |
| Other Office equipment                   | 0.07          | 0.05          | 0.01          | 0.00          | 0.00          | 0.13          |
| Furniture & Fixtures-Other than Trolley  | 0.03          | 0.02          | 0.00          | 0.00          | 0.00          | 0.04          |
| Furniture & Fixtures-Trolley             | -             | -             | -             | -             | -             | -             |
| X Ray Baggage System                     | 1.26          | 1.36          | 1.44          | 1.46          | 1.47          | 6.99          |
| CFT/Fire Fighting Equipment              | 0.49          | 0.49          | 0.39          | 0.38          | 0.38          | 2.13          |
| <b>TOTAL</b>                             | <b>16.67</b>  | <b>21.66</b>  | <b>25.16</b>  | <b>24.84</b>  | <b>25.04</b>  | <b>113.38</b> |

**Note:** The Authority proposed to consider depreciation for BIA for the Second Control Period as ₹ 113.38 Crores. The above depreciation was lesser than that proposed by AAI, which is ₹ 169.66 Cr, due to non-consideration of certain capital projects as detailed in the footnote to Table 40.

### 6.5 Regulatory Asset Base (RAB) for the Second Control Period

AAI's submission on RAB for Bhubaneswar International Airport for the Second Control Period

6.5.1 AAI's submission on RAB for the Second Control Period for BIA was as follows:

Table 43: RAB submitted by AAI for Bhubaneswar International Airport for the Second Control Period

| Particulars | (₹ Crores)    |               |               |               |               | Total |
|-------------|---------------|---------------|---------------|---------------|---------------|-------|
|             | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 |       |
| Opening RAB | 215.63        | 462.58        | 500.41        | 473.94        | 447.83        |       |



**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

| Particulars        | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total    |
|--------------------|------------|------------|------------|------------|------------|----------|
| Additions          | 267.83     | 65.12      | 1.74       | 1.94       | 1,401.59   | 1,738.22 |
| Disposal/Transfers | -          | -          | -          | -          | -          | -        |
| Depreciation       | 20.88      | 27.28      | 28.21      | 28.05      | 65.23      | 169.66   |
| Closing RAB        | 462.58     | 500.41     | 473.94     | 447.83     | 1,784.19   |          |
| Average RAB        | 339.10     | 481.49     | 487.18     | 460.89     | 1,116.01   |          |

**Authority's examination of RAB for Bhubaneswar International Airport for the Second Control Period at Consultation Stage**

- 6.5.2 The Authority proposed to adopt the capitalization of Aeronautical Expenditure in accordance with Table 40 and the depreciation amounts in accordance with Table 42.
- 6.5.3 Based on the above, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

*Table 44: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

(₹ Crores)

| Particulars                                    | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total  |
|--|------------|------------|------------|------------|------------|--------|
| Opening RAB (1) (refer Table 12)               | 198.40     | 253.66     | 415.47     | 396.30     | 373.50     |        |
| Additions (2) (Refer Table 40)                 | 71.94      | 183.46     | 6.00       | 2.04       | 8.00       | 271.44 |
| Disposal/Transfers (3)                         | 0.00       | 0.00       | 0.00       | 0.00       | 0.00       | -      |
| Depreciation (4) (refer Table 42)              | 16.67      | 21.66      | 25.16      | 24.84      | 25.04      | 113.38 |
| <b>Closing RAB (5) = [(1)+(2) - (3) - (4)]</b> | 253.66     | 415.47     | 396.30     | 373.50     | 356.46     |        |
| <b>Average RAB = [(1) + (5)]/2</b>             | 226.03     | 334.56     | 405.88     | 384.90     | 364.98     |        |

The Authority proposed to consider Average RAB for the BIA for the Second Control Period as detailed in Table 44.

**6.6 Stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

- 6.6.1 During the stakeholders' consultation process, the Authority has received comments/ views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 22/2023-24 with respect to Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period. The comments by stakeholders are presented below:

**AAI's comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

- 6.6.2 AAI has commented the following:

Para 4.4.7 & 6.3.7 of CP

- "AAI submits that Direction 05 does not state FA is only for greenfield airports. Irrespective of whether it is brownfield or greenfield airports, there is outlay of funds for significant time when



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

developing new terminals/runways/large project works. Even in CIAL and BIAL, FA has been considered till SCP. In this regard, level playing field may be ensured for AAI and private airports.

**In view of the above AAI is requested to AERA to consider the Financing Allowance as submitted in MYTP for SCP."**

**Para 5.2. of CP**

**i) Construction of PTT, Rapid Exit Taxiway and Apron for Parking of 08 numbers of Code C aircraft. Phase-II.**

"As per AERA's tariff order 40/2022-23 for Ahmedabad International Airport the inflation adjusted normative costs are as follows: -

| Particulars  | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | FY 23-24 | FY 24-25 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Taxiway (A)  | 4700     |          |          |          |          |          |          |          |          |          |
| WPI Index(B)<br>(as per Table 108 of 40/2022-23)   | 109.70   | 111.6    | 114.9    | 119.8    | 121.8    | 123.4    |          |          |          |          |
| Inflation<br>(as per Table 184 of 40/2022-23)      |          | 1.73%    | 2.96%    | 4.26%    | 1.67%    | 1.31%    | 12.97%   | 9.42%    | 0.30%    | 4.10%    |
| Inflation adjusted Rate Per Sq.m.                  | 4,700    | 4,781    | 4,923    | 5,133    | 5,218    | 5287     | 5973     | 6535     | 6555     | 6824     |
| Rate Per Sq.m.incl. GST @6%adjusted Rate Per Sq.m. |          |          |          |          |          |          |          |          |          | 7233     |

Based on the above normative cost the total cost of Phase II of PTT works out for Bhubaneswar International Airport is as follows:

| Work  | Cost Proposed by AAI | Cost with Normative Rate (AS per AERA) | Revised Cost at ₹ 7,233 per sq.m for consideration |
|---|----------------------|--|--|
| Civil work  |                      |  |  |
| i. Civil work Above subgrade                            | 65.50                | 53.51                                  | 56.42  |
| ii add cost of work below subgrade                      |                      | 4.79                                   | 4.79   |
| iii add for dismantling and disposal-existing pavements |                      | 0.18                                   | 0.18   |
| Total for Civil works (i+ii+iii)                        | 65.50                | 58.48                                  | 61.39  |
| Electrical works  |                      | 1.65*                                  | 1.65*  |
| Total (in Rs. Crore)                                    | 65.50                | 60.13                                  | 63.04  |

**It is requested that AERA consider the cost of Phase II of PTT and other works amounting to ₹**



**63.04 Crore for SCP.**

**ii) SITC of Smoke Cabin**

*"It is submitted that the tendering process for the asset is completed the work has been awarded for ₹ 0.74 Crore. has This asset shall be capitalized in FY 2023-24 only.*

**Hence, AERA is requested to include the SITC for smoke cabin in the RAB for FY 2023-24."**

**iii) Body Scanner**

*"As per BCAS Direction/Guidelines AAI has planned procurement of 04 number of full body scanner for BIA. In order to ensure the compliance of BCAS Direction/Guidelines to cater to the increased passenger traffic of 8.8 MPPA.*

**In view of the above AERA is requested to consider the cost of 04 Full Body Scanner (FBS) amounting to Rs. 13.20 Crore in FY 2024-25."**

**iv) Procurement of SCCTV**

*"As per BCAS Direction/Guidelines AAI has planned procurement of 01 number of SCCTV for BIA. In order to ensure the compliance of BCAS Direction/Guidelines to cater to the increased passenger traffic of 8.8 MPPA.*

**Hence, AERA is to consider the amount for RAB of Rs. 1.50 Crore towards SCCTV in FY 2027-28."**

**Other Stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

6.6.3 FIA has commented the following:

*"FIA submits that, the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by considering the following:*

**Para 4.4.5 of CP**

*It may be noted that AERA itself has analyzed the variances between the approved Capex for the First Control Period and the actual Capex incurred and notes that AAI has not implemented 89.15% of the approved CAPEX.*

*It is requested that such variances shall be taken into cognizance by AERA and findings of an independent study to determine the efficiency of the Capex shall be provided to the stakeholders and giving a reasonable time for the stakeholders to comment on such study thereafter, prior to approving this control period's tariff order.*

**Para 6.3.3 of CP**

*We request AERA to ensure that BIA conducts an Airport User Consultative Committee Meeting ('AUCC') meeting for any proposed new additional Capex or any Capex which is now deferred from First Control Period to Second Control Period, before the issuance of tariff order.*

**Para 6.3.2 of CP**

*We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th June, 2016 in order to keep the overall cost control and efficiencies in capex projects.*

*In addition to above, in order to support the airlines to continue and sustain its operations, it is*

*requested that all non-essential capital expenditure proposed by Airport operator be put on hold/deferred, unless deemed critical from a safety or security compliance perspective.*

*We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/facilities which are not being availed by the stakeholders or passengers.*

*We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator by an independent consultant, which is appreciated.*

*It is requested that AERA should:*

- a) consider imposing a penalty of 1% (or higher as deemed fit) towards the cost incurred for Capex in this Control Period. BIA should also be directed to encourage their traffic in the upcoming years to justify the designed capacity.*
- b) to conduct an independent study for determining the efficient and reasonable Capex for Second Control Period before issuing the final tariff order.*

**Para 6.3.6 (A3.ii) of CP**

*FIA supports AERA's proposal of shifting the Terminal 3 Building project to the next (third) control period.*

**Para 6.3.8 of CP**

*We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule. Such adjustments can be made by AERA during the tariff determination process for the Second Control Period.*

**Para 6.3.9 of CP**

*AERA has considered the Terminal Building Ratio ('TBLR') of 92:8 for the Second Control Period.*

*However, considering that Bhubaneswar is tourist destination and have potential of higher non-aero revenue, the non-aeronautical ratio proposed by BIA appears to be on the lower side, and also as compared to the other similar airports such as Varanasi, Amritsar, Trichy, Calicut and Raipur.*

*Further, keeping in view the fact that BIA have underutilized infrastructure and terminal space which can be better utilised towards increasing their non-aeronautical activities. We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to:*

- a) To consider the highest possible non-aeronautical allocation in the case of BIA.*
- b) To undertake detailed scrutiny examination with the assistance of an independent study for asset allocation, which is a standard practice done by AERA for other similar airports on or before the tariff determination.*

*FIA submits that this study will assist to ensure correct assessment of allocation of assets, which is a standard practice followed by AERA.*

**Para 6.4.3, 6.4.5 and Table 35 & 37 of CP**

*In this regard, we request AERA to seek for more justification from BIA on the depreciation of assets and scrutinize the depreciation rates instead of basing it solely on opening blocks of assets and proposed additions.*

*We further request to conduct an independent study on depreciation, as it does not provide clarity on the percentage of depreciation applied."*

## **6.7 AAI's responses to other stakeholders' comments on Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

### **6.7.1 AAI has responded to FIA's comments as under**

- i. *"FY2020-21 and 2021-22 of the first Control Period were unprecedented years affected due to the pandemic Covid-19 resulting in postponement of the capital expenditure to the future years. AAI has cautiously considered only those capex which are essentials, thorough discussions with the Corporate Headquarters and stakeholders during these years. Further, MoCA has directed to put on hold the project due to initiation of monetization process of Bhubaneswar Airport but later on communicate to continue with the capex works at 25 Airports including Bhubaneswar Airport. Also AAI has reconfigured the capacity of existing Terminal Building in order to increase the passenger throughput within the infrastructure available. Accordingly, AAI had shifted the capex of major expansion of Terminal Building from 1st Control Period to 3rd Control Period for optimum utilization of Terminal Building in order to reduce burden on the passengers.*
- ii. *AAI is complying with AERA guidelines to carry out Airport User Consultative Committee Meeting ('AUCC'). AUCC was conducted on 09.10.2018 in r/o project namely*
  - a) *Expansion of Terminal-2 for integrated operation using PBB.*
  - b) *Control Tower, Technical Block, Fire Station and E & M workshop*
  - c) *Parallel Taxi Track, Rapid Exit Taxi Way & Apron for parking*
  - d) *Re-carpeting of Runway*
  - e) *Ground Mounted Solar PV Power System etc.*
  - f) *New Domestic Terminal Building T3 AUCC carried out on 17.01.2019*
- iii. *AAI is incurring capital expenditure after detailed analysis and need of the capex at the respective airport. FY2020-21 and 2021-22 of the first Control Period were the unprecedented years affected due to the pandemic Covid-19 resulting in postponement of the capital expenditure to the future years. AAI has cautiously considered only those capex which are essentials, thorough discussions with the Corporate Headquarters and stakeholders during these years. Further, during 2018-19 MoCA has communicated to put on hold capex on airports which are under consideration for privatization including Bhubaneswar Airport. Later on MoCA has directed to go ahead with capex at Bhubaneswar and other airports also AAI has reconfigured the capacity of existing Terminal Building in order to increase the passenger throughput within the infrastructure available.*
- iv. *The ratios have been computed based on the actual space in the terminals. Hence, AAI had submitted TB ratio of 92.47% for First Control Period. AERA has determined the Terminal Building ratio as 92% in FCP. The basis for considering 8% as the commercial area in the 2nd CP is ad-hoc and without any basis. The actual occupied area for commercial activities (Design) for Terminal Building works out to 7.53%.*
- v. *AAI has computed the depreciation in compliance with AERA order no.35 on various fixed assets."*

**6.8 Authority's analysis on stakeholders' comments regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

6.8.1 The Authority has noted the comments of AAI regarding Financing Allowance and has provided detailed analysis in para 4.4.17 of this Tariff Order.

6.8.2 The Authority notes the comments of AAI regarding Construction of PTT, Rapid Exit Taxiway and Apron for Parking of 08 numbers of Code C aircraft Phase-II as follows:

- i. The Authority notes that AAI has referred to normative costs for Taxiway derived from the inflation rates considered by the Authority for tariff determination for Ahmedabad Airport at the Consultation stage (Table 108 in Order No. 40 dated January 18, 2023, referred to by AAI as part of its stakeholders' comments)
- ii. However, the Authority would like to draw attention to para 7.12.18 of the above mentioned Tariff Order, wherein the Authority has considered inflation rate of 7.14% for FY 2021-22 and derived inflation adjusted normative cost of ₹ 5,664 for Taxiway for FY 2021-22. The same has been considered by the Authority for deriving inflation adjusted cost of Taxiway for Bhubaneswar Airport, at the Consultation stage (refer para 6.3.6 A1 (i) and Table 38 of this Tariff Order).

Based on the above factors, the Authority sees no reason to deviate from its proposal given at the Consultation Stage

6.8.3 The Authority has examined the comments of AAI regarding Smoke Cabin and notes that being a small-scale project, it is likely to be completed by FY 2023-24. Therefore, the Authority proposes to consider capitalization of this project in FY 2023-24 for ₹ 0.74 Crores (against ₹ 0.70 Crores considered at the Consultation stage).

6.8.4 The Authority has noted AAI's comments on Full Body scanners and has the following views:

- i. Full Body Scanners were installed at some of the major airports in India including Delhi, Bengaluru, Mumbai and the outcome of the same is under examination by BCAS. Further, BCAS has constituted a technical sub-committee to examine, evaluate and recommend testing protocols for Full Body Scanners on trial runs. In this context, the Authority observed that the technology is in its initial stage in India.
- ii. Therefore, as stated at the Consultation stage, the Authority is of the view that Body Scanner can be implemented at Bhubaneswar International Airport in a phased manner.

In view of the above, the Authority sees no reason to deviate from its proposal given at the Consultation Stage.

6.8.5 The Authority reviewed the comments of AAI regarding procurement of 1 No. of SCCTV for BIA and notes that the same is essential, as it pertains to the Security of the Airport. Therefore, the Authority decides to consider ₹ 1.50 Crore (against ₹ 1 Crore considered at the Consultation stage) towards SCCTV for capitalisation in FY 2027-28.

6.8.6 The Authority notes the comments of FIA regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base and provides its views as under:

- i. The Authority has examined the comments of FIA on conducting an independent study on the efficient capital expenditure.

Such studies are carried out based on the size and scale of operations of the Airport. Bhubaneswar, being a small airport, with lesser complexities, the Authority decided to

accomplish this exercise in-house. Further, the Authority has examined in depth the CAPEX proposals submitted by AAI for Bhubaneswar Airport for the Second Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements.

- ii. The Authority has noted the comments of FIA on conducting AUCC meeting at Bhubaneswar Airport for expansion of the Terminal Building and would like to state that it had also asked AAI, during Stakeholders' Consultation meeting, to hold AUCC meeting in respect of the capital projects proposed at Bhubaneswar Airport.
- iii. Regarding FIA's comments on Normative costs, the Authority reiterates that the normative guidelines have been followed while determining capital costs of Taxiway (refer para 6.3.6 AI (i)) of this Tariff Order. Further, the Authority has examined in depth the CAPEX proposals submitted by AAI for Bhubaneswar Airport for the Second Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements.
- iv. AERA has noted the comments of FIA regarding levying penalty of 1% on uncapitalized projects. It is pertinent to note that all CAPEX projects were on standstill during COVID 19 pandemic and there was slow progress in implementation of capital projects during FY 2020-21 and FY 2021-22. As reasons given by AAI for shifting of CAPEX are justified, the Authority decides not to make adjustment of 1% in the ARR in the Second Control Period.

As stated at the Consultation stage (refer para 6.3.8 of this Tariff Order), the Authority decides to re-adjust 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, while determining tariffs for the next Control Period.

- v. The Authority has considered the Terminal Building ratio of 92:8, in accordance with the recommendations of IMG norms (which has recommended the Non-aeronautical area within the terminal building for airports having passenger traffic of less than 10 MPPA to be in the range of 8% to 12% of the total terminal area) and the ratio considered by AERA in the past for other similar airports of AAI. Further, with the gradual increase in Non-aeronautical operations, the Authority may consider a higher Terminal Building ratio for Bhubaneswar International Airport.
- vi. The Authority had verified the application of depreciation rates by AAI in line with the Order No. 35/ 2017-18 dated January 12, 2018, and Amendment No. 01 to Order No. 35 / 2017-18 on 'Determination of Useful Life on Airport Assets' The same has been explained in para 6.4.4 of this Tariff Order.

6.8.7 Based on the above factors, the Authority has determined the revised capital expenditure, depreciation and RAB which it decides to consider for the Second Control Period of Bhubaneswar International Airport, which is as follows:



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

Table 45: Capital Expenditure (Project-wise) decided by the Authority for the Second Control Period  
(₹ Crores)

| S. No.  | Description of the Project   | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2) - (1) |
|---|--|---|-----------------------|---|---------------------------|----------------------------|
|   |  | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                            |
| <b>A. Capital additions projects shifted from the First Control Period to the Second Control Period</b> |  |   |                       |   |                           |                            |
| A1.   | <b>Runways/ Taxiways/Aprons</b>  |   |                       |   |                           |                            |
|   | i. Construction of Parallel taxi Track, Rapid Exit Taxi Way and Apron for parking of 08 nos. Code C aircraft at Bhubaneswar Airport<br>Package: Phase-II *               | 2023-24   | 2024-25               | 65.50   | 60.13                     | 5.37                       |
|   | ii. Widening of vehicular lane in airside of Terminal 2  | 2023-24   | 2023-24               | 0.50  | 0.50                      | -                          |
| A2.   | <b>Roads, Bridges &amp; Culverts</b>   |   |                       |   |                           |                            |
|   | i. Annual Contract for minor capital work in operational area at Bhubaneswar Airport.<br>(SH: Widening and strengthening of road in operational area)                    | 2023-24   | 2023-24               | 2.20  | 2.20                      | -                          |
|   | ii. Resurfacing of internal Roads of Residential Colony- Bhubaneswar   | 2023-24   | 2023-24               | 0.24  | 0.24                      | -                          |
| A3  | <b>Building- Terminal</b>  |   |                       |   |                           |                            |
|   | i. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24   | 2024-25               | 59.14   | 59.14                     | -                          |
|   | ii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport   | 2027-28   |                       | 780.00  |                           | 780.00                     |
| A4  | <b>Other Building</b>  |   |                       |   |                           |                            |
|   | i. Construction of Fire Station category IX & emergency medical centre-Civil work  | 2023-24   | 2023-24               | 13.83   | 13.83                     | -                          |
|   | ii. Constructions of E&M workshop  | 2023-24   | 2023-24               | 14.65   | 14.65                     | -                          |
|   | iii. Provision of profile sheet canopy at VIP & TP gate at Bhubaneswar Airport   | 2023-24   | 2023-24               | 0.33  | 0.33                      | -                          |
|   | iv. Annual Contract for minor capital work in operational area at Bhubaneswar Airport.<br>SH: Construction of 07nos. of watch tower.                                     | 2023-24   | 2023-24               | 0.30  | 0.30                      | -                          |
|   | v. Supply & Installation of Frangible Hut for bird watching in Operational area at Bhubaneswar Airport.  | 2023-24   | 2023-24               | 0.21  | 0.21                      | -                          |
|   | vi. Construction of 33KV ICOG  | 2023-24   | 2024-25               | 0.20  | 0.20                      | -                          |

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

| S. No.    | Description of the Project  | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2) - (1) |
|-----------|---|---|-----------------------|---|---------------------------|----------------------------|
|           |   | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                            |
|           | Panel room at Bhubaneswar Airport. SH: (Civil Works).   |   |                       |   |                           |                            |
| <b>A5</b> | <b>Electrical Installations-Non-Solar</b>   |   |                       |   |                           |                            |
|           | i. Const. of Fire Station category IX & emergency medical centre-Civil work   | 2023-24   | 2023-24               | 3.22  | 3.22                      | -                          |
|           | ii. C/o Link Building b/w Terminal T1 & T2 for integrated Operations using passenger boarding bridge facility and expansion/renovation work of Terminal T2 at Bhubaneswar | 2023-24   | 2024-25               | 28.06   | 28.06                     | -                          |
|           | iii. Construction of New Domestic Terminal (T3) Building at Bhubaneswar International Airport.  | 2027-28   |                       | 420.00  | -                         | 420.00                     |
|           | iv. Hangar apron illumination   | 2023-24   | 2024-25               | 0.50  | 0.50                      | -                          |
|           | v. SITC of AHF cum Hybrid APFC panel for substation at Bhubaneswar Airport.   | 2023-24   | 2024-25               | 0.30  | 0.30                      | -                          |
|           | vi. SITC of LT Panel for commercial shops etc. at T-1 Building  | 2023-24   | 2024-25               | 0.95  | 0.92                      | 0.03                       |
|           | vii. SITC of 2x250 KVA UPS for providing 15 minutes back up to all essentials loads at T1 Building.   | 2023-24   | 2024-25               | 1.50  | 1.50                      | -                          |
|           | viii. SITC of Electric car battery charging at T1 and T2 car parking area.  | 2025-26   |                       | 1.50  | -                         | 1.50                       |
|           | ix. SITC of Smoke cabin for T1 and T2 terminal building   | 2023-24   | 2023-24               | 1.00  | 0.74                      | 0.26                       |
|           | x. Re-location of CCR & Re-routing of GLF cables at New CCR room with ALCMS at Bhubaneswar Airport.   | 2023-24   | 2023-24               | 4.50  | 3.10                      | 1.40                       |
|           | xi. Improvement of lighting for T1 terminal building and street light   | 2024-25   | 2024-25               | 0.50  | 0.50                      | -                          |
|           | xii. SITC of Energy Efficient pumps and pump automation for BBSR Airport  | 2026-27   | 2026-27               | 1.00  | 1.00                      | -                          |
|           | xiii. Replacement of cooling towers of AC plant T1  | 2027-28   | 2027-28               | 6.00  | 4.00                      | 2.00                       |
|           | xiv. SITC of prepaid electricity billing system for all vendors at BIA  | 2026-27   | 2026-27               | 0.25  | 0.25                      | -                          |
|           | xv. Replacement of AC plant T1  | 2027-28   | 2027-28               | 2.50  | 1.67                      | 0.83                       |
|           | xvi. Replacement of AHU for T1 building   | 2027-28   | 2027-28               | 2.00  | 1.33                      | 0.67                       |
| <b>A6</b> | <b>Electrical Installations-Solar</b>   |   |                       |   |                           |                            |



CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

| S. No.  | Description of the Project  | Year of Capitalisation                              |                       | Capitalisation  |                           | Difference (3) = (2)-(1) |
|---|---|---|-----------------------|---|---------------------------|--------------------------|
|   |   | Submitted by AAI in revised MYTP and on Nov 1, 2023 | Proposed by Authority | Submitted by AAI in revised MYTP and on Nov 1, 2023 (1) | Proposed by Authority (2) |                          |
|   | Provision of 4.0 MWp (DC) ground mounted solar power plant at Bhubaneswar Airport                                   | 2023-24   | 2023-24               | 41.24   | 20.58                     | -20.66                   |
|   | <b>Total - A</b>  |   |                       | <b>1,452.12</b>   | <b>219.40</b>             | <b>1,232.72</b>          |
| <b>B. Capital Addition projects proposed by AAI for the Second Control Period</b> |   |   |                       |   |                           |                          |
| <b>B1</b>   | <b>Runways/ Taxiways/Aprons</b>   |   |                       |   |                           |                          |
|   | i. Conversion of Category I Lighting to Category II Lighting System & Resurfacing of Runway at Bhubaneswar Airport. | 2024-25   | 2024-25               | 41.67   | 29.00                     | 12.67                    |
|   | ii. Construction of Isolated Aircraft Parking Position at Bhubaneswar Airport<br>SH: Civil & Electrical Works       | 2023-24   | 2023-24               | 6.58  | 6.58                      | -                        |
| <b>B2</b>   | <b>Roads, Bridges &amp; Culverts</b>  |   |                       |   |                           |                          |
|   | i. Improvements in Pavement-Turn pad  | 2023-24   | 2023-24               | 4.22  | 4.22                      | -                        |
| <b>B3</b>   | <b>Plant &amp; Machinery</b>  |   |                       |   |                           |                          |
|   | i. Self-Drop Baggage (Qty-2)  | 2023-24   | 2023-24               | 0.80  | 0.80                      | -                        |
|   | ii. NLJD (Qty-1)  | 2023-24   | 2023-24               | 0.12  | 0.12                      | -                        |
|   | iii. Body Scanner (Qty-4)   | 2024-25   | 2025-26               | 13.20   | 6.00                      | 7.20                     |
|   | iv. SCCTV (Qty-1)   | 2027-28   | 2027-28               | 1.50  | 1.50                      | 0.00                     |
| <b>B4</b>   | <b>Tools &amp; Equipment</b>  |   |                       |   |                           |                          |
|   | i. ETD (Qty 3 + Qty 2)  | 2023-24   | 2024-25               | 0.36  | 0.36                      | -                        |
|   | ETD (Qty 3 + Qty 2)   | 2025-26   | 2026-27               | 0.24  | 0.24                      | -                        |
|   | ii. DFMD (Qty-3)  | 2023-24   | 2023-24               | 0.06  | 0.06                      | -                        |
| <b>B5</b>   | <b>X Ray Baggage System</b>   |   |                       |   |                           |                          |
|   | RB XBIS (Qty-5+1 Qty)   | 2024-25   | 2024-25               | 1.75  | 1.75                      | -                        |
|   | RB XBIS (Qty-5+1 Qty)   | 2026-27   | 2026-27               | 0.35  | 0.35                      | -                        |
|   | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2023-25   | 2023-25               | 1.40  | 1.40                      | -                        |
|   | HB XBIS (Qty-5+Qty 2+ Qty 1)  | 2026-27   | 2026-27               | 0.20  | 0.20                      | -                        |
|   | <b>Total - B</b>  |   |                       | <b>72.45</b>  | <b>52.58</b>              | <b>19.87</b>             |
|   | <b>Capital expenditure proposed for the Second Control Period (A+B)</b>   |   |                       | <b>1,524.57</b>   | <b>271.98</b>             | <b>1,252.59</b>          |
| <b>Year-wise Capitalisation of Assets is as follows (₹ Crores)</b>                |   |   |                       |   |                           |                          |
|   | <b>FY 2023-24</b>   | <b>FY 2024-25</b>                                   | <b>FY 2025-26</b>     | <b>FY 2026-27</b>                                       | <b>FY 2027-28</b>         | <b>Total</b>             |
|   | 72.68   | 182.76  | 6.00                  | 2.04  | 8.50                      | 271.98                   |

\* Considered ₹ 60.13 Cr towards Phase II Project with capitalisation in FY 2024-25. The project work is in progress at this stage and the likely completion cost may not be ascertained. Therefore, the cost would be trued up based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.

**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

**Note:** The variance between CAPEX decided by the Authority (which is ₹ 271.98 Cr.) and that considered at the consultation stage (which is ₹ 271.44 Cr.) is on account of:

- i Capitalization of Smoke Cabin for ₹ 0.74 Cr in FY 2023-24, as against ₹ 0.70 Cr. considered at the Consultation stage.
- ii Consideration of total costs of SCCTV amounting to ₹ 1.50 Cr., instead of 2/3rds of total costs considered at the Consultation stage

*Table 46 : Depreciation decided by the Authority for Second Control Period*

*(in ₹ Crores)*

| <b>Particulars</b>                       | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b>  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
| Land                                     | -                     | -                     | -                     | -                     | -                     | -             |
| Leasehold Land                           | -                     | -                     | -                     | -                     | -                     | -             |
| Runways                                  | 2.95                  | 3.43                  | 3.91                  | 3.91                  | 3.91                  | 18.12         |
| Taxiway                                  | 0.12                  | 1.24                  | 2.24                  | 2.24                  | 2.24                  | 8.07          |
| Aprons                                   | -                     | -                     | -                     | -                     | -                     | -             |
| Road, Bridges & Culverts                 | 1.18                  | 1.25                  | 1.04                  | 1.04                  | 1.04                  | 5.56          |
| Building- Terminal                       | 2.39                  | 3.38                  | 4.36                  | 4.36                  | 4.34                  | 18.83         |
| Building - Temporary                     | -                     | -                     | -                     | -                     | -                     | -             |
| Building - Residential                   | 0.37                  | 0.36                  | 0.36                  | 0.36                  | 0.36                  | 1.81          |
| Security Fencing - Temporary             | -                     | -                     | -                     | -                     | -                     | -             |
| Boundary Wall -Operational               | 0.32                  | 0.30                  | 0.30                  | 0.30                  | 0.23                  | 1.44          |
| Boundary Wall - Residential              | 0.31                  | 0.31                  | 0.25                  | 0.00                  | -                     | 0.87          |
| Other Buildings-Unclassified             | 0.49                  | 0.98                  | 0.98                  | 0.98                  | 0.98                  | 4.42          |
| Computer & Peripherals: END USER DVICES  | 0.00                  | -                     | -                     | -                     | -                     | 0.00          |
| Intangible Assets- Software              | 0.00                  | 0.00                  | 0.00                  | 0.00                  | 0.00                  | 0.01          |
| Computer & Peripherals: NETWORK & SERVER | 0.03                  | 0.03                  | 0.02                  | 0.01                  | 0.01                  | 0.10          |
| Plant & Machinery                        | 0.84                  | 0.87                  | 1.06                  | 1.00                  | 1.03                  | 4.81          |
| Tools & Equipment                        | 1.47                  | 1.49                  | 1.50                  | 1.50                  | 1.51                  | 7.47          |
| Office Furniture                         | 0.50                  | 0.50                  | 0.35                  | 0.31                  | 0.20                  | 1.86          |
| Other Vehicles                           | 0.18                  | 0.18                  | 0.16                  | 0.15                  | 0.14                  | 0.81          |
| Vehicle- Cars & Jeeps                    | -                     | -                     | -                     | -                     | -                     | -             |
| Electrical Installations                 | 3.31                  | 4.66                  | 5.96                  | 6.01                  | 6.38                  | 26.32         |
| Solar power -Electrical Inst.            | 0.41                  | 0.82                  | 0.82                  | 0.82                  | 0.82                  | 3.70          |
| Other Office equipment                   | 0.07                  | 0.05                  | 0.01                  | 0.00                  | 0.00                  | 0.13          |
| Furniture & Fixtures-Other than Trolley  | 0.03                  | 0.02                  | 0.00                  | 0.00                  | 0.00                  | 0.04          |
| Furniture & Fixtures-Trolley             | -                     | -                     | -                     | -                     | -                     | -             |
| X Ray Baggage System                     | 1.26                  | 1.36                  | 1.44                  | 1.46                  | 1.47                  | 6.99          |
| CFT/Fire Fighting Equipment              | 0.49                  | 0.49                  | 0.39                  | 0.38                  | 0.38                  | 2.13          |
| <b>TOTAL</b>                             | <b>16.71</b>          | <b>21.70</b>          | <b>25.17</b>          | <b>24.85</b>          | <b>25.06</b>          | <b>113.48</b> |



**CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD**

*Table 47 : RAB decided by the Authority for Second Control Period*

*(₹ Crores)*

| <b>Particulars</b>                       | <b>FY<br/>2023-24</b> | <b>FY<br/>2024-25</b> | <b>FY<br/>2025-26</b> | <b>FY<br/>2026-27</b> | <b>FY<br/>2027-28</b> | <b>Total</b>  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
| Opening RAB (1) (refer Table 12)         | 198.40                | 254.37                | 415.43                | 396.26                | 373.45                |               |
| Additions (2) (refer Table 45)           | 72.68                 | 182.76                | 6.00                  | 2.04                  | 8.50                  | <b>271.98</b> |
| Disposal/Transfers (3)                   | -                     | -                     | -                     | -                     | -                     | -             |
| Depreciation (4) (Refer Table 46)        | 16.71                 | 21.70                 | 25.17                 | 24.85                 | 25.06                 | <b>113.48</b> |
| Closing RAB (5) = [(1) +(2) – (3) – (4)] | 254.37                | 415.43                | 396.26                | 373.45                | 356.89                |               |
| <b>Average RAB = [(1) + (5)]/2</b>       | <b>226.38</b>         | <b>334.90</b>         | <b>405.85</b>         | <b>384.86</b>         | <b>365.17</b>         |               |

**6.9 Authority's decisions regarding Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period.

- 6.9.1 To consider allocation of Gross Block of Assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 35.
- 6.9.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 45.
- 6.9.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period.
- 6.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project was not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project was due to any reason beyond the control of AAI or its contracting agency and was properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.9.5 To consider Depreciation as per Table 46 for the Second Control Period.
- 6.9.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.9.7 To consider average RAB for the Second Control Period for BIA as per Table 47.
- 6.9.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

## 7 FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

### 7.1 AAI's submission on Fair Rate of Return for the Second Control Period for BIA

7.1.1 AAI submitted that Bhubaneswar International Airport would primarily utilize internally accrued funds to fund the capital expenditure that have been projected for the Second Control Period. Considering this composition of capital for the Second Control Period, AAI had submitted the projected debt and equity computation as follows:

#### Cost of Debt

7.1.2 The cost of debt\* submitted by AAI for the FRoR calculation of the Second Control Period pertaining to Bhubaneswar International Airport was 6.57% per annum.

7.1.3 The outstanding debt\* and cost of debt as submitted by AAI for the Second Control Period for Bhubaneswar International Airport is summarized in the table below:

Table 48: Debt computation for the Second Control Period submitted by AAI

| Particulars      | (₹ Crores)    |               |               |               |               |
|------------------|---------------|---------------|---------------|---------------|---------------|
|                  | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 |
| Opening debt     | 15.24         | 14.55         | 12.49         | 10.31         | 8.13          |
| Closing debt     | 14.55         | 12.49         | 10.31         | 8.13          | 5.96          |
| Average Debt     | 14.89         | 13.52         | 11.40         | 9.22          | 7.04          |
| Cost of Debt (%) | 6.57%         | 6.57%         | 6.57%         | 6.57%         | 6.57%         |

\* Debt of ₹ 15.23 Cr. had been availed by AAI for Bhubaneswar Airport for the First Control Period ( during FY 2020-21 to FY 2022-23). Details of the same have been submitted by AAI in the Financial Model in MS-Excel spreadsheet and vide email dated December 13, 2023. However, in the MYTP submission letter (in PDF), AAI has not furnished any details regarding debt and have claimed FRoR as 14%.

#### Cost of Equity

7.1.4 The cost of equity as submitted by AAI for the Second Control Period was 16% per annum.

7.1.5 The equity projections of Bhubaneswar International Airport for the Second Control Period as submitted by AAI is summarized in the table below:

Table 49: Equity computation for the Second Control Period submitted by AAI

| Particulars        | (₹ Crores)    |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|---------------|
|                    | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 |
| Equity             | 561.47        | 729.32        | 764.87        | 768.89        | 1,472.83      |
| Cost of Equity (%) | 16.00%        | 16.00%        | 16.00%        | 16.00%        | 16.00%        |

#### Fair Rate of Return

7.1.6 Based on the financing pattern as discussed above, AAI had computed the FRoR for the Second Control Period as summarized in the table below:

Table 50: FRoR for the Second Control Period submitted by AAI

| Particulars | Reference | (₹ Crores)    |               |               |               |               |
|-------------|-----------|---------------|---------------|---------------|---------------|---------------|
|             |           | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 |
| Debt        | A         | 14.89         | 13.52         | 11.40         | 9.22          | 7.04          |

FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

| Particulars                 | Reference             | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|-----------------------------|-----------------------|------------|------------|------------|------------|------------|
| Equity                      | B                     | 561.47     | 729.32     | 764.87     | 768.89     | 1,472.83   |
| Debt + Equity               | C                     | 576.36     | 742.84     | 776.27     | 778.11     | 1,479.87   |
| % of Debt                   | A/(A+B)               | 2.58%      | 1.82%      | 1.47%      | 1.19%      | 0.48%      |
| % of Equity                 | B/(A+B)               | 97.42%     | 98.18%     | 98.53%     | 98.81%     | 99.52%     |
| Cost of Debt (%)            | D                     | 6.57%      | 6.57%      | 6.57%      | 6.57%      | 6.57%      |
| Cost of Equity (%)          | E                     | 16.00%     | 16.00%     | 16.00%     | 16.00%     | 16.00%     |
| Gearing                     | F                     | 2.52%      | 1.79%      | 1.45%      | 1.17%      | 0.47%      |
| Weighted Average of gearing | G                     | 1.48%      |            |            |            |            |
| FRoR                        | H=<br>[(G*D)+(1-G)*E] | 15.86%     |            |            |            |            |

**7.2 Authority's examination of FRoR for the Second Control Period at the Consultation Stage**

**Cost of Equity**

7.2.1 The Authority had analyzed the cost of equity pertaining to Bhubaneswar International Airport as submitted by AAI for the Second Control Period. The Authority noted that AAI had proposed only minimum debt for Bhubaneswar International Airport for the Second Control Period and was of the opinion that the gearing ratio was suboptimal and did not justify a cost of equity of 16% per annum as submitted by AAI.

7.2.2 The Authority had drawn reference to the independent studies conducted in the past for PPP airports (such as DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely IIM Bangalore), wherein an optimal gearing ratio of 48%:52% was considered. The independent study reports had been drawn from the international experience of airports, wherein the median and average Cost of Equity was determined as 15.16% and 15.18%, respectively. However, the Authority noted that non-availing of debt by AAI for Bhubaneswar International Airport had resulted in high FRoR, which was not relatable to the above optimal gearing ratio of 48%:52%, thereby the Authority did not see any merit in AAI's claim of 16% as Cost of Equity. Therefore, the Authority proposed to consider the Cost of Equity of 14% across the Second Control Period.

7.2.3 Considering the changes in the capitalization plan for the Second Control Period and the cost of equity, the Authority had recalculated the equity computation of Bhubaneswar International Airport and the same has been summarized in the table below:

*Table 51: Equity computation proposed to be considered by the Authority for the Second Control Period at the Consultation Stage*

| Particulars        | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|--------------------|------------|------------|------------|------------|------------|
| Equity             | 211.14     | 321.05     | 394.49     | 375.68     | 357.93     |
| Cost of Equity (%) | 14%        | 14%        | 14%        | 14%        | 14%        |

**Cost of debt**

7.2.4 The Authority noted that AAI had availed only minimal debt during the Second Control Period and

FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

proposed to fund the capital expenditure through its internal accruals.

7.2.5 The Authority had recalculated the debt computation considering the total fund requirement, as per the capitalization for the Second Control Period and the same is presented in the table below:

Table 52: Debt computation proposed to be considered by the Authority for the Second Control Period at Consultation Stage

(₹ Crores)

| Particulars                      | Reference | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|----------------------------------|-----------|------------|------------|------------|------------|------------|
| Opening debt                     | A         | 15.24      | 14.55      | 12.49      | 10.31      | 8.13       |
| Drawdown (additional loan taken) | B         | -          | -          | -          | -          | -          |
| Repayment                        | C         | 0.69       | 2.06       | 2.18       | 2.18       | 2.18       |
| Closing debt                     | D=A+B-C   | 14.55      | 12.49      | 10.31      | 8.13       | 5.96       |
| Average debt                     | E=(A+D)/2 | 14.89      | 13.52      | 11.40      | 9.22       | 7.04       |
| Cost of debt (%)                 |           | 6.57%      | 6.57%      | 6.57%      | 6.57%      | 6.57%      |

**Fair Rate of Return (FRoR)**

7.2.6 The Authority expected AAI to consider appropriate debt financing for its expansion and capitalization project, so as to optimize its overall cost of capital and FRoR, while also ensuring that its financial leverage was within reasonable limits.

The costs of equity and debt both influence the ERoR. The balance between these financing sources, their associated costs, and the overall capital structure of the entity, collectively determine the impact on the FRoR.

7.2.7 The Authority recommended that AAI might follow the practice of availing 48% debt for capital projects of Bhubaneswar International Airport, as followed in other similar airports of AAI.

7.2.8 The FRoR recalculated by the Authority after considering the analysis discussed above is shown as follows:

Table 53: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period at Consultation Stage

(₹ Crores)

| Particulars              | Reference       | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|--------------------------|-----------------|------------|------------|------------|------------|------------|
| Debt                     | A               | 14.55      | 12.49      | 10.31      | 8.13       | 5.96       |
| Equity                   | B               | 211.14     | 321.05     | 394.49     | 375.68     | 357.93     |
| Debt + Equity            | C= A+B          | 225.69     | 333.53     | 404.80     | 383.81     | 363.89     |
| Cost of Debt             | D               | 6.57%      | 6.57%      | 6.57%      | 6.57%      | 6.57%      |
| Cost of Equity           | E               | 14%        | 14%        | 14%        | 14%        | 14%        |
| Individual Year Gearing  | F               | 6.45%      | 3.74%      | 2.55%      | 2.12%      | 1.64%      |
| Weighted Average Gearing | G               |            |            | 3.00%      |            |            |
| Cost of Debt             | H               |            |            | 6.57%      |            |            |
| Cost of Equity           | I               |            |            | 14%        |            |            |
| FRoR                     | J = G*H+(1-G)*I |            |            | 13.78%     |            |            |

### 7.3 Stakeholders' comments on Fair Rate of Return (FRoR) for the Second Control Period

7.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/2023-24 with respect to Fair Rate of Return (FRoR) for the Second Control Period. The comments by stakeholders are presented below:

#### AAI's comments Fair Rate of Return (FRoR) for the Second Control Period

7.3.2 AAI has commented the following:

- *The Equity estimation can also yield a range of values depending on the assumptions employed.*
- *COE depends on ownership structure, Comparable Airports & Revenue Till*
- *Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.*
- *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98. The cost of Equity submitted by AAI works out to 16.82%*
- *In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus, AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.*
- *It is also requested to consider the FRoR as submitted by AAI instead of an Average FRoR @ 13.78% for SCP.*

#### Other Stakeholders' comments on Fair Rate of Return (FRoR) for the Second Control Period

7.3.3 FIA has commented the following:

##### Para 7.2.3, 7.2.8 and Table 45 of CP

*"It is observed that AERA has considered FRoR of 13.78%, with cost of equity at 14%, cost of debt at 6.57%, which is calculated on the basis of cost of equity and debt.*

*However, it may be noted that AERA in recent times have approved lower FRoR for other AAI airports (Third Control Period), such as Chennai (11.98%), Pune (11.68%), and Cochin (11.63%).*

*In this regard, AERA may consider:*

- a) to conduct an Independent Equity and FROR study;*
- b) consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and*
- c) to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage.*

*Further, it is to be noted, that while such fixed/ assured return favours the service provider/airport operators, it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.*

*Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.*

*Without prejudice to the above:*

1. *In the present scenario any assured return on investment to any services providers, in excess of six (6) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*
2. *In case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to the Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators."*

#### **7.4 AAI's responses to other stakeholders' comments on Fair Rate of Return (FRoR) for the Second Control Period**

##### **7.4.1 AAI has responded to FIA's comments as under**

1. *"The FRoR for an airport depends upon the cost of equity and cost of debt.*
2. *In 1st Control Period of Chennai Airport, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.*
3. *The cost of Equity submitted by AAI in r/o BIA Airport works out to 16%, whereas AERA has considered cost of equity is 14% only resulting FRoR to 13.78%.*
4. *AERA has been considering cost of equity at 14% as against 16.82% as per study report submitted by M/s KPMG. The variation in the FRoR rates at the airport is due to the gearing and the cost of debt."*

#### **7.5 Authority's analysis on stakeholders' comments regarding Fair Rate of Return (FRoR) for the Second Control Period**

7.5.1 Regarding AAI's comments on Cost of Equity and FRoR, the Authority has given its detailed analysis in para 4.5.8 and the same may be referred to. It is pertinent to note that the debt equity ratio

7.5.2 Further, it may be noted that AERA considers notional debt equity ratio of 48:52 for PPP Airports. In this regard, the Authority may use a notional debt equity ratio for AAI airports in future in line with PPP Airports.

7.5.3 Regarding AAI's comments on the Study commissioned by AAI through M/s KPMG on Cost of Equity, it is to be noted that the Study pertains to 2011, which is quite dated report. Further, the Authority is of the view that the studies sponsored by the respective Airport Operators, have an inherent conflict of interest. Therefore, in the present context, there is no relevance of the outcome of this Study report.

7.5.4 The Authority has noted the comments of FIA on FRoR and the response of AAI.

- The Authority has considered the Cost of Equity as 14% and Cost of Debt as 6.57% as claimed by AAI for Bhubaneswar Airport, as followed for other AAI airports in the past. However, it may be noted that gearing ratio is based on the quantum of debt proposed to be availed by AAI for its capital projects.
- The Authority also states that the capital structure of AAI is not adequately leveraged and has asked AAI to make its capital gearing efficient by raising debt funds. Further, the Authority has noted that in the recent times, AAI has taken steps to make its capital structure efficient by availing debt for executing capital expansion plans at certain Airports. Hence, at this juncture, the Authority does not

FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

intend to conduct an independent study for assessing the normative capital structure as FRoR is expected to come down over a period on account of the above initiatives of AAI.

- The Authority also notes FIA's comment on limiting the return on investment to 6%. With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport is a long-term asset, wherein investors desire a stable return on equity.
- Therefore, the Authority finds that it is not pragmatic or fair to cap the FRoR, and compare it with bank deposit rates. Bank deposit rates and commercial lending rates are two different things altogether. Similarly, AERA does not agree with the high return on equity claimed by the Airport Operators. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.

7.5.5 The Authority has re-computed FRoR, based on the revised capital expenditure and depreciation decided by it, as discussed under Chapter 6. The revised FRoR is presented as follows:

Table 54 : FRoR decided by the Authority for Second Control Period

(in ₹ Crores)

| Particulars      | Reference          | FY           | FY      | FY      | FY      | FY      |
|------------------|--------------------|--------------|---------|---------|---------|---------|
|                  |                    | 2023-24      | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Debt             | A                  | 14.55        | 12.49   | 10.31   | 8.13    | 5.96    |
| Equity           | B                  | 211.49       | 321.38  | 394.45  | 375.64  | 358.13  |
| Debt + Equity    | C= A+B             | 226.04       | 333.87  | 404.76  | 383.77  | 364.08  |
| Cost of Equity   | D                  | 14%          | 14%     | 14%     | 14%     | 14%     |
| Cost of Debt     | E                  | 6.57%        | 6.57%   | 6.57%   | 6.57%   | 6.57%   |
| Gearing          | F                  | 6.44%        | 3.74%   | 2.55%   | 2.12%   | 1.64%   |
| Weighted Gearing | Average<br>G=ΣA/ΣC | सत्यमेव जयते |         |         | 3.00%   |         |
| Cost of Debt     | H                  |              |         |         | 6.57%   |         |
| Cost of Equity   | I                  |              |         |         | 14%     |         |
| FRoR             | J =G*H+(100%-G)*I  |              |         |         | 13.78%  |         |

**7.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to FRoR for the Second Control Period:

- 7.6.1 To consider Cost of Equity at 14%.
- 7.6.2 To consider Cost of Debt as 6.57%.
- 7.6.3 To consider FRoR of 13.78% for BIA for the Second Control Period as per Table-54.
- 7.6.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.



## 8 INFLATION FOR THE SECOND CONTROL PERIOD

### 8.1 AAI's submission on Inflation for the Second Control Period for BIA

8.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for Bhubaneswar International Airport for the Second Control Period.

### 8.2 Authority's examination on Inflation for the Second Control Period at Consultation stage

8.2.1 The Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 84" released on October 06, 2023 published by the Reserve Bank of India (RBI). Accordingly, the Authority proposed to consider the mean of WPI inflation forecasts (All Commodities) for FY 2024 till FY 2028 as given in the 84<sup>th</sup> round of survey of professional forecasters on macroeconomic indicators of RBI.

8.2.2 The Authority had assumed that the inflation rate would be stable and remain constant from FY 2025 till FY 2028. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Second Control Period.

*Table 55: Inflation rates proposed by the Authority for the Second Control Period for BIA at the Consultation Stage*

| Particulars   | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|---------------|---------|---------|---------|---------|---------|
| WPI inflation | 0.30%   | 4.10%   | 4.10%   | 4.10%   | 4.10%   |

### 8.3 Stakeholders' comments on Inflation for the Second Control Period

8.3.1 No comments were received from the Stakeholders on Inflation for the Second Control Period.

### 8.4 Authority's analysis on stakeholders' comments on Inflation for the Second Control Period

8.4.1 The Authority has noted that there are no stakeholder's comments regarding inflation proposed for the Second Control Period. The Authority has decided to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 86" released on February 8, 2024 published by the Reserve Bank of India (RBI). Accordingly, the Authority decides to consider the mean of WPI inflation forecasts (All Commodities) for FY 2024 till FY 2028 as given in the 86<sup>th</sup> round of survey of professional forecasters on macroeconomic indicators of RBI; for the Second Control Period for Bhubaneswar International Airport. The same is presented as follows:

*Table 56 : Inflation rates decided by the Authority for Second Control Period*

| Particulars   | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|---------------|---------|---------|---------|---------|---------|
| WPI inflation | 0.20%   | 3.80%   | 3.80%   | 3.80%   | 3.80%   |

**8.5 Authority's decisions regarding inflation for the Second Control Period**

Based on the material before it and its analysis, the Authority decides the following with regard to Inflation for the Second Control Period:

8.5.1 To consider Inflation for the Second Control Period for BIA as detailed in Table 56.



भा.वि.आ.वि.प्रा.

AERA



**9 OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD**

**9.1 AAI's submission on Operation and Maintenance expenses for the Second Control Period for BIA**

9.1.1 Operation and Maintenance (O&M) expenses submitted by AAI was 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

9.1.2 The expenses related to AAICLAS, ANS, and CISF Security, were not considered by AAI.

9.1.3 AAI had segregated the expenses into Aeronautical expenses, Non-aeronautical expenses, and Common Expenses. The Common Expenses had been further segregated into Aeronautical and Non-aeronautical based on the relevant Ratios.

9.1.4 AAI submitted that the allocation of CHQ/RHQ expenses among individual airports had been done based on the revenue of each Airport:

9.1.5 The summary of Aeronautical O&M expenses proposed by BIA for the Second Control Period had been presented in the table below:

*Table 57: Operation and Maintenance (O&M) expenditure submitted by AAI for Bhubaneswar International Airport*

(₹ Crores)

| Particulars                                   | FY            | FY            | FY            | FY            | FY            | Total         |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2023-24       | 2024-25       | 2025-26       | 2026-27       | 2027-28       |               |
| Payroll Costs - Excluding CHQ/RHQ             | 18.85         | 20.17         | 21.58         | 23.09         | 28.86         | 112.54        |
| Payroll Costs - CHQ/RHQ (retirement benefits) | 0.22          | 0.23          | 0.25          | 0.27          | 0.33          | 1.30          |
| Repair & Maintenance                          | 26.36         | 27.49         | 28.73         | 30.10         | 31.60         | 144.29        |
| Utilities & Outsourcing Expenses              | 5.95          | 6.22          | 6.51          | 6.81          | 7.14          | 32.62         |
| Admin. & Other Expenses - Excluding CHO/RHO   | 12.57         | 14.43         | 15.87         | 17.46         | 19.20         | 79.53         |
| Admin. & Other Expenses - CHQ/RHQ             | 41.50         | 43.58         | 45.76         | 48.05         | 60.06         | 238.95        |
| Other Outflows                                | 0.81          | 0.97          | 1.12          | 1.30          | 1.45          | 5.65          |
| <b>Total O&amp;M Expenditure</b>              | <b>106.26</b> | <b>113.09</b> | <b>119.82</b> | <b>127.07</b> | <b>148.64</b> | <b>614.88</b> |

9.1.6 The summary of growth rates assumed by AAI for the O&M expenses had been presented in the table below:

*Table 58: Growth rates in O&M expenditure submitted by Bhubaneswar International Airport*

| Particulars                       | FY      | FY      | FY      | FY      | FY      |
|-----------------------------------|---------|---------|---------|---------|---------|
|                                   | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Payroll Costs - Excluding CHQ/RHQ | 7%      | 7%      | 7%      | 7%      | 25%     |

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

| Particulars                                 | FY      | FY      | FY      | FY      | FY      |
|---|---------|---------|---------|---------|---------|
|   | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Payroll Costs - CHQ/RHQ                     | -       | 7%      | 7%      | 7%      | 25%     |
| Utilities & Outsourcing Expenses            | 4%      | 5%      | 5%      | 5%      | 5%      |
| Repair & Maintenance Expenses               | -       | 4%      | 5%      | 5%      | 5%      |
| Admin. & Other Expenses - Excluding CHO/RHQ | -       | 10%     | 10%     | 10%     | 10%     |
| Admin. & Other Expenses - CHQ/RHQ           | 5%      | 5%      | 5%      | 5%      | 25%     |

9.1.7 Further, the summary of allocation of expenses between Aeronautical and Non-aeronautical as proposed by AAI is given in the table below;

*Table 59: Allocation of O&M expenses submitted by AAI for Bhubaneswar International Airport for FY 2022-23*

| Particulars                                 | Aeronautical | Non-aeronautical |
|---|--------------|------------------|
| Payroll Costs – Excluding CHQ/RHQ           | 97.06%       | 2.94%            |
| Payroll Costs –CHQ/RHQ                      | 97.06%       | 2.94%            |
| Repair & Maintenance – Civil                | 95.01%       | 4.99%            |
| Repair & Maintenance – Electrical           | 96.00%       | 4.00%            |
| Repair & Maintenance - IT                   | 97.06%       | 2.94%            |
| Utilities                                   | 100%         | -                |
| Upkeep Expenses                             | 95.01%       | 4.99%            |
| Admin. & Other Expenses - Excluding CHQ/RHQ | 95.01%       | 4.99%            |
| Admin. & Other Expenses - CHQ/RHQ           | 95%          | 5%               |
| Other Outflows                              | 100%         | -                |

**9.2 Authority’s examination of Operation and Maintenance expenses for the Second Control Period at Consultation stage**

9.2.1 The Authority had considered the data for FY 2022-23 (which is the last Tariff Year of the First Control Period) based on actuals. The Authority observed that the O&M expenses approved by AERA in the tariff order for the First Control Period for BIA was for ₹ 372.86 Crores (refer Table 18), against which actual expenses of ₹ 413.93 Crores (refer Table 17) was submitted by AAI for BIA for true up of the First Control Period. The Authority examined the above actual O&M expenses and had proposed ₹ 378.10 Crores (refer Table 21) to be true up for the First Control Period. However, AAI had submitted its O&M expenses for Bhubaneswar International Airport for the Second Control Period as ₹ 614.88 Crores, which was 63% higher than the O&M expenses approved by the Authority for true up of the First Control Period (which is ₹ 378.10 Crores).

**Allocation of O&M expenses to Aeronautical and Non-aeronautical activities**

9.2.2 The Authority examined the allocation of Operational and Maintenance expenses by AAI between Aeronautical and Non-aeronautical activities for Bhubaneswar International Airport. The same was explained in the following paragraphs.

9.2.3 AAI had segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Aeronautical in the Employee ratio of 97.06%: 2.94% for FY 2022-23, which was derived based on the headcount of aeronautical and Non-Aeronautical staff within the airport. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.

- 9.2.4 AAI had segregated the expenses towards utilities between Aeronautical and Non-aeronautical after considering the recoveries made from the Concessionaires. Based on the review of the above assumptions, the Authority considered the basis of apportionment by AAI to be appropriate.
- 9.2.5 Upkeep expenses (included under Administrative and General Expenses) and Repairs & Maintenance (Civil) had been apportioned in the ratio of Terminal Building by AAI which is 95.01%: 4.99% However, the Authority proposed to re-allocate the above expenses in the Terminal Building ratio of 92%:8%, as detailed in para 6.3.9.
- 9.2.6 Repair and Maintenance expenses – IT had been apportioned by AAI in the Employee Ratio of 97.06%: 2.94% (Aeronautical: Non-Aeronautical) as they pertain to IT assets utilised by the employees. The Authority considered the segregation proposed by AAI to be reasonable.
- 9.2.7 Administration expenses of CHQ/ RHQ had been allocated based on methodology defined in para 4.7.4 (a) and (b). The same had been explained in para 9.2.10.
- 9.2.8 Based on the above factors, the Authority had determined the following basis for allocation of expenses, which is as follows:

*Table 60: Allocation of O&M expenses proposed to be considered by Authority for Bhubaneswar International Airport for FY 2022-23 at Consultation Stage*

| Particulars                                 | Aeronautical | Non-aeronautical |
|---|--------------|------------------|
| Payroll Costs – Excluding CHQ/RHQ           | 97.06%       | 2.94%            |
| Payroll Costs –CHQ/RHQ                      | 97.06%       | 2.94%            |
| Repair & Maintenance – Civil                | 92.00%       | 8.00%            |
| Repair & Maintenance – Electrical           | 96.00%       | 4.00%            |
| Repair & Maintenance - IT                   | 97.06%       | 2.94%            |
| Utilities                                   | 100%         | -                |
| Upkeep Expenses                             | 92.00%       | 8.00%            |
| Admin. & Other Expenses - Excluding CHQ/RHQ | 92.00%       | 8.00%            |
| Other Outflows                              | 100%         | 0%               |

**Payroll expenses**

- 9.2.9 AAI considered a growth rate of 7% in payroll expenses for the period FY 2023-24 to FY 2026-27 and 25% increase in FY 2027-28. The Authority noted that AAI has proposed the growth rate 25% in the last tariff year considering the implementation of 8<sup>th</sup> Pay commission. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, the Authority proposed to consider a growth rate of 6% year on year in payroll expenses for the Second Control period from FY 2023-24 to FY 2026-27 and 25% in the last tariff year i.e. FY 2027-28. The above restriction in the growth rate in payroll expenses, was proposed with the perspective of rationalising the costs of the Airport. Further, this



growth rate of 6% Y-o-Y was uniformly followed in all AAI and PPP airports.

**CHQ/ RHQ Administration and General expenses**

9.2.10 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Bhubaneswar International Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.4 (a) and (b) of this Tariff Order, the Authority had rationalized the CHQ and RHQ- Administration and General Expenses, projected by AAI for Bhubaneswar International Airport for the Second Control Period. The same was presented in Table 61.

**Repairs and Maintenance (R&M) expenses**

9.2.11 The Authority noted that the total Repairs and Maintenance expenses included Resurfacing of Runway amounting to ₹ 75.33 Cr. AAI had proposed to amortize the cost of resurfacing of Runway over a period of 5 years commencing from FY 2023-24. Further, the Authority observed that the other R&M expenses (excluding Resurfacing of Runway expenses) are within the limit of 6% of opening RAB (Net Block) of the Second Control Period. Based on the above factors, the Authority proposed to consider the R&M submitted by AAI as justifiable.

**Administration and General expenses (other than CHQ/ RHQ and upkeep expenses)**

9.2.12 The Authority noted that AAI had projected a 10% increase year-on-year in Administration and General expenses (other than CHQ/ RHQ and upkeep expenses), which the Authority proposed to consider for the Second Control Period.

9.2.13 **CSR expenses**

The Authority noted that AAI had claimed ₹ 5.56 Cr. towards CSR expenses for the Second Control Period. The Authority had re-computed the allowable CSR expenses in accordance with the statutory requirements under the Companies Act, 2013 (which was 2% of the average net profits of the preceding 3 Financial Years) and had presented the same as part of Administration expenses (other than CHQ/ RHQ expenses) in Table 61.

**Expenses towards Utilities and Outsourcing expenses**

9.2.14 The Authority examined the expenses towards utilities and noted the following:

**Power expenses:** AAI had projected the power costs, after netting off the recoveries made from the Concessionaires (which was assumed to be 10% of the total power costs). The Authority noted that the power recovery percentage was significantly lower than that of comparable airports. The Authority was of the view that with the gradual increase in the Non-aeronautical operations, AAI should increase the power recovery from the Concessionaires. Accordingly, the Authority proposed to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. The Authority invited stakeholder comments on the same and proposed to analyse this further in the Tariff Order for the Second Control Period.

The Authority noted that AAI had increased the net power costs of FY 2022-23 by 3% year-on-year for the Second Control Period, which the Authority proposed to consider for determining O&M expenses for the Second Control Period.

**Outsourcing expenses:** The Authority observed the outsourcing expenses had been projected by AAI towards consultancy charges (which included consultation and professional service charges for Airport Council for ACI ASC Survey Fees and other associated services), vehicle hire charges and consumption of stores and spares that included expenses pertaining to petrol for vehicles (Cars/Jeep etc.), consumption of electrical spares and other consumables. The Authority found the projection

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

towards outsourcing expenses to be reasonable.

**Upkeep expenses**

9.2.15 The Authority observed that for upkeep expenses, AAI had proposed 10% increase year-on-year for the Second Control Period. The Authority noted that these were contractual expenses, wherein the rates had been finalized for the entire contract period (which was 3 years), and it included the cost of materials and labour (included statutory benefits such as PF, ESI, Bonus etc). Further, there was no escalation clause mentioned in the Contract, with respect to revision of the contracted rates. Based on the above factors, the Authority proposed to consider only the inflationary effect (refer Table 55) on Upkeep expenses year-on-year across the second control period, as followed in other similar airports.

**Other outflows**

9.2.16 For other outflows, i.e., Collection Charges on UDF, AAI considered the growth rate to be the same as that of passenger traffic. The Authority proposed to use the same fundamental approach, as it found the same to be a reasonable driver.

9.2.17 Based on the above observations, the Authority had determined the O&M expenses, which it proposed to consider in the Second Control Period. The same had been presented as follows:

*Table 61: Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

(₹ Crores)

| Particulars   | FY           | FY            | FY            | FY            | FY            | Total         |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
|   | 2023-24      | 2024-25       | 2025-26       | 2026-27       | 2027-28       |               |
| Payroll Costs - Excluding CHQ/RHQ   | 18.67        | 19.79         | 20.98         | 22.24         | 27.80         | 109.47        |
| Payroll Costs - CHQ/RHQ   | 0.22         | 0.23          | 0.24          | 0.26          | 0.32          | 1.26          |
| Repair & Maintenance  | 26.28        | 27.40         | 28.63         | 29.99         | 31.48         | 143.77        |
| Utilities & Outsourcing Expenses  | 5.95         | 6.22          | 6.51          | 6.81          | 7.14          | 32.62         |
| Upkeep Expenses   | 3.49         | 3.91          | 4.07          | 4.24          | 4.41          | 20.12         |
| Admin. & Other Expenses - Excluding CHQ/RHQ, Upkeep expenses and CSR expenses | 7.73         | 8.51          | 9.36          | 10.29         | 11.32         | 47.21         |
| CSR expenses  |              |               | 0.42          | 1.18          | 2.36          | 3.97          |
| Admin. & Other Expenses - CHQ/RHQ   | 35.73        | 37.52         | 39.39         | 41.36         | 43.43         | 197.43        |
| Other Outflows  | 0.81         | 0.97          | 1.12          | 1.30          | 1.45          | 5.65          |
| <b>Total O&amp;M Expenditure</b>  | <b>98.87</b> | <b>104.54</b> | <b>110.73</b> | <b>117.67</b> | <b>129.70</b> | <b>561.52</b> |

Note: The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 561.52 Cr. ) and that claimed by AAI (₹ 614.88 Cr.) is on account of the following:

- i. Rationalization of payroll expenses amounting to ₹ 3.07 Cr.
- ii. Rationalisation of allocation of CHQ/ RHQ expenses amounting to ₹ 41.52 Cr.
- iii. Rationalisation of upkeep expenses amounting to ₹ 6.64 Cr.

The Authority expected AAI to bring in efficiencies in the incurrence of O&M expenses for the benefit of airport users and in line with AERA Act, AERA Guidelines and ICAO Principles



**OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD**

9.2.18 Based on above considerations, the Authority proposed the following growth rates in Operation and Maintenance expenses, as compared to the previous year's actuals/ projections.

*Table 62: Growth rates in O&M expenses considered by the Authority for the Second Control Period at Consultation Stage*

| Particulars   | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 |
|---|---------------|---------------|---------------|---------------|---------------|
| Payroll Costs - Excluding CHQ/RHQ   | 6%            | 6%            | 6%            | 6%            | 25%           |
| Payroll Costs - CHQ/RHQ   | 6%            | 6%            | 6%            | 6%            | 25%           |
| Utilities & Outsourcing Expenses  | 5%            | 5%            | 5%            | 5%            | 5%            |
| Administration & General Expenses - Excluding CHQ/RHQ, Upkeep expenses and CSR expenses | 10%           | 10%           | 10%           | 10%           | 10%           |
| Administration & General Expenses - CHO/RHO   | 5%            | 5%            | 5%            | 5%            | 5%            |
| Other Outflow   | 19%           | 20%           | 16%           | 16%           | 11%           |

**9.3 Stakeholders' comments on Operation and Maintenance Expenses for the Second Control Period**

9.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/ 2023-24 with respect to Operation and Maintenance Expenses for the Second Control Period. The comments by stakeholders are presented below:

**AAI's comments on Operation and Maintenance Expenses for the Second Control Period**

9.3.2 AAI has commented the following:

**i. Payroll expenses**

**Para 9.2.9 of CP**

- "7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, quarterly increase in DA and Employer contribution to PF. In all other Airports AERA has considered 7% increase. The figures for the SCP are genuine as submitted by AAI.
- The following illustration clearly shows that there is an average 7.71% increase in the Payroll expenditure. Therefore, AAI requests AERA to consider the figures for the SCP as submitted by AAI.

| Calculation of incremental increase in salary (in % Terms) |        |       |       |       |        |         |         |         |        |        |            |
|--|--------|-------|-------|-------|--------|---------|---------|---------|--------|--------|------------|
| Particulars (Rs.)  | Year 1 |       |       |       | Year 2 |         |         |         | Total  |        | Difference |
|  | O1     | O2    | O3    | O4    | O1     | O2      | O3      | O4      | Year1  | Year 2 |            |
| BASIC  | 30000  | 30000 | 30000 | 30000 | 30900  | 30900   | 30900   | 30900   | 120000 | 123600 | 3600       |
| DA   | 5520   | 6960  | 8160  | 8820  | 9270   | 10042.5 | 10753.2 | 11494.8 | 29460  | 41560  | 12100      |
| HRA  | 8100   | 8100  | 8100  | 8100  | 8343   | 8343    | 8343    | 8343    | 32400  | 33372  | 972        |
| PERKS  | 10500  | 10500 | 10500 | 10500 | 10815  | 10815   | 10815   | 10815   | 42000  | 43260  | 1260       |

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

|                    |                   |        |        |        |        |        |        |        |               |               |              |
|--------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|--------------|
| EPF                | 3600              | 3600   | 3600   | 3600   | 3708   | 3708   | 3708   | 3708   | 14400         | 14832         | 432          |
| <b>Total</b>       |                   |        |        |        |        |        |        |        | <b>238260</b> | <b>256624</b> | <b>18364</b> |
| <b>Particulars</b> | <b>% Increase</b> |        |        |        |        |        |        |        |               |               |              |
| DA                 | 18.40%            | 23.20% | 27.20% | 29.40% | 30.00% | 32.50% | 34.80% | 37.20% |               |               |              |
| HRA                | 27%               | 27%    | 27%    | 27%    | 27%    | 27%    | 27%    | 27%    |               |               |              |
| PERKS              | 35%               | 35%    | 35%    | 35%    | 35%    | 35%    | 35%    | 35%    |               |               |              |
| EPF                | 12%               | 12%    | 12%    | 12%    | 12%    | 12%    | 12%    | 12%    |               |               |              |

**Total Increase (in Rs.) 18364**

**% increase 7.71**

**Assumptions :**

- Year 1 Means Previous Year
- Year 2 Means Current Year
- Basic Pay – 3% yearly increase considered.
- Dearness Allowance- Quarterly increase considered.
- HRA, Perks & EPF – Considered Constant
- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 2,38,260/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 2,56,624/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 18,364/- per employee which comes out to 7.71% on Year on Year basis.

**AAI requests AERA to consider 7% increase on Year on Year basis for the SCP on the basis of above calculations.”**

**ii. CHQ/ RHQ Administration and General Expenses**

**Para 9.2.10 of CP**

- “AERA has reduced the allocation of CHQ/RHQ Administration and General Expenses to the tune of 15% for SCP (FY 2023-24 to FY 2027-28). It is worthwhile to mention here that AAI has already consider 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by 15% by AERA for the SCP is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (as suggestion by AERA) to study the methodology CHQ/RHQ allocations.
- In View of the Above AERA is requested to consider the CHQ/RHQ expenses as submitted MYTP for SCP.”

**iii. Reduction in Allocation Ratio**

**Para 9.2.5 of CP**

“AAI has calculated the ratio of 92.47:7.53 based on actual allocations in 1st Control Period and projections for 2nd Control Period whereas R&M expenses (Civil and Electrical) has been allocated by Authority based on the notional ratio of 92:8. By reallocating to a notional ratio AAI will be losing by allocating in 92:8 ratios instead of actual ratio.

**AAI requests AERA to consider Allocation ratio of expenses as submitted in MYTP for SCP.”**

**iv. CSR Expenses**



**Para 9.2.13 of CP**

*"As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.*

*In this regard, it is pertinent to mention that CSR computation based on profit ought to be done for a company as whole and not at station level/standalone basis.*

*CSR Budget will be utilized for implementing CSR projects approved by the Board on an annual basis. The budget allocation to the CSR Schemes shall be made in the beginning of every financial year after considering the CSR budget for that year.*

*In View of the above, AERA is requested to consider CSR expenses as submitted by AAI in the MYTP for SCP."*

v. **Expenses towards Utilities and Outsourcing expenses**

**Para 9.2.14 of CP**

*"It is submitted that AAI cannot levy electricity charges over and above the units consumed by the concessionaires and the same is approved by the competent Authority."*

vi. **Upkeep Expenses**

**Para 9.2.15 of CP**

*"AERA has reduced upkeep expenses by Rs. 6.64 cr. as AERA has considered inflation rate whereas AAI has proposed for 10% increase YOY for the SCP. In this regard AAI submits that the 10% increase in consideration of 5-10% increase in contractual obligations including increase in minimum wages.*

*In view of the above it is requested to AERA to consider 10% increase in upkeep expenses YoY basis as submitted by AAI."*

**Other Stakeholders' comments on Operation and Maintenance Expenses for the Second Control Period**

9.3.3 FIA has commented the following:

**Para 9.2.1 of CP**

*"FIA submits that, as observed by AERA itself, that there has been major variance in the O&M expenses approved by AERA for First Control Period from the actuals submitted by BIA. Further, BIA has increased the O&M expenses for the Second Control Period by 63% from the First Control Period, even though there has not been implementation of major Capex projects such as construction of Terminal building.*

*In this regard, and particularly as AAI has shifted the construction of new Terminal Building (T3) to the Third Control Period (refer Para 6.3.6 (A3) (ii) of the CP). We request AERA to kindly rationalise the O&M expenses by conducting an independent study on the actual requirement of O&M for this Control Period."*

**Para 9.2.14 of CP**

*While we are in agreement with AERA that as BIA gradually expands its Non-aeronautical operations, it should also proportionately increase the power recovery charges from Concessionaires. Thus, BIA is requested to constitute a committee to verify the bills relating to Power expenses and submit a report on*

the same to AERA, for greater transparency.

**Para 9.2.9, 9.2.10, 9.2.12, Table 50, 51 of CP**

FIA submits that, in para 9.2.9, AERA for the purposes of estimating manpower expenses have considered a 6% growth rate & 25 % (in the FY 2027-28), which is quite high.

Further FIA requests AERA to not provide such huge escalations, for the following:

- i. Para 9.2.12 Administration and General Expenses-Excluding CHQ/RHQ, Upkeep expenses and CSR (approx. 10 % YoY)
- ii. Para 9.2.16 Other Outflow. (between 11 to 20% YoY)

In view of the above, it is submitted that the current estimated O&M expenses requires further scrutiny by way of an Independent Study in this Control Period, so that any deviation is not reported for Second Control Period, which will result in over recovery of ARR in next control period under garb of True up.

FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while trueing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.

We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.

In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the Second Control Period.

**9.4 AAI's responses to other stakeholders' comments on Operation and Maintenance Expenses for the Second Control Period**

**9.4.1 AAI has responded to FIA's comments as under**

- i. *"R&M Expenses: There are various heads of R&M expenses which are incurred for Operational Requirements, Regular maintenance of the airport infrastructure and equipment at the airport.*  
*The costs captured by the airports are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract and approving authorities as per delegation of powers approved by Board. Further, the accounts of airports are subject to C&AG audit on a yearly basis. Further, AERA has proposed an increase of O&M expenses for the Second Control Period by 39% only over the 5 years i.e. from the First Control Period (excluding the amount 75.33 crs. for re-carpeting of Runway i.e. special repair work) which is reasonable taking into account Maintenance of old TB, equipments etc. Even though the capex of the NTB is shifted to 3rd CP, the R&M expenses are increasing due to reconfiguration of the existing Terminal Building and increase in the cost of labour, material, cleaning, electricity, water etc.*
- ii. *It is submitted that AAI cannot levy electricity charges over and above the units consumed by the concessionaires and the same is approved by the competent Authority.*
- iii. *7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, quarterly increase in DA and Employer contribution to PF. In all other Airports AERA has considered 7% increase.*

*The following illustration clearly shows that there is an average 7.71% increase in the Payroll expenditure. Therefore, AAI requests AERA to consider the figures for the SCP as submitted by*



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

AAI.

The following illustration clearly shows that there is an average 7.71% increase in the Payroll expenditure.

| Calculation of incremental increase in salary (in % Terms) |            |        |        |        |        |         |         |         |               |               |              |
|--|------------|--------|--------|--------|--------|---------|---------|---------|---------------|---------------|--------------|
| Particulars (Rs.)  | Year 1     |        |        |        | Year 2 |         |         |         | Total         |               | Difference   |
|  | Q1         | Q2     | Q3     | Q4     | Q1     | Q2      | Q3      | Q4      | Year1         | Year 2        |              |
| BASIC  | 30000      | 30000  | 30000  | 30000  | 30900  | 30900   | 30900   | 30900   | 120000        | 123600        | 3600         |
| DA   | 5520       | 6960   | 8160   | 8820   | 9270   | 10042.5 | 10753.2 | 11494.8 | 29460         | 41560         | 12100        |
| HRA  | 8100       | 8100   | 8100   | 8100   | 8343   | 8343    | 8343    | 8343    | 32400         | 33372         | 972          |
| PERKS  | 10500      | 10500  | 10500  | 10500  | 10815  | 10815   | 10815   | 10815   | 42000         | 43260         | 1260         |
| EPF  | 3600       | 3600   | 3600   | 3600   | 3708   | 3708    | 3708    | 3708    | 14400         | 14832         | 432          |
| <b>Total</b>   |            |        |        |        |        |         |         |         | <b>238260</b> | <b>256624</b> | <b>18364</b> |
| Particulars  | % Increase |        |        |        |        |         |         |         |               |               |              |
| DA   | 18.40%     | 23.20% | 27.20% | 29.40% | 30.00% | 32.50%  | 34.80%  | 37.20%  |               |               |              |
| HRA  | 27%        | 27%    | 27%    | 27%    | 27%    | 27%     | 27%     | 27%     |               |               |              |
| PERKS  | 35%        | 35%    | 35%    | 35%    | 35%    | 35%     | 35%     | 35%     |               |               |              |
| EPF  | 12%        | 12%    | 12%    | 12%    | 12%    | 12%     | 12%     | 12%     |               |               |              |
| <b>Total Increase (in Rs.)</b>                             |            |        |        |        |        |         |         |         |               |               | <b>18364</b> |
| <b>% increase</b>  |            |        |        |        |        |         |         |         |               |               | <b>7.71</b>  |

Assumptions :

- Year 1 Means Previous Year
- Year 2 Means Current Year
- Basic Pay – 3% yearly increase considered.
- Dearness Allowance- Quarterly increase considered.
- HRA, Perks & EPF – Considered Constant
- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 238260/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 256624/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 18364/- per employee which comes out to 7.71% on Year on Year basis. Further, an addition 18% estimated increase has been considered in the FY2027-28 due to the expected revision of wages as per DPE in the past.

Upkeep Expenses

AAI submits that the 10% increase in consideration of 5-10% increase in contractual obligations including increase in minimum wages.

CSR Expenses

As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.



*CSR Budget will be utilized for implementing CSR projects approved by the Board on an annual basis. The budget allocation to the CSR Schemes shall be made in the beginning of every financial year after considering the CSR budget for that year.*

*CSR provisions are made on the basis of 2% of Average profits of preceding 3 financial years at Corporate Level."*

## **9.5 Authority's analysis on Stakeholders' comments regarding Operation and Maintenance Expenses for the Second Control Period**

9.5.1 The Authority notes the comments of AAI regarding Operating and Maintenance Expenses and provides its views as follows:

- i. The Authority notes AAI's comments, explanation and the illustration given by AAI for annual growth in Payroll Expenditure. It is observed that in its calculation, AAI has considered an increase of 10% to 12% of DA in one year, which is not the realistic figure. Further, the Authority notes that in the past AAI had claimed only 5% growth in Payroll expenses for Pune International Airport. Based on the above factors, the Authority decides to consider a growth rate of 6% year on year in payroll expenses for the Second Control period, as considered for other similar AAI Airports and PPP airports.
- ii. The Authority notes the comments of AAI regarding allocation of CHQ/RHQ expenses to BIA and has provided its detailed analysis in para 4.7.11 of this Tariff Order.
- iii. The Authority has considered Terminal Building ratio of 92:8 based on the recommendation of IMG norms and that approved by AERA for other similar Airports (as stated in para 6.3.9 of this Tariff Order). Further, the Authority notes that the other stakeholders have counter views on the Terminal Building ratio of 92:8 considered by the Authority. However, the Authority has retained its stand taken at the Consultation stage with respect to Terminal Building ratio of 92:8 and has not increased the proportion of Non-aeronautical area, based on the comments of other stakeholders.
- iv. Regarding AAI's comments on CSR expenses, the Authority has provided its detailed analysis in para 4.7.10 of this Tariff Order.
- v. The Authority had provided detailed justification for considering only inflationary effect for increase in Upkeep expenses (refer para 9.2.15 in the Tariff Order). In view of the above, the Authority decides to retain its proposal given at the Consultation stage.

9.5.2 Regarding FIA's comments on Operating and Maintenance Expenses, the Authority has the following views:

- i. The Authority has noted comments of FIA with respect to rationalisation of O&M expenses. The Authority has examined in detail each component of the O&M expenses submitted by AAI for Bhubaneswar Airport, with respect to essentiality and reasonableness and has considered only the O&M expenses that are essential for operational requirements of the Airport.

It is also pertinent to note that there are several factors such as inflation, ageing of assets and increase in capacity, which have an impact on various O&M expenses.

Based on the above factors, the Authority has rationalised the various components of O&M expenses submitted by AAI for Bhubaneswar Airport for the Second Control period.

Regarding FIA's comment on conducting an independent study, the Authority reiterates that such studies are conducted based upon the size of the Airport, its scale of operations, level of

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

complexities etc. Bhubaneswar being a small airport, the Authority decided to accomplish this exercise in-house.

- ii. The Authority, through its Independent Consultant has verified the Power expenses of AAI and the amount recovered from the Concessionaires from the books of account maintained by AAI.
- iii. Regarding FIA's comments on Payroll expenses, the Authority had considered a one-time increase of 25% in Payroll expenses in FY 2027-28 at Consultation stage, keeping in view the implementation of 8th Pay Commission (as stated in para 9.2.9 of this Tariff Order). However, the Authority decides to increase the payroll for FY 2027-28 by 6% instead of 25% and consider the increase in payroll expenses due to any change in legal/ statutory requirement (such as 8th Pay Commission) for BIA on actual incurrence basis, at the time of true up of the Second Control Period, while determining tariff for the next Control Period, subject to reasonableness and efficiency.
- iv. Administration expenses (other than CHQ/ RHQ allocation and upkeep expenses) include office expenses, travelling, legal, telephone expenses etc, wherein the Authority had considered a 10% Y-o-Y increase, as followed generally in other similar Airports.
- v. Other outflows include collection charges on UDF, which is based on growth in passenger traffic. Therefore, the growth in other outflows is in line with traffic growth.

9.5.3 The Authority has decided to consider, a return equal to FRoR on the unamortized portion of Runway Re-carpeting expenses, as followed in other similar airports and include it as part of O&M expenses for the Second Control Period for BIA. Computation of the same is as follows:

*Table 63 : Runway recarpeting expenses decided by the Authority for the Second Control Period*

(in ₹ Crores)

| Particulars   |             | FY<br>2023-24 | FY<br>2024-25 | FY<br>2025-26 | FY<br>2026-27 | FY<br>2027-28 | Total  |
|---|-------------|---------------|---------------|---------------|---------------|---------------|--------|
| Opening Balance   | A           |               | 60.26         | 45.20         | 30.13         | 15.07         |        |
| Runway recarpeting expense incurred during the year       | B           | 75.33         |               |               |               |               | 75.33  |
| Runway Recarpeting amortized during the year              | C           | 15.07         | 15.07         | 15.07         | 15.07         | 15.07         | 75.33  |
| Closing Balance   | D=<br>A+B-C | 60.26         | 45.20         | 30.13         | 15.07         | -             | 150.66 |
| FRoR (refer Table 54 )                                    | E           | 13.78%        | 13.78%        | 13.78%        | 13.78%        | 13.78%        |        |
| Return on the unamortized portion of recarpeting expenses | F=A*E       | -             | 8.30          | 6.23          | 4.15          | 2.08          | 20.76  |
| Total Runway Recarpeting expenses                         | G=C+F       | 15.07         | 23.37         | 21.29         | 19.22         | 17.14         | 96.09  |

9.5.4 Based on the above factors, the Authority has derived the Aeronautical O&M expenses, which it decides to consider for Bhubaneswar International Airport for the Second Control Period, which is as follows:

OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

Table 64 : Operation and Maintenance (O&M) expenses decided by the Authority for the Second Control Period

(₹ Crores)

| Particulars   | FY           | FY            | FY            | FY            | FY            | Total         |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
|   | 2023-24      | 2024-25       | 2025-26       | 2026-27       | 2027-28       |               |
| Payroll Costs - Excluding CHQ/RHQ   | 18.67        | 19.79         | 20.98         | 22.24         | 23.57         | 105.25        |
| Payroll Costs - CHQ/RHQ   | 0.22         | 0.23          | 0.24          | 0.26          | 0.27          | 1.21          |
| Repair & Maintenance  | 11.21        | 12.33         | 13.56         | 14.92         | 16.41         | 68.44         |
| Runway Recarpeting (refer Table 63)   | 15.07        | 23.37         | 21.29         | 19.22         | 17.14         | 96.09         |
| Utilities & Outsourcing Expenses  | 5.95         | 6.22          | 6.51          | 6.81          | 7.14          | 32.62         |
| Upkeep Expenses   | 3.49         | 3.90          | 4.05          | 4.20          | 4.36          | 20.00         |
| Admin. & Other Expenses - Excluding CHQ/RHQ allocation, Upkeep and CSR expenses | 7.73         | 8.51          | 9.36          | 10.29         | 11.32         | 47.21         |
| CSR expenses  |              |               | 0.20          | 1.05          | 2.34          | 3.58          |
| Admin. & Other Expenses - CHQ/RHQ   | 35.73        | 37.52         | 39.39         | 41.36         | 43.43         | 197.43        |
| Other Outflows  | 0.81         | 0.97          | 1.12          | 1.30          | 1.45          | 5.65          |
| <b>Total O&amp;M Expenditure</b>  | <b>98.87</b> | <b>112.83</b> | <b>116.70</b> | <b>121.65</b> | <b>127.43</b> | <b>577.48</b> |

Note : The variance between the O&M expenses decided by the Authority for the Second Control Period for BIA (which is ₹ 577.48 Cr.) and that considered at the Consultation stage (which is ₹ 561.52 Cr.) is on account of the following:

- i. Non consideration of one time increases of 25% in Payroll expenses in FY 2027-28 (increase proposed by AAI due to revision in PayScale on account of 8<sup>th</sup> Pay Commission), resulting in reduction of Payroll expenses by ₹ 4.27 Cr.
- ii. Reduction in Upkeep expenses due to consideration of inflation rates as per Table 56.
- iii. Inclusion of return on unamortized Runway Recarpeting expenses of ₹ 20.76 Crores.

### 9.6 Authority's decisions regarding Operation and Maintenance expenses for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to O&M expenses for the Second Control Period:

9.6.1 To consider O&M expenses for the Second Control Period for BIA as per Table 64.

9.6.2 To consider the O&M expenses incurred by AAI for BIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

**10 NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD****10.1 AAI's submission on Non-aeronautical Revenue for the Second Control Period for Bhubaneswar International Airport**

10.1.1 AAI had forecasted revenue from Non-aeronautical services for Bhubaneswar International Airport as below:

*Table 65: Non-aeronautical revenue projections submitted by AAI for Bhubaneswar International Airport*

(₹ Crores)

| Particulars                         | FY           | FY           | FY           | FY           | FY           | Total         |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                                     | 2023-24      | 2024-25      | 2025-26      | 2026-27      | 2027-28      |               |
| <b>1. Passenger related revenue</b> |              |              |              |              |              |               |
| Restaurant / snack bars             | 4.70         | 5.17         | 5.68         | 6.25         | 6.88         | 28.67         |
| T.R. stall                          | 3.78         | 4.28         | 4.71         | 5.18         | 5.70         | 23.65         |
| Hoarding & display                  | 9.18         | 10.10        | 11.11        | 12.22        | 13.45        | 56.07         |
| Car Rentals                         | 1.13         | 1.25         | 1.37         | 1.51         | 1.66         | 6.91          |
| Car parking                         | 1.27         | 1.40         | 1.54         | 1.69         | 1.86         | 7.75          |
| Admission tickets                   | 0.06         | 0.07         | 0.07         | 0.07         | 0.08         | 0.36          |
| Other Misc. Income                  | 2.41         | 2.53         | 2.66         | 2.79         | 2.93         | 13.32         |
| <b>2. Other Revenue</b>             |              |              |              |              |              |               |
| Land Leases                         | 6.74         | 7.08         | 8.49         | 8.92         | 9.36         | 40.59         |
| Building (residential)              | 0.03         | 0.03         | 0.04         | 0.04         | 0.04         | 0.18          |
| Building (non-residential)          | 1.04         | 1.12         | 1.20         | 1.29         | 1.39         | 6.05          |
| <b>Total</b>                        | <b>30.35</b> | <b>33.02</b> | <b>36.87</b> | <b>39.96</b> | <b>43.34</b> | <b>183.55</b> |

10.1.2 The growth rates assumed by AAI had been presented in the table below.

*Table 66: Growth rates assumed by AAI for Bhubaneswar International Airport for Non-aeronautical revenue*

| Particulars                         | FY      | FY      | FY      | FY      | FY      |
|-------------------------------------|---------|---------|---------|---------|---------|
|                                     | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| <b>1. Passenger related revenue</b> |         |         |         |         |         |
| Restaurant / snack bars             | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  |
| T.R. stall                          | 8.08%   | 13.17%  | 10.00%  | 10.00%  | 10.00%  |
| Hoarding & display                  | 9.89%   | 10.00%  | 10.00%  | 10.00%  | 10.00%  |
| Car Rentals                         | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  |
| Car parking                         | 10.00%  | 10.00%  | 10.00%  | 10.00%  | 10.00%  |
| Admission tickets                   | 4.11%   | 4.95%   | 5.01%   | 5.06%   | 4.95%   |
| Other Misc. Income                  | -55.00% | 5.00%   | 5.00%   | 5.00%   | 5.00%   |
| <b>2. Other Revenue</b>             |         |         |         |         |         |
| Land Leases                         | 5.00%   | 5.00%   | 20.00%  | 5.00%   | 5.00%   |
| Building (residential)              | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   |
| Building (non-residential)          | 5.16%   | 7.50%   | 7.50%   | 7.50%   | 7.50%   |

## 10.2 Authority's examination of Non-aeronautical revenue for the Second Control Period at Consultation Stage

10.2.1 AAI had projected non-aeronautical revenue of ₹ 30.35 crores in FY 2023-24 whereas, actual non-aeronautical revenue in FY 2022-23 was ₹ 31.17 crores. Therefore, the Authority had considered the actual Non-aeronautical revenues for FY 2022-23 as a basis for projecting Non-aeronautical revenues for the Second Control Period. The Authority reviewed sample contracts executed with the Concessionaires by AAI during FY 2022-23, to assess the Non-aeronautical revenue projected by AAI for the Second Control Period and found the same to be reasonable.

10.2.2 Further, the Authority noted that the projections towards Operation and Maintenance expenses for the Second Control Period had increased substantially, as compared to the Non-aeronautical revenues. The Authority wanted the stakeholders to comment on the above aspect.

### Revenue from Passenger related services

10.2.3 Considering the positive outlook of the GDP growth predicted by the GoI, increase in the consumer spending pattern and the growth of the passenger traffic, the Authority proposed to consider the growth in the Passenger related revenue (Trading Concessions and other miscellaneous income) for the Second Control Period, in accordance with the growth rate in domestic passenger traffic as shown in Table 33.

### Other revenue – Rent and Services

10.2.4 The Authority noted that AAI had assumed 5% Y-O-Y increase in revenue from Building (residential) and 7.5% Y-O-Y increase in revenue from Building (Non-residential) from FY 2024-25. The Authority noted that AAI had estimated revenue from land lease for FY 2023-24 and FY 2024-25 at a growth rate of 5% and for FY 2025-26 growth rate of 20% and thereafter 5% Y-O-Y growth rate. The Authority proposed to consider the same for determining NAR for the Second Control Period for Bhubaneswar International Airport.

10.2.5 Based on the Authority's examination, the NAR determined for Bhubaneswar International Airport for the Second Control Period had been presented in the table below:

Table 67: Non-aeronautical revenues proposed by the Authority for Bhubaneswar International Airport for the Second Control Period at Consultation Stage

(₹ Crores)

| Particulars                         | FY      | FY      | FY      | FY      | FY      | Total |
|-------------------------------------|---------|---------|---------|---------|---------|-------|
|                                     | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |       |
| <b>1. Passenger related revenue</b> |         |         |         |         |         |       |
| Restaurant / snack bars             | 5.03    | 6.04    | 7.00    | 8.12    | 9.02    | 35.21 |
| T.R. stall                          | 4.12    | 4.95    | 5.74    | 6.66    | 7.39    | 28.86 |
| Hoarding & display                  | 9.85    | 11.82   | 13.71   | 15.90   | 17.65   | 68.92 |
| Car Rentals                         | 1.21    | 1.46    | 1.69    | 1.96    | 2.17    | 8.49  |
| Car parking                         | 1.36    | 1.63    | 1.89    | 2.20    | 2.44    | 9.52  |
| Admission tickets                   | 0.07    | 0.09    | 0.10    | 0.12    | 0.13    | 0.51  |
| Other Misc. Income                  | 6.31    | 7.57    | 8.79    | 10.19   | 11.31   | 44.18 |
| <b>2. Other Revenue</b>             |         |         |         |         |         |       |
| Land Leases                         | 6.74    | 7.08    | 8.49    | 8.92    | 9.36    | 40.59 |
| Building (residential)              | 0.03    | 0.03    | 0.04    | 0.04    | 0.04    | 0.18  |

**NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

| Particulars                | FY           | FY           | FY           | FY           | FY           | Total         |
|----------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                            | 2023-24      | 2024-25      | 2025-26      | 2026-27      | 2027-28      |               |
| Building (non-residential) | 1.04         | 1.12         | 1.20         | 1.29         | 1.39         | 6.05          |
| <b>Total</b>               | <b>35.78</b> | <b>41.78</b> | <b>48.65</b> | <b>55.40</b> | <b>60.91</b> | <b>242.53</b> |

10.2.6 The revised growth rates proposed by the Authority had been presented in the table below:

*Table 68: Growth rates in Non-aeronautical revenue proposed by the Authority at Consultation Stage*

| Particulars                         | FY      | FY      | FY      | FY      | FY      |
|-------------------------------------|---------|---------|---------|---------|---------|
|                                     | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| <b>1. Passenger related revenue</b> |         |         |         |         |         |
| Restaurant / snack bars             | 18%     | 20%     | 16%     | 16%     | 11%     |
| T.R. stall                          | 18%     | 20%     | 16%     | 16%     | 11%     |
| Hoarding & display                  | 18%     | 20%     | 16%     | 16%     | 11%     |
| Car Rentals                         | 18%     | 20%     | 16%     | 16%     | 11%     |
| Car parking                         | 18%     | 20%     | 16%     | 16%     | 11%     |
| Admission tickets                   | 18%     | 20%     | 16%     | 16%     | 11%     |
| Other Misc. Income                  | 18%     | 20%     | 16%     | 16%     | 11%     |
| <b>2. Other Revenue</b>             |         |         |         |         |         |
| Land Leases                         | 5%      | 5%      | 20%     | 5%      | 5%      |
| Building (residential)              | 5%      | 5%      | 5%      | 5%      | 5%      |
| Building (non-residential)          | 5%      | 8%      | 7%      | 7%      | 8%      |

**10.3 Stakeholders' comments on Non-aeronautical revenue for the Second Control Period**

10.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/ 2023-24 with respect to Non-aeronautical revenue for the Second Control Period. The comments by the stakeholders are presented below:

**AAI's comments on Non-aeronautical revenue for the Second Control Period**

10.3.2 AAI has commented the following:

*"AERA has linked the Growth of revenue from TR stall, Car Rental, Car parking, hoarding and display, Admission Tickets and Other Misc. Income to that of passenger Growth rate. In this regard it is submitted that major contracts at airports are based on fixed license fees and the License Fees will not be changed due to any increase in the increase in the consumer spending pattern and the growth of the passenger traffic. Further for other miscellaneous Income, growth of 5% has already been considered in the MYTP for SCP whereas AERA has linked with the growth rate of passengers. Other misc. income consists of transfer of overdue EMD/SD and sale scrap which inconsistent with the normal course of business"*

*AAI has Projected 10% growth for Restaurant/snack bars, Car Rental & Car Parking. For Hoarding & Display Growth rate for FY 2023-24 projected 9.89% and for the remaining years of SCP Growth rate is projected 10%. For TR stall, 8.08% is projected for FY 2023-24 whereas for FY 2024-25 growth rate is projected 13.17% and for the remaining years of SCP growth rate projected 10%. For Other misc. Income 5% is projected for the FY 2024-25 to FY 2027-28. Total Non-Aero revenue has been projected by AAI for SCP amounting to Rs.183.55 crores keeping the annual escalation and other factors into consideration.*



*In view of above, AERA is requested to consider the growth rate as claim in the MYTP for SCP which amounts to Non-Aeronautical Revenue of Rs. 183.55 Crore instead of Rs. 242.53 Crore."*

#### **Other Stakeholders' comments on Non-aeronautical revenue for the Second Control Period**

10.3.3 FIA has commented the following:

Para 10.2.1, 10.2, Table 55 & 56 of CP

*"It is observed that the Non-Aeronautical Revenues ('NAR') projected by BIA is substantially low and conservatively estimated, with a standard approach without detailed thought to each line item.*

*It is requested that BIA explores all avenues to maximise revenue from the utilisation of terminal building for non-aeronautical purposes.*

*There appears to be scope of considerable improvement in increasing the NAR. It may be noted that the entire NAR growth is driven by passenger growth, which has been considered based on estimates and not based on any independent study by AERA.*

*FIA would further like to highlight that the WPI inflation has been considered for inflationary increase, however the revenue from NAR is coming from passengers and in the case of F&B, retail, duty free, actual inflation is much higher than WPI. We also would request AERA to provide clarity for not considering CPI/Food Inflation in this regard.*

*It may be noted that, in other PPP Airports like DIAL, MIAL, BIAL, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods.*

*Orissa is widely recognized as one of the most popular tourist destinations globally. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.*

*Accordingly, we request AERA:*

- a) to mandate BIA to enter into suitable agreements with concessionaires to exploit the potential/growth of NAR at BIA.*
- b) to kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the FCP.*
- c) to further determine and re-assess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Orissa has to increase their NAR in accordance with the submissions above.*

*AERA is requested to ensure no adjustments are proposed to NAR which are not dependent on traffic but are derived from agreements with concessionaires."*

#### **10.4 AAI's responses to other stakeholders' comments on Non-aeronautical revenue for the Second Control Period**

10.4.1 AAI has responded to FIA's comments as under:

*"Generally, increase in traffic is not proportionate with increase in NAR.*

*It is worthwhile mention here that Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the Agreements with the various concessionaire in the SCP*

*Hence, projections from FY 2023-24 onwards are not linked with total traffic numbers for arriving of*

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

*the Non-Aero Revenue.*

*Certain contracts are based on fixed license fee with annual escalation and not linked to the passenger movements like Restaurant/Snack bar, Hoarding and Display, Car Rentals & Car Parking.*

*As regards to TR stalls & Duty -free shops, the projections are based on turnover with a minimum annual guarantee.*

*In view of above, AERA is requested to consider the growth rate as submitted in the MYTP for SCP. "*

**10.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for the Second Control Period**

10.5.1 The Authority notes the comments of AAI regarding the treatment given to the miscellaneous income and observes that at the consultation stage, the Authority had projected miscellaneous income for the Second Control Period by applying traffic increase over the miscellaneous income for the FY 2022-23. However, in FY 2022-23, miscellaneous income was exceptionally high due to sale of scrap etc., which is not a normal course of business. Hence, the Authority decides to consider miscellaneous income as projected by AAI for the Second Control Period.

10.5.2 Regarding FIA's comment on Non-aeronautical revenue, the Authority would like to state that it had already increased NAR of Bhubaneswar Airport, based on traffic forecast at the Consultation stage. The Authority had taken cognizance of the trend in the movement of passenger traffic in the recent past while determining traffic forecast and NAR projections for the Second Control Period.

With respect to FIA's comments on conducting an independent study, the Authority hereby emphasizes that such studies are conducted based on the size of the Airport, scale of operations, level of complexities etc.

Bhubaneswar, being a small airport with lesser complexities, the Authority decided to perform this exercise in-house.

10.5.3 The Authority has reclassified the revenue projected on Space Rentals from Airlines, etc. from Non-aeronautical to Aeronautical (as explained in para 4.6.6) and has accordingly recomputed the Non-aeronautical revenue.

10.5.4 Based on the above factors, the Authority has derived the Non-aeronautical revenue, which it decides to consider for Bhubaneswar International Airport for the Second Control Period, which is as follows:

*Table 69 : Non-Aeronautical Revenue decided by the Authority for the Second Control Period*

(₹ Crores)

| Particulars                         | FY      | FY      | FY      | FY      | FY      | Total |
|-------------------------------------|---------|---------|---------|---------|---------|-------|
|                                     | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |       |
| <b>1. Passenger related revenue</b> |         |         |         |         |         |       |
| Restaurant / snack bars             | 5.03    | 6.04    | 7.00    | 8.12    | 9.02    | 35.21 |
| T.R. stall                          | 4.12    | 4.95    | 5.74    | 6.66    | 7.39    | 28.86 |
| Hoarding & display                  | 9.85    | 11.82   | 13.71   | 15.90   | 17.65   | 68.93 |
| Car Rentals                         | 1.21    | 1.46    | 1.69    | 1.96    | 2.17    | 8.49  |
| Car parking                         | 1.36    | 1.63    | 1.89    | 2.20    | 2.44    | 9.52  |
| Admission tickets                   | 0.07    | 0.09    | 0.10    | 0.12    | 0.13    | 0.51  |
| Other Misc. Income                  | 2.41    | 2.53    | 2.66    | 2.79    | 2.93    | 13.32 |
| <b>2. Other Revenue</b>             |         |         |         |         |         |       |
| Land Leases                         | 6.74    | 7.08    | 8.49    | 8.92    | 9.36    | 40.59 |

## NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

| Particulars                                   | FY           | FY           | FY           | FY           | FY           | Total         |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
|   | 2023-24      | 2024-25      | 2025-26      | 2026-27      | 2027-28      |               |
| Building (residential)                        | 0.03         | 0.03         | 0.04         | 0.04         | 0.04         | 0.18          |
| Building (non-residential)                    | 1.04         | 1.12         | 1.20         | 1.29         | 1.39         | 6.05          |
| <b>A. Total (1 + 2)</b>                       | <b>31.87</b> | <b>36.74</b> | <b>42.53</b> | <b>48.00</b> | <b>52.53</b> | <b>211.66</b> |
| B. Less: Space Rental collected from Airlines | 0.89         | 0.96         | 1.03         | 1.10         | 1.19         | 5.16          |
| <b>Total Non-aeronautical revenue (A-B)</b>   | <b>30.98</b> | <b>35.78</b> | <b>41.50</b> | <b>46.90</b> | <b>51.34</b> | <b>206.50</b> |

**Note:** The variance between Non-aeronautical revenue decided by the Authority (which is ₹ 206.50 Cr.) and that proposed by the Authority at the Consultation stage (which is ₹ 242.53 Cr.), is due to consideration of Miscellaneous income as proposed by AAI (refer para 10.5.1) and reclassification of Space Rental from airlines as explained in para 10.5.3.

### 10.6 Authority's decisions regarding Non-aeronautical revenues for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Non-aeronautical revenue for the Second Control Period.

- 10.6.1 To consider Non-aeronautical revenues for the Second Control Period for BIA in accordance with Table 69.
- 10.6.2 To consider actual Non-aeronautical revenue achieved by AAI for BIA for the Second Control Period, while determining tariff for the next Control Period.

भा.वि.आ.वि.प्रा.

AERA

## 11 TAXATION FOR THE SECOND CONTROL PERIOD

### 11.1 AAI's submission on Taxation for the Second Control Period for BIA

11.1.1 AAI had calculated Aeronautical Taxes based on the Revenue generated from regulated services, Aeronautical operating expenses, and depreciation on written down value (WDV) of assets as per the Income Tax Act, 1961. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The Aeronautical taxes submitted by Bhubaneswar International Airport are shown in the table below:

*Table 70: Tax Expense submitted by AAI for Bhubaneswar International Airport for the Second Control Period*

(₹ Crores)

| Particulars                              | FY            | FY            | FY            | FY            | FY            | Total           |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|
|  | 2023-24       | 2024-25       | 2025-26       | 2026-27       | 2027-28       |                 |
| Aeronautical Revenue with Revised Rates  | 249.85        | 326.59        | 389.05        | 465.97        | 538.33        | 1,969.80        |
| O&M expenses                             | 106.26        | 113.09        | 119.82        | 127.07        | 148.64        | 614.88          |
| Interest on working capital              | -             | -             | -             | -             | -             | -               |
| Depreciation                             | 43.10         | 59.91         | 52.77         | 44.64         | 108.50        | 308.92          |
| <b>Profit Before Tax</b>                 | <b>100.50</b> | <b>153.60</b> | <b>216.46</b> | <b>294.25</b> | <b>281.19</b> | <b>1,046.00</b> |
| Set-off of prior period tax losses       | (100.50)      | (12.50)       | -             | -             | -             | (113.01)        |
| PBT after set-off of prior period losses | -             | 141.09        | 216.46        | 294.25        | 281.19        | 932.99          |
| Tax rate (%)                             | 25.17%        | 25.17%        | 25.17%        | 25.17%        | 25.17%        |                 |
| Tax                                      | -             | 35.51         | 54.48         | 74.06         | 70.78         | 234.83          |

### 11.2 Authority's examination of Taxation for the Second Control Period at Consultation Stage

11.2.1 The Authority noted that Bhubaneswar International Airport had calculated income tax based on the projected Aeronautical revenues. The Authority had re-computed the taxes based on the revised regulatory blocks for the Second Control Period proposed in the previous chapters and the Tariff proposed by the Authority for the Second Control Period for Bhubaneswar International Airport. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

*Table 71: Taxation proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

(₹ Crores)

| Particulars                                  | FY           | FY            | FY            | FY            | FY            | Total         |
|--|--------------|---------------|---------------|---------------|---------------|---------------|
|  | 2023-24      | 2024-25       | 2025-26       | 2026-27       | 2027-28       |               |
| Aeronautical Revenue (refer Table 80)        | 183.92       | 244.81        | 300.05        | 385.25        | 463.03        | 1,577.06      |
| O&M expenses (refer Table 61)                | 98.87        | 104.54        | 110.73        | 117.67        | 129.70        | 561.52        |
| Depreciation                                 | 27.63        | 36.35         | 36.75         | 31.79         | 28.25         | 160.77        |
| <b>Profit Before Tax</b>                     | <b>57.42</b> | <b>103.92</b> | <b>152.58</b> | <b>235.79</b> | <b>305.07</b> | <b>854.77</b> |
| Set-off of prior period tax losses*          | (57.42)      | (18.40)       | -             | -             | -             | (75.81)       |
| PBT after set-off of prior period tax losses | (0.00)       | 85.52         | 152.58        | 235.79        | 305.07        | 778.96        |
| Tax rate (%)                                 | 25.17%       | 25.17%        | 25.17%        | 25.17%        | 25.17%        |               |
| Tax  | -            | 21.53         | 38.40         | 59.35         | 76.79         | 196.06        |

*\*Prior period losses pertain to those incurred during FY 2018-19 to FY 2021-22.*

### 11.3 Stakeholders' comments regarding Taxation for the Second Control Period

11.3.1 No comments were received from the Stakeholders on true up of Taxation for the First Control Period.

### 11.4 Authority's analysis on Stakeholders' comments regarding Taxation for the Second Control Period

11.4.1 The Authority notes that no comments were received from the Stakeholders regarding Taxation for the Second Control Period. Based on the Aeronautical revenue determined by the Authority for the Second Control Period for Bhubaneswar International Airport, revised O&M expenses and Tax Depreciation, the Authority has re-computed Aeronautical Taxation which it decides to consider for the Second Control Period, as shown in the table below:

*Table 72 : Taxation decided by the Authority for Second Control Period*

(₹ Crores)

| Particulars                                  | FY          | FY            | FY            | FY            | FY            | Total         |
|--|-------------|---------------|---------------|---------------|---------------|---------------|
|  | 2023-24     | 2024-25       | 2025-26       | 2026-27       | 2027-28       |               |
| Aeronautical Revenue (refer Table 81)        | 131.15      | 260.05        | 329.65        | 417.92        | 484.14        | 1,622.91      |
| O&M expenses (refer Table 64)                | 98.87       | 112.83        | 116.70        | 121.65        | 127.43        | 577.48        |
| Depreciation                                 | 27.67       | 39.38         | 42.88         | 37.75         | 33.63         | 181.31        |
| <b>Profit Before Tax</b>                     | <b>4.61</b> | <b>107.84</b> | <b>170.06</b> | <b>258.53</b> | <b>323.08</b> | <b>864.12</b> |
| Set-off of prior period tax losses           | (4.61)      | (68.16)       | -             | -             | -             | (72.77)       |
| PBT after set-off of prior period tax losses | -           | 39.68         | 170.06        | 258.53        | 323.08        | 791.34        |
| Tax rate (%)                                 | 25.17%      | 25.17%        | 25.17%        | 25.17%        | 25.17%        |               |
| Tax  |             | 9.99          | 42.81         | 65.07         | 81.32         | 199.18        |

### 11.5 Authority's decisions regarding Taxation for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Tax Expense for the Second Control Period.

11.5.1 To consider the Taxation for the Second Control Period for BIA as per Table 72.

11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

भा.वि.आ.वि.प्रा.

AERA

## 12 QUALITY OF SERVICES FOR THE SECOND CONTROL PERIOD

### 12.1 AAI's submission on Quality of Services for the Second Control Period for BIA

12.1.1 AAI had not made any submission related to Quality of Services as part of its MYTP submission for BIA. The Authority was informed that the same is available in AAI's website (station-wise).

### 12.2 Authority's examination regarding Quality of Services for the Second Control Period at Consultation Stage

12.2.1 The Authority noted that:

- As per section 13 (1) (d) of the AERA Act, 2008, the Authority should "monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration "the service provided, its quality and other relevant factors."

12.2.2 The Authority noted from AAI's website that the ACI ASQ survey results for Bhubaneswar International Airport for the years 2018 to 2022 were in the range of 4.31 to 4.73 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72.

Table 73: ASQ rating for Bhubaneswar International Airport for the years 2018-2022

| Calendar Year (CY) | ASQ rating |
|--------------------|------------|
| 2018               | 4.73       |
| 2019               | 4.68       |
| 2020               | 4.31       |
| 2021               | 4.55       |
| 2022               | 4.73       |
| 2023 (Q1)          | 4.85       |
| 2023 (Q2)          | 4.87       |

12.2.3 The Authority noted that the ASQ rating awarded to Bhubaneswar International Airport was quite close to the average rating of the AAI airports.

12.2.4 Also, the Authority reviewed the MoU between AAI and MoCA for the year 2019-20 and noted that the ASQ rating targeted for the year 2019-20 was 4.68. The actual ASQ rating achieved by Bhubaneswar International Airport for CY 2019 was 4.68. The ASQ rating for CY 2020 was lower due to the COVID 19 impact. Further, the Authority observed from AAI's email dated December 15, 2023, that for the CY 2022, there was no parameter on ASQ stipulated in the MOU between AAI and MoCA.

12.2.5 The Authority did not propose any adjustment towards tariff determination for the Second Control Period on account of quality of services maintained by Bhubaneswar International Airport.

### 12.3 Stakeholders' comments on Quality of Services for Second Control Period

12.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/ 2023-24 with respect to Quality of Services for the Second Control Period. The comments by

stakeholders are presented below:

**Other Stakeholders' comments on Quality of Services for the Second Control Period**

12.3.2 IATA has commented the following:

*"We would like to reiterate our position on the need for more objective measurement of Service Quality Levels. In addition to ASQ, which is survey-based and subjective in nature, we request Airport Operator to share the targets and actual performance of the metrics that are being monitored, similar to the requirements imposed on PPP airports. This would be very useful in validating the service level and delivery of the envisaged outcomes for the investments. We understand that under the AERA Act, AERA has the authority to call for further information necessary for its assessment."*

**12.4 AAI's responses to other stakeholders' comments on Quality of Services for the Second Control Period**

12.4.1 AAI has responded to IATA's comments as under:

*"AAI has been following AERA's guidelines on service quality levels."*

**12.5 Authority's analysis on Stakeholders' comments regarding Quality of Services for the Second Control Period**

12.5.1 AERA notes the views of IATA about the ASQ rating of Bhubaneswar Airport. As also stated in the Stakeholders' consultation meeting, the Authority has directed AAI to provide sufficient data and insights to all the stakeholders, to facilitate a comprehensive evaluation of ASQ at the Airport.

**12.6 Authority's decisions regarding Quality of Services for the Second Control Period**

Based on the material before it and its analysis, the Authority decides the following with regard to Quality of Services for the Second Control Period:

12.6.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Services.

भा.वि.आ.वि.प्रा.

AERA



### 13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

#### 13.1 AAI's submission on Aggregate Revenue Requirement for the Second Control Period for BIA

13.1.1 AAI had submitted ARR and Yield per Passenger (YPP) for the Second Control Period as per the regulatory building blocks discussed.

13.1.2 The summary of ARR and YPP had been presented in the table below:

Table 74: ARR submitted by AAI for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

| Particulars  | FY            | FY            | FY            | FY            | FY            | Total           |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|
|  | 2023-24       | 2024-25       | 2025-26       | 2026-27       | 2027-28       |                 |
| Average RAB  | 339.10        | 481.49        | 487.18        | 460.89        | 1,116.01      | 2,884.67        |
| Fair Rate of Return  | 14.00%        | 14.00%        | 14.00%        | 14.00%        | 14.00%        |                 |
| Return on average RAB  | 47.47         | 67.41         | 68.20         | 64.52         | 156.24        | 403.85          |
| O&M expenses   | 106.26        | 113.09        | 119.82        | 127.07        | 148.64        | 614.88          |
| Depreciation   | 20.88         | 27.28         | 28.21         | 28.05         | 65.23         | 169.66          |
| Tax expense  | -             | 35.51         | 54.48         | 74.06         | 70.78         | 234.83          |
| Less: 30% NAR  | 9.11          | 9.91          | 11.06         | 11.99         | 13.00         | 55.06           |
| <b>ARR per year (₹ Crores)</b>                                 | <b>165.51</b> | <b>233.39</b> | <b>259.66</b> | <b>281.72</b> | <b>427.89</b> | <b>1,368.17</b> |
| Discount factor (@ 14%)  | 1             | 0.88          | 0.77          | 0.67          | 0.59          |                 |
| PV of ARR  | 165.51        | 204.73        | 199.80        | 190.15        | 253.35        | 1,013.53        |
| Sum Present value of ARR (₹ Crores)                            | 1,013.53      |               |               |               |               |                 |
| Add: True up shortfall of Second Control Period claimed by AAI | 455.42        |               |               |               |               |                 |
| Total Traffic (million passengers)                             | 30.18         |               |               |               |               |                 |
| <b>Yield per passenger (YPP) (₹)</b>                           | <b>486.80</b> |               |               |               |               |                 |

#### 13.2 Authority's examination of Aggregate Revenue Requirement (ARR) for the Second Control Period at Consultation Stage.

13.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. The Yield Per Passenger (YPP) determined by AAI at Table 74 was based on the Capital Expenditure proposed for construction of Terminal Building T3 at BIA, which was subsequently shifted by AAI to the Third Control Period (as explained in para 6.3.6 A3 (ii)). With respect to each element of the regulatory building blocks considered by AAI in the computation of ARR and Yield in the table above, the Authority proposed as follows:

- To consider the average RAB in accordance with Table 44
- To consider the FRoR in accordance with Table 53.
- To consider the Depreciation as per Table 42.
- To consider the O&M expenses as per Table 61.
- To consider the Tax expense as per Table 71.
- To consider the Non-aeronautical revenue as per Table 67.

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

- To consider True up of Second Control Period as per Table 27
- To consider the total traffic in accordance with Table 33.

13.2.2 After considering the above, the Authority proposed the following ARR and YPP, as presented in the table below.

*Table 75 : ARR proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

*(in ₹ Crores)*

| Particulars   | Table Ref. | FY 2023-24    | FY 2024-25    | FY 2025-26      | FY 2026-27    | FY 2027-28    | Total           |
|---|------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| Average RAB (A)   | 44         | 226.03        | 334.56        | 405.88          | 384.90        | 364.98        |                 |
| Fair Rate of Return (B)   | 53         | 13.78%        | 13.78%        | 13.78%          | 13.78%        | 13.78%        |                 |
| Return on average RAB (C) = A*B                                       |            | 31.14         | 46.09         | 55.92           | 53.03         | 50.28         | 236.46          |
| Depreciation (D)  | 42         | 16.67         | 21.66         | 25.16           | 24.84         | 25.04         | 113.38          |
| O&M expenses (E)  | 61         | 98.87         | 104.54        | 110.73          | 117.67        | 129.70        | 561.52          |
| Tax expense (F)   | 71         |               | 21.53         | 38.40           | 59.35         | 76.79         | 196.06          |
| <b>ARR = SUM (C:F)</b>  |            | <b>146.68</b> | <b>193.81</b> | <b>230.21</b>   | <b>254.89</b> | <b>281.82</b> | <b>1,107.42</b> |
| PV of Under-recovery of the First Control Period as on March 31, 2024 | 27         | 387.86        |               |                 |               |               |                 |
| Gross ARR (G)   |            | 534.55        | 193.81        | 230.21          | 254.89        | 281.82        | 1,495.28        |
| NAR   | 67         | 35.78         | 41.79         | 48.66           | 55.40         | 60.91         | 242.53          |
| Less: 30% NAR (H)   |            | 10.73         | 12.54         | 14.60           | 16.62         | 18.27         | 72.76           |
| Net ARR = (G-H)   |            | 523.81        | 181.28        | 215.62          | 238.27        | 263.54        | 1,422.52        |
| Discount factor (@ 13.78%)  |            | 1.00          | 0.88          | 0.77            | 0.68          | 0.60          |                 |
| PV of ARR (₹ Crores)  |            | <b>523.81</b> | <b>159.33</b> | <b>166.56</b>   | <b>161.77</b> | <b>157.27</b> | <b>1,168.74</b> |
| Sum Present value of ARR (₹ Crores)                                   |            |               |               | <b>1,168.74</b> |               |               | <b>1,168.74</b> |
| Total Traffic (million passengers)                                    | 33         |               |               | 30.18           |               |               | <b>30.18</b>    |
| Yield per passenger on Total Traffic (YPP) (₹)                        |            |               |               | 387.31          |               |               | <b>387.31</b>   |
| Departing passenger   |            |               |               | 15.09           |               |               | <b>15.09</b>    |
| Yield per Departing Passenger (₹)                                     |            |               |               | 774.63          |               |               | <b>774.63</b>   |

**13.3 Stakeholders' comments on Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.3.1 No comments were received from the Stakeholders on Aggregate Revenue Requirement (ARR) for the Second Control Period.

**13.4 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement (ARR) for the Second Control Period**

13.4.1 The Authority notes that no comments were received from the Stakeholders regarding Aggregate Revenue Requirement (ARR) for the Second Control Period, the Authority has re-computed ARR, which it decides to consider for Bhubaneswar International Airport for the Second Control Period and the same is as follows:



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

*Table 76 : ARR decided by the Authority for Second Control Period*

(₹ Crores)

| Particulars   | Table Ref. | FY 2023-24    | FY 2024-25    | FY 2025-26      | FY 2026-27    | FY 2027-28    | Total           |
|---|------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| Average RAB = A                                     | 47         | 226.38        | 334.90        | 405.85          | 384.86        | 365.17        |                 |
| Fair Rate of Return = B                             | 54         | 13.78%        | 13.78%        | 13.78%          | 13.78%        | 13.78%        |                 |
| Return on average RAB C= A*B                        |            | 31.19         | 46.14         | 55.91           | 53.02         | 50.31         | <b>236.57</b>   |
| Depreciation – D                                    | 46         | 16.71         | 21.70         | 25.17           | 24.85         | 25.06         | <b>113.48</b>   |
| O&M expenses – E                                    | 64         | 98.87         | 112.83        | 116.70          | 121.65        | 127.43        | <b>577.48</b>   |
| Tax expense – F                                     | 72         | -             | 9.99          | 42.81           | 65.07         | 81.32         | <b>199.18</b>   |
| <b>ARR per year = SUM (C : F)</b>                   |            | <b>146.77</b> | <b>190.65</b> | <b>240.59</b>   | <b>264.59</b> | <b>284.12</b> | <b>1,126.72</b> |
| Shortfall carried forward from First Control Period | 28         | 384.72        |               |                 |               |               |                 |
| Gross ARR – G                                       |            | <b>531.49</b> | <b>190.65</b> | <b>240.59</b>   | <b>264.59</b> | <b>284.12</b> | <b>1,511.44</b> |
| NAR   | 69         | 30.98         | 35.78         | 41.50           | 46.90         | 51.34         | <b>206.50</b>   |
| Less: 30% NAR – H                                   |            | 9.30          | 10.73         | 12.45           | 14.07         | 15.40         | <b>61.95</b>    |
| Net ARR = (G-H)                                     |            | 522.20        | 179.92        | 228.14          | 250.52        | 268.72        | <b>1,449.49</b> |
| Discount factor (@ 13.78%)                          |            | 1.00          | 0.88          | 0.77            | 0.68          | 0.60          |                 |
| PV of ARR (₹ Crores)                                |            | 522.20        | 158.13        | 176.24          | 170.09        | 160.35        | <b>1,187.01</b> |
| Sum Present value of ARR (₹ Crores)                 |            |               |               | <b>1,187.01</b> |               |               |                 |
| Total Traffic (million passengers)                  | 33         |               |               | <b>30.18</b>    |               |               |                 |
| Yield per passenger on Total Traffic (YPP) (₹)      |            |               |               | <b>393.37</b>   |               |               |                 |
| Departing passenger (million passengers)            |            |               |               | <b>15.09</b>    |               |               |                 |
| Yield per Departing Passenger (₹)                   |            |               |               | <b>786.73</b>   |               |               |                 |

13.4.2 The Authority has analysed in detail the concerns of AAI and other stakeholders on various building blocks, raised as part of the Stakeholders' comments and has decided the following:

- i. Increase in CAPEX by ₹ 0.54 Crores in the Second Control Period (as mentioned in the Note to Table 45), resulting in increase in Return on RAB by ₹ 0.11 Crores and Depreciation by ₹ 0.10 Crores.
- ii. Rationalised Payroll Expenses by considering 6% growth rate, instead of 25% for FY 2027-28 resulting in reduction of Payroll expenses by ₹ 4.27 Cr (refer Note to Table 64)
- iii. Rationalised NAR for the Second Control Period, by considering Miscellaneous Income in NAR as per AAI's Submission, thereby resulting in reduction of NAR by ₹ 30.87 Crores.
- iv. Considering the above factors, the NPV of ARR decided by the Authority for the Second Control Period is now ₹ 1,187.01 Cr., as against that proposed by the Authority at the Consultation stage, which was ₹ 1,168.74 Cr.

**13.5 Authority's decisions regarding Aggregate Revenue Requirement (ARR) for the Second Control Period**

Based on the material before it and based on its analysis, the Authority decides the following with regard to ARR for the Second Control Period.

13.5.1 To consider the ARR and Yield for the Second Control Period for BIA in accordance with Table 76.

**14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD****14.1 AAI's submission on Aeronautical Revenue for the Second Control Period for BIA**

14.1.1 AAI had proposed to increase the Aeronautical tariffs with effect from October 1, 2023 as per the schedule below:

- **Landing charges** – For domestic and international ATM, AAI had proposed a one-time increase of 40% from the existing charges w.e.f. October 1, 2023 and thereafter by 5% year on year.
- **Parking charges** - For domestic and international ATM, AAI had proposed a one-time increase of 110% from the existing charges w.e.f. October 1, 2023 and thereafter by 5% year on year.
- **User Development Fee (UDF)** – AAI had proposed the following growth rates in UDF from the existing rates of ₹ 400 (Domestic) and ₹ 450 (International) for the Second Control Period.

Table 77: % Increase in UDF rates proposed by AAI

| Particulars       | FY      | FY      | FY      | FY      | FY      |
|-------------------|---------|---------|---------|---------|---------|
|                   | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Domestic UDF      | 137.50% | 5.26%   | 4.00%   | 3.85%   | 4.35%   |
| International UDF | 111.11% | 5.26%   | 5.00%   | 4.76%   | 4.55%   |

Table 78: Aeronautical revenue submitted by AAI for Bhubaneswar International Airport for the Second Control Period

(₹ Crores)

| Particulars                   | FY            | FY            | FY            | FY             | FY            | Total           |
|-------------------------------|---------------|---------------|---------------|----------------|---------------|-----------------|
|                               | 2023-24       | 2024-25       | 2025-26       | 2026-27        | 2027-28       |                 |
| Landing                       | 38.27         | 53.92         | 63.40         | 74.56          | 86.12         | 316.28          |
| Parking & Housing             | 0.61          | 1.13          | 1.33          | 1.57           | 1.81          | 6.45            |
| UDF charges                   | 199.42        | 258.81        | 312.09        | 375.80         | 435.27        | 1,581.39        |
| Land Lease from Oil Companies | 4.57          | 4.57          | 2.91          | 3.42           | 3.42          | 18.89           |
| Ground Handling charges       | 1.77          | 2.03          | 2.27          | 2.55           | 2.80          | 11.42           |
| CUTE charges                  | 4.50          | 5.39          | 6.25          | 7.25           | 8.05          | 31.45           |
| Revenue Share from AAICLAS    | 0.71          | 0.74          | 0.78          | 0.82           | 0.86          | 3.92            |
| <b>Total Revenue</b>          | <b>249.85</b> | <b>326.59</b> | <b>389.05</b> | <b>465.967</b> | <b>538.33</b> | <b>1,969.80</b> |

14.1.2 For revenues based on agreements i.e., Land lease from oil companies and fuel facility system, AAI had proposed to consider the same revenue of FY 2022-23 for FY 2023-24, and a 7.5% growth increase Y-o-Y from FY 2022-23.

**14.2 Authority's examination of Aeronautical Revenue for the Second Control Period at Consultation Stage**

14.2.1 The Authority noted that domestic traffic of Bhubaneswar International Airport had surpassed the pre-COVID levels of FY 2019-20 and there had been a steady growth in passenger traffic (domestic and international) in the current Financial Year. Also, the Authority noted that Bhubaneswar International Airport had achieved profit in FY 2022-23.

The Authority further noted that the tariff increase proposed by AAI, is based on the original CAPEX plan which included the project on construction of Terminal Building T3 at BIA. However, upon the Authority's examination of the CAPEX plan, AAI had shifted this project to the next Control Period (as explained in para 6.3.6 A3 (ii)).

**AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**

14.2.2 Based on the above analysis, the Authority proposed to revise the Landing, Parking charges in a progressive manner from FY 2024-25 (w.e.f April 1, 2024) on the following basis:

- i. One time increase of 36% in Domestic and International Landing charges and 5% increase Y-o-Y for the remaining tariff years in the Second Control Period.
- ii. One time increase of 36% in Domestic and International Parking charges and 5% increase Y-o-Y for the remaining tariff years in the Second Control Period.

14.2.3 The Authority proposed to allow the following tariff towards UDF for the Second Control Period for Bhubaneswar International Airport.

*Table 79: UDF charges proposed by the Authority for BIA for the Second Control Period at Consultation Stage*

| Passenger            | FY 2023-24<br>(existing rates) | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|----------------------|--------------------------------|------------|------------|------------|------------|
| Domestic (in ₹)      | 400                            | 700        | 760        | 865        | 950        |
| International (in ₹) | 450                            | 820        | 860        | 960        | 1,020      |

14.2.4 The Authority had determined the Aeronautical revenue based on the proposed Aeronautical charges, which was as follows:

*Table 80: Aeronautical revenues proposed to be considered by the Authority for the Second Control Period at Consultation Stage*

*(₹ Crores)*

| Particulars   | FY              | FY            | FY            | FY            | FY            | Total           |
|---|-----------------|---------------|---------------|---------------|---------------|-----------------|
|   | 2023-24         | 2024-25       | 2025-26       | 2026-27       | 2027-28       |                 |
| <b>Total PV of ARR including true up (₹ in Crores) (a) (as per Table 75)</b>  | <b>1,168.74</b> |               |               |               |               | <b>1,168.74</b> |
| <b>Aeronautical Revenue</b>   |                 |               |               |               |               |                 |
| Parking Charges (₹ in Crores)   | 0.36            | 0.70          | 0.82          | 0.97          | 1.12          | 3.97            |
| Landing Domestic (₹ in Crores)  | 31.79           | 49.75         | 58.50         | 68.80         | 79.46         | 288.29          |
| Landing International (₹ in Crores)   | 0.11            | 0.16          | 0.19          | 0.21          | 0.25          | 0.92            |
| Land Lease - Oil Companies (₹ in Crores) (refer Note)   | 4.57            | 4.57          | 2.91          | 3.42          | 3.42          | 18.89           |
| Ground handling charges (₹ in Crores)   | 1.77            | 2.03          | 2.27          | 2.55          | 2.80          | 11.42           |
| CUTE charges (₹ in Crores)  | 4.50            | 5.39          | 6.25          | 7.25          | 8.05          | 31.45           |
| Royalty from AAICLAS (₹ in Crores)  | 0.71            | 0.74          | 0.78          | 0.82          | 0.86          | 3.92            |
| Extension of Watch Hours  | -               | -             | -             | -             | -             | -               |
| UDF Domestic (₹ in Crores)  | 84.30           | 179.41        | 225.96        | 298.32        | 363.68        | 1,151.67        |
| UDF International (₹ in Crores)   | 55.82           | 2.05          | 2.37          | 2.90          | 3.39          | 66.53           |
| <b>Total Revenue (b)</b>  | <b>183.92</b>   | <b>244.81</b> | <b>300.05</b> | <b>385.25</b> | <b>463.03</b> | <b>1,577.06</b> |
| PV factor   | 1.00            | 0.88          | 0.77          | 0.68          | 0.60          |                 |
| <b>PV of Aero Revenue (c)</b>   | <b>183.92</b>   | <b>215.16</b> | <b>231.79</b> | <b>261.56</b> | <b>276.31</b> | <b>1,168.74</b> |
| <b>Σ PV Projected Aero Revenue (d)</b>  | <b>1,168.74</b> |               |               |               |               | <b>1,168.74</b> |
| <b>Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)</b> |                 |               |               |               |               | -               |

*Note: As informed, AAI had projected lease rent amounting ₹ 2.56 Cr. from the FY 2023-24 in MYTP for New Fuel facility system. Further, after the new fuel system becomes fully operational from FY 2025-26, the existing fuel system*



would discontinue and accordingly, the lease rent from Oil Companies amounting ₹ 1.70 Cr had not projected from FY 2025-26 onwards till the end of the Second Control Period.

14.2.5 As can be observed from the above table, as per the Authority's proposals, AAI was entitled to recover an ARR of ₹ 1,168.74 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges was ₹ 1,168.74 Crores (in NPV terms), which was equivalent to the Target Revenue/ ARR determined by the Authority for the Second Control Period.

### 14.3 Stakeholders' comments on Aeronautical Revenue for Second Control Period

14.3.1 During the stakeholders' consultation process, the Authority had received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper no. 22/ 2023-24 with respect to Aeronautical Revenue for the Second Control Period. The comments by stakeholders are presented below:

#### AAI's comments regarding Aeronautical Revenue for the Second Control Period

14.3.2 AAI has commented the following:

***"Following notes may please be incorporated in Tariff Cards: -***

*AAI has submitted Tariff Card as requested by the AERA during the evaluation stage. It is to mention that the following points has been left out at the time of issuance of CP no 22/2023-24 in respect of BIA. It Is requested that Following notes may please be incorporated in Tariff Cards*

***In respect of Landing Charges:-***

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.*
2. *All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.*
3. *Domestic leg of international routes of foreign carriers shall be treated as international flights.*
4. *Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).*
5. *"A minimum Landing charge of Rs.4000/- per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges whichever is higher will be applicable".*
6. *Flight operating under Regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI."*

#### Other Stakeholders' comments on Aeronautical Revenue for the Second Control Period

14.3.3 FIA has commented the following:

*"In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariffs including UDF, which will be beneficial to passengers and airlines.*

*It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in the sharp post-COVID-19 recovery of aviation sector.*

*It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air.*

*In addition, we request AERA and BIA to clarify the following:*

**1. Ref: Annexure II- 17.2.3- Landing Charges:**

*FIA requests AERA's to mention the following notes missing herein w.r.t landing charges as below:*

- a) 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.*
- b) All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.*
- c) Domestic leg of international routes of foreign carriers shall be treated as international flights.*
- d) Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).*
- e) Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.*

**2. Ref: Notes: 1 to User Development Fee (UDF) Charges (17.2.5):**

*We would like to invite AERA's attention to notes 1 of the Annexure II of the CP, UDF charges, wherein no rate of collection charges of UDF charges has been proposed by AERA.*

*We further request AERA to consider, in this regard that:*

- a) The collection charges to be published as Rs. 5.00 per departing passenger, in line with other airports.*
- b) These charges are paid by airport operators to airlines separately after airlines raise an invoice against the same as a standard industry practice. We request the same practice be applied.*

*Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example-5% inflationary/ administrative increase each year), the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines.*

- c) Further, FIA requests AERA, to clarify the applicability of UDF, whether it will be charged on per passenger or per flight basis, as UDF is applied on a per passenger basis i.e., for embarking passengers. As we have observed, there are corresponding references of domestic and international flights. Hence, the manner in which UDF is to be collected in case of a connecting flight appears unclear, especially in cases, where one leg of the flight is domestic, and the other is international or vice versa.*

*To illustrate: For a passenger with connecting flight from one domestic station to another domestic station with final destination to international station (i.e., BBI-DEL-DXB), clarity is required whether the UDF will be charged as per domestic flight or international flight;*

- i. Will it be considered as a domestic passenger for the route of BBI-DEL-DXB (which means domestic UDF rate applicable on this passenger); or*
- ii. The passenger will be charged international rates of UDF as per the PNR/Ticket, as the final*

destination is international.

- a) AERA is kindly requests to add the following exemption to maintain uniformity, as also mentioned under Directorate General Civil Aviation ('DGCA') AIC No.14/2019 dated 16.05.2019, DGCA AIC No.06/2023 dated 29th April 2023 and other tariff orders such as for Ahmedabad Airport Order no.40/22-23 for Third Control Period:

"(g) Passenger departing due to involuntary re-routing i.e. technical problems or weather conditions."

- b) Further, FIA recommends AERA to add Note of the Annexure II (17.2.4), as follows:

"No additional parking charges other than normal parking charges be payable by the airlines for any force majeure reasons or for any technical or meteorological situation, which is beyond the control of any airlines".

### 3. Parking Charges (Notes:- 2b)

Refer:

- i. "2. For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour"

It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to the "nearest hour".

(Notes: - 8)

- ii. Additional parking charges added in proposed tariff card for parking beyond 24 hours is also excessive since the parking charges after first two hours are already doubled. A higher fees of INR 20 per hour per MT sets a bad and unacceptable precedent for other airports hence it is important to bring down the rate.
- iii. FIA further requests AERA to provide the definition of 'unauthorised overstay' for clarity on parking charges.

### 4. General Conditions

It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded."

- 14.3.4 FIA has commented the following regarding the shrinkage, royalty and cost of airport operation:

#### Shrinkage in Control Period

"We submit that the Hon'ble TDSAT Order dated 16 December 2020 for BIAL stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...'

FIA appreciates, AERA's efforts of spending considerable time in consultation process and assessment of the information provided by Airport Operator.

However, despite relying on information provided by the Airport Operator in many instances there is an inordinate delay in tariff fixation, which has diminished the effective Control period of 60 months by 9-10 months and will lead to burdening of passengers travelling during balance period of 52 months. This further leads to a mismatch between the recoveries of target revenue with the

actual/projected revenue.

In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines. As the AERA Tariff Order for BIA - Second Control Period, will now be issued after the commencement of the Control Period i.e., 1 April 2023.

### **Royalty**

Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.

It is general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs.

There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers.

The rates of royalty at the airport are very high for some of the services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc.

Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we humbly urge AERA to abolish such royalty which may be included in any of the cost items.

### **Cost of airport operations:**

We submit that cost of operations for the airlines is increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale.

Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period).

It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services through multi-layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified.

Any other Govt. grants/Subsidies:

*It is requested that in case there are any Govt. grants/subsidies (State or Central) provided to the airport operator, it should also be factored in for the purpose of tariff determination.*

## 14.3.5 IATA has commented the following:

*"The proposed tariff increases in the Second Control Period are still very significant, despite the review and adjustments by AERA. We respectfully request for further moderation, wherever possible, by deferring some of the recovery to the next control period. The higher charges also have an adverse impact on the project traffic growth, which could lead to less overall revenue against the projection, requiring further true-up in the Third Control Period."*

**14.4 AAI's responses to other stakeholders' comments on Aeronautical Revenue for the Second Control Period**

## 14.4.1 AAI has responded to FIA's comments as under

- i. *"Increase in landing, parking and UDF charges has been proposed for BIA on account of true up of First Control Period and the resultant shortfall due to various reasons including the pandemic. Proposed capex, opex and other components of building block in order to workout the target revenue for the SCP.*

*Parking charges are applicable after two hours free parking available to airlines. Parking of Aircraft is neither encouraged by the Airport Operators nor by the Airlines Operators. Parking of aircraft beyond two hours at any airport reflects inefficiency of Airport Operations as well as Airline Operations. Further, it contributes less than 5% of AAI revenue.*

*In respect of chargeability of UDF and landing it is methodology to recover the cost incurred by Airport operator i.e. BBI from passenger / Airlines who are the ultimate user of the airport.*

- ii. *AAI has submitted proposed tariff for 2nd Control Period which is available at page no. 99 of CP no. 22/2023-24 whereas AERA has proposed partially and left out notes on the landing charges. We have requested in our response to CP to AERA to incorporate missing lines of tariff proposed by AAI while issuing final order of Bhubaneswar Airport.*

*Parking charges are applicable after two hours free parking available to airlines. Parking of Aircraft is neither encouraged by the Airport Operators nor by the Airlines Operators. Parking of aircraft beyond two hours at any airport reflects inefficiency of Airport Operations as well as Airline Operations. Further, the chargeability of parking time for the next charge is correct methodology instead of part of an hour shall be rounded off to the "nearest hour".*

- iii. ***Royalty:** Chargeability of 13% royalty from Inflight catering service provider is prevailing in all the AAI managed Airports as per the internal policies / approvals of AAI for allowing the Inflight caterers for doing business at the airport.*

*AAI is incurring huge expenditure-on providing the infrastructure to facilitate the Ground Handling Agencies for providing their services to the airlines. Further, the royalty on Ground-handling charges (Revenue Share) payable by Ground Handling Agency has been brought down to 3% of Actual Gross Revenue from Scheduled Domestic Passenger Flights and 15% of Actual Gross Revenue from users other than Scheduled Domestic Passenger Flights and RCS flights. This was effective from 1st October 2021.*

- iv. ***Cost of airport operations:-** No comments as it pertains to request to AERA to conduct a study."*



14.4.2 AAI has responded to IATA's comments as under

*"Airport charges increase or decrease on the basis of ARR requirement and Aeronautical Revenue of the Control Period."*

**14.5 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the Second Control Period**

14.5.1 The Authority notes AAI's comments on Landing charges and has mentioned the notes to Landing charges and the same may be referred to in para 17.1.1 of this Tariff Order

14.5.2 The Authority has noted the comments of FIA on the Tariff Rate Card and the response of the AO. With respect to FIA's comments on UDF and other charges, the Authority provides its comment as under:

- i. UDF (Collection charges): the Authority has noted AAI's response thereon and is of the opinion that the collection charges is a matter between the Airport Operator and the Airlines.
- ii. Regarding FIA's comments on including Notes on Parking charges, Landing charges, UDF and other General Conditions: The Authority has given suitable Note on the above charges in the Tariff Rate Card (refer Tariff Rate Card annexed to the Tariff Order)

14.5.3 The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period. The Authority would like to emphasize that the tariff determination exercise was carried out for Bhubaneswar International Airport in accordance with AERA Act and AERA Guidelines 2011. Further, it is pertinent to note that the AO had submitted revised MYTP for the tariff determination of BIA in August 2023, after a gap of 4 months from the date of submission of initial MYTP (refer para 2.2.1 and Table 2 in this Tariff Order regarding submission of MYTP).

Also, the Authority had sought clarifications from AO on the various regulatory building blocks from time to time. The above factors have resulted in the time lag in determination of tariff for BIA for the Second Control Period. However, AERA would like to highlight that the tariff determination exercise is exhaustive and lengthy in nature and requires resources to examine, analyse and decide on the matters and concerns of all the stakeholders. The Authority had tried its best to ensure timely determination of tariff, and had intervened from time to time to expedite the process.

14.5.4 The Authority has noted the comments of FIA on Royalty and the response of the AO. In this regard, the Authority would like to submit the following:

- i. The Authority has noted the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a pass-through expenditure. It may be noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a stakeholders' consultation process.
- ii. It may also be noted that the Royalty paid by the ISPs to the Airport Operators are taken into account as Aeronautical revenue during the tariff determination process, thus helping the Airport Users by reduction in the tariff.

14.5.5 The Authority notes the comments of FIA and IATA on the proposed increase in tariff rates and the response of AAI:

- The Authority, at the Consultation stage, had proposed a moderate increase in the aeronautical tariffs (Landing, Parking charges and UDF), to be implemented in a progressive manner, with

AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

a view to protect the interest of all the Airport Users.

- The Authority in the past, had deferred a certain portion of the Under recovery to the next Control Period, as there was a downturn in the Aviation sector due to the adverse effects of the COVID -19 pandemic. However, in the present scenario, where the pandemic situation has improved, the Authority finds no rationale for carrying forward the Under-recovery to the next Control Period.
- Further, the Authority would like to emphasize that the tariff rates decided for this Airport is in line or even lesser than that approved for similar sized airports, in the recent past. Also, as stated at the Consultation stage, the Authority after a careful examination, had shifted the project on construction of Terminal Building T3 to the next Control Period and allowed only essential and reasonable CAPEX and OPEX for determining ARR for this Control Period.
- Furthermore, carrying forward of some portion of ARR to the next Control Period, may result in significant increase in the tariffs in the next Control Period. To avoid such a steep increase in the tariff in the next Control Period (wherein there may be increase in ARR due to capitalization of new Terminal Building T3), the Authority has decided not to carry forward any Under-recovery of this Airport to the next Control Period

14.5.6 Based on its analysis and decisions on the various regulatory building blocks, the Authority has re-computed the Aeronautical revenues and Under recovery which the Authority has decided to consider for the Second Control Period. The same is presented in the table below:

*Table 81: Aeronautical Revenue decided by the Authority for Second Control Period*

(₹ Crores)

| Particulars  | FY              | FY            | FY            | FY            | FY            | Total           |
|--|-----------------|---------------|---------------|---------------|---------------|-----------------|
|  | 2023-24         | 2024-25       | 2025-26       | 2026-27       | 2027-28       |                 |
| <b>Total PV of ARR including true up (₹ in Crores) (a) (as per Table 76)</b> | 1,187.01        |               |               |               |               | <b>1,187.01</b> |
| <b>Aeronautical Revenue</b>  |                 |               |               |               |               |                 |
| Parking Charges  | 0.36            | 0.72          | 0.85          | 0.99          | 1.15          | <b>4.07</b>     |
| Landing Domestic   | 31.79           | 51.19         | 60.28         | 71.02         | 82.11         | <b>296.39</b>   |
| Landing International  | 0.11            | 0.16          | 0.19          | 0.22          | 0.26          | <b>0.94</b>     |
| Land Lease - Oil Companies   | 4.57            | 4.57          | 2.91          | 3.42          | 3.42          | <b>18.89</b>    |
| Space Rental from Airlines   | 0.89            | 0.96          | 1.03          | 1.10          | 1.19          | <b>5.16</b>     |
| Ground handling charges  | 1.77            | 2.03          | 2.27          | 2.55          | 2.80          | <b>11.42</b>    |
| CUTE charges   | 4.50            | 5.39          | 6.25          | 7.25          | 8.05          | <b>31.45</b>    |
| Royalty from AAICLAS   | 0.71            | 0.74          | 0.78          | 0.82          | 0.86          | <b>3.92</b>     |
| Extension of Watch Hours   | -               | -             | -             | -             | -             | -               |
| <b>UDF</b>   |                 |               |               |               |               |                 |
| Domestic   | 85.44           | 192.23        | 252.72        | 327.64        | 380.91        | <b>1,238.93</b> |
| International  | 1.02            | 2.05          | 2.37          | 2.90          | 3.39          | <b>11.73</b>    |
| <b>Total Revenue (b)</b>   | <b>131.15</b>   | <b>260.05</b> | <b>329.65</b> | <b>417.92</b> | <b>484.14</b> | <b>1,622.91</b> |
| PV factor  | 1.00            | 0.88          | 0.77          | 0.68          | 0.60          |                 |
| <b>PV of Aero Revenue (c)</b>  | <b>131.15</b>   | <b>228.56</b> | <b>254.65</b> | <b>283.75</b> | <b>288.90</b> | <b>1,187.01</b> |
| <b>∑ PV Projected Aero Revenue (d)</b>                                       | <b>1,187.01</b> |               |               |               |               | <b>1,187.01</b> |

**Note:** The Aeronautical Revenue has been decided by the Authority (as per Table 81) and Tariff Rate Card is given in Annexure 1 (refer para 17.1), which is different from that projected by AAI (as per Table 78) on account of rationalization of various Regulatory building blocks by the Authority as below:

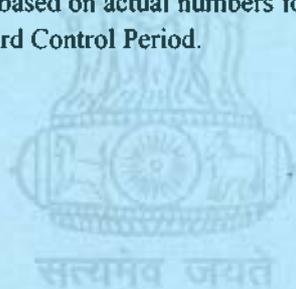
## AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

- i. Shifting capitalization of Terminal Building T3 to the next Control Period (as explained in para 6.3.6 A3 (ii)), thereby resulting in reduction in Return on RAB and Depreciation.
- ii. Rationalisation of CHQ/ RHQ allocation in True up of First Control Period and for the Second Control Period.
- iii. Rationalisation of O&M expenses such as Payroll, Upkeep expenses , CSR expenses, etc., as detailed in Note to Table 61 and Table 64.
- iv. FRoR determined as 13.78% as against 14% claimed by AAI.
- v. Increase in NAR by ₹ 23 Cr., based on traffic growth determined by the Authority, as against that projected by AAI.

### 14.6 Authority's decisions regarding Aeronautical Revenue for the Second Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Aeronautical Revenue for the Second Control Period.

- 14.6.1 To consider Aeronautical revenue for the Second Control Period for BIA as per Table 81.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.



भा.वि.आ.वि.प्रा.

AERA



## 15 SUMMARY OF AUTHORITY'S DECISIONS

### Chapter 4: True Up of the First Control Period

- 4.11.1 To consider capital additions as detailed in Table 10 for true up of the First Control Period.
- 4.11.2 To consider Aeronautical depreciation as mentioned in Table 11 for true up of the First Control Period.
- 4.11.3 To consider RAB as per Table 12 for true up for the First Control Period.
- 4.11.4 To consider FRoR as per Table 13 for the purpose of true up of the First Control Period.
- 4.11.5 To consider the Non-aeronautical revenues as presented in Table 16 for the purpose of true up of the First Control Period.
- 4.11.6 To consider the O&M expenses as detailed in Table 21 for the purpose of true up of the First Control Period.
- 4.11.7 To consider Taxation as per Table 24 for true up of the First Control Period for BIA..
- 4.11.8 To consider actual Aeronautical revenue as per Table 26 for true up of the First Control Period for BIA.
- 4.11.9 To consider ARR and Under-recovery as detailed in Table 28 for true up of the First Control Period for BIA and readjust the shortfall in the Second Control Period.

### Chapter 5: Traffic for the Second Control Period

- 5.6.1 To consider the ATM and passenger traffic for the Second Control Period for Bhubaneswar International Airport as per Table 33.
- 5.6.2 To true up the traffic volume (ATM and passengers) on the basis of actual traffic in the Second Control Period while determining tariff for the Third Control Period.

### Chapter 6: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period

- 6.9.1 To consider allocation of Gross Block of Assets as on April 1, 2023, between Aeronautical and Non-aeronautical assets as detailed in Table 35.
- 6.9.2 To adopt the capitalization of Aeronautical Expenditure for the Second Control Period in accordance with Table 45.
- 6.9.3 To true up the Capital expenditure based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for Third Control Period
- 6.9.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project was not completed/capitalized as per the approved capitalization schedule. Further, if the delay in completion of the project is due to any reason beyond the control of AAI or its contracting agency and is properly justified, the same would be considered by the Authority while trueing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.9.5 To consider Depreciation as per Table 46 for the Second Control Period.
- 6.9.6 To true up Depreciation of the Second Control Period based on the actual asset additions and actual date of capitalization during the tariff determination of the Third Control Period.
- 6.9.7 To consider average RAB for the Second Control Period for BIA as per Table 47.
- 6.9.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.

**Chapter 7: Fair Rate of Return for the Second Control Period**

- 7.6.1 To consider Cost of Equity at 14%.
- 7.6.2 To consider Cost of Debt as 6.57%
- 7.6.3 To consider FRoR of 13.78% for BIA for the Second Control Period as per Table 54.
- 7.6.4 To true up the FRoR while determining tariff for the next Control Period on the basis of actual weighted average gearing ratio.

**Chapter 8: Inflation for the Second Control Period**

- 8.5.1 To consider Inflation for the Second Control Period for BIA as detailed in Table 56.

**Chapter 9: Operation and Maintenance expenses for the Second Control Period**

- 9.6.1 To consider O&M expenses for the Second Control Period for BIA as per Table 64.
- 9.6.2 To consider the O&M expenses incurred by AAI for BIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

**Chapter 10: Non-aeronautical revenue for the Second Control Period**

- 10.6.1 To consider Non-aeronautical revenues for the Second Control Period for BIA in accordance with Table 69.
- 10.6.2 To consider actual Non-aeronautical revenue achieved by AAI for BIA for the Second Control Period, while determining tariff for the next Control Period.

**Chapter 11: Taxation for the Second Control Period**

- 11.5.1 To consider the Taxation for the Second Control Period for BIA as per Table 72.
- 11.5.2 To true up the aeronautical tax amount appropriately, taking into consideration all relevant facts at the time of tariff determination for the Third Control Period.

**Chapter 12: Quality of Service for the Second Control Period**

- 12.6.1 Not to consider any adjustment towards tariff determination for the Second Control Period with regard to Quality of Services.

**Chapter 13: Aggregate Revenue Requirement (ARR) for the Second Control Period**

- 13.5.1 To consider the ARR and Yield for the Second Control Period for BIA in accordance with Table 76.

**Chapter 14: Aeronautical revenue for the Second Control Period**

- 14.6.1 To consider Aeronautical revenue for the Second Control Period for BIA as per Table 81.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.



**16 ORDER**

- 16.1** 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 tariff to be levied at Bhubaneswar International Airport for the Second Control Period, as per Annexure I.
- 16.2** In exercise of power conferred by Section 13(1)(b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure I to the Order for the Second Control Period.
- 16.3** The tariff determined herein are ceiling rates, exclusive of taxes, if any.
- 16.4** This Order shall be made effective from April 1, 2024.
- 16.5** Airport Operator shall submit its MYTP to the Authority for the Third Control Period in a timely manner as per the AERA Guidelines.

By the Order and in the name of the Authority



  
(Suyash Narain)  
Secretary

To,

**The Chairman**  
**Airports Authority of India,**  
**Rajiv Gandhi Bhawan,**  
**Safdarjung Airport,**  
**New Delhi -110003**

Copy to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003
2. Directorate General of Civil Aviation: for issue of AIC



## 17 ANNEXURE

## 17.1 Annexure I: Tariff Rate Card approved by the Authority for Bhubaneswar International Airport for the Second Control Period (effective from April 1, 2024)

17.1.1 Landing charges\* approved by the Authority for Bhubaneswar International Airport for the Second Control Period is as follows:

Table 82: Landing charges (domestic) decided by the Authority for BIA for the Second Control Period

(Rates in ₹)

| Weight of the Aircraft   | FY 2023-24                            | FY 2024-25                                | FY 2025-26                                | FY 2026-27                                | FY 2027-28                                |
|--------------------------|---------------------------------------|---|---|---|---|
|                          | (Existing rates)                      | Tariff w.e.f. 01.04.2024                  | Tariff w.e.f. 01.04.2025                  | Tariff w.e.f. 01.04.2026                  | Tariff w.e.f. 01.04.2027                  |
| Up to 25 MT              | 200 per MT                            | 280 per MT                                | 294 per MT                                | 309 per MT                                | 324 per MT                                |
| Above 25 MT up to 50 MT  | 5,000+350 Per MT in excess of 25 MT   | 7,000 + 490 per MT in excess of 25 MT     | 7,350 + 515 per MT in excess of 25 MT     | 7,725 + 541 per MT in excess of 25 MT     | 8,100 + 568 per MT in excess of 25 MT     |
| Above 50 MT up to 100 MT | 13,750+400 Per MT in excess of 50 MT  | 19,250 + 560 per MT in excess of 50 MT    | 20,225 + 588 per MT in excess of 50 MT    | 21,250 + 617 per MT in excess of 50 MT    | 22,300 + 648 per MT in excess of 50 MT    |
| Above 100 MT to 200 MT   | 33,750+487 Per MT in excess of 100 MT | 47,250 + 682 per MT in excess of 100 MT   | 49,625 + 716 per MT in excess of 100 MT   | 52,100 + 752 per MT in excess of 100 MT   | 54,700 + 790 per MT in excess of 100 MT   |
| Above 200 MT             | 82,450+549 Per MT in excess of 200 MT | 1,15,450 + 769 per MT in excess of 200 MT | 1,21,225 + 807 per MT in excess of 200 MT | 1,27,300 + 847 per MT in excess of 200 MT | 1,33,700 + 889 per MT in excess of 200 MT |

\* The Authority has decided one time increase of 40% in Domestic Landing charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

Table 83: Landing charges (International) decided by the Authority for BIA for the Second Control Period

(Rates in ₹)

| Weight of the Aircraft   | FY 2023-24                               | FY 2024-25                                  | FY 2025-26                                  | FY 2026-27                                  | FY 2027-28                                  |
|--------------------------|--|---|---|---|---|
|                          | (Existing rates)                         | Tariff w.e.f. 01.04.2024                    | Tariff w.e.f. 01.04.2025                    | Tariff w.e.f. 01.04.2026                    | Tariff w.e.f. 01.04.2027                    |
| Up to 25 MT              | 300 per MT                               | 420 per MT                                  | 441 per MT                                  | 463 per MT                                  | 486 per MT                                  |
| Above 25 MT up to 50 MT  | 7,500+562 Per MT in excess of 25 MT      | 10,500 + 787 per MT in excess of 25 MT      | 11,025 + 826 per MT in excess of 25 MT      | 11,575 + 867 per MT in excess of 25 MT      | 12,150 + 910 per MT in excess of 25 MT      |
| Above 50 MT up to 100 MT | 21,550+649 Per MT in excess of 50 MT     | 30,175 + 909 per MT in excess of 50 MT      | 31,675 + 954 per MT in excess of 50 MT      | 33,250 + 1,002 per MT in excess of 50 MT    | 34,900 + 1,052 per MT in excess of 50 MT    |
| Above 100 MT to 200 MT   | 54,000+749 Per MT in excess of 100 MT    | 75,625 + 1,049 per MT in excess of 100 MT   | 79,375 + 1,101 per MT in excess of 100 MT   | 83,350 + 1,156 per MT in excess of 100 MT   | 87,500 + 1,214 per MT in excess of 100 MT   |
| Above 200 MT             | 1,28,900+ 899 Per MT in excess of 200 MT | 1,80,525 + 1,259 per MT in excess of 200 MT | 1,89,475 + 1,322 per MT in excess of 200 MT | 1,98,950 + 1,388 per MT in excess of 200 MT | 2,08,900 + 1,457 per MT in excess of 200 MT |

\*The Authority has decided one time increase of 40% in International Landing charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

**Notes:**

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.
  2. All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges are concerned irrespective of flight number assigned to such flights.
  3. Domestic leg of international routes of foreign carriers shall be treated as international flights.
  4. Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
  5. A minimum Landing charge of ₹ 4,000 per Flight in respect of Domestic Non-Scheduled Operators/GA operators or the applicable landing charges, whichever is higher, will be applicable.
  6. Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI
- 17.1.2 Parking charges\*\* decided by the Authority for Bhubaneswar International Airport for the Second Control Period is as follows:

*Table 84: Parking charges (per hour) decided by the Authority for up to two hours after free hours for the Second Control Period*

(Rates in ₹)

| Weight of the Aircraft   | FY 2023-24                                    | FY 2024-25  | FY 2025-26  | FY 2026-27  | FY 2027-28   |
|--------------------------|---|---|---|---|--|
|                          | (Existing rates)                              | Tariff w.e.f. 01.04.2024                          | Tariff w.e.f. 01.04.2025                          | Tariff w.e.f. 01.04.2026                            | Tariff w.e.f. 01.04.2027                             |
| Up to 25 MT              | 3 Per MT Per Hour                             | 4.20 Per Hour Per MT                              | 4.40 Per Hour Per MT                              | 4.60 Per Hour Per MT                                | 4.85 Per Hour Per MT.                                |
| Above 25 MT up to 50 MT  | 75+ 4 per MT per hour in excess of 25 MT      | 105 + 5.60 per MT per hour in excess of 25 MT     | 110 + 5.90 per MT per hour in excess of 25 MT     | 115 + 6.20 per MT per hour in excess of 25 MT       | 121.25 + 6.50 per MT per hour in excess of 25 MT     |
| Above 50 MT up to 100 MT | 175 + 8 per MT per hour in excess of 50 MT    | 245 + 11.20 per MT per hour in excess of 50 MT    | 257.5 + 11.75 per MT per hour in excess of 50 MT  | 270 + 12.35 per MT per hour in excess of 50 MT      | 283.75 + 12.95 per MT per hour in excess of 50 MT    |
| Above 100 MT to 200 MT   | 575+ 10 per MT per hour in excess of 100 MT   | 805 + 14 per MT per hour in excess of 100 MT      | 845 + 14.70 per MT per hour in excess of 100 MT   | 887.5 + 15.45 per MT per hour in excess of 100 MT   | 931.25 + 16.20 per MT per hour in excess of 100 MT   |
| Above 200 MT             | 1,575+ 11 per MT per hour in excess of 200 MT | 2,205 + 15.40 per MT per hour in excess of 200 MT | 2,315 + 16.15 per MT per hour in excess of 200 MT | 2,432.5 + 16.95 per MT per hour in excess of 200 MT | 2,551.25 + 17.80 per MT per hour in excess of 200 MT |

\*\* The Authority has decided one time increase of 40% in Parking charges with effect from April 1, 2024 and 5% increase Y-o-Y thereafter till FY 2027-28.

Table 85: Parking charges beyond first four hours decided by the Authority for the Second Control Period

(Rates in ₹)

| Weight of the Aircraft   | FY 2023-24                                     | FY 2024-25                                       | FY 2025-26                                       | FY 2026-27                                       | FY 2027-28   |
|--------------------------|--|--|--|--|--|
|                          | (Existing rates)                               | Tariff w.e.f. 01.04.2024                         | Tariff w.e.f. 01.04.2025                         | Tariff w.e.f. 01.04.2026                         | Tariff w.e.f. 01.04.2027                           |
| Up to 25 MT              | 6 Per MT Per Hour                              | 8.4 Per Hour Per MT                              | 8.8 Per Hour Per MT                              | 9.2 Per Hour Per MT                              | 9.7 Per Hour Per MT                                |
| Above 25 MT up to 50 MT  | 150 + 8 per MT per hour in excess of 25 MT     | 210 + 11.2 per MT per hour in excess of 25 MT    | 220 + 11.8 per MT per hour in excess of 25 MT    | 230 + 12.4 per MT per hour in excess of 25 MT    | 242.5 + 13 per MT per hour in excess of 25 MT      |
| Above 50 MT up to 100 MT | 350 + 16 per MT per hour in excess of 50 MT    | 490 + 22.4 per MT per hour in excess of 50 MT    | 515 + 23.5 per MT per hour in excess of 50 MT    | 540 + 24.7 per MT per hour in excess of 50 MT    | 567.5 + 25.9 per MT per hour in excess of 50 MT    |
| Above 100 MT to 200 MT   | 1,150 + 20 per MT per hour in excess of 100 MT | 1,610 + 28 per MT per hour in excess of 100 MT   | 1,690 + 29.4 per MT per hour in excess of 100 MT | 1,775 + 30.9 per MT per hour in excess of 100 MT | 1,862.5 + 32.4 per MT per hour in excess of 100 MT |
| Above 200 MT             | 3,150 + 22 per MT per hour in excess of 200 MT | 4,410 + 30.8 per MT per hour in excess of 200 MT | 4,630 + 32.3 per MT per hour in excess of 200 MT | 4,865 + 33.9 per MT per hour in excess of 200 MT | 5,102.5 + 35.6 per MT per hour in excess of 200 MT |

**Notes:**

- 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.
- The night parking charges are waived for all domestic scheduled operators at Bhubaneswar 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.
- Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable.

17.1.3 **User Development Fees (UDF):** UDF charges decided by the Authority for Bhubaneswar International Airport for the Second Control Period is as follows:

**Applicable rates for travel date from April 1, 2024 to March 31, 2025**

(Rate in ₹)

| Type of Passenger   | Domestic Flight | International flight |
|---------------------|-----------------|----------------------|
| Embarking passenger | 750             | 820                  |

**Applicable rates for travel date from April 1, 2025 to March 31, 2026**

(Rate in ₹)

| Type of Passenger   | Domestic Flight | International flight |
|---------------------|-----------------|----------------------|
| Embarking passenger | 850             | 860                  |

**Applicable rates for travel date from April 1, 2026 to March 31, 2027**

(Rate in ₹)

| Type of Passenger   | Domestic Flight | International flight |
|---------------------|-----------------|----------------------|
| Embarking passenger | 950             | 960                  |

**Applicable rates for travel date from April 1, 2027 to March 31, 2028**

(Rate in ₹)

| Type of Passenger   | Domestic Flight | International flight |
|---------------------|-----------------|----------------------|
| Embarking passenger | 995             | 1,020                |

**Notes:**

1. Collection charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI, as per the policy pertaining to such charges between the Airport Operator and the airlines. 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.
2. No collection charges are payable to casual operator/non-scheduled operators.
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1<sup>st</sup> fortnight and rate as on 15<sup>th</sup> of the month for tickets issued in the 2<sup>nd</sup> fortnight shall be adopted.
4. No UDF will be levied for transit passengers.
5. The existing UDF charges will be applicable on the tickets issued till March 31, 2024.
6. Revised UDF charges will be applicable on the tickets issued on or after April 1, 2024.

**17.1.4 Exemption from levy and collection from UDF at the Airports.**

In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF.

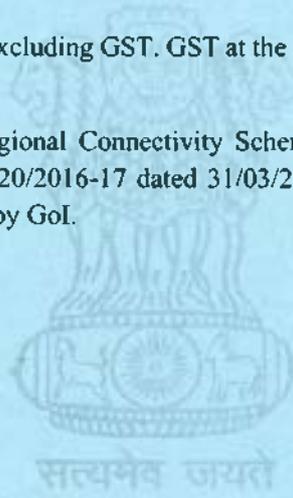
- (a) Children (under age of 2 years)
- (b) Holders of Diplomatic Passport

- (c) 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)
- (d) Persons travelling on official duty on aircraft operated by Indian Armed Forces
- (e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- (f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger).

17.1.5 **Aviation Security Fee:** Rates and Exemption as prescribed by MoCA from time to time.

17.1.6 **General Condition:**

- a) All the above Charges are excluding GST. GST at the applicable rates is payable in addition to above charges.
- b) Flight 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.



भा.वि.आ.वि.प्रा.

AERA

