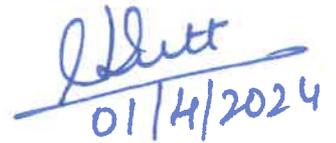


Telephone No.: 011-24622495 Aeronautical : VIDDYAYX E-Mail: dgoffice@dgca.nic.in Fax 011-24652760	GOVERNMENT OF INDIA AERONAUTICAL INFORMATION SERVICES DIRECTOR GENERAL OF CIVIL AVIATION OPPOSITE SAFDARJUNG AIRPORT <u>NEW DELHI-110003</u>	AIC SI. No.06/2024 <hr/> 01 April, 2024
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File 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.29011/18/2024-AD dated 27th March, 2024.


01/4/2024

(Vikram Dev Dutt)

Director General of Civil Aviation

IN THE MATTER OF THE DETERMINATION OF AERONAUTICAL TARIFF FOR JAY PRAKASH NARAYAN INTERNATIONAL AIRPORT, PATNA (PAT), 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 Jay Prakash Narayan International Airport, Patna (PAT) for second control period (01.04.2023 to 31.03.2028) vide order no 38/2023-24 dated 07.03.2024. 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/एएआई-पटना/सीपी-II/2023-28
F. No. AERA/20010/MYTP/AAI-Patna/CP-II/2023-28

आदेश संख्या 38/2023-24
Order No. 38/2023-24



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

जय प्रकाश नारायण अंतर्राष्ट्रीय हवाईअड्डा पटना (पीएटी) 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
JAY PRAKASH NARAYAN INTERNATIONAL AIRPORT, PATNA (PAT)
FOR THE SECOND CONTROL PERIOD
(01.04.2023 - 31.03.2028)

जारी करने की तारीख : 07.03.2024
Date of Issue: 07.03.2024

ऐरा भवन/AERA Building
प्रशासनिक कॉम्प्लेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/ New Delhi- 110003



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AERA



GLOSSARY

Abbreviation	Full Form
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services
ACI	Airports Council International
AERA/ The Authority	Airports Economic Regulatory Authority of India
ANS	Air Navigation Services
AOCC	Airport Operations Control Centre
ARR	Aggregate Revenue Requirement
ATM	Aircraft Traffic Movement
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BSF	Border Security Force
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
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
EOD	Explosive Ordnance Disposal
ETD	Explosive Trace Detector
FA	Financing Allowance
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
GCCM	Grass Cut and Collect Machine.
Gogi	Government of India
GST	Goods and Services Tax
IAF	Indian Air Force
IATA	International Air Transport Association
IDC	Interest During Construction
IOCL	Indian Oil Corporation Limited
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers per Annum
MYTP	Multi-Year Tariff Proposal
NAR	Non-aeronautical revenue
NDT	New Domestic Terminal



Abbreviation	Full Form
PBB	Passenger Boarding Bridge
PDC	Probable Date of Completion
PIA/ PAT	Patna International Airport
PIB	Public Investment Board
PLF	Passenger Load Factor
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
RPK	Revenue Passenger Kilo meter
RWS	Runway Strip
SCCTV	Secure Closed-Circuit Television.
SHA	Security Hold Area
SITC	Supply, Installation, Testing & Commissioning
Sq.m.	Square Metre
UDF	User Development Fees
YTD	Year to Date
YPP	Yield per Passenger

सत्यमेव जयते

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AERA



1 INTRODUCTION

1.1 Background

- 1.1.1 Jay Prakash Narayan International Airport ('Patna International Airport' or PIA), operated by Airports Authority of India, is currently, the 15th busiest Airport¹ in India by passengers handled and 17th busiest Airport by air traffic movements.
- 1.1.2 The total land area of PIA is 247.16 acres. Out of this, the Terminal Building area is of 9,795 square meters, which currently handles domestic operations.
- 1.1.3 Jay Prakash Narayan 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 the FY 2015-16.
- 1.1.4 Further, as per section 2(i) of 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. The total passenger traffic for FY 2022-23 was 3.75 MPPA, which comprised of only domestic passengers.

The Authority determined tariff for the First Control Period (starting from FY 2018-19 to FY 2022-23) vide Order Number 13/ 2019-20 dated October 24, 2019. Further, the Authority vide Order No. 29/ 2020-21 dated July 9, 2020 had revised the landing charges of PIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.

1.2 Profile of Patna International Airport

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

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

Particulars	Details
Total airport land area	247.16 Acres
Car Parking area	4,700 sqm
Terminal Building area	9,795 Sqm
Designated Capacity	2.3 MPPA
Peak Hour Passengers	1,300
Runway orientation and length	Runway 07/25, dimension 2072m x 45 m
Apron	22,440 Sqm/ (272m X 82.5m) with Flood Lights
Taxiway	3 Nos. - A, B and C

- 1.2.2 After the commencement of New Terminal Building in the FY 2024-25 (Oct, 2024) of 65,155 sq m., the designated capacity is expected to increase to 8 MPPA.

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

Cargo Facility

- 1.3.1 M/s AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) is a 100% subsidiary company of Airports Authority of India (AAI) providing Cargo Handling Services at PIA. AAI has considered a revenue share of 30% from AAICLAS as part of the Aeronautical revenues as per AAI's

¹ As per data on top 50 busiest airports for FY 2022-23, published by AAI.



internal agreement with AAICLAS.

- 1.3.2 AERA vide Order No. 34/ 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

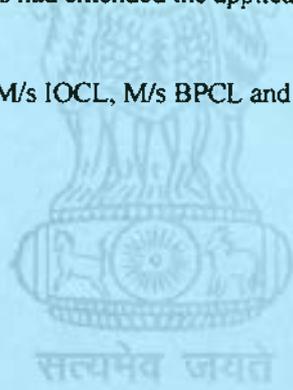
- 1.3.3 Currently, there are two Service Providers at the Airport viz., Global Flight Handling Services (Patna) Private Limited (GFHSPL) and AI Airport Services Limited (AIASL), providing Ground Handling services at PIA.

AERA vide Order No. 14/2023-24 dated August 30, 2023 determined tariff for Ground Handling Services for GFHSPL from FY 2024 to FY 2028.

The Authority, vide Order No. 23/ 2019-20 dated February 14, 2020 determined the tariff in respect of AIASL for the First Control Period valid up to March 31, 2021. Thereafter, the Authority, from time to time through various interim Orders had extended the applicability of existing tariff till March 31, 2024.

Supply of Fuel to Aircraft

- 1.3.4 Oil Marketing Companies such as M/s IOCL, M/s BPCL and M/s HPCL are directly providing Aviation Fuel Supply to Airlines at PIA.



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AERA



2 TARIFF DETERMINATION OF PATNA INTERNATIONAL AIRPORT

2.1 Introduction

2.1.1 AERA was established by the Government of India vide notification No. GSR 317(E) dated 12th 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 passenger 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.

2.2 Authority's Orders applied in Tariff Determination of this Order

2.2.1 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 Order No. 07/2018-19 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).
- ii. Order No. 14/2018-19 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.
- iii. Order No. 35/2019-20 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2019-20 dated 09.04.2018 in the matter of determination of useful life of Airport assets.
- iv. Order No. 42/2020-21 dated 05.03.2019 (Determination of FRoR to be provided on the cost of Land incurred by various Airport Operators in India).

2.3 Issuance of Consultation paper and receipt of Stakeholders' comments

2.3.1 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 had submitted the MYTP for the Second Control Period commencing from FY 2023-24 to FY 2027-28 for PIA on September 22, 2023, after six months from the end of the First Control Period. The MYTP document is available on the AERA's website. Further, the date wise chronology of events is given in Table 2 below.

2.3.2 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 of AAI, by comparing each regulatory building block with the Tariff Order for the First Control period. The Independent Consultant had examined the MYTP of AAI for the Second 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 for 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 (through its independent consultant and their visit at the Airport site), Operation & Maintenance expenditure, for finalizing this Tariff Order. The sequential timeline of the above events has been presented in the table below:

Table 2 : MYTP Submission Timelines

Dates	Event
September 22, 2023	MYTP Submission by AAI
October 2023	Clarifications sought on passenger capacity, CAPEX, Operation and Maintenance expenses, Non-aeronautical revenue etc. of PIA
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 2023	Revised projections received from AAI on certain CAPEX projected for the Second Control Period.
January 2024	Clarification sought on Cost of Debt

TARIFF DETERMINATION OF PATNA INTERNATIONAL AIRPORT

- 2.3.3 AAI had 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 annual accounts 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 PIA. The Authority had examined the audited Trial Balance (FY 2018-19 to FY 2022-23) submitted by AAI for determination of tariff.
- 2.3.4 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. 13/2019-20 dated October 24, 2019, had determined tariffs for Aeronautical services for PIA for the First Control Period from April 1, 2018 to March 31, 2023. The Authority vide Order No. 29/ 2020-21 dated July 9, 2020 had revised the landing charges of PIA with effect from July 15, 2020, in lieu of abolition of Fuel Throughput charges.
- 2.3.5 Further, AERA vide Order No. 41/ 2022-23 dated March 22, 2023 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.
- 2.3.6 After examination of MYTP and other details submitted by AAI, the Authority issued Consultation Paper No. 23/2023-24 dated January 13, 2024. Following the release of the Consultation Paper, the Authority had convened a meeting of the stakeholders on January 23, 2024. The minutes of the meeting are available on AERA's website.
- 2.3.7 The Authority also invited formal comments from all stakeholders on the issues and proposals presented in its Consultation Paper No. 23/2023-24.
- 2.3.8 The following stakeholders have provided their comments on the Consultation Paper No. 23/2023-24:
- i. Airports Authority of India (AAI)
 - ii. Federation of Indian Airlines (FIA)

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	AAI, FIA
Traffic for the Second Control Period	FIA
Capital Expenditure, Depreciation and Regulatory Asset Base for the Second Control Period	AAI, FIA
Fair Rate of Return for the Second Control Period	AAI, FIA
Inflation for the Second Control Period	No comments
Operation and Maintenance Expenses for the Second Control Period	AAI, FIA
Non-aeronautical revenue for the Second Control Period	AAI, FIA
Taxation for the Second Control Period	No comments
Quality of service for the Second Control Period	FIA



Component impacting tariff determination of the Second Control Period	Name of the Stakeholder who has provided comments
ARR for the Second Control Period	No comments
Aeronautical Revenue for the Second Control Period	AAI, FIA

- 2.3.9 No inputs were received from Ministry of Civil Aviation (MoCA) as part of the consultation process.
- 2.3.10 The counter comments from AAI on the comments from other Stakeholders were received on February 19, 2024. Thus, the Stakeholders' Consultation process concluded on the receipt of counter comments on February 19, 2024. The stakeholders' comments and counter comments are available on AERA's website.
- 2.3.11 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.
- 2.3.12 All the figures presented in this tariff order, have been rounded off up to two decimals

2.4 Construct of the Tariff Order

- 2.4.1 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 Chapter 2 while the framework for determination of tariff is discussed in Chapter 3.
 - ii. Chapter 4 lists out the submissions of AAI for true up of the First Control Period 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. 23/2023-24 dated January 13, 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. 23/2023-24 dated January 13, 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. 23/2023-24 dated January 13, 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. 23/2023-24 dated January 13, 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 Patna 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 Patna International Airport.
- ix. Chapter 17 contains Annexures:
- Annexure I: Tariff Rate Card pertaining to Patna International Airport, for the Second Control Period as approved by the Authority, effective from April 01, 2024 to March 31, 2028



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3 FRAMEWORK FOR DETERMINATION OF TARIFF FOR PIA

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 PIA 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 Facility

- 3.3.1 AAI provides Air Navigation Services (ANS) in addition to other Aeronautical services at PIA. 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 PIA excluding Cargo Operations. The tariff related to Cargo Operations of PIA will be determined separately since its operations are carried out by AAICLAS.

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

- 3.4.1 During the stakeholders' consultation process, the Authority had received comments/views from other Stakeholder's in response to the proposals of the Authority in the Consultation Paper no. 23/ 2023-24 with respect to Framework for determination of tariff for Patna International Airport. The comments made by the other stakeholders are presented below:

Other Stakeholders' comments on the Framework for determination of tariff for Patna 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 Background, Framework for determination of tariff for Patna 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 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 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 Patna 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 informs that presently, the tariff for ANS is regulated by the Ministry of Civil Aviation (MoCA) for all the airports. All the assets, expenses and revenues pertaining to ANS are considered separately by MoCA while determining tariff for ANS services. Further, the tariff is determined by the Ministry to ensure uniformity of ANS tariff across the Airports in the country.

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 PIA

4.1.1 AAI had submitted the following shortfall of ₹ 361.90 Crores for PIA 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	Ref	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Fair Rate of Return	(a)	14%	14%	14%	14%	14%	
Revenue from Regulated Services	(b)	41.25	56.02	52.47	58.81	72.96	281.51
Revenue from services other than Regulated Services (30% considered for Hybrid Till)	(c)	4.73	4.21	2.26	2.15	4.02	17.36
Operating Expenditure	(d)	135.19	60.80	60.05	63.65	86.23	405.92
Depreciation	(e)	3.43	4.07	4.73	5.23	5.90	23.36
Total Expenditure	(f) = (d) + (e)	138.62	64.86	64.78	68.88	92.13	429.28
Regulatory operating Profit	(g) = (b) + (c) - (f)	(92.64)	(4.64)	(10.05)	(7.92)	(15.16)	(130.41)
Average RAB	(h)	24.23	35.21	48.34	58.68	75.10	241.55
Return on Average RAB	(i) = (a)*(h)	3.39	4.93	6.77	8.21	10.51	33.82
Corporate Tax	(j)	0.00	0.00	0.00	0.00	0.00	0.00
True up of FY 2016-17 & FY 2017-18	(k)	37.43	0.00	0.00	0.00	0.00	37.43
Interest on Working Capital	(l)	4.42	1.42	0.53	0.64	0.95	7.96
ARR	(m) = {(f)+(i) + (j)+(k)+(l) - (c)}	179.13	67.01	69.82	75.59	99.58	491.13
Shortfall	(n) = (m-b)	137.88	10.99	17.35	16.78	26.62	209.62
PV Factor		1.93	1.69	1.48	1.30	1.14	7.54
Shortfall	(q) = (n)*(p)	265.47	18.56	25.70	21.81	30.35	361.90
Total Shortfall							361.90

4.2 Authority's examination of True up of the First Control Period at Consultation Stage

4.2.1 The decisions taken at the time of determination of tariff for Aeronautical services for the First Control Period vide Order No. 13/ 2019-20 dated October 30, 2017 had been reproduced below:

Decision No. 1. Regarding traffic forecast

(i) The Authority decides to consider traffic projections as per Table 6.

(ii) The Authority decides to true-up the traffic volume (ATM and passengers) on the basis of actual traffic in 1st Control Period while determining tariffs for the 2nd Control Period.



Decision No. 2. Regarding allocation of assets

(i) The Authority decides the allocation of gross block of assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 11.

Decision No. 3. Regarding Initial RAB

(i) The Authority decides to consider the initial regulatory asset base for the 1st Control Period for Patna Airport as INR 15.36 crores in accordance with Table 13

Decision No. 4. Regarding capital expenditures.

(i) The Authority decides to adopt the capital expenditures for the 1st control period in accordance with Table 19.

Decision No. 5. Regarding depreciation.

(i) The Authority decides to adopt depreciation rates for Patna Airport as per Table 24 for the 1st control period.

(ii) The Authority decides depreciation amounts as per Table 26 for the 1st control period.

Decision No. 6. Regarding average RAB.

(i) The Authority decides to consider average RAB for the 1st Control Period for Patna Airport as per Table 28.

Decision No. 7. Regarding Fair Rate of Return (FROR).

(i) The Authority decides to consider Fair Rate of Return as 14% for the first four years of the Control Period for Patna Airport. For the fifth year, the Authority decides to consider the Fair Rate of Return as 11.54%.

Decision No. 8. Regarding non-aeronautical revenues

(i) The Authority decides to consider non-aeronautical revenues for the 1st control period for Patna Airport in accordance with Table 37.

Decision No. 9. Regarding O&M expenses

(i) The Authority decides to consider O&M expenses for the 1st Control Period for Patna Airport as per Table 45

Decision No. 10. Regarding tax expense

(i) The Authority decides to consider tax expense for the 1st Control Period for Patna Airport as per Table 50.

Decision No. 11. Regarding true-up

(i) The Authority decides to consider the true up calculations for the First Control Period for Patna Airport as per Table 56.

Decision No. 12. Regarding Aggregate Revenue Requirement.

(i) The Authority decides to consider the ARR and Yield for the 1st Control Period for Patna Airport in accordance with the Table 60.

Decision No. 13. Regarding tariff rate card.

(i) The Authority decides a tariff card for 1st Control Period as given in Annexure-1.



(ii) The Authority decides to set tariff for international operations at Patna Airport at the same levels as for domestic operations at Patna Airport.

4.3 True up of Traffic

4.3.1 AAI had submitted Passenger Traffic and ATM for PIA 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 PIA

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In Millions)					
Domestic	4.06	4.53	2.71	2.97	3.75
International	-	-	-	-	-
Total	4.06	4.53	2.71	2.97	3.75
ATM (In No's)					
Domestic	28,087	30,953	21,572	25,501	27,931
International	-	-	-	-	-
Total	28,087	30,953	21,572	25,501	27,931

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

4.3.2 The traffic approved by the Authority in the Tariff Order No. 13/ 2019-20 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 the First Control Period

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Passenger (In millions)					
Domestic	4.06	5.20	5.98	6.88	8.80
International	-	-	-	-	-
Total	4.06	5.20	5.98	6.88	8.80
ATM (In No's)					
Domestic	28,087	33,143	39,109	46,149	54,456
International	-	-	-	-	-
Total	28,087	33,143	39,109	46,149	54,456

4.3.3 The Authority noted that the major variation between 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) was attributable to the adverse impact of COVID-19 pandemic. After the outbreak of COVID-19 pandemic in December 2019, many chartered flights were cancelled, due to which the domestic passenger traffic showed a decreasing trend.

4.3.4 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.

4.3.5 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. 1 (ii) of the Tariff Order No. 13/ 2019-20 dated October 24, 2019, which states "The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in First Control Period while determining tariff for the



Second Control Period.”

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

4.3.6 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

4.3.7 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. 23/ 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 PIA is as follows:

Table 7: Capital additions during the First Control Period submitted by AAI for PIA

(₹ Crores)					
S. No	Asset category	Approved Capex as per Tariff Order (1)	Actual CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)	Financing Allowance (included in Actual CAPEX)
A. CAPEX incurred towards projects approved by AERA for First Control Period					
A1	Road, Bridges & Culverts	81.68	-	(81.68)	
A2	Runway, Taxiway and Aprons	10.46	7.44	(3.02)	0.58
A3	Building- Terminal	430.36	2.92	(427.44)	
A4	Building ~ Residential	32.56	19.44	(13.12)	
A5	Boundary Wall- Operational	-	0.09	0.09	
A6	Intangible Assets- Software	-	0.03	0.03	
A7	Plant & Machinery	4.06	2.08	(1.98)	
A8	Tools & Equipment	0	0.60	0.60	
A9	Other Vehicles	1.43	1.08	(0.35)	
A10	Electrical Installations	241.22	-	(241.22)	
A11	Other Office Equipment	0	0.32	0.32	
A12	CFT/Fire Fighting Equipment	4.03	5.29	1.26	
	Total Approved CAPEX (A)	805.80	39.29	(766.51)	0.58
B. Unplanned/ Unapproved CAPEX incurred by PIA during First Control Period					
B13	Runway, Taxiway and Aprons		0.65	0.65	
B14	Road, Bridges & Culverts		3.99	3.99	
B15	Building- Terminal		14.32	14.32	
B16	Building ~ Residential		0.73	0.73	
B17	Other Buildings-Unclassified		1.15	1.15	
B18	Computer & Peripherals: End User Devices		0.55	0.55	
B19	Software		0.10	0.10	
B20	Plant & Machinery		22.43	22.43	0.90

TRUE UP OF THE FIRST CONTROL PERIOD

S. No	Asset category	Approved Capex as per Tariff Order (1)	Actual CAPEX incurred in 1st Control Period (2)	Variance (2)-(1)	Financing Allowance (included in Actual CAPEX)
B21	Tools & Equipment		3.87	3.87	
B22	Office Furniture		1.83	1.83	
B23	Other Vehicles		1.64	1.64	
B24	Other Office Equipment		0.45	0.45	
B25	Furniture & Fixtures: Trolleys		0.18	0.18	
B26	X Ray Baggage System		2.00	2.00	
	Total Unapproved CAPEX incurred (B)		53.89	53.89	0.90
	Total CAPEX incurred (A+B)	805.80	93.16	(712.62)	1.48

4.4.2 The Authority noted a variance of ₹ 766.51 Crores between CAPEX approved by the Authority and that incurred by AAI from the approved CAPEX for the First Control Period, which had been detailed asset-wise in Table 7. Even with the amount incurred on unplanned / unapproved CAPEX (₹ 93.16 Crores), still there is a shortfall of ₹ 712.62 Crores.

4.4.3 The CAPEX approved by the Authority in the Tariff Order for the First Control Period was ₹ 805.80 Crores. Year- wise details of the CAPEX approved by the Authority had been provided as follows:

Table 8: Capital expenditure approved in 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	Runway, Apron & Taxiway	6.26				4.20	10.46
2	Road, Bridges & culverts					81.68	81.68
3	Building- Terminal	5.59	11.81			398.35	415.75
4	Building Semi Terminal	0.95	13.66				14.61
5	Building Residential		32.56				32.56
6	P&M	4.06					4.06
7	Electrical Installation	1.59	11.97			227.66	241.22
8	CFT/ Fire Fighting Equipment	4.03					4.03
9	Others	1.43	-				1.43
	Total	23.91	70.00	-	-	711.89	805.80

4.4.4 AAI had submitted the following depreciation for the First Control Period for PIA:

Table 9: Depreciation for the First Control Period submitted by AAI for PIA
(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.06	0.04	0.04	0.04	0.04	0.22
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	0.13	0.27	0.40
Road, Bridges & Culverts	0.29	0.49	0.67	0.67	0.67	2.77

TRUE UP OF THE FIRST CONTROL PERIOD

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Building- Terminal	0.18	0.24	0.49	0.71	0.70	2.32
Building - Temporary	-	-	-	-	-	-
Building - Residential	0.14	0.11	0.11	0.11	0.44	0.91
Security Fencing - Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.30	0.31	0.30	0.16	0.10	1.18
Boundary Wall - Residential	0.03	0.03	0.03	0.03	0.02	0.15
Other Buildings-Unclassified	-	0.03	0.05	0.08	0.11	0.28
Computer & Peripherals: End User Devices	0.05	0.08	0.01	-	-	0.13
Intangible Assets- Software	0.01	0.02	0.03	0.03	0.00	0.08
Computer & Peripherals: Servers & Networks	-	-	-	-	-	-
Plant & Machinery	0.28	0.50	0.69	0.89	1.32	3.68
Tools & Equipment	0.03	0.14	0.26	0.29	0.31	1.04
Office Furniture	0.04	0.15	0.23	0.25	0.26	0.92
Other Vehicles	0.08	0.15	0.26	0.34	0.38	1.21
Electrical Installations	0.85	0.81	0.78	0.75	0.68	3.86
Other Office Equipment	0.10	0.14	0.14	0.16	0.00	0.54
Furniture & Fixtures: Other Than Trolley	0.07	0.06	0.05	0.05	0.05	0.28
Furniture & Fixtures: Trolleys	0.09	0.12	0.05	-	-	0.27
X Ray Baggage System	0.08	0.14	0.19	0.19	0.19	0.79
CFT/Fire Fighting Equipment	0.74	0.52	0.35	0.35	0.35	2.33
Total	3.43	4.07	4.73	5.23	5.90	23.36

Authority's examination and proposal regarding true up of Capital expenditure (CAPEX), Depreciation and RAB of the First Control Period at 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 and observed that AAI had not implemented 95% of approved CAPEX. The major items of variances were presented asset-wise in the below paragraphs.

A1: Road, Bridges/Culverts: The Authority had approved CAPEX of ₹ 81.68 Crores in the First Control Period. However, the Authority noted that AAI had not executed the above project due to COVID-19 pandemic.

A3 and A10: Terminal Building and Electrical Installations: The Authority had approved capital expenditure of ₹ 626.01 Crores (out of which 63% was of Terminal Building and 37% was allocated to electrical installations) towards Construction of Terminal Building in the Tariff Order for the First Control Period for PIA. However, the Authority noted that AAI had not executed the above project due to COVID-19 pandemic, resulting in non-incurrence of CAPEX by AAI. The Authority further noted that AAI had shifted the capitalization of this project to the Second Control Period i.e. FY 2023-24.

A3: Terminal Building (actual expenses incurred): The Authority analysed that AAI had incurred ₹ 0.30 Crores in the First Control Period towards Porta Cabin for SHA Expansion on the 1st floor. Further, ₹ 2.61 Crores had been incurred on Prefab structure for Terminal Building extension. The Authority noted that these expenses were approved in the Tariff Order for the First Control Period and therefore proposed to consider the same as part of True up of the First Control Period.

A12. CFT/Fire Fighting Equipment: The Authority observed that AAI had incurred ₹5.29 Crores towards purchase of one CFT/ Fire Fighting Equipment, as against ₹4.03 Crores approved in the Tariff Order for the First Control Period. As Firefighting equipment are essential from Airport and

passenger safety, the Authority considered the same to be justifiable and in line with the cost incurred in other similar airports.

A7 and B20: Plant & Machinery: The Authority noted that AAI had spent ₹24.51 Crores (₹2.08 Crores of planned expenses and ₹22.43 Crores of unplanned expenses) over and above the approved CAPEX for the First Control Period. Year wise analysis of the expenses is as follows:

- i. FY 2018-19: CAPEX of ₹5.30 Crores was incurred towards procurement of Rubber Removal Machine; ₹ 0.32 Crores was incurred on CCTV cameras, Heavy Duty Grass Cutting Machine, Power Supply Augmentation and SITC of water cooler and water purifier.
- ii. FY 2019-20: CAPEX of ₹0.57 Crores was incurred on a 750 KVA DG Set to support infrastructure developments in the Airport.
- iii. FY 2020-21: An amount of ₹2.96 Crores was incurred towards HVAC, Fire Fighting, Fire Alarm, Wiring etc. towards extension of the Terminal Building and ₹ 2.12 Crores were incurred towards SITC of Public Address System, CCTV etc.
- iv. FY 2021-22: An amount of ₹0.66 Crores for a Conveyor Belt and other unplanned works.
- v. FY 2022-23: An amount of ₹5.18 Crores was incurred for Power Supply enhancements, PAPI lights (₹ 0.33 Crores), Transformers (₹ 0.35 Crores), DG Sets (₹ 0.78 Crores), WTP (₹ 0.47 Crores), Water Supply Pumps, Fire Fighting (₹ 1.02 Crores), Fire Alarm, and 33 KV Electric Connection (₹ 0.75 Crores).

The Authority through its Independent Consultant reviewed and verified each asset item in detail and found it essential and necessary for smooth conduct of Airport Operations and the actual cost amounting to ₹ 24.51 Crores incurred therein was justifiable. The Authority considered all these expenditures as justified for operational requirements.

B14: Road, Bridges/Culverts: The Authority observed that AAI had carried out Widening and Strengthening of Perimeter Road with an allocation of ₹2.77 Crores and Cooling Pit with Approach Path with an expenditure of ₹0.16 Crores.

Further, the Authority observed that AAI had spent ₹0.44 Crores for New Ramp area in FY 2018-19 and ₹0.61 Crores in FY 2019-20, for strengthening of the existing temporary aircraft stand. The Authority considered the same as crucial for security and safety of airport operations and proposed to consider this CAPEX for true up of the First Control Period.

A8 and B21. Tools & Equipment: The Authority noted that AAI had incurred ₹4.46 Crores (where in ₹0.60 Crores was planned and ₹ 3.87 Crores was unplanned) for First Control Period, which include FIDS, Human Life Detector, CCTV cameras, Bomb Suit EOD, Real Time Viewing System, ETD, and Blast Inhibitor. The Authority considered all these expenditures as necessary for safety and security of the Airport and therefore considered the same as justifiable.

A9 and B23. Other Vehicles: The Authority noted that ₹2.72 Crores had been incurred on vehicles which comprises of ₹ 1.08 Crores of approved CAPEX that includes BDDS Vehicle, Grass Cutting Machine and Mobile Command Post and ₹ 1.64 Crores of Unplanned CAPEX which includes Airport Runway Surface Friction Tester, 75 HP Tractor heavy duty (for grass cutting), Ambulifts etc. As these vehicles were for operational purposes, the Authority considered the same to be justifiable.



B15: The Authority had approved ₹ 14.61 Crores of CAPEX towards "Building Semi- Permanent" in the Tariff Order for the First Control Period. However, the Authority observed that this CAPEX had been categorised by AAI under unplanned CAPEX and shown as part of "Terminal Building".

The Authority noted that AAI had incurred ₹ 12.94 Crores for Extension of Terminal Building in FY 2020-21 and ₹ 0.50 Crores for Extension & Modification of Baggage handling area in FY 2022-23. The Authority proposed to consider the same as part of True up of the First Control Period, as the same had been approved in the Tariff Order for the First Control Period.

B17. Other Building: The Authority noted that AAI had spent ₹0.54 Crores and ₹0.61 Crores, respectively, on constructing CISF Commandant Office and Dog Kennel, which were within the Airport premises. The Authority observed that these projects were essential for security purposes and therefore considered the same to be reasonable.

B22. Office Furniture: The Authority noted that ₹1.83 Crores was incurred by AAI towards purchase of furniture such as chairs, dustbins, check-in counters and baggage tables for the Terminal Building and considered the same to be reasonable.

B26: X- Ray Baggage System: The Authority noted that ₹ 1.96 Crores had been incurred by AAI on RB X-BIS amounting to ₹ 0.94 Crores and HB X-BIS amounting to ₹ 1.01 Crores. To avoid congestion at the Patna Airport and also, as a security related requirement, the Authority considered this CAPEX for True up of the First Control Period.

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

4.4.6 AAI had claimed an amount of ₹1.48 Crores towards Financing Allowance (FA) and IDC of ₹ 0.80 Crores as part of its true up submission for the First Control Period.

4.4.7 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.

In the background of the above facts, the Authority proposed to consider IDC amounting to ₹ 0.80 Crores incurred by AAI on the debts availed for execution of capital projects in the First Control Period and proposed not to allow the Financing allowance of ₹ 1.48 Crores claimed by AAI for the First Control Period.

4.4.8 Based on the above factors, the difference of ₹1.48 Crores in the CAPEX for the First Control Period, 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 ₹ 91.68 Crores (after excluding Financing allowance of ₹ 1.48 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 Consultation Stage

S. No	Asset category	(₹ Crores)					Total
		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
A. CAPEX incurred towards projects approved by AERA for First Control Period							
1	Runways, Aprons and Taxiways	-	-	-	6.86	-	6.86
2	Building- Terminal	0.30	2.61	-	-	-	2.92
3	Building – Residential	-	-	-	-	19.44	19.44
4	Boundary Wall- Operational	-	0.09	-	-	-	0.09
5	Intangible Assets- Software	0.03	-	-	-	-	0.03
6	Plant & Machinery	0.16	0.15	-	-	1.77	2.08
7	Tools & Equipment	0.18	0.42	-	-	-	0.60
8	Other Vehicles	-	1.08	-	-	-	1.08
9	Other Office Equipment	0.17	-	0.14	-	-	0.32
10	CFT/Fire Fighting Equipment	5.29	-	-	-	-	5.29
	Total Approved CAPEX (A)	6.12	4.35	0.14	6.86	21.22	38.70



S. No	Asset category	FY	FY	FY	FY	FY	Total
		2018-19	2019-20	2020-21	2021-22	2022-23	
B. Unplanned/ Unapproved CAPEX incurred by Patna International Airport during First Control Period							
11	Runways, Aprons and Taxiways	-	-	-	0.65	-	0.65
12	Road, Bridges & Culverts	0.44	3.55	-	-	-	3.99
13	Building- Terminal	0.71	0.17	12.94	-	0.51	14.32
14	Building – Residential	-	-	-	-	0.73	0.73
15	Other Buildings-Unclassified	-	0.54	-	0.61	-	1.15
16	Computer & Peripherals: End User Devices	-	0.30	0.15	-	0.10	0.55
17	Intangible Assets- Software	-	0.10	-	-	-	0.10
18	Plant & Machinery	5.62	0.59	5.08	1.03	9.21	21.53
19	Tools & Equipment	0.13	2.67	0.44	0.61	0.01	3.87
20	Office Furniture	0.49	1.11	0.02	0.21	-	1.83
21	Other Vehicles	0.24	0.01	0.65	0.64	0.10	1.64
22	Other Office Equipment	0.14	0.30	-	-	-	0.45
23	Furniture & Fixtures: Trolley	0.18	-	-	-	-	0.18
24	X Ray Baggage System	0.04	1.96	-	-	-	2.00
Total Unapproved Capex (B)		7.99	11.29	19.28	3.76	10.66	52.99
Total CAPEX incurred (A+B)		14.12	15.64	19.42	10.62	31.88	91.68

4.4.9 The Authority proposed to consider CAPEX of ₹ 91.68 Crores (which only excludes Financing Allowance of ₹ 1.48 Crores) as against CAPEX of ₹ 93.16 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 (₹ 91.68 Crores) also included unapproved CAPEX of ₹ 52.99 Crores, as the Authority noted that the same was incurred by AAI for PIA 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 took 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/ 2017-18 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 in the year of capitalization of the assets.

4.4.12 Based on the above factors, the Authority had re-computed the depreciation as ₹ 22.54 Crores and the same is presented below:



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

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.06	0.04	0.04	0.04	0.04	0.22
Taxiway	-	-	-	-	-	-
Aprons	-	-	-	0.06	0.25	0.31
Road, Bridges & Culverts	0.23	0.33	0.36	0.36	0.36	1.63
Building- Terminal	0.18	0.28	0.51	0.71	0.70	2.37
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.14	0.15	0.11	0.11	0.32	0.82
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.30	0.31	0.30	0.16	0.10	1.18
Boundary Wall – Residential	0.03	0.03	0.03	0.03	0.02	0.15
Other Buildings-Unclassified	-	0.00	0.02	0.03	0.04	0.09
Computer & Peripherals : End User Devices	0.04	0.06	0.13	0.16	0.14	0.52
Intangible Assets- Software	0.00	0.01	0.03	0.03	0.03	0.09
Computer & Peripherals : Servers & Networks	-	-	-	-	-	-
Plant & Machinery	0.13	0.49	0.70	0.90	1.05	3.26
Tools & Equipment	0.02	0.13	0.25	0.30	0.31	1.02
Office Furniture	0.01	0.34	0.53	0.57	0.27	1.72
Other Vehicles	0.07	0.15	0.25	0.31	0.39	1.17
Electrical Installations	0.85	0.81	0.78	0.75	0.68	3.86
Other Office equipment	0.10	0.13	0.15	0.16	0.16	0.69
Furniture & Fixtures: Other Than Trolley	0.07	0.06	0.05	0.05	0.05	0.28
Furniture & Fixtures: Trolley	0.02	0.03	0.03	0.03	0.03	0.14
X Ray Baggage System	0.09	0.20	0.19	0.19	0.19	0.85
CFT/Fire Fighting Equipment	0.57	0.52	0.35	0.35	0.35	2.15
Total	2.92	4.07	4.80	5.29	5.46	22.54

Note: Variance in the depreciation proposed by the Authority (₹ 22.54 Crores) and that claimed by AAI (₹ 23.36 Crores) is on account of following factors:

- Disallowance of Financing Allowance of ₹ 1.48 Crores 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 Consultation Stage

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Opening RAB (A)*	19.04	29.92	41.50	56.12	61.46	
Additions (B) (refer Table 10)	14.12	15.64	19.42	10.62	31.88	91.68



Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Disposal/Transfers (C)**	0.31	-	-	-	-	0.31
Depreciation (D) (Refer Table 11)	2.92	4.07	4.80	5.29	5.46	22.54
Closing RAB (E) = [(A) + (B) - (C) - (D)]	29.92	41.50	56.12	61.46	87.88	
Average RAB = [(A) + (E)]/2	24.48	35.71	48.81	58.79	74.67	

* Opening RAB has been obtained from Table No. 28 of Tariff Order 13/2019-20 dated October 24, 2019.

**Note: Disposals of ₹ 0.31 Crores is due to demolition of Quarters for clearing the area to facilitate the construction of Terminal Building.

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

4.4.13 No comments were received from the Stakeholders 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

4.4.14 The Authority notes that no comments were received from the Stakeholders regarding true up of Capital Expenditure, Depreciation and RAB for the First Control Period. Hence, the Authority has decided to consider the Capital Expenditure, Depreciation and RAB as per Table 10, Table 11 and Table 12 respectively, for true up of the First Control Period,

4.5 True up of Fair Rate of Return

4.5.1 The Authority noted that AAI had claimed 14% as Fair Rate of Return as part of its True up submission for the First control period. Further, the Authority noted that the AAI had availed debt of ₹ 60.97 Crores @ 7.93% p.a. from FY 2020-21 to FY 2021-22 and ₹ 54.34 Crores for FY 2022-23 @ 8.25% p.a. (debts totaling to ₹ 115.31 Crores). Further, the Cost of Equity was proposed by AAI as 16% and Cost of Debt as 7.93% during the First Control period.

The Authority observed that the cost of Debt for Patna International Airport varies from 6.75% to 8.25% during the First Control Period, which is higher in comparison to other AAI Airports, such as Bhubaneswar, Goa Pune etc. Further, AAI via email dated December 28, 2023 communicated that such increase is primarily due to the significant rise in benchmark rates of the SBI and Axis Bank term loans availed by AAI in different tranches during FY 2020-21 and FY 2021-22 respectively. Based on the above, the Authority considered the average of the Cost of Debt submitted by AAI in First Control Period.

4.5.2 Further, the Authority noted that AAI had availed debts amounting to ₹ 179.57 Crores for the period from FY 2020-21 to FY 2024-25 (out of which ₹ 115.31 Crores was availed in the First Control Period and ₹ 64.26 Crores in the Second Control Period). The Authority also noted that some major capital projects such as construction of Terminal Building, for which the debts were availed by AAI in the First Control Period, had been shifted to the Second Control Period. In this scenario, the total debts availed by AAI in the First Control Period, appeared to be higher than the assets capitalized as part of RAB in the First Control Period.

Therefore, the Authority for the purpose of determining FRoR proposed to consider the Debt :Equity ratio of AAI in the following manner:



Table 13: Debt Equity ratio considered by the Authority for determining FRoR at Consultation Stage

(in ₹ Crores)

Particulars	Amount (₹ Crores)	Remarks
Debts availed by AAI = (A)	179.57	
Capital additions proposed by AAI = (B)	1,041.03	Capital additions of only those years during which debt is availed by AAI has been considered, as it is presumed that debts are availed for execution of capital projects that were initiated in the First Control Period and proposed to be executed in the Second Control Period
Proportion of debt used for capital addition projects (C) = (A/B%)	17.24%	
Proportion of Equity used for capital addition projects (D) = 1 - (C)	82.76%	
Proforma Debt – Equity ratio considered for determination of FRoR	17%:83%	The debt equity ratio of 17%:83% has been considered by the Authority for determining FRoR for the First and the Second Control Period.

4.5.3 Based on the above factors, the Authority had computed FRoR for the First Control Period by considering average cost of debt as 7.52% (based on cost of debt submitted by AAI for the 5 tariff years) and cost of Equity as 14% (as explained in para 7.2.1). The same is shown as follows:

Table 14: FRoR proposed to be considered by the Authority for True up of the First Control Period at Consultation Stage

(in ₹ Crores)

Reference	Reference	Value
Cost of equity	A	14.00%
Cost of debt	B	7.52%
Proforma Gearing of Debt	C	17.00%
Proforma Gearing of Equity	D	83.00%
Fair Rate of Return	$E = (C*B)+(1-C)*A$	12.90%

4.5.4 Based on the above, the Authority proposed to consider FRoR @ 12.90% for True up of the First Control Period.

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

4.5.5 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. 23/2023-24 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

4.5.6 AAI has commented the following:



Para 4.5 of CP

"AAI had appointed M/s KPMG to carry out a study on Cost of Equity during 2011 the results of which are given below:

Table 3: Beta of comparable airports

Airport / Group	Country	Equity Beta	Tax Rate	Debt (in Billion local currency)	Mkt Cap (in Billion local currency)	Debt /Mcap	Asset Beta
Airports of Thailand PCL	Thailand	1.14	30%	56.2	54.3	1.03	0.66
Beijing Capital International Airport	China	1.03	25%	18.5	14.8	1.25	0.53
Guangzhou Baiyun International Airport	China	0.91	25%	0.0	8.3	0.00	0.91
Shanghai International Airport	China	1.04	25%	2.5	22.0	0.11	0.96
Xiamen International Airport	China	0.95	25%	0.0	4.1	0.00	0.95
Grupo Aeroportuario del Sureste SAB de CV (Group of 9 airports in Mexico)	Mexico	0.94	30%	0.6	21.0	0.03	0.92
Grupo Aeroportuario del Pacifico SAB de CV	Mexico	0.84	30%	1.0	27.2	0.04	0.82
Grupo Aeroportuario Centro Norte, S.A. de C.V	Mexico	0.99	30%	1.0	9.2	0.10	0.92

The median value of asset beta for the above comparable set is 0.92 which is being used as the asset beta for airport operations business of AAI. This needs to be re-levered as per the expected gearing of AAI in the control period to estimate the equity beta for AAI.

Table 4: Equity Beta for AAI

Estimated asset beta for AAI	0.92
Gearing for AAI	8.84%
Tax rate for AAI	32.45%
Equity beta for AAI	0.98

Equity beta for AAI works out to 0.98.

- For full Report, please refer Consultation Paper No. 16/2012-13.
- Based on the above report, AAI submitted during SCP consultation that the CoE was 16%. AERA in the SCP order had also considered CoE of 16% and since there was low debt, the FRoR was determined to be 14%. AAI submits that the debt was taken for last three years and hence, requests AERA to consider FRoR of 14% for FCP.
- The Equity estimation can also yield a range of values depending on the assumptions employed.
- Cost of Equity 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, 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, DLAL, 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.
- AERA is requested to consider the FRoR@14% as submitted by AAI instead of an Average FRoR @ 12.90% for FCP."

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

4.5.7 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 12.90 % provided to the PLA is higher in comparison to some of the Airports such as Chennai (11.98%), Cochin (11.63%) and Pune (11.68%). Without prejudice to the above, there appears to be no rationale to provide higher return to PLA 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

4.5.8 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 PLA 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

4.5.9 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 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 12.90% (which is presently allowed to AAI in True Up for First Control Period).

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.



4.5.10 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 development is a capital intensive and has long gestation period, where investors desire a reasonable return on their investments.

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 14.

4.6 True up of Non-aeronautical revenues

4.6.1 The Authority noted that the actual Non-aeronautical revenue submitted by AAI for PIA for true up of the First Control Period was ₹ 57.87 Crores and the same has been presented in the table below:

Table 15: Actual Non-aeronautical revenue for the First Control Period submitted by AAI for PIA

(₹ Crores)

Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
Restaurant / Snack Bars	2.53	2.84	1.51	1.82	3.13	11.84
T.R. Stall	1.34	1.23	0.75	0.93	1.29	5.56
Hoarding & Display	2.92	3.31	1.62	1.07	1.64	10.56
Land Leases	0.53	0.01	0.09	0.11	1.38	2.13
Building (Residential)	0.03	0.00	0.00	-	0.01	0.04
Building (Non-Residential)	3.66	3.42	2.00	1.61	1.29	11.97
Car Rentals	0.07	0.08	0.03	-	-	0.19
Car Parking	2.89	1.61	0.56	0.76	1.29	7.11
Admission Tickets	0.02	0.11	0.02	0.02	0.04	0.22
Other Income/ Sale Of Scrap	1.76	1.40	0.95	0.84	0.24	5.20
Dept. Adm. Charges*	-	-	-	-	3.07	3.07
TOTAL	15.76	14.02	7.54	7.17	13.39	57.87

* Department Administration Charges are in respect to Hangers with Offices, VIP Lounge and Flying Club offices, which AAI had constructed as deposit work.

4.6.2 The Non-aeronautical revenue approved by the Authority in the Tariff Order for First Control Period was ₹ 89.90 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 16: Non-aeronautical revenue approved in the Tariff Order by the Authority for the First Control Period

(₹ Crores)

S. No.	Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
1	Restaurant / Snack Bars	2.47	3.24	3.57	3.93	4.51	17.72
2	T.R. Stall	1.72	2.11	2.32	2.56	2.94	11.65
3	Hoarding & Display	2.58	2.84	3.13	3.44	3.95	15.94
4	Building (Residential)	0.03	0.03	0.03	0.03	0.03	0.15
4	Building (Non-Residential)	4.84	5.32	5.85	6.44	7.73	30.18
5	Car Rentals	0.07	0.08	0.09	0.10	0.11	0.45
6	Car Parking	1.36	1.49	1.64	1.80	2.08	8.37
7	Admission Tickets	0.22	0.29	0.33	0.38	0.48	1.7
8	Other Income/ Sale Of Scrap	0.68	0.71	0.75	0.78	0.82	3.74
	TOTAL	13.97	16.11	17.71	19.46	22.65	89.90

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 (₹ 57.87 Crores) submitted by AAI for PIA for the First Control Period was lower than that approved by AERA in the tariff order for the First Control Period (₹ 89.90 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 adverse effects of COVID 19 pandemic during FY 2020-21 to FY 2022-23. Moreover, the Authority observed that the project of Terminal Building had been shifted to the Second Control Period.
- 4.6.4 Based on the above analysis, the Authority proposed to consider the actual Non-aeronautical revenue as presented in Table 15 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

- 4.6.5 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

- 4.6.6 The Authority notes that no comments were received from the Stakeholders regarding true up of Non-aeronautical for the First Control Period.
- 4.6.7 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 ₹ 3.59 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 17: Non-aeronautical Revenue decided for the First Control Period**(in ₹ Crores)*

Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
Restaurant / Snack Bars	2.53	2.84	1.51	1.82	3.13	11.84
T.R. Stall	1.34	1.23	0.75	0.93	1.29	5.56
Hoarding & Display	2.92	3.31	1.62	1.07	1.64	10.56
Land Leases	0.53	0.01	0.09	0.11	1.38	2.13
Building (Residential)	0.03	0.00	0.00	-	0.01	0.04
Building (Non-Residential)	3.66	3.42	2.00	1.61	1.29	11.97
Car Rentals	0.07	0.08	0.03	-	-	0.19
Car Parking	2.89	1.61	0.56	0.76	1.29	7.11
Admission Tickets	0.02	0.11	0.02	0.02	0.04	0.22
Other Income/ Sale Of Scrap	1.76	1.40	0.95	0.84	0.24	5.20
Dep. Adm. Charges	-	-	-	-	3.07	3.07
TOTAL (A)	15.76	14.02	7.54	7.17	13.39	57.87
Reclassification from Non- aeronautical to Aeronautical revenue (B)						
Less: Space Rental from Airlines	(0.91)	(0.76)	(0.82)	(0.79)	(0.31)	(3.59)



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Revenue Category	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	TOTAL
Total Non-aeronautical revenue = (A-B)	14.85	13.26	6.72	6.38	13.07	54.28

Note: The variance in the NAR decided by the Authority (₹ 54.28 Crores) and proposed by the Authority at the Consultation Stage (₹ 57.87 Crores) is on account of re-classification of Space Rental from Airlines from Non-aeronautical to Aeronautical Revenue.

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 PIA for true up of the First Control Period was ₹ 405.92 Crores and the same has been presented in the table below:

Table 18: Actual O&M expenses submitted by AAI for PIA 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	Payroll exp- Non CHO/RHO	13.66	19.39	18.33	17.48	21.68	90.54
2	Payroll exp- CHO/RHO	81.55	2.29	0.40	0.63	(0.41)	84.46
A	Total Payroll Expenditure(A)	95.20	21.68	18.74	18.11	21.27	175.00
3	Admin & Gen -Non CHO /RHO	3.28	3.73	4.33	4.22	5.61	21.17
4	Admin & Gen CHQ/ RHQ	27.74	25.78	31.79	33.38	35.05	153.73
B	Total Administration & General Expenditure (B)	31.02	29.52	36.12	37.60	40.65	174.90
C	Total R&M Expenses (C)	4.62	6.33	2.65	4.46	19.43	37.50
5	Power	1.93	2.32	1.92	2.69	2.97	11.83
6	Water	-	-	-	-	0.03	0.03
7	Consumption of Stores and Spares	0.25	0.36	0.44	0.46	0.51	2.03
8	Other charges	0.13	0.13	0.06	0.18	0.42	0.92
D	Utilities & outsourcing (D)	2.32	2.80	2.42	3.34	3.90	14.78
E	Other Outflow- Collection charges on UDF (E)	2.03	0.47	0.12	0.14	0.98	3.74
	TOTAL (A+B+C+D+E)	135.19	60.80	60.05	63.65	86.23	405.92

4.7.2 The O&M expenses approved by the Authority in the Tariff Order for First Control Period was ₹ 305.85 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 19: O&M expenses as per the Tariff Order for the First Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Payroll exp- Non CHQ/RHQ	17.16	18.43	19.72	21.1	24.68	101.09
Payroll exp- CHQ/RHQ	3.01	3.22	3.44	3.68	4.31	17.66
Total Payroll Expenditure(A)	20.17	21.65	23.16	24.78	28.99	118.75
Admin & Gen -Non CHQ /RHQ	2.35	2.56	2.8	3.05	3.42	14.18
Admin & Gen CHQ/ RHQ	20.52	21.55	22.62	23.76	24.94	113.39
Total Administration & General Expenditure (B)	22.87	24.11	25.42	26.81	28.36	127.57
Total R&M Expenses (C)	4.23	9.84	10.3	10.81	11.38	46.56
Utilities & outsourcing (D)	2.04	2.07	2.11	2.15	2.36	10.73



TRUE UP OF THE FIRST CONTROL PERIOD

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Other Outflow- Collection charges on UDF (E)	0.29	0.38	0.43	0.5	0.64	2.24
TOTAL (A+B+C+D+E)	49.60	58.05	61.42	65.05	71.73	305.85

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

4.7.3 The Authority noted a variance of ₹ 100.07 Crores (32.71%) between the actual O&M expenses incurred by the PIA and that approved by the Authority in the Tariff Order for the First Control Period. The Authority had examined the variances and the same had been explained in the below-mentioned paragraphs

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 payroll expenses other than CHQ/ RHQ submitted by AAI for PIA (₹ 90.53 Crores) was within the expense approved by the Authority in the Tariff Order of the First Control Period (₹ 101.09 Crores).

Therefore, the Authority proposed to consider the actual payroll expenses other than CHQ/RHQ of FY 2018-19 to FY 2022-23 for true up of the First Control Period.

- **Actuarial valuation retirement Benefits:** The Authority observed that AAI had submitted ₹ 81.55 Crores towards retirement benefits for FY 2018-19 which was significantly higher than the amount submitted for the other tariff years in the First Control Period. Upon enquiry, AAI vide email dated January 10, 2024 had clarified that the actual retirement benefit for FY 2018-19 was only ₹ 3.80 Crores and due to clerical errors, an incorrect amount of ₹ 81.55 Crores was submitted for FY 2018-19. The Authority had taken cognizance of the same while truing up the O&M expenses for 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 PIA 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 on a higher side 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 are 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 provide 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 were to be excluded towards the following:

- Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports.
- Officials of Directorate of Commercial.

Balance 80% of pay and allowances of CHQ and RHQ to be 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 were 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 20: Re-allocation of CHQ/ RHQ – Admin and Gen expenses proposed by the Authority for the First Control Period at Consultation Stage

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
CHQ/ RHQ – Admin & General expenses (approved in the Tariff Order of the First Control Period)	20.52	21.55	22.62	23.76	24.94	113.39
CHQ/ RHQ – Admin & General expenses (allocation done by AAI) = A	27.74	25.78	31.79	33.38	35.05	153.74
Revised allocation of CHQ/ RHQ expenses proposed by the Authority = B	22.86	21.87	27.37	28.74	30.17	131.01
Variance (A-B)	4.88	3.91	4.42	4.64	4.88	22.73

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 was also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalise the CHQ/ RHQ expenses being allocated to PLA.



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 (₹ 14.18 Crores) and actual expense claimed by AAI (₹ 21.17 Crores). The Authority noted that that such increase in Administration Expenses was due to awarding of new contract from FY 2018-19 onwards which entailed higher upkeep expenses and also hiring of manpower and increase in travelling expenses due to revised Travel Allowances rates with effect from April 2019.

The Authority noted that AAI had incurred ₹ 1.19 Crores towards CSR expenses during the First Control Period (i.e., ₹ 0.51 Crores in FY 2018-19, ₹ 0.41 Crores in FY 2019-20 and ₹ 0.28 Crores in FY 2020-21). In this regard, the Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided as under:

Section 135 (1) of Companies Act, 2013 states that 'Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.' Further section 135(5) states that 'The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility'.

The Authority noted that PIA had incurred losses in all the five tariff years during First Control Period. Therefore, the Authority proposed not to consider the CSR expenses claimed by AAI and considered Administration expenses of ₹ 19.93 Crores for the true up of the First Control Period.

- **Repair and Maintenance (R&M) expenses:** The Authority noted that the actual repair and maintenance cost for the First Control Period amounted to ₹ 37.50 Crores and the same was within the amount of ₹ 46.56 Crores approved by AERA in the Tariff Order for the First Control Period. Further, the Authority noted that the said Repairs & Maintenance had been incurred by the PIA on account of operational requirements, which is explained as follows:
 - R&M Civil amounting to ₹ 14.67 Crores were incurred towards modification of Toilet, renovation of VIP room, Borewell at CISF Barracks, Renovation of sewer line, replacement of old Signages, Renovation of BCS/IB/Civil Room
 - R&M Electrical amounting to ₹ 8.52 Crores were incurred towards Replacement of Low Tension cables, fire alarm & weighing scale & efficiency light, waterproofing of Exiting Terminal Building Area, Conveyor belt, water fountain and Annual maintenance charges.
 - Runway Recarpeting charges of ₹ 9.62 Crores had been incurred in FY 2022-23. The total expense on Runway Recarpeting amounted to ₹ 36.40 Crores, out of which ₹ 9.62 Crores had been charged



off to expenses in FY 2022-23 and the balance had been amortized as equal instalments during the Second Control Period (from FY 2023-24 to FY 2026-27).

Based on the above factors, the Authority proposed to consider the actual R&M expenses amounting to ₹ 37.50 Crores incurred by AAI for True up of the First Control Period.

- **Utilities & Outsourcing Expenses:** These expenses included Power charges, Fees paid to outsiders, water charges, hire charges of Car/Jeep & Consumption of Stores & Spares. AAI had incurred actual Utilities & Outsourcing Expenses of ₹ 14.78 Crores during First Control Period. However, the Actual Expense was much higher than the expense of ₹ 10.73 Crores approved in the Tariff Order for the First Control Period.

Power Expenses: AAI had incurred actual power charges of ₹ 14.69 Crores during First Control Period, out of which ₹ 2.86 Crores had been recovered from the Concessionaires and had claimed the net power charges of ₹ 11.83 Crores (Actual power charges less recoveries from Concessionaires) as a part of true up for the First Control Period.

The total power costs incurred, recoveries made from Concessionaires and the net power costs have been summarized in the table below:-

Table 21: Details of power costs incurred and recoveries made from Concessionaires

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Electricity Consumed (in 000')	2,600	3,117	2,581	3,625	3,999	
Total power costs (A)	2.80	2.91	2.30	3.09	3.59	14.69
Recoveries from Concessionaires (B)	(0.86)	(0.59)	(0.38)	(0.40)	(0.62)	(2.86)
Recoveries (%) = (B/A)%	31%	20%	17%	13%	17%	
Net power costs (A-B)	1.93	2.32	1.92	2.69	2.97	11.83

However, the actual power charges claimed by AAI (₹ 11.83 Crores) was slightly higher than the approved expense of ₹ 10.73 Crores. The Authority noted that higher power costs were incurred in the First Control Period as the Patna International Airport became 24 hours operational Airport starting from FY 2018-19 which increased the electricity consumption as shown in the table above. Based on the above factors, the Authority proposed to consider the actual power costs incurred by AAI for Patna International Airport for true up of the First Control Period.

Water Charges: Expenses of ₹ 0.03 Crores had been incurred towards water charges to enhance passenger facilitation at the airport and the same was considered as reasonable. Therefore, the Authority proposed to consider the actual water costs incurred by AAI for Patna International Airport for true up of the First Control Period.

Consumption of Stores and Spares and other charges: The Authority noted that the actual expenses amounting to ₹ 2.03 Crores for the consumption of Stores & Spares expenses included petrol expenses for Jeep/ Car and other consumables. 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 Other charges included Consultancy/ Advisory fees paid for the Consultancy services availed for Land/ Terminal Management services, ACI ASQ Survey Fees and hire charges-



car/jeep & others by AAI for PIA. The Authority noted that the actual expenses amounting to ₹0.89 Crores incurred by AAI on such expenses towards consultancy had not been separately approved in the Tariff Order for the First Control Period. However, the Authority found such expenses incurred on actual basis was 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 22: O&M expenses as proposed by the Authority for True up of the First Control Period at 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 PIA	13.66	19.39	18.33	17.48	21.68	90.54
2	Expenditure for PIA employee's retirement benefits allocated at CHQ	3.80	2.29	0.40	0.63	(0.41)	6.72
A	Total Payroll expenditure (1+2)	17.46	21.68	18.74	18.11	21.27	97.26
3	Administrative and General Expenditure	2.77	3.32	4.05	4.22	5.56	19.93
4	Apportionment of Administration & General expenditure of CHQ/RHQ	22.86	21.87	27.37	28.74	30.17	131.01
B	Total Administration and General expenditure (3+4)	25.63	25.20	31.42	32.96	35.74	150.94
C	Repair & Maintenance Expenditure (Total)	4.62	6.33	2.65	4.46	19.43	37.50
5	Power Charges	1.93	2.32	1.92	2.69	2.97	11.83
6	Consumption of Stores and Spares	0.25	0.36	0.44	0.46	0.51	2.03
7	Other charges	0.13	0.13	0.06	0.18	0.42	0.92
D	Utility and Outsourcing Expenditure (5+6+7)	2.32	2.80	2.42	3.34	3.90	14.78
E	Other Outflows	2.03	0.47	0.12	0.14	0.98	3.74
	Total (A+B+C+D+E)	52.06	56.48	55.35	59.01	81.32	304.22

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. 23/2023-24 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:**

AERA proposed not to consider the Actual CSR expenses amounting to Rs. 1.19 cr. claimed by AAI.

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.

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 View of the above AAI requests AERA to consider CSR expenses.

- *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 considered 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by Rs.22.73 cr. by AERA for the 1st control period is on the higher side. AAI has engaged the Institute of Cost Accountants (ICMA) (on direction of 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 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.

- ii. 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.
- iii. As Patna Airport had incurred losses in the previous Financial Years, CSR expenses were not allowed by the Authority (refer para 4.7.4 in the Tariff Order).

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

- i. 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.
- ii. 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 20).

4.7.12 AERA has noted the comments of FIA, relating to the view taken by the Authority on the proposed by AAI regarding the allocation of interest/ penalties (paid by AAI to the Government of India) as part of apportionment of AAI's CHQ/RHQ expenses to airports.

In view of the above, the Authority decides to consider O&M expense as per Table 22.

4.8 True up of Taxation

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

Table 23: Taxation submitted by AAI for PIA

Particulars	FY	FY	FY	FY	FY	TOTAL
	2018-19	2019-20	2020-21	2021-22	2022-23	
(₹ Crores)						
REVENUE						
Aeronautical Revenue	41.25	56.02	52.47	58.81	72.96	281.51
Total Revenue (A)	41.25	56.02	52.47	58.81	72.96	281.51
EXPENSES						
O&M expenses	135.19	60.80	60.05	63.65	86.23	405.92
Dep. As WDV As Per Income Tax	2.13	3.89	5.42	6.98	7.30	25.71
Total Expenses (B)	137.32	64.69	65.46	70.63	93.53	431.63
Profit /Loss (C) = (A-B)	(96.07)	(8.67)	(12.99)	(11.82)	(20.57)	(150.12)
Tax Rates (D)	34.94%	25.17%	25.17%	25.17%	25.17%	
TAX (C*D)	-	-	-	-	-	

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

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Revenue (A)						
Aeronautical Revenue	41.25	56.02	52.47	58.81	72.96	
Total (A)	41.25	56.02	52.47	58.81	72.96	281.51
Expenses (B)						
O&M expenses (Refer Table 22)	52.06	56.48	55.35	59.01	81.32	304.22
Depreciation (as per Income Tax Act, 1961)	2.13	3.89	5.42	6.98	7.24	25.65
Total (B)	54.19	60.37	60.76	65.99	88.56	329.87
Profit /Loss (C=A-B)	(12.94)	(4.35)	(8.29)	(7.18)	(15.60)	(48.36)
Set off of prior period tax losses (D)						-
Profit/ Loss after set off of prior period tax losses (E)	-	-	-	-	-	-
Tax Rates (F)	34.94%	25.17%	25.17%	25.17%	25.17%	
Tax (E*F)	-	-	-	-	-	-

4.8.3 The Authority noted that AAI had incurred losses during the First Control Period i.e., from FY 2018-19 to FY 2022-23. Therefore, The Authority proposed to consider Aeronautical Tax as Nil for true up of the First Control Period, as shown in Table 24.

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 relevant figures, based on Aeronautical Revenue as per Table 27 for true up of the First Control Period. The same is shown below:

Table 25 : Taxation decided by the Authority for the First Control Period

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2018-19	2019-20	2020-21	2021-22	2022-23	
Revenue (A)						
Aeronautical Revenue	42.16	56.77	53.29	59.60	73.27	
Total (A)	42.16	56.77	53.29	59.60	73.27	285.10
Expenses (B)						
O&M expenses (Refer Table 22)	52.05	56.48	55.35	59.01	81.32	304.21
Depreciation (as per Income Tax Act, 1961)	2.13	3.89	5.42	6.98	7.24	25.65
Total (B)	54.18	60.37	60.76	65.99	88.56	329.87
Profit /Loss (C=A-B)	(12.02)	(3.60)	(7.48)	(6.39)	(15.29)	(44.77)
Set off of prior period tax losses (D)						-
Profit/ Loss after set off of prior period tax losses (E)	-	-	-	-	-	-
Tax Rates (F)	34.94%	25.17%	25.17%	25.17%	25.17%	
Tax (E*F)	-	-	-	-	-	-



4.9 True up of Aeronautical Revenue

4.9.1 AAI had submitted the actual Aeronautical revenue for the First Control Period for PIA, which is as follows:

Table 26: Aeronautical revenue submitted by AAI for PIA

(₹ Crores)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Parking & Housing Charges Revenue						
Landing (Dom)	19.76	24.48	20.03	25.43	28.23	117.93
Parking & Housing	0.01	0.01	0.12	0.02	0.01	0.17
PSF and UDF Charges						
PSF(Facilitation)-Domestic	15.06	11.31	0.00	-	-	26.38
UDF Domestic	-	14.08	27.15	28.57	37.50	107.31
Other Revenue						
Throughput Charges	0.52	0.28	0.92	-	-	1.72
Land Lease	1.89	1.75	1.74	1.99	2.10	9.48
Ground Handling Charges	0.60	0.53	0.50	0.21	0.97	2.81
Royalty from CUTE Charges	3.38	3.54	1.64	2.45	3.90	14.91
Extn. Of watch hours	-	-	0.00	0.05	-	0.05
Royalty cargo revenue-30%	0.03	0.03	0.38	0.10	0.24	0.77
Total	41.25	56.02	52.47	58.81	72.96	281.51

4.9.2 The Authority reviewed the Aeronautical revenue submitted by AAI with the Audited figures for the Financial Years (FY 2018-19 to FY 2022-23) and noted no deviations. Therefore, the Authority proposed to consider the Aeronautical revenue as per Table 26 for True up of the 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 4.6.7, the Authority has considered Space Rental (from Airlines, etc.) as part of the Aeronautical Revenue and the same is shown as follows:

Table 27 : Aeronautical Revenue 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
Parking & Housing Charges Revenue						
Landing (Dom)	19.76	24.48	20.03	25.43	28.23	117.93
Parking & Housing	0.01	0.01	0.12	0.02	0.01	
PSF and UDF Charges						
PSF(Facilitation)-Domestic	15.06	11.31	0.00	-	-	26.38
UDF Domestic	-	14.08	27.15	28.57	37.50	107.31



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Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Other Revenue						
Throughput Charges	0.52	0.28	0.92	-	-	1.72
Land Lease	1.89	1.75	1.74	1.99	2.10	9.48
Ground Handling Charges	0.60	0.53	0.50	0.21	0.97	2.81
Royalty from CUTE Charges	3.38	3.54	1.64	2.45	3.90	14.91
Extn. Of watch hours	-	-	0.00	0.05	-	0.05
Royalty cargo revenue-30%	0.03	0.03	0.38	0.10	0.24	0.77
Total (A)	41.25	56.02	52.47	58.81	72.96	281.51
Add: Space Rental collected from Airlines (B)	0.91	0.76	0.82	0.79	0.31	3.59
Total Aeronautical revenue (A+B)	42.16	56.77	53.29	59.60	73.27	285.10

*The reasons for increase in aero revenue by ₹ 3.59 Crores is due to consideration of Space Rental from Airlines as Aeronautical Revenue.

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 28: ARR proposed by the Authority for True up of the First Control Period at 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	24.48	35.71	48.81	58.79	74.67	
FRoR (refer Table 14)	b	12.90%	12.90%	12.90%	12.90%	12.90%	
Return on Average RAB	c= (a) * (b)	3.16	4.61	6.30	7.58	9.63	31.27
Depreciation (refer Table 11)	(d)	2.92	4.07	4.80	5.29	5.46	22.54
O&M expenses (refer Table 22)	(e)	52.06	56.48	55.35	59.01	81.32	304.22
Tax (refer Table 24)	(f)	-	-	-	-	-	-
Interest on Working Capital	(g)	4.42	1.42	0.53	0.64	0.95	7.96
Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18)	(h)	37.43					37.43
Gross ARR	(i) = (c+ d+ e+ f+ g+h)	99.99	66.58	66.97	72.52	97.36	403.42
NAR (refer Table 15)		15.76	14.02	7.54	7.17	13.39	57.87
Less 30% NAR	(j)	4.73	4.21	2.26	2.15	4.02	17.36
Net ARR	(k) = (i- j)	95.26	62.38	64.71	70.37	93.34	386.06
Actual Aeronautical Revenue (refer Table 26)	(l)	41.25	56.02	52.47	58.81	72.96	281.51
Under/ (Over) recovery of First Control Period	m=(k-l)	54.01	6.36	12.24	11.56	20.38	104.55
Discount Factor (@12.90%)	(n)	1.83	1.62	1.44	1.27	1.13	

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Particulars	Ref.	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Under/ (Over) recovery of First Control Period as on March 31, 2024	(m*n)	99.06	10.33	17.61	14.73	23.01	164.75
True up of Under Recovery of First Control Period as on March 31, 2024		164.75					

4.10.2 The Authority had re-computed the under-recovery of ₹ 164.75 Crores in the First Control Period as against ₹ 361.90 Crores claimed by AAI 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 were attributed to following factors:

- i. Non-consideration of Financing Allowance claimed by AAI of ₹ 1.48 Crores.
- ii. Determination of FRoR as 12.90% as against 14% claimed by AAI.
- iii. Rationalisation of O&M expenses such as CHQ/ RHQ expenses, Administration expenses, etc. amounting to ₹ 101.70 Crores (which also includes rectification of the clerical error in the submission of Actuarial valuation of retirements by AAI as detailed Para 4.7.4).

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 (ARR) 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 29: 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	24.48	35.71	48.81	58.79	74.67	
FRoR (refer Table 14)	b	12.90%	12.90%	12.90%	12.90%	12.90%	
Return on Average RAB	c = (a) * (b)	3.16	4.61	6.30	7.58	9.63	31.27
Depreciation (refer Table 11)	(d)	2.92	4.07	4.80	5.29	5.46	22.54
O&M expenses (refer Table 22)	(e)	52.06	56.48	55.35	59.01	81.32	304.22
Tax (refer Table 25)	(f)	-	-	-	-	-	-
Interest on Working Capital	(g)	4.42	1.42	0.53	0.64	0.95	7.96



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Particulars	Ref.	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Add: Under recovery of Pre-Control Period (FY 2016-17 and FY 2017-18)	(h)	37.43					37.43
Gross ARR	(i) = (c+d+ e+ f+ g+h)	99.99	66.58	66.97	72.52	97.36	403.42
NAR (refer Table 17)		14.85	13.26	6.72	6.38	13.07	54.28
Less 30% NAR	(j)	4.45	3.98	2.02	1.91	3.92	16.28
Net ARR	(k) = (i- j)	95.53	62.60	64.96	70.61	93.43	387.13
Actual Aeronautical Revenue (refer Table 27)	(l)	42.16	56.77	53.29	59.60	73.27	285.10
Under/ (Over) recovery of First Control Period	m=(k-l)	53.37	5.83	11.67	11.00	20.16	102.03
Discount Factor (@12.90%)	(n)	1.83	1.62	1.44	1.27	1.13	
Under/ (Over) recovery of First Control Period as on March 31, 2024	(m*n)	97.88	9.47	16.79	14.03	22.76	160.93
True up of Under Recovery of First Control Period as on March 31, 2024				160.93			

4.10.7 The variance of ₹ 3.82 Crores between the Under-recovery decided by the Authority, which is ₹ 160.93 Crores for true up of the First Control Period and that proposed by the Authority at the Consultation stage, which is ₹ 164.75 Crores is on account of reclassification of Space Rental from Airlines from Non-aeronautical to Aeronautical revenue as explained in para 4.6.7 of this Tariff Order.

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 PIA

- 4.11.1 To consider capital additions for true up of the First Control Period as detailed in Table 10.
- 4.11.2 To consider Aeronautical depreciation for true up of the First Control Period as per Table 11.
- 4.11.3 To consider RAB for true up for the First Control Period as per Table 12.
- 4.11.4 To consider FRoR of true up of the First Control Period as per Table 14.
- 4.11.5 To consider the Non-aeronautical revenues of true up of the First Control Period as presented in Table 17.
- 4.11.6 To consider the O&M expenses of true up of the First Control Period as detailed in Table 22.
- 4.11.7 To consider Taxation for true up of the First Control Period for PIA as per Table 25.
- 4.11.8 To consider actual Aeronautical revenue for true up of the First Control Period for PIA as per Table 27.
- 4.11.9 To consider ARR and Under-recovery for true up of the First Control Period for PIA and readjust the shortfall for the Second Control Period as detailed in Table 29.



5 TRAFFIC FOR THE SECOND CONTROL PERIOD

5.1 AAI's Submission on Traffic for the Second Control Period for PIA

5.1.1 The historical passenger traffic² and ATM at the airport has been shown in the table below:

Table 30: Historical passenger and ATM traffic at PIA (in numbers)

Year	Domestic Passengers	International Passengers	Total Passenger traffic	Domestic ATM	International ATM	Total ATM
2016-17	21,12,150.00	-	21,12,150.00	15,508.00	-	15,508.00
2017-18	31,11,273.00	-	31,11,273.00	21,916.00	-	21,916.00
2018-19	40,61,990.00	-	40,61,990.00	28,087.00	-	28,087.00
2019-20	45,25,765.00	-	45,25,765.00	30,953.00	-	30,953.00
2020-21	27,10,000.00	-	27,10,000.00	21,572.00	-	21,572.00
2021-22	29,67,681.00	-	29,67,681.00	25,501.00	-	25,501.00
2022-23	37,48,635.00	-	37,48,635.00	27,931.00	-	27,931.00

5.1.2 The traffic growth rates (Y-o-Y) and traffic as submitted by AAI for the Second Control Period are as follows:

Table 31: Traffic growth rates and traffic proposed by AAI

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth rates (based on FY 22-23)						
2023-24	22.00%	-	22.00%	18.00%	-	18.00%
2024-25	15.00%	-	15.00%	12.00%	-	12.00%
2025-26	14.00%	-	14.00%	12.00%	-	12.00%
2026-27	14.00%	-	14.00%	12.00%	-	12.00%
2027-28	12.00%	-	12.00%	11.00%	-	11.00%
Traffic						
2023-24	45,73,335	-	45,73,335	32,959	-	32,959
2024-25	52,59,335	-	52,59,335	36,914	-	36,914
2025-26	59,95,642	-	59,95,642	41,343	-	41,343
2026-27	68,35,032	-	68,35,032	46,304	-	46,304
2027-28	76,55,235	-	76,55,235	51,398	-	51,398

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 of PIA's Submission on Traffic for the Second Control Period at Consultation Stage

5.2.1 As part of its examination of AAI's forecast of traffic at PIA, 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 2020-21 to FY 2022-23 (3-year CAGR).

5.2.2 The Authority noted that 5-year CAGR of Domestic passenger and ATM was significantly low due to the

² Source: Traffic News from AAI website



COVID 19 pandemic. The CAGR details so computed have been provided in the table below:

Table 32: CAGR for passenger traffic and ATM

Particulars	5-year CAGR	3-year CAGR
Passengers:		
Domestic	-2%	18%
ATM:		
Domestic	0%	14%

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

5.2.4 The Authority noted that PIA had growth of 26% and 10% in domestic passenger traffic and domestic ATM traffic respectively for FY 2022-23 (over previous financial year).

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

The 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:

5.2.5 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.

5.2.6 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

- 5.2.7 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 5.2.5 and para 5.2.6 above for arriving at the revised traffic projections.
- 5.2.8 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.
- 5.2.9 The Authority noted that AAI had projected the passenger traffic growth rate of 22% for FY 2023-24, 15% for FY 2024-25, 14% for FY 2025-26 to FY 2026-27 and 12% for FY 2027-28. Further, for ATM, AAI had proposed 18% for the FY 2023-24, 12% for to FY 2024-25 to FY 2026-27 and 11% for FY 2027-28 in its MYTP. The Authority took cognizance of the rebounding of domestic passenger traffic in FY 2022-23. Further, with the commissioning of New Terminal Building in FY 2024-25, the Authority was of the view that PIA 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 PIA to be reasonable and proposed to consider the same for the Second Control Period.

- 5.2.10 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 Millions)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
As submitted by AAI for PIA	4.57	5.26	5.99	6.84	7.66	30.32
As proposed by the Authority	4.57	5.26	5.99	6.84	7.66	30.32
Y-o-Y growth of Domestic PAX submitted by AAI for PIA	22.00%	15.00%	14.00%	14.00%	12.00%	
Y-o-Y growth of Domestic PAX proposed by the Authority	22.00%	15.00%	14.00%	14.00%	12.00%	
Domestic ATM (in '000)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Domestic ATM submitted by AAI for PIA	32.96	36.91	41.34	46.30	51.40	208.92
Domestic ATM proposed by the Authority	32.96	36.91	41.34	46.30	51.40	208.92
Y-o-Y growth of Domestic ATM submitted by AAI for PIA	18%	12%	12%	12%	11%	
Y-o-Y growth of Domestic ATM proposed by the Authority	18%	12%	12%	12%	11%	

Note: There is no international PIA traffic at Patna Airport. The increase of FY 2023-24 is based on the actuals of FY 2022-23

- 5.2.11 The Authority proposed to true up the traffic as per actual growth 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. 23/2023-24 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 5.2.7 and Table 28 of CP

"While we appreciate that AERA has computed the traffic forecast after considering the forecasted data published by ACI and LATA (refer para 5.2.5 and 5.2.6), 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 LATA and ACI India.

We would also like to draw the attention of AERA, 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 AERA 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 Dept. 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.

Also, the Authority through its Independent Consultant, has examined the actual passenger growth vis- a-vis the future traffic projections proposed by the AAI and has accordingly projected traffic for the remaining tariff years for 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).

5.5.2 The Authority notes that the actual passenger traffic achieved by PIA for YTD January 2024 (April 2023 to January 2024) is 2.84 MPPA and on this basis, the passenger traffic of 4.57 MPPA, projected in FY 2023-24 at the Consultation stage, may not be achievable.

Based on the trend observed in the passenger growth in the previous years, the Authority has rationalized the passenger traffic and ATM for FY 2023-24, which is shown in Table 34.

Also, the Authority notes that the existing Terminal Building of Patna Airport is saturated and not sufficient to handle the growing passenger traffic (refer para 6.7.3). However, the operationalization of the new Terminal Building in FY 2024-25 (October 2024) will enable Patna Airport to handle higher passenger traffic.

In view of the above, the Authority has derived the traffic forecasts for the Second Control Period for PIA



and the same is as follows:

Table 34: Traffic decided by the Authority for the Second Control Period

Domestic Passengers (in Millions)	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
As submitted by AAI for PIA	4.57	5.26	5.99	6.84	7.66	30.32
As decided by the Authority	3.75	4.80	6.37	7.26	8.13	30.32
Y-o-Y growth of Domestic PAX submitted by AAI for PIA	22.00%	15.00%	14.00%	14.00%	12.00%	
Y-o-Y growth of Domestic PAX decided by the Authority	-	28.00%	32.73%	14.00%	12.00%	
Domestic ATM (in '000)	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Domestic ATM submitted by AAI for PIA	32.96	36.91	41.34	46.3	51.40	208.92
Domestic ATM decided by the Authority	27.00	34.02	44.23	49.53	54.14	208.92
Y-o-Y growth of Domestic ATM submitted by AAI for PIA	18%	12%	12%	12%	11%	
Y-o-Y growth of Domestic ATM decided by the Authority	-	26.00%	30.00%	12.00%	9.30%	

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 regards to traffic forecast for the Second Control Period:

- 5.6.1 To consider the ATM and passenger traffic for the Second Control Period for PIA as per Table 34.
- 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.

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

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

6.1 Allocation of Gross block of assets into Aeronautical and Non-aeronautical

6.1.1 AAI had submitted for PIA the following allocation of Gross Block of assets as on April 1, 2023, between Aeronautical and Non-aeronautical services:

Table 35: Allocation of opening gross block of assets for April 1, 2023, between Aeronautical and Non-aeronautical as per AAI

(₹ Crores)

Asset Category	Total Assets (Inclusive of ANS)	ANS Assets	Non- Aero Assets	Pure Aero- Aeronautical Assets	Common Assets	Common Assets		Total Aeronauti- cal Assets	%
						Aero	Non- Aero		
	A= B+C+D+E	B	C	D	E = F+G	F	G	H = D+F	I=H/A
Land Leasehold	0.38	-	-	0.38	-	-	-	0.38	0.00%
Runway, Taxi Way & Apron	11.88	-	-	11.88	-	-	-	11.88	100.00%
Road, Bridge & Culverts.	18.48	0.12	-	18.35	-	-	-	18.35	99.33%
Terminal Building	28.73	0.11	1.80	24.80	2.03	1.74	0.29	26.54	92.37%
Buildings – Temporary	0.30	-	-	0.30	-	-	-	0.30	100.00%
Buildings – Residential	36.68	11.94	-	24.71	0.03	0.03	-	24.74	67.44%
Security Fencing	0.08	-	-	0.08	-	-	-	0.08	100.00%
Boundary Wall- Operational	4.06	-	-	4.06	-	-	-	4.06	100.00%
Boundary Wall-Residential	0.55	0.22	-	0.33	-	-	-	0.33	60.67%
Computers & Peripherals- End User Devices	1.04	0.15	0.01	0.89	-	-	-	0.89	85.11%
Computer Software	0.54	0.01	-	0.52	0.01	0.01	0.00	0.53	97.86%
Computers & Peripherals- Servers & Networks	0.52	-	-	0.52	-	-	-	0.52	100.00%
Plant and Machinery	48.02	10.97	0.00	37.05	-	-	-	37.05	77.15%
Tools & Equipment	6.34	1.14	-	5.20	-	-	-	5.20	81.98%
Vehicles	3.97	0.21	-	3.72	0.04	0.04	0.00	3.76	94.69%
Electrical Installations	19.54	3.51	0.37	10.54	5.11	4.39	0.72	14.93	76.42%
Office Equipment	1.56	0.20	-	1.25	0.11	0.10	0.00	1.36	86.99%
Furniture & Fixtures- Freehold-Operational Area	1.43	0.02	-	1.03	0.39	0.34	0.05	1.36	95.25%
Furniture & Fixtures – Trolleys	0.59	-	-	0.59	-	-	-	0.59	100.00%
X-Ray Equipment	5.86	-	-	5.86	-	-	-	5.86	100.00%
CFT & Firefighting equipment	16.83	-	-	16.83	-	-	-	16.83	100.00%



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 Aero-nautical Assets	Common Assets	Common Assets		Total Aeronautical Assets	% Aeronautical
						Aero	Non-Aero		
Total	207.37	28.60	2.17	168.88	7.71	6.65	1.06	175.53	84.65%

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

6.1.2 As mentioned under para 4.4.7, the Authority had not allowed Financing allowance of ₹ 1.48 Crores, capitalized by PIA during the First Control Period.

6.1.3 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 36: 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	Aero-nautical 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 Leasehold	0.38	-	-	0.38	-	-	-	0.38	0.00%
Runway, Taxi Way & Apron	11.30	-	-	11.30	-	-	-	11.30	100.00%
Road, Bridge & Culverts.	18.48	0.12	-	18.35	-	-	-	18.35	99.33%
Terminal Building	28.73	0.11	1.80	24.80	2.03	1.74	0.29	26.54	92.37%
Buildings – Temporary	0.30	-	-	0.30	-	-	-	0.30	100.00%
Buildings – Residential	36.68	11.94	-	24.71	0.03	0.03	-	24.74	67.44%
Security Fencing	0.08	-	-	0.08	-	-	-	0.08	100.00%
Boundary Wall- Operational	4.06	-	-	4.06	-	-	-	4.06	100.00%
Boundary Wall-Residential	0.55	0.22	-	0.33	-	-	-	0.33	60.67%
Computers & Peripherals- End User Devices	1.04	0.15	0.01	0.89	-	-	-	0.89	85.11%
Computer Software	0.54	0.01	-	0.52	0.01	0.01	0.00	0.53	97.86%
Computers & Peripherals- Servers & Networks	0.52	-	-	0.52	-	-	-	0.52	100.00%
Plant and Machinery	48.02	10.97	0.00	37.05	-	-	-	37.05	77.15%
Tools & Equipment	5.44	1.14	-	4.30	-	-	-	4.30	79.00%
Vehicles	3.97	0.21	-	3.72	0.04	0.04	0.00	3.76	94.70%
Electrical Installations	19.52	3.51	0.37	10.54	5.11	4.39	0.72	14.93	76.47%
Office Equipment	1.56	0.20	-	1.25	0.11	0.10	0.00	1.36	87.05%
Furniture & Fixtures-Freehold-Operational Area	1.43	0.02	-	1.03	0.39	0.34	0.05	1.36	95.27%
Furniture & Fixtures – Trolleys	0.59	-	-	0.59	-	-	-	0.59	100.00%
X-Ray Equipment	5.86	-	-	5.86	-	-	-	5.86	100.00%
CFT & Firefighting equipment	16.83	-	-	16.83	-	-	-	16.83	100.00%
Total	205.88	28.60	2.17	167.39	7.71	6.65	1.06	174.05	84.54%



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

Note: The Gross Block ratio has changed due to exclusion of FA amounting to ₹ 1.48 Crores.

6.1.4 The total Gross block of Aeronautical assets, as on April 1, 2023 was ₹ 205.88 Crores (which excluded Financing Allowance of ₹ 1.48 Crores).

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

6.2 Capital expenditure for the Second Control Period

6.2.1 AAI had proposed capital expenditure of ₹ 977.62 Crores for the Second Control Period for PIA, which has been summarized in the table below:

Table 37: Summary of Capital Expenditure projects submitted by AAI for PIA for Second Control Period

(₹ Crores)			
Project/ Group	No.	Particulars	Amount
Capital expenditure proposed for the Second Control Period	1	Taxiways & Aprons	55.59
	2	Road, Bridges & Culverts	81.68
	3	Building- Terminal	438.35
	4	Building – Residential	3.71
	5	Boundary Wall -Operational	3.41
	6	Other Buildings-Unclassified	34.12
	7	Electrical Installations	272.68
			Capital expenditure proposed for the Second Control Period
IDC			15.95
Financing allowance (FA)			72.13
Total (including FA)			977.62

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

6.2.2 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.

6.2.3 The Authority noted that AAI had conducted Airport Users Consultative Committee (AUCC) meeting with all the stakeholders, in respect of the capital expenditure for Construction of New Terminal to meet the requirements of robust traffic growth and passenger facilitation at Patna International Airport. The same had been approved in the AUCC meeting no AAI/PAT/DGM(E-C)/Termining building/ dated January 17, 2017. However, it was pertinent to note that the majority of the projects proposed by AAI



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

for the Second Control Period pertained to those that were approved in the First Control Period and shifted to the Second Control Period.

6.2.4 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. New Capital Addition projects proposed by AAI for Patna International Airport for the Second Control Period.

6.2.5 The Authority noted that AAI had subsequently vide email dated December 22, 2023 had revised the projection for the following capital addition projects.

- i. Construction of RCC Drains at PIA.
- ii. Construction of Apron after facilitating New Terminal Building

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

6.2.6 The capital additions, as projected by AAI had been grouped and explained in the table below:

Table 38: Project wise Capital Expenditure submitted by AAI for PIA for Second Control Period
(₹ Crores)

S. No	Capital Expenditure Project	Financial Year of Commissioning	Project cost	Financing allowance	Interest During Construction	Total CAPEX (incl. FA and IDC)
			(includes design, PMC, Pre-operative expenses etc)	(FA)	(IDC)	
A. Capital additions projects shifted from the First Control Period to the Second Control Period						
A1	Road, Bridges & Culverts					
i)	Elevated road with ramps	2023-24	76.28	7.18	1.49	84.96
ii)	Link Bridge (civil)	2023-24	5.40	0.53	0.11	6.05
A2	Building- Terminal					
i)	Construction of Terminal Building (Civil)	2023-24	430.48	34.42	7.69	472.59
ii)	Construction of MeT Building	2024-25	7.87	0.78	0.16	8.81
A3.	Building- Residential					
i)	Construction of Community centre (Civil)	2023-24	3.71	0.37	0.07	4.15
A4.	Other Building					
i)	Construction of Fire Station (Civil)	2023-24	11.81	1.17	0.23	13.21
ii)	Construction of Administration Block (Civil)	2023-24	13.16	1.27	0.25	14.68
iii)	Construction of M T Pool (Civil)	2024-25	9.15	1.24	0.26	10.65
A5.	Electrical Installations					
i)	Construction of Fire Station	2023-24	1.45	0.14	0.03	1.62



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	Financing allowance	Interest During Construction	Total CAPEX (incl. FA and IDC)
			(includes design, PMC, Pre-operative expenses etc)	(FA)	(IDC)	
ii)	Construction of Terminal Building	2023-24	255.22	20.40	4.56	280.18
iii)	Construction of Administration Block	2023-24	4.41	0.47	0.09	4.96
iv)	Construction of M T Pool	2024-25	3.35	0.45	0.10	3.90
v)	Construction of Met Building	2024-25	2.27	0.22	0.05	2.54
vi)	Link Bridge	2023-24	0.74	0.07	0.01	0.83
vii)	Construction of Community centre	2023-24	0.90	0.09	0.02	1.00
		TOTAL (A)	841.33	68.80	15.12	910.13

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

B1	Taxiways & Apron					
i)	Construction of PTT & Allied work	2023-24	37.94	2.05	0.51	40.50
ii)	Construction of Apron (Civil)	2024-25	51.30	0.15	0.04	51.49
B2	Road, Bridges & Culverts					
i)	Construction of RCC Drain	2023-24	38.39	0.10	0.02	38.51
ii)	Construction of IAPP (Civil)	2023-24	11.22	0.61	0.15	11.98
B3	Boundary Wall					
i)	Construction of B/Wall & Watch Tower	2023-24	3.41	0.18	0.05	3.64
B4	Electrical Installations					
i)	Construction of PTT & Perimeter Road	2023-24	3.18	0.17	0.04	3.39
ii)	Construction of IAPP	2023-24	1.16	0.06	0.02	1.24
		TOTAL (B)	146.60	3.32	0.83	150.75
	Capital expenditure proposed for the Second Control Period	TOTAL (A+B)	972.81	72.13	15.95	1,060.88

6.2.7 The Authority had examined the CAPEX projects submitted by AAI, which is as follows:

A. Capital additions projects shifted from the First Control Period to the Second Control Period

A1 - Road, Bridges & Culverts

- i Elevated road with ramps: The Authority observed that this project was part of the project on construction of Terminal Building and was approved in the Tariff Order for the First Control Period for ₹76.28 Crores. AAI had proposed capitalisation of this asset in FY 2023-24. However, this project got delayed on account of delay in completion of the project on construction of Terminal



Building. Based on the site visit conducted by the Independent Consultant, the Authority observed that this project was in progress and might be considered for capitalisation in FY 2024-25. Therefore, the Authority proposed to consider capitalisation of this project for ₹ 76.28 Crores in FY 2024-25. Further, the Authority proposed to re-allocate this asset to Aeronautical activities in the Terminal Building ratio of 90:10 as considered by AAI for apportionment of cost of construction of the project on Terminal Building in the MYTP submitted for the Second Control Period of PIA (refer para 6.2.10).

- ii Link Bridge: The Authority noted that this CAPEX was also part of the Terminal Building project, which was approved for ₹5.40 Crores for capitalization in FY 2022-23 AAI had proposed capitalisation of this asset in FY 2023-24. However, this project got delayed on account of delay in completion of the project on construction of Terminal Building. Based on the site visit conducted by the Independent Consultant, the Authority observed that this project was in progress and there might be time lag in the completion and commissioning of the asset. Therefore, based on the above factors, the Authority proposed to consider capitalisation of this project for ₹ 5.40 Crores (civil works) in FY 2024-25. Further, the Authority proposed to re-allocate this asset to Aeronautical activities in the Terminal Building ratio of 90:10 as considered by AAI for apportionment of cost of construction of the project on Terminal Building in the MYTP submitted for the Second Control Period of PIA (refer para 6.2.10).

A2 - Building- Terminal

The Authority examined the capital expenditure for Terminal Building approved in the First Control Period and identified that major CAPEX had not been executed in the First Control Period due to COVID-19 pandemic. AAI had proposed to shift the said CAPEX on Terminal Building from the First Control Period to the Second Control Period. The Authority had examined the CAPEX which was approved in First Control Period and proposed in the Second Control Period for the construction of Terminal Building and the same is as follows:

- i Construction of Terminal Building (Civil) : The Authority observed that this project was approved in the Tariff Order for the First Control Period for ₹398.35 Crores (civil costs) and ₹227.66 Crores (towards electrical installations). The total cost of the project of Terminal Building as per MYTP Submission of AAI was ₹ 761.89 Crores (where ₹ 478.31 Crores was allocated for civil work and ₹ 283.58 Crores was for electrical installation). The above cost had been allocated by AAI in the Terminal Building ratio of 90:10 whereby, the aeronautical costs of the Terminal Building amounted to ₹ 685.70 Crores (₹ 430.48 Crores for civil work and ₹ 255.22 Crores for Electrical Installations) and the same had been submitted by AAI in the MYTP. However, this project got delayed due to COVID-19 pandemic and contractual issues. With the commissioning of the new Terminal Building, it was expected that the designed capacity of PIA would increase from 2.3 MPPA to 8 MPPA. The Authority noted that AAI had proposed the Aeronautical cost of ₹430.48 Crores towards civil works and ₹255.22 Crores towards Electrical Installations for this project on New Terminal Building in its MYTP submission. The Summary of the CAPEX projected by AAI towards Terminal Building in the First and Second Control Period is as follows:

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

Table 39: Summary of CAPEX projected by AAI towards Terminal Building in the First and Second Control Period

(₹ Crores)

Construction of Terminal Building	First Control Period	Second Control Period
Cost of civil works	398.35	430.48
Cost of Electrical Works	227.66	255.22
Total	626.01	685.70

The increased amount of ₹ 59.69 Crores in the total costs of the project of Construction of Terminal Building from ₹ 626 Crores to ₹ 685.70 Crores (which is 9.53%) is due to inflationary adjustment. Further, the Authority has compared the cost submitted by AO with the Normative rates of Terminal Buildings (adjusted with Inflation Indices as applicable for different periods) and the same has been explained as under:

Table 40: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Terminal Building

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Terminal Building (A)*	₹ 1,00,000				
Inflation ** (B)	Base Year	7.14%#	9.42%	0.30%	3.80%
Inflation adjusted Rate per Sq.m. (in ₹)	1,00,000	1,07,140	1,17,233	1,17,584	1,22,052
Rate per Sqm (in ₹) incl. GST @ 6% (refer Note below)					1,29,376

* Normative cost of ₹ 1,00,000 considered, based on the normative rate applied by AERA for examining cost of Terminal Building of other similar Airports of AAI.

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

The Authority observes that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority felt that the inflation rate of FY 2021-22 needs to be rationalized. Hence, 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%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions

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.

As shown in the above table the normative rate (inclusive of GST) for FY 2024-25 was ₹ 1,29,375 per Sqm. However, the Authority noted that the total cost of Terminal Building and Electrical Installations proposed by AAI amounts to ₹ 761.89 Crores (which was ₹ 1,16,935 per sqm) which was within the normative costs determined by the Authority. The Authority reviewed the AUCC



meeting conducted by AAI for Patna International Airport on January 1, 2017, which highlighted the saturation of existing capacity of terminal building while also considering the assessment and allocation of the required infrastructure, logistics, and manpower resources for initiating a 24-hour flight operation at Patna Airport to cater the needs of frequent flyer businessman and shifting of the temporary Police Out Post with respect to the above project on Construction of New Terminal Building.

Further, the Authority based on the site visit through its Independent Consultant on November 5, 2023, assessed the progress of various activities related to the Terminal Building and observed that the structural work of the Terminal Building were nearly complete. However, the interior works such as flooring, false ceiling, Airport Systems and IT-related works were also in progress. Given the intricate nature and current progress of these tasks, the Authority was of the view that the said CAPEX might be completed in the next Financial Year, i.e. FY 2024-25. In view of the above, the Authority proposed to consider capitalization of this project for ₹ 685.70 Crores (₹ 430.48 Crores for civil work and ₹ 255.22 Crores) in FY 2024-25.

- ii **Construction of Meteorological Building (MeT) Building:** AAI proposed this project towards civil works for construction of MeT Building amounting to ₹ 7.87 Crores, as part of Terminal Building in the Tariff Order for the First Control Period which was delayed due to COVID-19. The Authority noted that this project work had been proposed by AAI for the current control period for the same amount of ₹7.87 Crores (as approved in the Tariff Order for the First Control Period). As this project had been already approved by AERA in the Tariff Order of the First Control Period, the Authority considered the same to be reasonable and therefore proposed to consider cost of this project as ₹7.87 Crores for capitalization in FY 2024-25.

A3 - Building- Residential

- i **Construction of Community Centre (Civil):** This project was approved as part of Terminal Building for ₹ 3.90 Crores in the Tariff Order for the First Control Period. However, the execution of this project got delayed due to COVID-19 pandemic. The total cost of this project amounted to ₹ 6.36 Crores and AAI had applied Aeronautical ratio of 58% to derive Aeronautical costs of ₹3.71 Crores, which had been submitted in the MYTP, for capitalization in FY 2023-24. AAI had now proposed this project under Residential Buildings, which the Authority considered to be reasonable.

Based on the above examination and the site visit through its Independent Consultant, the Authority noted that this project might be commissioned in FY 2024-25. Therefore, the Authority proposed to consider cost of this project as ₹3.71 Crores for capitalisation in FY 2024-25.

A4- Other Building

- i **Construction of Fire Station (Civil):** The Authority noted that this project was approved in the Tariff Order for the First Control Period under New Terminal Building, with proposed capitalisation in FY 2019-20. However, due to delays caused by the COVID pandemic, the project had now been proposed for the Second Control Period under Other Buildings for ₹11.81 Crores.

The Authority found the costs as reasonable and based on its site visit through its Independent Consultant, proposed to consider capitalisation of this project in FY 2023-24.

- ii **Construction of Administration Block (Civil):** The Authority noted that this project was approved in the Tariff Order for the First Control Period under New Terminal Building. However, due to delays caused by the COVID pandemic, the project had now been proposed for the Second Control Period. The total cost of this project was ₹13.64 Crores and AAI had applied Aeronautical



ratio of 96% to derive Aeronautical costs of ₹13.16 Crores, which had been submitted in the MYTP, for capitalization in FY 2023-24.

Further, the Authority noted that the above costs proposed by AAI had also been approved in the Tariff Order for the First Control Period, which the Authority found to be reasonable. Further, based on its site visit through its Independent Consultant, the Authority proposed to consider the capitalisation of this project in FY 2024-25.

- iii **Construction of Mechanical Transport Pool (Civil):** The Authority noted that this project was approved in the Tariff Order for the First Control Period under Terminal Building. However, this project got delayed due to COVID – 19 pandemic and AAI had proposed capitalization of this project in FY 2024-25.

Based on its examination, the Authority considered the cost of Civil works of ₹9.15 Crores (which was approved in the Tariff Order for the First Control Period) to be reasonable and proposed to consider this CAPEX for capitalisation in FY2024-25.

A5 - Electrical Installations

- i **Construction of Fire Station:** As stated in para 6.2.7 A4 (i), the Authority observed that AAI had proposed an amount of ₹1.45 Crores for electrical installations of Fire Station. Based on the information reviewed by the Authority, the justification thereon, the capitalisation of the said project was proposed to be considered in FY 2023-24.
- ii **Construction of Terminal Building:** This has been explained in para 6.2.7 A2 (i) above.
- iii **Construction of Administration Block:** AAI had proposed ₹ 4.4 Crores towards electrical installations for construction of Admin Block. As stated in para 6.2.7 A4 (ii), the Authority proposed to consider capitalisation of this project in FY 2024-25.
- iv **Construction of Mechanical Transport Pool:** AAI had proposed for a new MT workshop/pool for ₹3.35 Crores towards electrical installations and the same was approved in the Tariff Order for the First Control Period. As stated in para 6.2.7 A4 (iii), the Authority considered the costs to be reasonable and proposed to consider capitalisation in FY 2024-25.
- v **Construction of Met Building:** As stated in para 6.2.7 A2 (ii), this work was necessary for the facilitating the construction of Terminal Building. The Authority considered the electrical work amounting to ₹ 2.27 Crores as reasonable.
- vi **Link Bridge:** The Authority noted that this project was a part of construction of Terminal Building approved in the First Control Period (As stated in para 6.2.7 A1 (ii)). Further, AAI had proposed the cost of Electrical Installations for this project as ₹0.74 Crores for capitalisation in FY 2023-24. Accordingly, the Authority based on its analysis given in para 6.2.7 A1 (ii) proposed to consider capitalisation of this project in FY 2024-25, after allocating to Aeronautical activities in the Terminal Building Ratio of 90:10.
- vii **Construction of Community Centre:** The Authority observed that AAI had proposed Electrical Installations of Community Centre for ₹0.90 Crores and found the same to be reasonable. However, as stated in para 6.2.7 A3 (i), the Authority proposed capitalization of this asset in FY 2024-25.

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

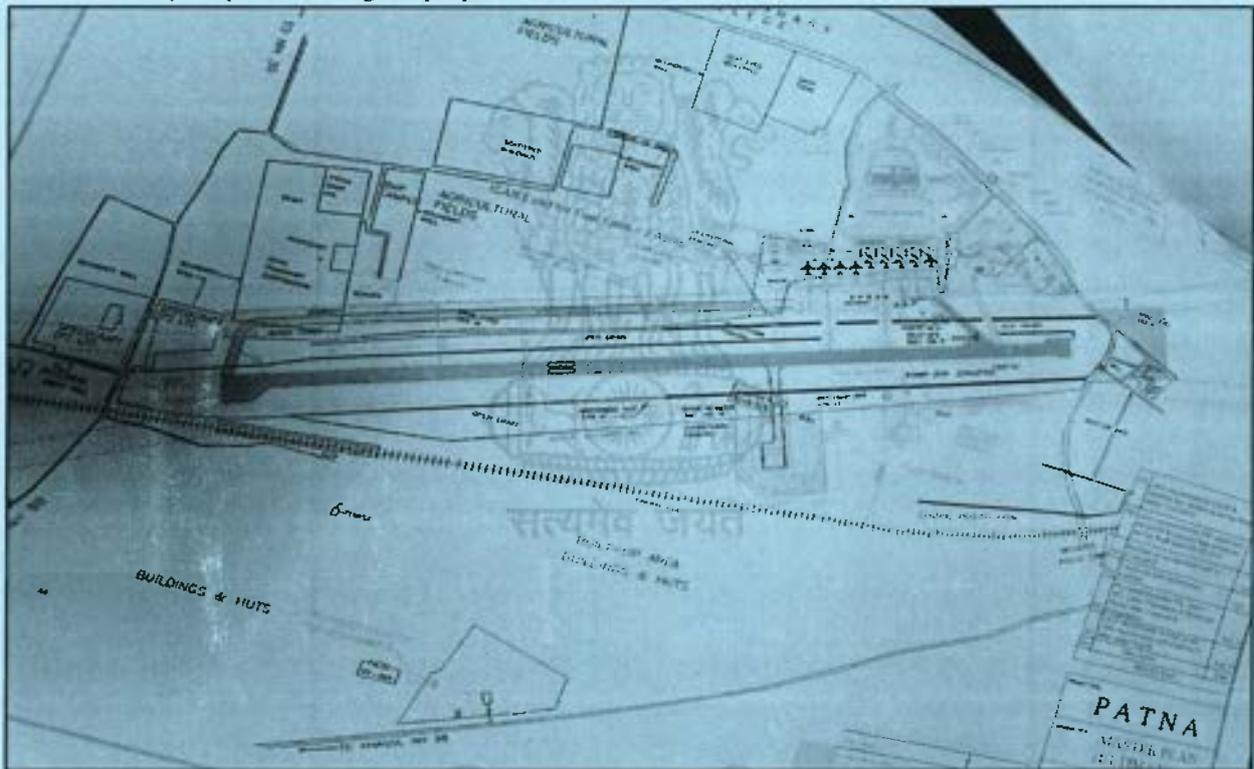
B1 – Taxiways and Apron

- i **Construction of PTT & Allied work (Civil) :** The Authority based on the current ATM, traffic

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had taken cognizance of the congestion in the current Runway at Patna Airport, necessitating an increase in capacity. AAI had proposed the construction of a Parallel Taxi Track (PTT) on the north side of the runway, along with Link Taxiways at both ends to achieve the increased capacity. AAI had projected cost for civil works as ₹37.94 Crores for capitalisation in FY 2023-24. The project was currently combined with the Re-carpeting of Runway, Isolation Bay, Taxiway link to new Apron, and associated works.

The Authority based on the site visit through its Independent Consultant identified the area of PTT as 42,670 sq m. (Main Pavement- 31,947sqm, Shoulder – 9,723 sqm and Fillets – 1,000 sqm). The layout plan showing the proposed PTT and the stretch of Perimeter Road is shown below: -



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

Table 41: WPI Inflation adjusted Normative rate (per Sq.m.) derived by the Authority for Taxiway for Patna International Airport

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	FY 2025-26
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% ^a	9.42%	0.30%	3.80%	3.80%
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	6,453	6,698
Rate per Sqm incl. GST @ 6% (refer Note below)										6,840	7,100



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* 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>)

The Authority observed that FY 2021-22 was an exceptional year due to COVID -19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority felt that the inflation rate of FY 2021-22 needs to be rationalized. Hence, 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%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions

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 had 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.

In view of the above, the Authority had derived the Normative costs of PTT, which is as follows:

Table 42: Normative cost of PTT derived by the Authority for Patna International Airport

(in ₹ Crores)

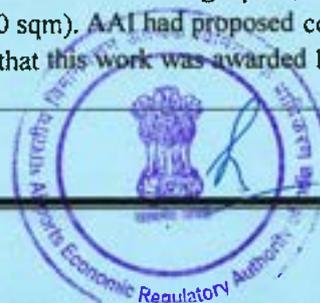
Work	Cost proposed by AAI in MYTP	Cost as per Normative Rate	Cost proposed to be considered by Authority
Civil Works			
i. Above Subgrade		29.18	
ii. Below Subgrade		2.90	
Total Civil Works	35.84	32.08	32.08
Electrical Works	3.18	3.18	3.18
Total	39.02	35.26	35.26
Perimeter Road*	2.10	2.10	2.10
Total	41.12	37.36	37.36

* The Authority noted that there was perimeter road parallel to the PTT, which had also been included by AAI in the cost of PTT in the MYTP submission.

Based on the above analysis, the Authority proposed to consider capitalisation of PTT for ₹ 35.26 Crores and Perimeter Road for ₹ 2.10 Crores in FY 2024-25, taking into account the hindrances/constraints in the execution of this project. The said work was in progress and at this stage the likely completion cost might 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.

ii **Construction of Apron (Civil):** The Authority observed that AAI had designed the layout of Apron, considering the future demand. AAI had planned the total Apron works in 3 phases and the same is explained as follows:

- Phase I at east side of the existing apron was approved in the Tariff Order for the First Control Period. The area of this Apron was 5,653sqm and the said work had been completed in the First Control Period at a cost of ₹ 7.37 Crores.
- Phase II pertained to the North West corner of the existing Apron, which had an area of 13,455 sqm (including Delta Taxiway of 6,000 sqm). AAI had proposed completion of this project in FY 2024-25. The Authority observed that this work was awarded by AAI for ₹ 11.07 Crores



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(excluding GST).

- Phase- III of the Apron was mainly contact bays of the New Terminal Building and the same was proposed to be constructed only after the commissioning of the New Terminal Building and demolition of the existing Terminal Building. The area of apron in this Phase was proposed as 26,848 sqm and AAI had proposed the cost of this phase of the project as Rs 38.23 Crores for capitalisation in FY 2025-26.

The Authority had determined the Normative cost of Apron as presented in the table below:

Table 43: Cost of Apron works proposed by Authority for the Second Control Period at Consultation Stage

(₹ Crores)

Work	Cost proposed by AAI in MYTP	Cost as per Normative Rate	Cost proposed to be considered by Authority
Apron -Phase-II			
Civil Works			
i. Above Subgrade		9.20*	
ii. Below Subgrade & other works		2.96	
Total Civil works	12.22	12.16	12.16
Electrical works	0.85	0.85	0.85
Total	13.07	13.01	13.01
Apron Phase-III			
Civil Works			
i. Above Subgrade		19.06	19.06
ii. Below Subgrade & Other works *		12.36	12.36
iii. Construction of GSE area		2.00	2.00
Total Civil works	36.92	33.42	33.42
Electrical works	1.31	1.31	1.31
Total	38.23	34.73	34.73

* Normative cost determined by applying normative rate of ₹ 6,840, as shown in Table 41.

Based on the above analysis, the Authority proposed to consider ₹ 13.01 Crores towards Phase II of this project for capitalization in FY 2024-25 and ₹ 34.73 Crores towards Phase III of this project for capitalization in FY 2025-26. The said work was in progress and at this stage the likely completion cost might 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.

B2 - Road, Bridges & Culverts

- Construction of RCC Drain (Civil) The Authority noted that AAI had proposed ₹1.80 Crores for constructing an RCC Drain, parallel to PTT, with the length of approximately 1,450m for capitalization in FY 2023-24. The Authority considered the same to be reasonable and proposed capitalisation of this project in FY 2024-25.

Subsequently, AAI had proposed to construct another drain at south side of PTT, in between the Runway and the PTT. The layout map of the Runway is shown below :



Authority proposed to consider capitalization of this asset in FY 2024-25.

B4 - Electrical Installations

- i. **Construction of PTT & Perimeter Road:** The Authority noted AAI had proposed an amount ₹3.18 Crores towards electrical installations of this project. As stated in para 6.2.7 B1 (i), the Authority proposed to consider capitalization of this asset in FY2024-25.
- ii. **Construction of IAPP (Isolated Aircraft Parking Position) :** AAI had proposed cost of electrical works for this project on construction of IAPP at the south side of the Runway along with Link Taxiway for ₹1.16 Crores. The Authority found it reasonable and proposed to consider capitalization of this project in FY 2024-25.

- 6.2.8 The Authority noted that PIA had claimed Financing allowance of ₹ 72.13 Crores and IDC amounting to ₹ 15.95 Crores, as part of the CAPEX proposed for the Second Control Period. The Authority had examined the AAI's claim towards Financing Allowance and IDC in detail and the views of the Authority in this regard can be referred to in para 4.4.7. Accordingly, the Financing allowance had not been allowed by the Authority in respect of CAPEX proposed for the Second Control Period. In respect of IDC, the Authority proposed to consider the same as part of the CAPEX proposed for the Second Control Period.
- 6.2.9 The Authority noted that AAI had not implemented the project on expansion of Terminal Building for PIA, which was approved for ₹ 626.01 Crores vide Order No. 13/ 2019-20 dated October 24, 2019 for the First Control Period (refer para 4.4.5). Keeping in view the delays in the execution of the approved capital projects, the Authority proposed to 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. It was further proposed that if the delay in completion of the project was beyond the timeline given in 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 truing 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.
- 6.2.10 The Authority noted that AAI had submitted the Terminal Building ratio of 90%: 10% (Aeronautical: Non Aeronautical) for apportionment of common assets within the Terminal Building at PIA for the Second Control Period. The Authority observed that the same was in line with the recommendations of IMG norms and as considered in other similar airports. In view of the above, the Authority proposed to consider this Terminal Building ratio of 90:10 (Aeronautical: Non Aeronautical) for the apportionment of common assets/ common expenses of PIA for the Second Control Period.
- 6.2.11 In accordance with above, the Authority proposed the capital expenditure for the Second Control Period as per the table below:

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

Table 44: 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		
		Submitted by AAI	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)-(2)-(1)
A. Capital additions projects shifted from the First Control Period to the Second Control Period						
A1	Road, Bridges & Culverts					
i)	Elevated road with ramps	2023-24	2024-25	76.28	68.65	7.63*
ii)	Link Bridge (civil)	2023-24	2024-25	5.40	4.86	0.54*
A2	Building- Terminal			-	-	-
i)	Construction of Terminal Building (Civil)	2023-24	2024-25	430.48	430.48	-
ii)	Construction of MeT Building	2023-24	2024-25	7.87	7.87	-
A3.	Building- Residential			-	-	-
i)	Construction of Community centre (Civil)	2023-24	2024-25	3.71	3.71	-
A4.	Other Building			-	-	-
i)	Construction of Fire Station (Civil)	2023-24	2023-24	11.81	11.81	-
ii)	Construction of Administration Block (Civil)	2023-24	2024-25	13.16	13.16	-
iii)	Construction of M T Pool (Civil)	2024-25	2024-25	9.15	9.15	-
A5.	Electrical Installations			-	-	-
i)	Construction of Fire Station	2023-24	2023-24	1.45	1.45	-
ii)	Construction of Terminal Building	2023-24	2024-25	255.22	255.22	-
iii)	Construction of Administration Block	2023-24	2024-25	4.41	4.41	-
iv)	Construction of M T Pool	2024-25	2024-25	3.35	3.35	-
v)	Construction of Met Build	2024-25	2024-25	2.27	2.27	-
vi)	Link Bridge	2023-24	2024-25	0.74	0.67	0.07*
vii)	Construction of Community centre	2023-24	2024-25	0.90	0.90	-
	TOTAL (A)			826.21	817.97	8.24
B. New Capital Addition projects proposed by AAI for the Second Control Period						
B1.	Taxiways & Apron					
i)	Construction of PTT & Allied work	2023-24	2024-25	37.94	34.18	3.76
ii)	Construction of Apron (Civil)	2024-25	2024-25	13.07	13.01	3.56
		2025-26	2025-26	38.23	34.73	
B2	Road, Bridges & Culverts					
i)	Construction of RCC Drain	2023-24	2024-25	9.40	9.40	-
			2025-26	29.00	29.00	
ii)	Construction of IAPP (Civil)	2023-24	2024-25	11.22	11.22	-
B3	Boundary Wall			-	-	-
i)	Construction of B/Wall & Watch Tower	2023-24	2024-25	3.41	3.41	-
B4	Electrical Installations					



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	Proposed by the Authority	Submitted by AAI (1)	Proposed by Authority (2)	Difference (3)-(2)-(1)
i)	Construction of PTT & Perimeter Road	2023-24	2024-25	3.18	3.18	-
ii)	Construction of IAPP	2023-24	2024-25	1.16	1.16	-
	Total B			146.60	139.28	7.32
	Total (C= A+B)			972.81	957.25	15.56
	IDC (D)			15.95	15.79	0.16
	Grand Total (E= C+D)			988.76	973.04	15.72
Year-wise Capitalisation of Assets is as follows (₹ Crores)						
	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
	13.52	895.80	63.73	-	-	973.04

* The variance in respect of these assets were on account of application of Terminal Building ratio to determine Aeronautical costs, as AAI had submitted these assets as 100% Aeronautical.

Note: The Authority proposed to consider capitalization schedule of Aeronautical expenditure for PIA for the Second Control Period as ₹ 973.04 Crores, against ₹ 1,060.89 Crores (inclusive of Financing Allowance) proposed by AAI due to the following factors:

- i. Exclusion of FA amounting to ₹ 72.13 Crores.
- ii. Re-allocation of some assets, due to application of Terminal Building ratios, resulting in reduction of CAPEX by ₹ 8.40 Crores.
- iii. Rationalisation of PTT and Apron based on Normative costs resulting in reduction of CAPEX by ₹ 7.32 Crores

The Authority proposed to consider capitalization of Aeronautical expenditure for PIA for the Second Control Period as ₹ 973.03 Crores.

6.3 Depreciation for the Second Control Period

AAI's Submission on Depreciation for the Second Control Period for PIA

- 6.3.1 PIA followed its approved rates of depreciation for different asset classes. While submitting the Multi-Year Tariff proposal for the Second Control Period for PIA, 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/ 2017-18 on 'Determination of Useful Life on Airport Assets'). Accordingly, the rates of depreciation approved by the Authority had been applied by PIA from FY 2020-21 onwards.
- 6.3.2 Depreciation had been computed separately on opening block of assets and on the proposed additions.
- 6.3.3 The depreciation amount proposed by PIA for the Second Control Period has been presented in the table below:



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

Table 45: Depreciation proposed by AAI for PIA 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
Land	0.00	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	0.00	0.00	0.00
Runways	0.04	0.04	0.04	0.04	0.04	0.20
Taxiway	0.67	1.35	1.35	1.35	1.35	6.07
Aprons	0.50	0.81	0.89	0.89	0.89	3.99
Road, Bridges & Culverts	5.17	9.65	9.56	9.56	9.56	43.50
Building- Terminal	8.58	16.59	16.74	16.73	16.71	75.35
Building – Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Building – Residential	0.85	0.92	0.91	0.91	0.91	4.50
Security Fencing – Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Boundary Wall -Operational	0.28	0.42	0.41	0.39	0.37	1.88
Boundary Wall – Residential	0.01	0.01	0.01	0.00	0.00	0.03
Other Buildings-Unclassified	1.51	3.44	3.97	3.97	3.97	16.85
Computer & Peripherals : End User Devices	0.20	0.20	0.10	0.00	0.00	0.50
Intangible Assets- Software	0.03	0.03	0.00	0.00	0.00	0.06
Computer & Peripherals : Servers & Networks	0.00	0.00	0.00	0.00	0.00	0.00
Plant & Machinery	1.71	1.69	1.67	1.67	1.67	8.40
Tools & Equipment	0.31	0.31	0.31	0.31	0.31	1.55
Office Furniture	0.26	0.26	0.26	0.12	0.00	0.91
Other Vehicles	0.38	0.38	0.38	0.38	0.36	1.87
Electrical Installations	15.22	30.08	30.27	30.27	30.27	136.09
Other Office equipment	0.16	0.15	0.00	0.00	0.00	0.31
Furniture & Fixtures: Other Than Trolley	0.05	0.03	0.00	0.00	0.00	0.08
Furniture & Fixtures: Trolley	0.09	0.00	0.00	0.00	0.00	0.09
X Ray Baggage System	0.19	0.19	0.19	0.19	0.19	0.94
CFT/Fire Fighting Equipment	0.35	0.35	0.35	0.35	0.35	1.76
Total	36.55	66.88	67.41	67.14	66.95	304.94

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

- 6.3.4 The Authority noted that the PIA 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.
- 6.3.5 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.



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

Table 46: Depreciation proposed 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	
Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Runways	0.04	0.04	0.04	0.04	0.04	0.20
Taxiway	-	0.58	1.16	1.16	1.16	4.04
Aprons	0.25	0.47	1.26	1.84	1.84	5.65
Road, Bridges & Culverts	0.35	5.07	11.22	12.67	12.67	41.98
Building- Terminal	0.71	8.14	15.56	15.56	15.54	55.51
Building – Temporary	-	-	-	-	-	-
Building – Residential	0.75	0.82	0.88	0.88	0.88	4.20
Security Fencing – Temporary	-	-	-	-	-	-
Boundary Wall -Operational	0.10	0.23	0.39	0.37	0.35	1.45
Boundary Wall – Residential	0.01	0.01	0.01	0.00	-	0.03
Other Buildings-Unclassified	0.64	2.38	3.52	3.52	3.52	13.60
Computer & Peripherals : End User Devices	0.08	0.05	0.03	0.02	0.02	0.20
Intangible Assets- Software	0.02	0.02	0.00	0.00	0.00	0.05
Computer & Peripherals : Servers & Networks	-	-	-	-	-	-
Plant & Machinery	1.64	1.62	1.60	1.60	1.60	8.05
Tools & Equipment	0.31	0.31	0.31	0.31	0.31	1.55
Office Furniture	0.08	0.03	-	-	-	0.11
Other Vehicles	0.38	0.38	0.38	0.38	0.26	1.77
Electrical Installations	0.63	14.38	28.05	28.05	28.05	99.16
Other Office Equipment	0.12	0.07	-	-	-	0.19
Furniture & Fixtures: Other Than Trolley	0.05	0.03	-	-	-	0.08
Furniture & Fixtures: Trolley	0.07	0.01	0.01	0.01	0.01	0.12
X Ray Baggage System	0.19	0.19	0.19	0.19	0.19	0.94
CFT/Fire Fighting Equipment	0.35	0.35	0.35	0.35	0.35	1.76
Total	6.78	35.16	64.97	66.95	66.79	240.65

Note: The Authority proposed to consider depreciation for PIA for the Second Control Period as ₹ 240.65 Crores. The above depreciation was lesser than that proposed by AAI of ₹ 304.94 Crores, due to non-consideration of Financing Allowance and shifting of Capitalisation in respect of certain capital projects to the subsequent tariff years within the Second Control Period.



6.4 Regulatory Asset Base (RAB) for the Second Control Period

AAI's Submission on RAB for PIA for the Second Control Period

6.4.1 AAI's Submission on RAB for the Second Control Period for PIA is as follows:

Table 47: RAB submitted by AAI for PIA for the Second Control Period

Particulars	(₹ Crores)					Total
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
Opening RAB	88.54	998.88	962.72	895.31	828.17	
Additions	946.90	46.76	67.23	-	-	1,060.89
Disposal/Transfers	-	-	-	-	-	
Depreciation	36.55	66.88	67.41	67.14	66.95	304.94
Closing RAB	998.88	962.72	895.31	828.17	761.22	
Average RAB	543.71	980.80	929.02	861.74	794.70	

* The capital additions includes initial submission of AAI of ₹ 977.62 Crores and revised projections of ₹ 83.27 Crores, submitted by AAI vide email dated December 22, 2023.

Authority's examination of RAB for PIA for the Second Control Period at Consultation Stage

- 6.4.2 The Authority proposed to adopt the capitalization of Aeronautical Expenditure in accordance with Table 44 and the depreciation amounts in accordance with Table 46.
- 6.4.3 Based on the above factors, the RAB proposed to be considered by the Authority for determination of Aeronautical tariff for the Second Control Period is as follows:

Table 48: RAB proposed to be considered by the Authority for the Second Control Period at Consultation Stage

Particulars	(₹ Crores)					Total
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
Opening RAB (A) (refer Table 12)	87.88	94.62	955.24	954.00	887.06	
Additions (B) (Refer Table 44)	13.52	895.80	63.73	-	-	973.04
Disposal/Transfers (C)	-	-	-	-	-	
Depreciation (D) (refer Table 46)	6.78	35.16	64.97	66.95	66.79	240.65
Closing RAB (E) = [(A) +(B) – (C) – (D)]	94.62	955.24	954.00	887.06	820.27	
Average RAB = [(A) + (E)]/2	91.25	524.93	954.62	920.53	853.66	

The Authority proposed to consider Average RAB for the PIA for the Second Control Period as detailed in Table 48.

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

- 6.5.1 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. 23/2023-24 with respect to Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base

tariff order.

Para 6.2.11 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 in Para 2.1.7 that AERA has conducted an in-depth analysis of the MYPT submissions made by the Airport operator by an independent consultant, which is appreciated.

It is also requested that AERA conduct an independent study for determining the efficient and reasonable Capex for Second Control Period before issuing the final tariff order.

It is also requested that AERA should direct PIA to encourage implement methods and means to increase the traffic to the airport in the upcoming years to justify the designed capacity.

Para 6.2.9 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 6.2.10 of CP

AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for the Second Control Period.

However, considering that Patna is a major tourist destination and has potential of higher non-aero revenue, the non-aeronautical ratio proposed by PIA appears to be on the lower side.

Further, keeping in view the fact that PIA 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 case of PIA.
- 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 PPP model 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 6.2.3 of CP

It is understood that the last AUCC held by PIA in respect of capital expenditure proposed for PIA was in 2019, which was almost 5 years ago. PIA is requested to hold regular AUCC meetings as per the requirements in the interest of transparency and interest of all stakeholders.



Para 6.3.5 Table 40 of CP

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

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

It is submitted that the AERA to please consider the pre-operative expenses for the purpose of RAB which are eligible for capitalization as per Indian Accounting Standards to avoid overstatement of RAB and consequently return and depreciation. Further, we request AERA to clarify that whether the treatment of pre-operative expenses is in accordance with I-GAAP which is not explained or clarified in CP002E."

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

6.6.1 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 that capex which are essentials, thorough discussions with the Corporate Headquarters and stakeholders during these years. Accordingly, AAI had shifted the capex of major expansion of Terminal Building from 1st Control Period to 2nd Control Period for optimum utilization of Terminal Building in order to reduce burden on the passengers.*
- ii. *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 that capex which are essentials, thorough discussions with the Corporate Headquarters and stakeholders during these years.*
- iii. *Terminal Building ratio of 90:10 has been projected after taking into consideration of smooth flow of passengers in Terminal Building and also on the basis of area ear-marked for non-aeronautical activities. Further, as per IMG norms, the Terminal Building ratio should be 90:10 and AAI is also complying to the same and acknowledged by AERA. The area allocation ratio in the 2nd CP has been considered on higher side as compared to 1st CP i.e. 91.67:8.33 which is based on actual usage of non-aeronautical activities.*
- iv. *Further, projections for the 2nd CP may not be linked with the incremental traffic numbers for arriving at Non-Aero Revenue.*
- v. *AAI is complying to the AUCC norms of AERA. The AUCC of the future projects of 2nd CP will be carried out in due course of time.*
- vi. *AAI has computed the depreciation in compliance with AERA order no.35 on various fixed assets."*

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

6.7.1 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 Patna 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

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

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.

6.7.2 The Authority has noted the comments of AAI regarding the treatment on the nature of capital items of Elevated Road with ramps and Link Bridge and has the following views:

- i. Based on the visit of Aviation expert of Independent Consultant engaged by the Authority for determination of tariff of PIA, the Authority notes that both the Elevated roads and Link Bridge are exclusively for the Terminal Building and has been apportioned in the ratio of 90:10 (Aeronautical :Non-aeronautical).
- ii. Further, it may be noted that both the above capital works (Elevated roads and Link Bridge) were approved as part of Terminal Building, in the Tariff Order for the First Control Period for Patna International Airport.

Based on the above, the Authority is of the view that the above assets have to be apportioned to aeronautical activities in the ratio of Terminal Building and sees no reason to deviate from the proposal given at the Consultation stage.

6.7.3 AERA were presented the proposal to develop Patna Airport by AAI in the year 2020 (First Control Period), forwarding AAI board approval, in respect of Patna Airport, followed by further approval of Cabinet Committee on Economic Affairs (CCEA) with a cost of approximately ₹ 1,216.90 Crores.

AERA, considered the proposal in the background that:

- i. The existing terminal building of Patna had saturated and it is a very old double storey structure, expanded several times as per need and last expansion was completed in the year 2005.
- ii. It is taking time for AAI to get land for expansion/development of airport, while the passenger facilities at the airport were in need for immediate improvement/upgradation.
- iii. Considering the enormous potential for further growth of passenger traffic construction of New Terminal Building (NTB) allied structure at Patna were necessitated by AAI.

6.7.4 Further, the new added Terminal Capacity may need upgradation of ANS infrastructure to match airside capacity. In this regard, AAI (being the sole ANS provider) should ensure that the necessary ANS infrastructure/upgradation including development of approach procedure/missed approach procedure/instrument approach procedure modification, etc. are in place.

6.7.5 The Authority notes the comments of FIA regarding rationalisation of 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 for determining efficient CAPEX. Such studies are carried out based on the size and scale of operations of the Airport. Patna, 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 Patna 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.



The Authority had examined the CAPEX in detail through its independent consultant, comprising the team of experts including Aviation expert. The independent consultant visited the airport site and have thoroughly reviewed the capital works. Hence, there is no need for separate independent study in this regard.

- ii. Regarding FIA's comments on Normative costs, the Authority reiterates that the normative guidelines have been followed while determining capital costs of Terminal Building and Parallel Taxi track (refer para 6.2.7 A2 (i) and B1 (i)) of this Tariff Order.
- iii. AERA has noted the comments of FIA regarding levying penalty of 1% on uncanceled 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 6.2.9 of this Tariff Order), the Authority decides to re-adjust 1% of the uncanceled project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ canceled as per the approved capitalization schedule, while determining tariffs for the next Control Period.

- iv. The Authority has considered the Terminal Building ratio of 90:10, 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 Patna International Airport.
- v. The Authority has noted the comments of FIA on conducting AUCC meeting at Patna Airport 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 Patna Airport.
- vi. The Authority, through its independent consultant, had verified the application of depreciation rates adopted by AAI are 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 6.3.4 of this Tariff Order.
- vii. Pre-operative expenses have not been included in the MYTP submitted by AAI for the Second Control Period. Therefore, the application of accounting principles w.r.t IGAAP does not arise.

In view of the above analysis, the Authority decides to consider Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the Second Control Period, as proposed at Consultation Stage, as per Table 44, Table 46 and Table 48 respectively.

6.8 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.

- 6.8.1 To consider allocation of Gross Block of assets between Aeronautical and Non-aeronautical assets as detailed in Table 36.
- 6.8.2 To adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period as per

7 FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD**7.1 AAI's Submission on Fair Return of Return for the Second Control Period for PIA**

7.1.1 AAI submitted that PIA would require debt to fund the capital expenditure that had 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 PIA is 8.10%.

7.1.3 The outstanding debt* and cost of debt as submitted by AAI which had been availed by PIA for the Second Control Period for PIA is summarized in the table below:

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

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Opening debt	115.31	175.88	168.10	151.62	126.50
Debt-addition	63.33	0.93	-	-	-
Closing debt	175.88	168.10	151.62	126.50	102.48
Average Debt	145.59	171.99	159.86	139.06	114.49
Cost of Debt (%)	8.10%	8.10%	8.10%	8.10%	8.10%

* Debt of ₹ 115.31 Crores had been availed by AAI for PIA for the Period FY 2020-21 to FY 2022-2. Details of the same have been submitted by AAI in the Financial Model in MS-Excel spreadsheet.

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 PIA for the Second Control Period as submitted by AAI is summarized in the table below:

Table 50: Equity computation for the Second Control Period submitted by AAI

(₹ Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Equity	585.65	1,074.47	1,089.83	1,089.83	1,089.83
Cost of Equity (%)	16%	16%	16%	16%	16%

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 51: FRoR for the Second Control Period submitted by AAI

(₹ Crores)

Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Debt	A	145.59	171.99	159.86	139.06	114.49
Equity	B	585.65	1,074.47	1,089.83	1,089.83	1,089.83
Debt + Equity	C=A+B	731.25	1246.45	1249.69	1228.89	1204.32
% of Debt	A/(A+B)	19.91%	13.80%	12.79%	11.32%	9.51%



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

Particulars	Reference	FY	FY	FY	FY	FY
		2023-24	2024-25	2025-26	2026-27	2027-28
% of Equity	B/(A+B)	80.09%	86.20%	87.21%	88.68%	90.49%
Cost of Debt (%)	D	8.10%	8.10%	8.10%	8.10%	8.10%
Cost of Equity (%)	E	16%	16%	16%	16%	16%
Gearing	F	19.91%	13.80%	12.79%	11.32%	9.51%
Weighted Average of gearing	G	13.46%				
FRoR	H= [(G*D) + (1-G)*E]	14.94%				

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

7.2.1 The Authority had analyzed the cost of equity pertaining to PIA as submitted by AAI for the Second Control Period. The Authority acknowledged the debt availed by AAI for PIA in the First and Second Control Period and its impact on FRoR.

However, the Authority was of the opinion that the gearing ratio was still suboptimal and did not justify a cost of equity of 16% per annum as submitted by AAI. 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 the debt-equity ratio for PIA ranges between 9.51% to 19.91% in the Second Control Period, 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.

Table 52: Cost of Equity proposed to be considered by the Authority for the Second Control Period at Consultation Stage

Particulars	₹ Crores				
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Cost of Equity (%)	14%	14%	14%	14%	14%

Cost of debt

7.2.2 The Authority reviewed the cost of debt submitted by AAI and proposed to consider the same for determination of FRoR for the Second Control Period.

Table 53: Cost of Debt proposed to be considered by the Authority for the Second Control Period

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Cost of debt (%)	8.10%	8.10%	8.10%	8.10%	8.10%

Fair Rate of Return

7.2.3 Based on the analysis given in para 4.5.2 and Table 13, the Authority had considered the Debt Equity



ratio as 17%:83%, for the purpose of determining the FRoR and the same is shown as follows:

Table 54: Fair Rate of Return proposed to be considered by the Authority for the Second Control Period at Consultation Stage

Parameter	Reference	Value
Cost of equity (refer Table 52)	A	14.00%
Cost of debt (refer Table 53)	B	8.10%
Proforma Gearing of Debt	C	17.00%
Proforma Gearing of Equity	D	83.00%
Fair Rate of Return	$E = (C*B)+(1-C)*A$	13.00%

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. 23/2023-24 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:

Para 7.2.1 & 7.3 of CP

- "The Equity estimation can also yield a range of values depending on the assumptions employed.
- Cost of Equity 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, 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.
- In view of the above, AERA is requested to consider the FRoR as submitted instead of an Average FRoR @ 13% 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 7.2.1, 7.2.2, 7.2.3 and Table 46,47 and 48 of CP

"It is observed that AERA considered FRoR of 13%, with cost of equity at 14%, cost of debt at 8.10%, 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 PIA Airport works out to 16%, whereas AERA has considered cost of equity as 14% only resulting in FRoR of 13%.
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 4.5.9 and the same may be referred to.

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 also in future in line with

PPP Airports.

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

- Considered the Cost of Equity as 14% and Cost of Debt as 8.10% as claimed by AAI for Patna Airport. 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 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 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.
- Regarding limiting the return on investment to 6% and to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport development is a capital intensive and has long gestation period, where investors desire a reasonable return on their investments.
- 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 find any merit for higher return on equity claimed by the Airport Operator. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.

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 Debt at 8.10 %.

7.6.2 To consider Cost of Equity at 14%.

7.6.3 To consider FRoR of 13 % for PIA 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 PIA

8.1.1 AAI had not made any submission related to inflation as part of its MYTP submission for PIA 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 85" released on December 8, 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 85th 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 PIA at Consultation Stage

Particulars	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
WPI inflation	0.30%	3.80%	3.80%	3.80%	3.80%

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 stakeholders' 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 86th round of survey of professional forecasters on macroeconomic indicators of RBI, for the Second Control Period for Patna International Airport. The same is presented as follows:

Table 56: Inflation decided by the Authority for the 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%



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 PIA

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, had not been 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 PIA for the Second Control Period has been presented in the table below:

Table 57: Operation and Maintenance (O&M) expenditure submitted by AAI for PIA

(₹ Crores)

Particulars	FY 2023- 24	FY 2024- 25	FY 2025- 26	FY 2026- 27	FY 2027- 28	Total
Payroll Costs - Excluding CHQ/RHQ	23.19	29.28	31.33	33.53	44.25	161.59
Payroll Costs - CHQ/RHQ (retirement benefits)	0.63	0.79	0.85	0.91	1.20	4.37
Repair & Maintenance	17.49	18.45	19.62	20.91	15.64	92.11
Utilities & Outsourcing Expenses	4.08	5.25	5.49	5.75	6.02	26.60
Admin. & Other Expenses - Excluding CHQ/RHQ	6.07	12.26	13.49	14.84	16.32	62.98
Admin. & Other Expenses - CHQ/RHQ	36.80	38.64	40.57	42.60	44.73	203.33
Other Outflows	1.19	1.37	1.57	1.79	2.00	7.92
Total O&M Expenditure	89.46	106.05	112.92	120.32	130.16	558.91

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

Table 58: Growth rates in O&M expenditure submitted by PIA

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
Payroll Costs - Excluding CHQ/RHQ	7%	26%	7%	7%	32%
Payroll Costs - CHQ/RHQ	254%	26%	7%	7%	32%
Utilities & Outsourcing Expenses	4.67%	28.62%	4.58%	4.66%	4.74%
Admin. & Other Expenses - Excluding CHQ/RHQ	8.35%	101.88%	10.00%	10.00%	10.00%
Admin. & Other Expenses - CHQ/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%



OPERATION AND MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

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 PIA for FY 2022-23

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	96.46%	3.54%
Payroll Costs –CHQ/RHQ	96.46%	3.54%
Repair & Maintenance – Civil	93.16%	6.84%
Repair & Maintenance – Electrical works	93.16%	6.84%
Repair & Maintenance – Electronics	100%	0%
Utilities	100%	0%
Upkeep Expenses	93.16%	6.84%
Admin. & Other Expenses - Excluding CHQ/RHQ	93.16%	6.84%
Admin. & Other Expenses - CHQ/RHQ	95%	5%
Other Outflows	100%	0%

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 was 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 PIA was for ₹ 305.85 Crores (refer Table 19), against which actual expenses of ₹ 405.91 Crores (refer Table 18) was submitted by AAI for PIA for true up of the First Control Period. The Authority examined the above actual O&M expenses and had proposed ₹ 304.22 Crores (refer Table 22) to be trued up for the First Control Period. However, AAI had submitted its O&M expenses for PIA for the Second Control Period for ₹ 558.91 Crores, which was 84% higher than the O&M expenses proposed by the Authority for true up of the First Control Period (which was for ₹ 304.22 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 PIA. The same was explained in the following paragraphs.

9.2.3 AAI had segregated the payroll expenses excluding CHQ/RHQ between Aeronautical and Non-Aeronautical in the employee ratio of 96.46%: 3.54% for FY 2022-23, which was derived based on the headcount of Aeronautical and Non-Aeronautical employees 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 and Electrical) had been apportioned in the ratio of Terminal Building by AAI which is 93.16%: 6.84%. However, the Authority proposed to re-allocate the above expenses in the



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Terminal Building ratio of 90%:10%, as detailed in para 6.2.10.

- 9.2.6 Repair and Maintenance expenses – Electronics included Surveillance equipment; security equipment considered as 100% Aeronautical as per AAI. The Authority’s analysis showed that these expenses pertained to passenger facilitation and therefore, considered as Aeronautical. Further, the Authority noted that it also included hardware maintenance expenses of computers and other electronic items, which had been apportioned based on the IT Department employees engaged for Aeronautical purposes and hence considered reasonable.
- 9.2.7 Administration expenses of CHQ/ RHQ had been allocated based on methodology defined in para 4.7.3 (a) and (b).
- 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 PIA for FY 2022-23 at Consultation Stage

Particulars	Aeronautical	Non-aeronautical
Payroll Costs – Excluding CHQ/RHQ	96.46%	3.54%
Payroll Costs –CHQ/RHQ	96.46%	3.54%
Repair & Maintenance – Civil	90%	10%
Repair & Maintenance – Electrical Works	90%	10%
Repair & Maintenance – Electronics	100%	0%
Utilities	100%	0%
Upkeep Expenses	90%	10%
Admin. & Other Expenses – Excluding CHQ/RHQ	96.46%	3.54%
Other Outflows	100%	0%

Payroll expenses (Other than CHQ/RHQ)

- 9.2.9 AAI considered a growth rate of 7% in payroll expenses for the period 2023-24 to 2027-28. Further, an additional 19% increase had been proposed by AAI due to additional Staff Cost in FY 2024-25 as the New Terminal Building would be operationalized w.e.f. March 2024. Furthermore, AAI had proposed the growth rate 25% in the last tariff year considering the implementation of 8th 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 from FY 2023-24 to FY 2026-27 in the payroll expenses (other than CHQ and RHQ). For FY 2024-25, the Authority took cognizance of the fact that the construction of the new terminal building might be completed by October, 2024. On this basis, an additional 10% increase of payroll had been considered for 6 months in FY 2024-25 and a 25% increase in the last tariff year i.e. FY 2027-28. The above restriction in the growth rate in payroll expenses, was being proposed with the perspective of rationalizing the costs of the Airport.

CHQ/ RHQ Administration and General expenses

- 9.2.10 The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Patna Airport for the Second Control Period. Based on the methodology and justification explained under para 4.7.4 (b) and (b) of this Tariff Order, the Authority had rationalized the CHQ and RHQ- Administration and



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General Expenses, projected by AAI for PIA for the Second Control Period. The same is presented in Table 62.

Repairs and Maintenance expenses

9.2.11 The Authority noted that AAI had proposed an increase of 10% year- on- year on repair and maintenance expenditure for the Second Control Period. The Authority was of the view that PIA had incurred cost of Runway Recarpeting (as mentioned in para 4.7.4 (b)) in FY 2022-23, which had been written off yearly (i.e., ₹ 6.70 Crores per annum from FY 2023-24 to FY 2026-27) in the Current Control Period.

9.2.12 The Authority noted that AAI had claimed the total Repairs & Maintenance expenses of ₹ 92.11 Crores (including amortization of runway recarpeting expenses of ₹ 26.79 Crores) for the Second Control Period. AAI had incurred ₹ 26.79 Crores which was being allowed to be amortized over a period of 4 years commencing from FY 2023-24 (i.e., ₹ 6.70 Crores in each FY). However, even after excluding such expense, the Repairs & Maintenance expenses were much higher. On further examination of the projected Repairs & Maintenance expenses, the Authority noted that the same were higher than 6% of Opening RAB (determined in line with the approach of the Authority in other similar airports) for some tariff years and therefore the same had been rationalised as shown in the table below:

Table 61: Repairs and Maintenance on Opening Net block of Assets claimed by AAI and Proposed by the Authority for the Second Control Period at Consultation Stage

(in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	TOTAL
Expenses Claimed by AAI (Other than Runway Resurfacing) (A)	10.79	11.75	12.92	14.22	15.64	65.32
Runway Resurfacing (B)	6.70	6.70	6.70	6.70	0.00	26.79
Total (C= A+B)	17.49	18.45	19.62	20.92	15.64	92.11
Opening RAB (D)	87.88	94.62	955.24	954.00	887.06	
6% of Opening RAB (E= D*6%)	5.27	5.68	57.31	57.24	53.22	
Allowable expenses (F= 6% of Opening RAB or A, whichever is lesser)	5.27	5.68	12.92	14.22	15.64	53.73
Total R&M Expenses allowed by the Authority (G= F + B)	11.97	12.37	19.62	20.91	15.64	80.52
Difference (H= A-G)	5.52	6.07	-	-	-	11.59

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

9.2.13 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.



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 an increase of 3% per year after, netting off the recoveries made from the Concessionaires (which was assumed to be 3% of the total power costs). AAI had also claimed additional 30% increase in power expenses for FY 2024-25 due to operationalisation of new Terminal Building. The Authority noted that the power recovery percentage was reasonably higher than that of comparable airports (recovery from Concessionaires was 17% in FY 2022-23). However, 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- Asia, ASQ Rating Survey Fees and other associated services. The Authority found the projection 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 (including statutory benefits such as PF, ESI, Bonus etc). Further, there was no escalation clause mentioned in the Contract/ Letter of Award, with respect to revision of the contracted rates.

9.2.16 AAI had proposed a one-time increase in upkeep expenses in FY 2024-25 due to operationalisation of New Terminal Building which would increase the area of terminal building from 9,795 sq.m to 45,600 Sq. m. The Authority felt that the increase in the expenses might not be directly proportional to the increase in the Terminal Building area, due to the technological innovation, advancements and economies to scale. Hence, the Authority proposed to consider 2/3rd (i.e., 66.67%) of the escalation rates claimed by the AAI (412 %) for expenses for Upkeep expenses in FY 2024-25 (as terminal building project was expected to be substantially completed by October 2024). Based on the above factors, the Authority proposed to consider 2/3rd for Upkeep expenses in FY 2024-25 and 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- Collection charges on UDF

9.2.17 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.

9.2.18 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 has been presented as follows:



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Table 62: Operation and Maintenance (O&M) expenses 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
Payroll Costs - Excluding CHQ/RHQ	22.98	25.50	27.03	28.66	35.82	139.99
Payroll Costs - CHQ/RHQ	0.63	0.70	0.74	0.78	0.98	3.82
Repair & Maintenance	11.97	12.37	19.62	20.91	15.64	80.52
Utilities & Outsourcing Expenses	4.08	5.25	5.49	5.75	6.02	26.60
Upkeep Expenses	1.21	3.89	4.04	4.19	4.35	17.69
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	4.71	5.26	5.78	6.36	7.00	29.10
Admin. & Other Expenses - CHQ/RHQ	31.68	33.27	34.93	36.68	38.51	175.07
Other Outflows	1.19	1.37	1.57	1.79	2.00	7.92
Total O&M Expenditure	78.45	87.62	99.21	105.12	110.32	480.71

Note: The variance between O&M expenses proposed by the Authority for the Second Control Period (₹ 480.71 Crores) and that claimed by AAI (₹ 558.91 Crores) is on account of the following:

- i. Rationalization of payroll expenses amounting to ₹ 21.60 Crores
- ii. Rationalisation of allocation of CHQ/ RHQ expenses amounting to ₹ 28.26 Crores
- iii. Rationalisation of Repair and Maintenance expenses amounting to ₹ 11.59 Crores
- iv. Rationalisation of upkeep expenses amounting to ₹ 16.19 Crores

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.

9.2.19 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 63: Growth rates in O&M expenses considered by the Authority for the Second Control Period at Consultation Stage

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Payroll Costs - Excluding CHO/RHQ	6.00%	10.00%	6.00%	6%	25%
Payroll Costs - CHO/RHQ	-	10.00%	6.00%	6%	25%
Utilities & Outsourcing Expenses	5.00%	30.00%	4.58%	4.66%	4.74%
Upkeep Expenses	0.30%	223.09%*	3.80%	3.80%	3.80%
Admin. & Other Expenses - Excluding CHO/RHQ and Upkeep expenses	6.20%	11.69%	10.00%	10.00%	10.00%
Admin. & Other Expenses - CHO/RHQ	5.00%	5.00%	5.00%	5.00%	5.00%
Other Outflows	22.00%	15.00%	14%	14%	12%

* This increase is on account of increase in the Terminal Building area due to operationalization of the new Terminal Building.

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. 23/



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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:

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 the recent past orders of AAI Major Airports, AERA has considered 7% increase.
- The following illustration clearly shows that there is an average 7.71% increase in the Payroll expenditure. 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
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Year 1	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
Total									238260	256624	18364
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%			

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. 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



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employee which comes out to 7.71% on Year on Year basis.

- AERA has reduced additional increase of 19% to 10% in 2024-25 on account of additional staff requirement for NTB for operationalization in October 2024. The net effect is further reduced to 5% for 2024-25 as only six months of the fiscal year has been considered.
- Also, AERA has proposed to reduce growth rate of Payroll expenses from 7% y-o-y to 6% y-o-y for the FY 2023-24 to FY 2026-27 resulting in reduction of payroll expenditure by Rs. 21.60 Cr..
- Based on the above facts, AERA is requested to consider 7% y-o-y increase in Payroll expense instead of an increase of 6% y-o-y in Second Control Period of PAT. Also, AERA is requested to consider the complete amount of Rs. 161.59 Crore towards payroll expense.”

Para 9.2.10 of CP

- “AERA has reduced the allocation of CHQ/RHQ Administration and General Expenses to the tune of 13.90% for 2nd control period (FY 2023-24 to FY 2027-28). It is worthwhile to mention here that AAI has already considered 5% reduction while allocating the CHQ/RHQ expenditure and reducing further by 13.90% by AERA for the 2nd control period is on the higher side.
- AAI has engaged the Institute of Cost Accountants (ICMA) (on direction of 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.”

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 90:10. By reallocating to a notional ratio AAI will be losing by allocating in 90:10 ratios instead of actual ratio.

AAI requests AERA to consider Allocation ratio of expenses as per submitted in MYTP.”

Para 9.2.14 of CP

“It is submitted that the electricity charges are recovered from the concessionaires based on the actual Electricity consumption and AAI cannot charge any mark-up over and above the actual consumption.”

Para 9.2.15 of CP

“AAI submits the following with regards to Upkeep Expense: -

Particular	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
AERA Methodology (As per Table 55 & 56 of CP)		1.21	3.91	4.06	4.21	4.37	17.69
		0.30%	223.09%	3.80%	3.80%	3.80%	
AAI Methodology (As per Clause 9.2.16 of CP)	1.24	1.24	4.66	4.84	5.02	5.21	22.21
		0.30%	274.67%	3.80%	3.80%	3.80%	

- It is to be mentioned that AERA has reduced the base year amount for F.Y 2022-23 from Rs.1.24 Cr. to Rs.1.21 Cr. While projecting the amount for the second control period.
- In view of above, one-time escalation for FY 2024-25 determined as per AERA’s methodology of considering 2/3rd of 412% as per Clause 9.2.16 of the CP which should be 274.67% instead of 223.09%.

AERA has reduced upkeep expenses by Rs. 16.19 Cr. as AERA has considered inflation rate whereas AAI has proposed for 10% increase YOY for the 2nd control period. In this regard AAI submits that the 10%



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increase in considering 5-10% increase in contractual obligations including increase in minimum wages.

In view of the above AERA is requested to consider 10% increase in upkeep expenses YoY basis as submitted by AAI."

Para 9.2.11 of CP

- "There are various heads of R&M expenses which are incurred for operational requirements & regular maint. of the airport operator infrastructure and equipment at the airport
- Applying a ratio on the depreciation WDV will further reduce the cost whereas the reality is that the costs will increase to make good the wear and tear over the years
- R&M expense varies based on various factors s incl. location and other conditions
- Even if buildings are new, it is not justifiable reason to reduce the recovery of expenses to a percentage of opening RAB
- Restricting R&M expense to 6% of Opening RAB discourages Airport Operator to spend on R&M to maintain the quality standard and enhance customer.
- To highlight the effect of restricting R&M to 6% of opening RAB, actual values of two assets (Grass cut cum collecting machine and tractor) along with their AMC costs have been shown below. Total value of assets is Rs. 31.54 Lakhs (Rs.17.00 Lakhs + Rs.14.54 Lakhs).

Year	Capitalisation	1st	2nd	3rd	4th	5th	6 th
Opening RAB	31.54	27.60	23.66	19.71	15.77	11.83	7.89
Depreciation	3.94	3.94	3.94	3.94	3.94	3.94	3.94
Net RAB	27.60	23.66	19.71	15.77	11.83	7.89	3.94
AMC Cost		5.33	5.70	11.88	12.71	13.38	14.33
% of AMC on Net RAB		23%	29%	75%	107%	170%	364%
6% of Net RAB		1.42	1.18	0.95	0.71	0.47	0.24
Net loss to AAI (Diff.)		-3.91	-4.52	-10.94	-12.00	-12.91	-14.10

AAI would like to highlight that even in the first year the R&M costs of the assets exceeds the cap of 6% of opening RAB.

- Hence, AERA is requested consider total expense of Rs. 92.11 Crore projected 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 (INR 100.07 Crores) in the O&M expenses approved by AERA for First Control Period from the actuals submitted by PIA. Further, PIA has increased the O&M expenses for the Second Control Period by 84% 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, 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

"We are in agreement with AERA that AAI should increase the power recovery from the Concessionaires, and also agree to AERA proposal to consider power recoveries at a notional rate of 25%, while determining tariff for the next Control Period. Thus, PIA 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, 9.2.18, 9.2.19, Table 55, 56 of CP

"FIA submits that, in para 9.2.9, AERA for the purposes of estimating manpower expenses have considered a 6% growth rate to 25 % (in the FY 2027-28), which is quite high.

Further FIA requests AERA to not provide such huge escalations, for the following:

- i. Administration and General Expenses-Excluding CHQ/RHQ, (between 6.20 % to 11.69 %)
- ii. Upkeep expenses (between 0.30 % to 223.09 %)
- iii. Other Outflow (between 12 to 22% 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 such that there may be a reasonable view on the projected O&M expenses rather than depending on the projections made by the airport operator.

FIA wishes to highlight that the same has been proven in cases of PPP Airports like DIAL, MLAL, BLAL that while truing 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, such that the deviations mentioned above are not reported for Second Control Period, which would result in over recovery of ARR in next control period under garb of True up."

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. As per CP 23/2023-24 AERA has Proposed an amount of Rs. 304.22 Crs. O&M expenses in the true up (refer Table 20) as against AERA approval of O&M expenses amounting to Rs. Rs.305.85 Crs in the Tariff order of the 1st CP (refer Table 17). Further, AERA has proposed to consider O&M expenses amounting to Rs.480.71 Crs. in the 2nd control period which is increase of 57% mainly on account of operationalisation of new terminal building and other related operational expenditure etc.

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



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powers approved by Board. Further, the accounts of airports are subject to C&AG audit on a yearly basis. Even though the capex of the NTB is shifted to 2nd CP, the R&M expenses are increasing due to expansion / modification of existing Terminal Building (additional area increase) resulting in increase in cost of material labour, 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 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
Total									238260	256624	18364
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%			

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. 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, 25% estimated increase in payroll (including annual 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 upkeep expense will increase in proportion to the increase in area of new terminal building area."

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 proposed an increase of 10% to 12% on account of DA in one year, which is not the realistic depiction of AAI. Further, the Authority notes that AAI had claimed such growth in the range of 5% to 7% with Payroll expenses in case of other similar airports. Based on the above, 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.

Also, the Authority takes cognizance of AAI's comments of additional 19% increase projected for FY 2024-25 on account of additional staff requirement due to operationalisation of New Terminal Building in October 2024. The Authority decides to consider additional increase of 19% for a period of 6 months in FY 2024-25, on account of operationalisation of Terminal Building in October 2024, as against 10% considered at the Consultation stage.

- ii. The Authority notes the comments of AAI regarding allocation of CHQ/RHQ expenses to PIA and has provided its detailed analysis in para 4.7.11 of this Tariff Order.
- iii. The Authority has considered Terminal Building ratio of 90:10 based on the recommendation of IMG norms and that approved by AERA for other similar Airports (as stated in para 6.2.10 of this Tariff Order). Further, the Authority notes that the other stakeholders have counter views on the Terminal Building ratio of 90:10 considered by the Authority. However, the Authority has retained its stand taken at the Consultation stage with respect to Terminal Building ratio of 90:10 and has not increased the proportion of Non-aeronautical area, based on the comments of other stakeholders.
- iv. AERA has noted the comments of AAI on the electricity charges recovered from the Concessionaires.
- v. Regarding AAI's comments on Upkeep expenses, the Authority hereby clarifies that the Upkeep expenses of base year (FY 2022-23) had been revised in the Terminal Building ratio of 90:10% (as shown in para 9.2.5 of this Tariff Order) as against 93.16%: 6.84% considered by AAI. Hence, the revised Upkeep expenses of FY 2022-23 had been considered by the Authority for deriving the projected Upkeep expenses for the Second Control Period.

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

- vi. Regarding AAI's comments on R&M expenses, the Authority hereby states that at the Consultation stage, the expenses on Runway re-carpeting were allowed in addition to the other R&M expenses



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(which were rationalized to the extent of 6% of opening RAB). The above restriction in the R&M expenses had been done by the Authority, in-line with the uniform approach followed in other similar airports. Further, 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 PIA.

The Authority also notes that expense towards the Runway Recarpeting was incurred by AAI in FY 2022-23 (last tariff year of First Control Period) and as per para 3.1.4 of Chapter 3, all cashflows are assumed to occur at the end of the financial year. Hence, no return has been provided for FY 2022-23. However, the return on the unamortized portion of the runway recarpeting expense has been determined by the Authority while deriving the O&M expenses of the Second Control Period (refer Table 64). The same is shown as follows:

Table 64: Runway Recarpeting expenses decided by the Authority for the Second Control Period

(in ₹ Crores)							
Particulars	Reference	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Opening Balance	A	26.79	20.09	13.40	6.70	-	66.98
Runway recarpeting expense incurred during the year	B	-	-	-	-	-	-
Runway Recarpeting amortized during the year	C	6.70	6.70	6.70	6.70	-	26.79
Closing Balance	D= A+B-C	20.09	13.40	6.70	-	-	-
FRoR (refer Table 54)	E	13.00%	13.00%	13.00%	13.00%	-	-
Return on the unamortized portion of recarpeting expenses	F=A*E	3.48	2.61	1.74	0.87	-	8.71
Total Runway Recarpeting expenses	G=C+F	10.18	9.31	8.44	7.57	-	35.50

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 Patna 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 Patna 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 complexities etc. Patna 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



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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 PIA 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 printing and stationary, travelling, telephone and other office expenses, wherein the Authority had considered a 10% Y-o-Y increase, as followed generally in other similar Airports.
- v. For Upkeep expenses, the Authority had considered only inflationary increase. However, the one-time increase of 223% was allowed in FY 2024-25, due to operationalization of the new Terminal Building.
- vi. 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 Based on the above factors, the Authority has derived the Aeronautical O&M expenses, which it decides to consider for Patna International Airport for the Second Control Period, which is as follows:

Table 65: O&M expenses decided by the Authority for the Second Control Period

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Payroll Costs - Excluding CHQ/RHQ	22.98	26.42	28.01	29.69	31.47	138.56
Payroll Costs - CHQ/RHQ	0.63	0.72	0.76	0.81	0.86	3.78
Repair & Maintenance	5.27	5.68	12.92	14.22	15.64	53.73
Runway Recarpeting Expenses	10.18	9.31	8.44	7.57	-	35.50
Utilities & Outsourcing Expenses	4.08	5.25	5.49	5.75	6.02	26.60
Upkeep Expenses	1.20	3.89	4.04	4.19	4.35	17.67
Admin. & Other Expenses - Excluding CHQ/RHQ and Upkeep expenses	4.71	5.26	5.78	6.36	7.00	29.10
Admin. & Other Expenses - CHQ/RHQ	31.68	33.27	34.93	36.68	38.51	175.07
Other Outflows	0.98	1.25	1.66	1.90	2.13	7.92
Total O&M Expenditure	81.71	91.05	102.04	107.16	105.97	487.93

Note: The variance between the O&M expenses decided by the Authority for the Second Control Period for PIA (which is ₹ 487.93 Crores) and that considered at the Consultation stage (which is ₹ 480.71 Crores) 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 8th Pay Commission) and increase in payroll expenses for FY 2024-25 by considering 15% increase instead of 10% increase, resulting in net reduction of Payroll expenses by ₹ 1.47 Crores.
- 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 ₹ 8.71 Crores as per Table 64.



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 PIA as per Table 65.

9.6.2 To consider the O&M expenses incurred by AAI for PIA during the Second Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period



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10 NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**10.1 AAI's Submission on Non-Aeronautical Revenue for the Second Control Period for PIA**

10.1.1 AAI had forecasted revenue from services other than Aeronautical services for PIA as below:

Table 66: Non-aeronautical revenue projections submitted by AAI for PIA

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
1. Passenger related revenue						
Restaurant / snack bars	3.44	4.48	4.92	5.42	5.96	24.22
T.R. stall	1.42	1.85	2.03	2.24	2.46	10.01
Hoarding & display	1.81	2.35	2.58	2.84	3.13	12.71
Car parking	1.42	1.70	1.87	2.06	2.26	9.31
Admission tickets	0.05	0.06	0.07	0.08	0.08	0.34
Car rentals	0.00	0.08	0.09	0.10	0.11	0.38
2. Other Revenue						
Land leases	1.38	1.38	1.58	1.58	1.58	7.51
Building (residential)	0.01	0.01	0.01	0.01	0.01	0.05
Building (non-residential)	1.42	1.84	2.03	2.23	2.45	9.96
Dept. Adm. Charges	1.53	0.00	0.00	0.00	0.00	1.53
Other Misc. Income	0.26	0.27	0.28	0.30	0.31	1.42
Total	12.73	14.02	15.48	16.85	18.36	77.44

10.1.2 The growth rates assumed by AAI have been presented in the table below.

Table 67: Growth rates assumed by AAI for PIA for Non-aeronautical revenue

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
1. Passenger related revenue					
Restaurant / snack bars	10.00%	30.00%	10.00%	10.00%	10.00%
T.R. stall	10.00%	30.00%	10.00%	10.00%	10.00%
Hoarding & display	10.00%	30.00%	10.00%	10.00%	10.00%
Car parking	10.00%	20.00%	10.00%	10.00%	10.00%
Admission tickets	10.00%	30.00%	10.00%	10.00%	10.00%
Car rentals	-	-	10.00%	10.00%	10.00%
2. Other Revenue					
Land leases	0.00%	0.00%	15.00%	0.00%	0.00%
Building (residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Building (non-residential)	5.00%	5.00%	5.00%	5.00%	5.00%
Other Misc. Income	5.00%	5.00%	5.00%	5.00%	5.00%

10.2 Authority's examination of Non-aeronautical revenue for the Second Control Period at Consultation Stage

10.2.1 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



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revenue projected by AAI for the Second Control Period.

- 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 would like the stakeholders to comment on the above aspect.

Revenue from Passenger related services

- 10.2.3 The Authority had taken cognizance of the fact that the passenger traffic at PIA nosedived due to COVID-19 pandemic, whereby the traffic of pre-pandemic period (FY 2019-20) could not be achieved in FY 2022-23. However, 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 increase the revenue of passenger related services in accordance with the growth rate in domestic passenger traffic for the tariff years (FY2023-24, FY 2025-26 to FY 2027-28) as shown in Table 33. The Authority proposed to consider a growth rate of 30% for Passenger related revenue (Trading Concessions and other miscellaneous income) for FY 2024-25 as projected by AAI, taking into consideration the operationalization of the new Terminal Building.

Other revenue – Rent and Services

- 10.2.4 The Authority had examined the Revenue from other services proposed by AAI as follows:-
- i Revenue from Building (residential): The Authority noted that AAI had assumed 5% Y-O-Y increase in revenue from Building (residential) and proposed to consider the same.
 - ii Land Lease: AAI had proposed nil growth for FY 2023-24 and FY 2024-25 as the land rental rates were revised after the period of 3 years. The last revision was done in FY 2022-23 as per the land management Circular No. 22 dated June 4, 2022. Further, the Authority proposed to consider the land lease rate growth of 15% in FY 2025-26 as projected by AAI.
 - iii Building (Non Residential) : AAI had projected increase of 10% for first tariff year (FY 2023-24). Subsequently, a 30% increase was projected for FY 2024-25 followed by a 10% increase from FY 2025-26 to FY 2027-28. The Authority observed that AAI had projected a higher growth i.e., 30% for FY 2024-25 for Building (Non- Residential) due to operationalisation of the New Terminal Building.

In view of the above, the Authority proposed to consider the AAI’s projection for determining NAR for Other revenue for the Second Control Period.

- 10.2.5 Based on the Authority’s examination, the NAR determined for PIA for the Second Control Period have been presented in the table below:

Table 68: Non-aeronautical revenues proposed by the Authority for PIA 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	
I. Passenger related revenue						
Restaurant / snack bars	3.82	4.96	5.66	6.45	7.23	28.12
T.R. stall	1.58	2.05	2.34	2.67	2.99	11.62
Hoarding & display	2.00	2.61	2.97	3.39	3.79	14.76
Car Rentals	0.00	0.08	0.09	0.11	0.12	0.41
Car parking	1.57	2.04	2.33	2.66	2.97	11.57
Admission tickets	0.05	0.07	0.08	0.09	0.10	0.39



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Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Other Misc. Income	0.30	0.39	0.44	0.50	0.56	2.20
2. Other Revenue						
Land Leases	1.38	1.38	1.58	1.58	1.58	7.51
Building (residential)	0.01	0.01	0.01	0.01	0.01	0.05
Building (non-residential)	1.42	1.84	2.03	2.23	2.45	9.96
Dept Admin. Charges	1.53	0.00	0.00	0.00	0.00	1.53
Total (1+2)	13.66	15.43	17.53	19.68	21.81	88.13

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

Table 69: 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
1. Passenger related revenue					
Restaurant / snack bars	22%	30%	14%	14%	12%
T.R. stall	22%	30%	14%	14%	12%
Hoarding & display	22%	30%	14%	14%	12%
Car Rentals	-	*20%	14%	14%	12%
Car parking	22%	30%	14%	14%	12%
Admission tickets	22%	30%	14%	14%	12%
Other Misc. Income	22%	30%	14%	14%	12%
2. Other Revenue					
Land Leases	0%	0%	15%	0%	0%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	10%	30%	10%	10%	10%
Total					

* Car Rentals is Nil for FY 2021-22, FY2022-23 and FY 2023-24 as the construction work for New Domestic Terminal (NDT) was under progress.

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. 23/2023-24 with respect to Non-aeronautical Revenue for the second control period. The comments by 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.

AAI has considered 10% growth for Restaurant/snack bars, TR stall, Car Rental, Car Parking, Hoarding Display & Admission Tickets for FY 2023-24. For FY 2024-25 Restaurant/snack bars, TR

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stall, Car Rental, Hoarding Display & Admission Tickets grow T 30% y-o-y while Car Parking grows at 20% y-o-y. Thereafter, all the aforementioned revenue streams grow at 10% y-o-y till FY 2027-28. For Other misc. Income 5% YOY growth is projected for the FY 2024-25 to FY2027-28.

AERA has proposed to link growth rate of Other Misc. Income with passenger growth rate against AAI's proposal of 5% growth y-o-y. The PAX growth rate considered by AERA is as follows: -

Year	2023-24	2024-25	2025-26	2026-27	2027-28
% Growth	22%	30%	14%	14%	12%

Other Misc. Income consists transfer of overdue EMD/SD, sale of scrap etc. which is not consistent and not in the regular course of business and may not be linked with passenger growth for the same may not be considered.

It is also submitted that AERA has considered a period of 12 months of 2024-25, while determining NAR because of New Terminal Building however AERA has stated that the New Terminal Building will be operationalized from October 2024 only. This is resulting in a lower ARR in 2024-25. Further, it is also having a cascading effect for subsequent years

Hence, it is submitted to AERA that total Non-Aero revenue has been projected by AAI for 2nd control period amounting to Rs.77.44 crores keeping the annual escalation and other factors into consideration."

In view of above, AERA is requested to consider the above points for projecting Non-Aero Revenue for 2nd control period.

Other Stakeholders' comments on Non-aeronautical revenue for the Second Control Period

10.3.3 FIA has commented the following:

Para 10.2.2, 10.2.3, 10.2.4, Table 59 & 60 of CP

"We are in agreement with AERA that operation and maintenance expenses for PIA have increased substantially as compared to its non-aeronautical revenues. It is a general trend that the non-aeronautical revenue is expected to be in the region of 50% of the operation and maintenance expenses. However, it is noted from this CP that the non-aeronautical revenue is projected by the airport operator to be only about 14% of the OPEX. Even taking into account the reductions in the OPEX proposed by AERA, still the non-aeronautical revenue would remain in the region of 18% of the OPEX, which is too less.

Further, it is observed that the Non-Aeronautical Revenues ('NAR') projected by PIA is substantially low and conservatively estimated, with a standard approach without detailed thought to each line item. It is requested that PIA 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 PPP Airports like DIAL, MIAL, BLAL, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods.

Patna is widely recognized as one of the fastest growing cities. 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 PIA to enter into suitable agreements with concessionaires to exploit the potential/growth of NAR at PIA.*
- 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 Patna 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

"Increase in traffic is not proportionate with increase in Non-aeronautical revenue.

The percentage of non-aeronautical business is dependent on multiple factors such a demand, customer behaviour, spending patterns and per capita income of the region. Therefore, a standardised approach may not accurately reflect the ground reality of non-aeronautical business and may be detrimental to the Airport Operator.

It is worthwhile mention here that major revenue from non-aeronautical activities flow from Duty free shop, Money exchange counter, food & beverage (from International side of airport). In the absence of International passengers at Patna International Airport, non-aeronautical revenue is projected on lower side.

25% (approx.) of non-aeronautical area is occupied by airlines (airlines offices) and AAI is getting only space rental.

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, it is noted that miscellaneous income includes non-recurring income such as sale of scrap and cannot be related with the increase in passenger traffic. Hence, the Authority decides to consider miscellaneous income as projected by AAI for the Second Control Period.

The Authority has also noted AAI's comments on one-time increase of 30% in FY 2024-25 proposed at Consultation Stage. Considering that New Terminal Building is likely to be commissioned in October, 2024, the Authority decides to consider the impact of commissioning of New Terminal Building for 6 months only in FY 2024-25 and one-time increase of 40% in FY

2025-26 on account of new Non-aeronautical activities/ contracts expected following the increase in area for commercial activities in the Terminal Building. The same is shown in Table 70.

10.5.2 While the Authority has taken cognizance of AAI's and FIA's comments on projection of NAR for the Second Control Period, it has the following views:

- i. AAI has projected NAR for the Second Control Period amounting to ₹ 77.44 Crores, which is lesser than ₹ 89.90 Crores approved by the Authority in the Tariff Order for the First Control Period (refer Table 16 of this Tariff Order). Additionally, with the Capitalisation of the New Terminal Building in the current Control Period, there is significant scope for increasing NAR in the current Control Period.
- ii. Further, on a comparison with similar sized airports, the Authority notes that with same traffic base the actual NAR achieved by PIA in the First Control Period and that projected for the Second Control Period is much lower than that achieved in other similar airports.
- iii. With respect to AAI's counter response to FIA's that the projected lower NAR for Patna Airport is on account of absence of international traffic, the Authority would like to highlight that in Bhubaneswar International Airport (BIA) also, the proportion of Domestic passengers were much higher than (above 90%) that of international passengers. It may be noted that in both BIA and PIA, the domestic passenger traffic has been projected to reach to 7.7 MPPA by the end of the Second Control Period.

Also, there are counter views from other stakeholders i.e. FIA that AAI has projected NAR for the Second Control Period is only 14% of the O&M expenses and 18% of NAR proposed by the Authority at the Consultation stage. Further, the Authority has noted the trend in PPP airports, wherein the NAR projected by such PPP airports either equalize or higher or constitute at least 50% of the total O&M expenses projected by them for the respective Control Period

- iv. The Authority however, also takes cognizance of the fact that while the other airports are comparable from a PAX standpoint, the demography of the comparable airports is very different because of their proximity to popular tourist destinations. This would be reflected in the passenger's spending pattern, propensity to purchase and overall consumer behavior, all of which impact the NAR of the respective airports.

Based on the above factors, the Authority has taken a holistic view in considering the NAR for the Second Control Period. Though, the Authority has optimized the NAR projection for the Second Control Period, but still it is lesser than the NAR generated by other comparable airports.

The Authority expects AAI to efficiently increase the Non-aeronautical activities and thereby increase the NAR for the Second Control Period, at par with other similar airports. Further, in view of the increased New Terminal Building capacity, AO may harness the full potential of available commercial / Non-aeronautical area to handle the projected growth in the passenger traffic which may ultimately result in increase in NAR.

Further, the Authority would examine the actual NAR achieved by PIA, in the context of passenger and ATM traffic, efficiency of operations, at par with other similar airports, while determining tariff for the Third Control Period

10.5.3 Regarding FIA's comment on Non-aeronautical revenue, the Authority would like to state that it had already increased NAR of Patna Airport, considering all the relevant factors, including commissioning of New Terminal Building resulting in increase in area for commercial activities. The Authority had taken cognizance of the trend in the movement of passenger traffic in the recent



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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 and scale of the Airport operations and the level of complexity, etc. Patna, being a small airport with lesser complexities, the Authority decided to perform this exercise in-house although the Authority has also engaged an independent consultant as part of this tariff determination who has done proper due diligence in this regard.

10.5.4 The Authority has reclassified the revenue projected on Space Rentals from Airlines, etc. from Non-aeronautical to Aeronautical (as explained in para 4.6.7) and has accordingly recomputed the Non-aeronautical revenue.

10.5.5 Based on the above factors, the Authority has derived the Non-aeronautical revenue, which it decides to consider for Patna International Airport for the Second Control Period, which is as follows:

Table 70: Non-aeronautical Revenue decided by the Authority for the Second Control Period

(in ₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
I. Passenger related revenue						
Restaurant / snack bars	3.44	4.30	6.03	6.63	7.29	27.69
T.R. stall	1.42	1.78	2.49	2.74	3.01	11.44
Hoarding & display	1.81	2.26	3.16	3.48	3.83	14.53
Car Rentals	0.00	0.08	0.12	0.13	0.14	0.47
Car parking	1.42	1.77	2.48	2.73	3.00	11.40
Admission tickets	0.05	0.06	0.08	0.09	0.10	0.39
Other Misc. Income	0.26	0.27	0.28	0.30	0.31	1.42
2. Other Revenue						
Land Leases	1.38	1.38	1.58	1.58	1.58	7.51
Building (residential)	0.01	0.01	0.01	0.01	0.01	0.05
Building (non-residential)	1.42	1.56	2.18	2.40	2.64	10.19
Dept Admin. Charges	1.53	0.00	0.00	0.00	0.00	1.53
A. Total (1+2)	12.73	13.47	18.42	20.09	21.92	86.63
B. Reclassification from Non- aeronautical to Aeronautical revenue:						
Less: Space Rental from Airlines	(0.35)	(0.38)	(0.42)	(0.46)	(0.51)	(2.11)
Total Non-aeronautical revenue (A-B)	12.39	13.09	18.00	19.62	21.41	84.51

Note: The variance of ₹ 3.62 Crores between the NAR decided by the Authority (₹ 84.51 Crores) and proposed at the Consultation Stage (₹ 88.13 Crores) is on account of the following:

- Incorporating a 5% growth rate for Other Miscellaneous Income during the Second Control Period as per AAI's submission.
- A 10% Y-o-Y increase in passenger related revenue as per AAI's comments.
- An additional 15% increase in the FY 2024-25 due to operationalisation of New Terminal Building



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- iv. An additional one-time increase of 30% in NAR (passenger related revenue) for FY 2025-26 due to operationalisation in Non-aeronautical facilities in New Terminal Building.
- v. Reclassification of Space Rentals from Airlines from Non-aeronautical to Aeronautical revenue.

Table 71: Growth rates decided by the Authority for PIA for Non-aeronautical revenue

Particulars	FY	FY	FY	FY	FY
	2023-24	2024-25	2025-26	2026-27	2027-28
1. Passenger related revenue					
Restaurant / snack bars	10%	25%	40%	10%	10%
T.R. stall	10%	25%	40%	10%	10%
Hoarding & display	10%	25%	40%	10%	10%
Car Rentals	-	-	40%	10%	10%
Car parking	10%	25%	40%	10%	10%
Admission tickets	10%	25%	40%	10%	10%
Other Misc. Income	5%	5%	5%	5%	5%
2. Other Revenue					
Land Leases	0%	0%	15%	0%	0%
Building (residential)	5%	5%	5%	5%	5%
Building (non-residential)	10%	10%	40%	10%	10%

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 PIA as per Table 70.
- 10.6.2 To consider Non-aeronautical revenue achieved by AAI for PIA for the Second Control Period, while determining tariff for the next Control Period.

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11 TAXATION FOR THE SECOND CONTROL PERIOD**11.1 AAI's Submission on Taxation for the Second Control Period for PIA**

11.1.1 AAI had calculated the revenue generated from regulated services, Aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. 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 PIA are shown in the table below:

Table 72: Tax Expense submitted by AAI for PIA 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	87.44	424.81	502.06	592.38	690.26	2,296.96
O&M expenses	89.46	106.05	112.92	120.32	130.16	558.90
Interest on working capital	-	-	-	-	-	-
Depreciation	9.28	102.63	95.30	85.65	77.00	369.86
Profit Before Tax	(11.30)	216.13	293.85	386.41	483.11	1,368.19
Set-off of prior period tax losses	0.00	(161.42)	0.00	0.00	0.00	(161.42)
PBT after set-off of prior period losses	(11.30)	54.71	293.85	386.41	483.11	1,206.77
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	0.00	13.77	73.96	97.26	121.60	306.59

11.2 Authority's examination of Taxation for the Second Control Period at Consultation Stage

11.2.1 The Authority noted that PIA 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. The following table summarizes the Aeronautical taxes proposed by the Authority for the Second Control Period.

Table 73: 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 82)	87.44	244.99	309.05	406.51	517.13	1,565.13
O&M expenses (refer Table 62)	78.45	87.62	99.21	105.12	110.32	480.71
Depreciation	9.10	9.34	97.65	94.14	84.64	294.87
Profit Before Tax	(0.10)	148.03	112.20	207.25	322.17	789.55
Set-off of prior period tax losses*	-	(48.46)	-	-	-	(48.46)
PBT after set-off of prior period tax losses	(0.10)	99.57	112.20	207.25	322.17	741.09
Tax rate (%)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax	-	25.06	28.24	52.16	81.09	186.56

*Prior period losses pertain to those incurred during FY 2018-19 to FY 2023-24.



11.3 Stakeholders' comments regarding Taxation for the Second Control Period

11.3.1 No comments were received from the Stakeholders on Taxation for the Second 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 Patna 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 74: Taxation decided by the Authority for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Aeronautical Revenue (refer Table 83) (A)	72.46	217.74	356.24	421.61	511.55	1,579.61
O&M expenses (refer Table 65) (B)	81.71	91.05	102.04	107.16	105.97	487.93
Depreciation (C)	9.10	9.34	97.65	94.14	84.64	294.87
Profit Before Tax (D=A-B-C)	(18.34)	117.35	156.55	220.31	320.94	796.81
Set-off of prior period tax losses* (E)	-	(63.11)	-	-	-	(63.11)
PBT after set-off of prior period tax losses (F)=(D - E)	(18.34)	54.24	156.55	220.31	320.94	733.70
Tax rate (%) (G)	25.17%	25.17%	25.17%	25.17%	25.17%	
Tax (F*G)	-	13.65	39.40	55.45	80.78	189.29

(in ₹ Crores)

*Prior period losses pertain to those incurred during FY 2018-19 to FY 2023-24.

Note- The variance of ₹ 2.73 Crores between the Taxation decided by the Authority, which is ₹ 189.29 Crores for the Second Control Period and that proposed by the Authority at the Consultation stage, which is ₹ 186.56 Crores is due to increase in Aeronautical revenue and O&M expenses.

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 PLA as per Table 74.

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.

12 QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

12.1 AAI's Submission on Quality of Service for the Second Control Period for PIA

12.1.1 PIA had not made any submission related to Quality of Service as part of its MYTP submission. The Authority was informed that the same is available in AAI's website (station-wise).

12.2 Authority's examination regarding Quality of Service 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 shall "*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 PIA for the years 2018 to 2023(Q2) had been in the range of 3.72 to 4.73 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.81

Table 75: ASQ rating for PIA for the years 2018-2023

Calendar Year (CY)	ASQ rating
2018	4.41
2019	4.26
2020	3.72
2021	4.52
2022	4.64
2023 (Q1)	4.67
2023 (Q2)	4.73

12.2.3 The Authority noted that the ASQ rating awarded to PIA 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 target for the year 2019-20 was 4.68. The actual ASQ rating achieved by Patna International Airport for CY 2019 was 4.26, attributable to congestion resulting from ongoing construction activities for the Terminal Building at the airport. 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 service maintained by PIA, as the Airport had already achieved 4.5 rating.

12.3 Stakeholders' comments on Quality of Service for the 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. 23/



2023-24 with respect to Quality of Service for the Second Control Period. The comments by stakeholders are presented below:

Other Stakeholders' comments on Quality of Service for the Second Control Period

12.3.2 FIA has commented the following:

Para 12.2.4 of CP

"It is observed by the AERA that for the CY 2022, there was no parameter on ASQ stipulated in the MOU between AAI and MoCA. AERA and AAI are requested to inform whether there has been any change in the status, and whether there is any likelihood of any parameter on ASQ to be agreed by AAI for PAT. In any event, AAI is expected, at a minimum, to maintain and exceed its current ASQ as well as adhere to the ASQ, if any agreed upon with MoCA, at a later date."

12.4 AAI's responses to other stakeholders' comments on Quality of Service for the Second Control Period

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

"Patna International Airport has achieved ASQ rating of 4.64 and 4.71 in the scale of 5 for the calendar year 2022 and 2023. The parameters of the MOU has been decided by MoCA and not falling in the preview of AAI."

12.5 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Second Control Period

12.5.1 The Authority has noted the comments of FIA on ASQ rating and AAI's response.

As stated in the Consultation stage (refer Table 75 of this Tariff Order), Patna Airport has achieved ASQ rating of 4.64 in Calendar Year 2022 and further achieved rating of 4.67 and 4.73 in Quarter 1 and Quarter 2 of Calendar Year 2023 respectively.

As the Airport has achieved ASQ rating of above 4.5 on a scale of 5, the Authority decides not to consider any adjustment towards tariff determination for the Second Control Period on account of Quality of Service maintained by PIA.

12.6 Authority's decisions regarding Quality of Service for the Second Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to 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 Service.

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 PIA

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 has been presented in the table below.

Table 76: ARR submitted by AAI for PIA for the Second Control Period

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Average RAB	543.71	980.80	929.02	861.74	794.70	4,109.96
Fair Rate of Return	14.00%	14.00%	14.00%	14.00%	14.00%	-
Return on average RAB	76.12	137.31	130.06	120.64	111.26	575.39
O&M expenses	89.46	106.05	112.92	120.32	130.16	558.90
Depreciation	36.55	66.88	67.41	67.14	66.95	304.94
Tax expense	-	13.77	73.96	97.26	121.60	306.59
Less: 30% NAR	3.82	4.21	4.64	5.06	5.51	23.23
ARR per year (₹ Crores)	560.72	319.81	379.71	400.30	424.46	2,084.99
Discount factor (@ 14%)	1.00	0.88	0.77	0.67	0.59	3.91
PV of ARR	560.72	280.53	292.17	270.19	251.31	1,654.93
Sum Present value of ARR (₹ Crores)	1,654.93					1,654.93
Add: True up shortfall of First Control Period claimed by AAI	361.90					361.90
Total Traffic (million passengers)	30.32					30.32
Yield per passenger (YPP) (₹)	665.21					665.21

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. With respect to each element of the regulatory building blocks considered by AAI in computation of ARR and Yield in the table above, the Authority proposed as follows:

- To consider the average RAB in accordance with Table 48
- To consider the FRoR in accordance with Table 54.
- To consider the Depreciation as per Table 46.
- To consider the O&M expenses as per Table 62.
- To consider the Tax expense as per Table 73.
- To consider the Non-aeronautical revenue as per Table 68.
- To consider True up of First Control Period as per Table 28.
- To consider the total traffic in accordance with Table 33.



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

13.2.2 After considering the above, the Authority proposed the following ARR and YPP, as presented in the table below.

Table 77: ARR proposed to be considered by the Authority for the Second Control Period at Consultation Stage

Particulars	Table Ref.	FY					Total
		2023-24	2024-25	2025-26	2026-27	2027-28	
Average RAB = A	48	91.25	524.93	954.62	920.53	853.66	
Fair Rate of Return = B	54	13.00%	13.00%	13.00%	13.00%	13.00%	
Return on average RAB C= A*B		11.86	68.22	124.07	119.64	110.95	434.75
Depreciation – D	46	6.78	35.16	64.97	66.95	66.79	240.65
O&M expenses – E	62	78.45	87.62	99.21	105.12	110.32	480.71
Tax expense – F	73	-	25.06	28.24	52.16	81.09	186.56
ARR per year = SUM (C:F)		97.09	216.07	316.49	343.87	369.14	1,342.66
Shortfall carried forward from First Control Period	28	164.75					
Gross ARR – G		261.83	216.07	316.49	343.87	369.14	1,507.40
NAR	68	13.66	15.43	17.53	19.68	21.81	88.13
Less: 30% NAR – H		4.10	4.63	5.26	5.91	6.54	26.44
Net ARR = (G-H)		257.73	211.44	311.23	337.97	362.60	1,480.97
Discount factor (@ 13%)		1.00	0.88	0.78	0.69	0.61	
PV of ARR (₹ Crores)		257.73	187.12	243.75	234.25	222.41	1,145.26
Sum Present value of ARR (₹ Crores) as on March 31, 2024				1,145.26			1,145.26
Total Traffic (million passengers)	33			30.32			30.32
Yield per passenger on Total Traffic (YPP) (₹)				377.74			377.74
Departing passenger				15.16			15.16
Yield per Departing Passenger (₹)				755.48			755.48

13.2.3 AERA had determined ARR of ₹ 1,145.26 Crores, as against the ARR of ₹ 1,654.93 proposed by AAI. The variation of ₹ 509.67 Crores between the ARR proposed by the Authority and that claimed by AAI were attributable to following factors:

- i Rationalisation of CAPEX (refer Table 44), resulting in reduction of depreciation and Return on RAB.
- ii Determination of FRoR by the Authority as 13% as against 14% claimed by AAI.
- iii Rationalisation of O&M expenses like Payroll expenses, CHQ/ RHQ expenses, Administration expenses, R&M Expenses etc. amounting to ₹ 78.20 Crores
- iv Reduction in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority (based on the proposed Tariff Rate card of the Authority).

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

13.3 Stakeholders' comments on Aggregate Revenue Requirement (ARR) for 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 Patna International Airport for the Second Control Period and the same is as follows:

Table 78: ARR decided by the Authority for the Second Control Period

(in ₹ Crores)

Particulars	Table Ref.	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Average RAB = A	48	91.25	524.93	954.62	920.53	853.66	
Fair Rate of Return = B	54	13.00%	13.00%	13.00%	13.00%	13.00%	
Return on average RAB C= A*B		11.86	68.22	124.07	119.64	110.95	434.75
Depreciation – D	46	6.78	35.16	64.97	66.95	66.79	240.65
O&M expenses – E	65	81.71	91.05	102.04	107.16	105.97	487.93
Tax expense – F	74	-	13.65	39.40	55.45	80.78	189.29
ARR per year = SUM (C:F)		100.35	208.09	330.48	349.20	364.49	1,352.61
Shortfall carried forward from First Control Period	29	160.93					
Gross ARR – G		261.28	208.09	330.48	349.20	364.49	1,513.54
NAR	70	12.39	13.09	18.00	19.62	21.41	84.51
Less: 30% NAR – H		3.72	3.93	5.40	5.89	6.42	25.35
Net ARR = (G-H)		257.57	204.16	325.08	343.32	358.06	1,488.19
Discount factor (@ 13%)		1.00	0.88	0.78	0.69	0.61	
PV of ARR (₹ Crores)		257.57	180.68	254.60	237.95	219.63	1,150.43
Sum Present value of ARR (₹ Crores) as on March 31, 2024				1,150.43			1,150.43
Total Traffic (million passengers)	33			30.32			30.32
Yield per passenger on Total Traffic (YPP) (₹)				379.45			379.45
Departing passenger (Million passenger)				15.16			15.16
Yield per Departing Passenger (₹)				758.89			758.89

13.4.2 The Authority has analysed the variance between the ARR decided in the Second Control Period (₹ 1,150.43 Crores) and that proposed at the Consultation Stage (1,145.26 Crores as per Table 77) in detail. The Authority also took cognizance of the comments of AAI and other stakeholders on various building blocks on merits basis on the following:

- i. One-time Increase in Payroll Expenses by considering 19% instead of 10% for FY 2024-25 (for the period of 6 months), due to operationalisation of new terminal building (in FY 2024-25) and rationalised Payroll Expenses by considering 6% growth rate, instead of 25% for FY 2027-28, resulting in net reduction of Payroll expenses by ₹ 1.47 Crores



AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE SECOND CONTROL PERIOD

- ii. Consideration of ₹ 8.71 Crores towards Return on Unamortized portion of Runway recarpeting expenses, resulting in increase of O&M expenses (refer Note to Table 64).
- iii. Increase in taxation, due to rationalization of other building blocks such O&M expenses, depreciation and the Aeronautical revenue determined by the Authority (based on the proposed Tariff Rate card of the Authority).

13.5 Authority's decision 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 PIA as per Table 78.



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14 AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD**14.1 AAI's Submission on Aeronautical Revenue for the Second Control Period for PIA**

14.1.1 AAI had proposed to increase the Aeronautical tariffs with effect from April 1, 2024 as per the schedule below:

- **Landing charges** – For domestic and international ATM, AAI had proposed a one-time increase of 60% from the existing charges w.e.f. April 1,2024 and thereafter by 6% 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. April 1, 2024 and thereafter by 6% year on year.
- **User Development Fee (UDF)** – AAI had proposed the following growth rates in UDF from the existing rates of ₹ 204 (Domestic) for the Second Control Period.

Table 79: 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	0.00%	561.76%	4%	4%	4%
International UDF	0.00%	0.00%	0.00%	0.00%	0.00%

Table 80: Aeronautical revenue submitted by AAI for PIA for the Second Control Period

(₹ Crores)

Particulars	FY	FY	FY	FY	FY	Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Parking charges	0.02	0.04	0.04	0.05	0.06	0.21
Landing	33.31	59.69	70.86	84.13	98.99	346.97
UDF charges	45.75	355.01	419.69	495.54	577.38	1,893.37
Land Lease	2.20	2.20	2.53	2.53	2.53	11.98
Ground Handling charges	1.15	1.29	1.44	1.62	1.79	7.29
CUTE charges	4.75	6.31	7.19	8.20	9.19	35.65
Revenue Share from AAICLAS	0.27	0.28	0.30	0.31	0.33	1.49
Total Revenue	87.44	424.81	502.06	592.38	690.26	2,296.96

14.1.2 Above aeronautical revenue projected by the AO is based on the tariff rates proposed by them as given in para 14.1.1.

14.1.3 For revenues based on agreements i.e., Land lease from oil companies and Ground handling companies, AAI had proposed to consider the same revenue of FY 2025-26 for FY 2026-27 and FY 2027-28.

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 PIA had not surpassed the pre-COVID levels of FY 2019-20. However, there had been a gradual increase in passenger traffic (domestic) in the current Financial Year.

14.2.2 To maintain a balanced approach, the Authority proposed to increase the Landing and Parking charges in a progressive manner from FY 2024-25 (w.e.f April 1, 2024) on the following basis:

- One time increase of 64% in Domestic Landing charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.



AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

ii: One time increase of 64% in Domestic Parking charges and 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.

14.2.3 AAI had proposed a higher increase in UDF, which had been rationalised by AERA. The Authority proposed to allow the following tariff towards UDF for the Second Control Period for PIA.

Table 81: UDF charges proposed by the Authority for PIA for the Second Control Period at Consultation Stage

Passenger	FY 2023-24 (existing rates)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Domestic (in ₹)	204	660	750	900	1,050
International (in ₹)	-	-	-	-	-

**Whenever PIA resumes International Operations, the Domestic UDF would be applicable on international operations.*

14.2.4 The Authority had determined the Aeronautical revenue based on the proposed Aeronautical charges as follows:

Table 82: Aeronautical revenues 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
Total PV of ARR including true up (₹ in Crores) (a) (as per Table 77)	1,145.26					1,145.26
Aeronautical Revenue	सत्यमेव जयते					
Parking and Housing Charges (₹ in Crores)	0.02	0.03	0.03	0.04	0.05	0.17
UDF Domestic (₹ in Crores)	45.75	173.56	224.84	307.58	401.90	1,153.62
Landing Charges (₹ in Crores)	33.31	61.32	72.72	86.24	101.35	354.94
CUTE charges (₹ in Crores)	4.75	6.31	7.19	8.20	9.19	35.65
Ground handling charges (₹ in Crores)	1.15	1.29	1.44	1.62	1.79	7.29
Royalty from AAICLAS (₹ in Crores)	0.27	0.28	0.30	0.31	0.33	1.49
Land Lease – Oil Companies / Ground Handling Companies (₹ in Crores)	2.20	2.20	2.53	2.53	2.53	11.98
Total Revenue (b)	87.44	244.99	309.05	406.51	517.13	1,565.13
PV factor	1.00	0.88	0.78	0.69	0.61	
PV of Aero Revenue (c)	87.44	216.81	242.05	281.75	317.20	1,145.26
Σ PV Projected Aero Revenue (d)	1,145.26					1,145.26
Surplus/ (Shortfall) proposed to be carried forward for Next Control Period (d) – (a) (as on March 31, 2024)						-

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 ₹ 1,145.26 Crores (in NPV terms). The present value of total projected Aeronautical revenues based on the Authority's proposed Landing, Parking and UDF charges was ₹ 1,145.26 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 (ARR) 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. 23/2023-24 with respect to Aeronautical Revenue for the Second Control Period. The comments by stakeholders are presented below:

Other Stakeholders' comments on Aeronautical Revenue (ARR) for the Second Control Period

14.3.2 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 the 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 PIA to clarify the following:

1. Ref: Notes: 1 to User Development Fee (UDF) Charges:

We would like to invite AERA's attention to notes 1 of the Annexure II of the CP No.23/2023-24, 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.*

Please note that the high fees set a precedent for other airports hence it is important to bring down the rate to be in line with tariff at AAI airports.

- c) *AERA is kindly requests to add the following exemption to maintain uniformity, as 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."

2. Further, FIA recommends AERA to add Note of the Annexure II, 17.2.4 Notes, 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

Refer (Notes 8)

Additional parking charges added in the proposed tariff card for parking beyond 24 hours is also excessive since the parking charges after first the two hours are already doubled. A higher fee of INR 20 per hour per MT sets a bad and unacceptable precedent for other private airports hence it is important to bring down the rate to be in line with tariff at AAI airports.

FIA requests AERA to provide the definition of 'unauthorised overstay' for clarity on parking charges.

4. Landing Charges (17.2.3)

Refer (Notes)

We request AERA further clarification on unscheduled flights operated by domestic scheduled operators as the same are currently being charged by PLA. There should be a clarification to this effect since the exemption is provided to domestic scheduled operators and not restricted to only scheduled operations by them."

14.3.3 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 the consultation process and assessment of the information provided by the 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 the 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.

The AERA Tariff Order for PLA - 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 as high as up to 15% for some 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."

14.4 AAI's responses to other stakeholders' comments on Aeronautical Revenue (ARR) 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 PLA on account of
 - a) true up of First Control Period and the resultant shortfall due to various reasons including the pandemic.
 - b) Proposed capex, opex and other components of building block in order to work out 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 the methodology to recover the cost incurred by Airport operator i.e. PIA from passenger / Airlines who are the ultimate user of the airport.

- ii. *Landing & Parking charges are worked out to recover the ARR as per AERA methodology. Further, the collection charges will be paid to Airlines as per the credit policy of AAI*
- 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.*
- v. *No Govt. grants/subsidies (State or Central) has been granted for PIA."*

14.5 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue (ARR) for the Second Control Period

14.5.1 The Authority notes the comments of FIA on the proposed increase in tariff rates and the response of AAI:

- i. The Authority, at the Consultation stage, had proposed the increase in the aeronautical tariffs (Landing, Parking charges and UDF) to meet the Aggregate Revenue Requirement, to be implemented in a progressive manner, with a view to protect the interest of all the Airport Users.
- ii. Further, the Authority had determined the ARR for the Second Control Period after rationalising CAPEX, O&M expenses, FRoR (determined as 13% as against 14% claimed by AAI) and the same has been detailed in para 13.2.3 and para 13.4.2 of this Tariff Order.
- iii. With respect to FIA's comments on UDF and other charges, the Authority provides its comment as under:
 - UDF (Collection charges): the Authority has noted AAI's response thereon and is of the opinion that the collection charges is a policy matter between the Airport Operator and the Airlines.
 - Regarding FIA's comments on including Notes on Parking charges, Landing charges and UDF: The Authority has given suitable Note on the above charges in the Tariff Rate Card (refer Tariff Rate Card annexed to the Tariff Order)

14.5.2 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 Patna International Airport in accordance with AERA Act and AERA Guidelines 2011. Further, it is pertinent to note that the AO had submitted the MYTP for the tariff determination of PIA on September 22, 2023, after a gap of 6 months from the date of commencement of the Second Control Period (i.e. April 1, 2023)

Also, the Authority had sought clarifications from AO on the various regulatory building blocks from



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time to time till January 2024 (as detailed in para 2.3.1 and Table 2 of this Tariff Order on submission of MYTP). The above factors have resulted in the time lag in determination of tariff for PIA 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.

14.5.3 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:

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.

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.

14.5.4 Based on its analysis and decisions on the various regulatory building blocks, the Authority has re-computed the Aeronautical revenues by providing the following tariff increase on the existing landing, parking and UDF charges:

- i One time increase of 44% in Domestic Landing and Parking charges and thereafter, 6% increase Y-o-Y for the remaining tariff years in the Second Control Period.
- ii Increase in UDF from the existing rates is as follows:

Passenger	FY 2023-24 (existing rates)	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Domestic (in ₹)	204	660	865	900	990

In view of the above, the aeronautical revenue recomputed for the Second Control Period is presented in the table below:

Table 83: Aeronautical Revenue decided by the Authority for the Second Control Period

(in Crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Total PV of ARR including true up (a) (as per Table 78)	1,150.43					1,150.43
Aeronautical Revenue						
Landing Charges	27.29	49.51	68.22	81.00	93.84	319.85
Parking and Housing Charges	0.01	0.02	0.03	0.04	0.04	0.15
UDF Domestic	37.51	158.40	275.55	326.83	402.66	1,200.95
CUTE charges	3.90	5.76	7.65	8.72	9.76	35.78
Ground handling charges	0.94	1.19	1.54	1.73	1.89	7.29
Royalty from AAICLAS	0.27	0.28	0.30	0.31	0.33	1.49
Land Lease – Oil Marketing Companies / Ground Handling Companies	2.20	2.20	2.53	2.53	2.53	11.98
Space Rental from Airlines	0.35	0.38	0.42	0.46	0.51	2.11
Total Revenue (b)	72.46	217.74	356.24	421.61	511.55	1,579.61
PV factor	1.00	0.88	0.78	0.69	0.61	
PV of Aero Revenue (c)	72.46	192.70	279.00	292.22	313.78	1,150.16
∑ PV Projected Aero Revenue (d)	1,150.16					1,150.16



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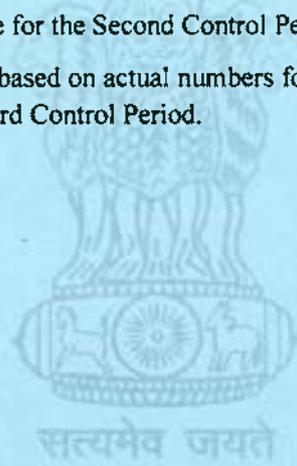
Note: The Aeronautical Revenue has been decided by the Authority (as per Table 83) and Tariff Rate Card is given in Annexure 1 (refer para 17.1), which is different from that projected by AAI (as per Table 80) on account of rationalization of various Regulatory building blocks by the Authority as below:

- i Rationalisation of CHQ/ RHQ allocation in True up of First Control Period and for the Second Control Period
- ii Rationalisation of O&M expenses such as Payroll, Upkeep expenses, etc., as detailed in Note to Table 62 and Table 65
- iii FRoR determined as 13.00% as against 14% claimed 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 PIA as per Table 83.
- 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.



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15 SUMMARY OF AUTHORITY'S DECISIONS

Chapter 4: True Up of the First Control Period

- 4.11.1 To consider capital additions for true up of the First Control Period as detailed in Table 10.
- 4.11.2 To consider Aeronautical depreciation for true up of the First Control Period as per Table 11.
- 4.11.3 To consider RAB for true up for the First Control Period as per Table 12.
- 4.11.4 To consider FRoR of true up of the First Control Period as per Table 14.
- 4.11.5 To consider the Non-aeronautical revenues of true up of the First Control Period as presented in Table 17.
- 4.11.6 To consider the O&M expenses of true up of the First Control Period as detailed in Table 22.
- 4.11.7 To consider Taxation for true up of the First Control Period for PIA as per Table 25.
- 4.11.8 To consider actual Aeronautical revenue for true up of the First Control Period for PIA as per Table 27.
- 4.11.9 To consider ARR and Under-recovery for true up of the First Control Period for PIA and readjust the shortfall for the Second Control Period as detailed in Table 29.

Chapter 5: Traffic for the Second Control Period

- 5.6.1 To consider the ATM and passenger traffic for the Second Control Period for PIA as per Table 34.
- 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

- 6.8.1 To consider allocation of Gross Block of assets between Aeronautical and Non-aeronautical assets as detailed in Table 36.
- 6.8.2 To adopt the capitalization of Aeronautical Capital Expenditure for the Second Control Period as per Table 44.
- 6.8.3 To true up the Capital expenditure based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for the Third Control Period.
- 6.8.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is 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 truing up the actual cost at the time of determination of tariff for the Third Control Period.
- 6.8.5 To consider depreciation for the Second Control Period as per Table 46.
- 6.8.6 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.
- 6.8.7 To consider average RAB for the Second Control Period for PIA as per Table 48.
- 6.8.8 To true up the RAB based on actuals at the time of tariff determination for the Third Control Period.
- 6.8.9 AAI to ensure necessary ANS infrastructure /upgradation as detailed in para 6.7.4



Chapter 7: Fair Rate of Return for the Second Control Period

- 7.6.1 To consider Cost of Debt at 8.10 %.
- 7.6.2 To consider Cost of Equity at 14%.
- 7.6.3 To consider FRoR of 13 % for PIA 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 PIA 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 PIA as per Table 65.
- 9.6.2 To consider the O&M expenses incurred by AAI for PIA 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 PIA as per Table 70.
- 10.6.2 To consider Non-aeronautical revenue achieved by AAI for PIA 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 PIA as per Table 74.
- 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 Service.

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 PIA as per Table 78.

Chapter 14: Aeronautical revenue for the Second Control Period

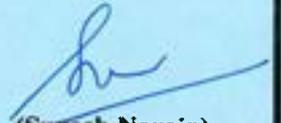
- 14.6.1 To consider Aeronautical revenue for the Second Control Period for PIA as per Table 83.
- 14.6.2 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third Control Period.

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 Patna 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 Current 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,

Mr. Sanjeev Kumar, 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 Patna International Airport for the Second Control Period (effective from April 1, 2024)

17.1.1 Landing charges* approved by the Authority for Patna International Airport for the Second Control Period is as follows:

Table 84: Landing charges(domestic) decided by the Authority for PLA 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	185 per MT	266 per MT	282 per MT	299 per MT	317 per MT
Above 25 MT up to 50 MT	4,625+324 per MT in excess of 25 MT	6,650 + 467 per MT in excess of 25 MT	7,050 + 495 per MT in excess of 25 MT	7,475 + 525 per MT in excess of 25 MT	7,925 + 557 per MT in excess of 25 MT
Above 50 MT up to 100 MT	12,725+371 per MT in excess of 50 MT	18,325 + 534 per MT in excess of 50 MT	19,425 + 566 per MT in excess of 50 MT	20,600 + 600 per MT in excess of 50 MT	21,850 + 636 per MT in excess of 50 MT
Above 100 MT to 200 MT	31,275+452 per MT in excess of 100 MT	45,025 + 651 per MT in excess of 100 MT	47,725 + 690 per MT in excess of 100 MT	50,600 + 731 per MT in excess of 100 MT	53,650 + 775 per MT in excess of 100 MT
Above 200 MT	76,475+510 per MT in excess of 200 MT	1,10,125 + 734 per MT in excess of 200 MT	1,16,725 + 778 per MT in excess of 200 MT	1,23,700 + 825 per MT in excess of 200 MT	1,31,150 + 875 per MT in excess of 200 MT

* One-time increase of 44% in Domestic Landing charges with effect from April 1, 2024 and 6% increase Y-o-Y thereafter till FY 2027-28.

Notes:

- No Landing Charges shall be payable in respect of a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic schedule operators at airport, b) helicopters of all types, and c) DGCA approved Flying school/flying training institute aircrafts.
- All domestic legs of international routes flown by Indian operators will be treated as domestic flights as far as landing charges concerned irrespective of flight number assigned to such flights.
- Domestic leg of international routes of foreign carriers shall be treated as international flights.
- Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).
- "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".
- Flight operating under regional connectivity scheme will be completely exempted from Landing charges from the date of the scheme is operationalized by GOI.
- Tariff for International flights, if any, during the Second Control Period, will be same as applicable to Domestic flights, in that particular year.

17.1.2 Parking charges** approved by the Authority for PIA for the Second Control Period is as follows:



Table 85: Parking charges (per hour) up to two hours after free hours for the Second Control Period decided by the Authority

(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	3.37 per hour per MT	4.85 Per Hour Per MT	5.15 Per Hour Per MT	5.45 Per Hour Per MT	5.8 Per Hour Per MT
Above 25 MT up to 50 MT	84.36 + 4.5 per hour per MT in excess of 25 MT	121.25 + 6.5 per MT per hour in excess of 25 MT	128.75 + 6.9 per MT per hour in excess of 25 MT	136.25 + 7.3 per MT per hour in excess of 25 MT	145 + 7.75 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	196.85+ 9 per hour per MT in excess of 50 MT	283.75 + 12.95 per MT per hour in excess of 50 MT	301.25 + 13.75 per MT per hour in excess of 50 MT	318.75 + 14.6 per MT per hour in excess of 50 MT	338.75 + 15.5 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	646.80+ 11.25 per hour per MT in excess of 100 MT	931.25 + 16.2 per MT per hour in excess of 100 MT	988.75 + 17.15 per MT per hour in excess of 100 MT	1,048.75 + 18.2 per MT per hour in excess of 100 MT	1,113.75 + 19.3 per MT per hour in excess of 100 MT
Above 200 MT	1,771.66+ 12.40 per hour per MT in excess of 200 MT	2,551.25 + 17.85 per MT per hour in excess of 200 MT	2,703.75 + 18.9 per MT per hour in excess of 200 MT	2,868.75 + 20.05 per MT per hour in excess of 200 MT	3,043.75 + 21.25 per MT per hour in excess of 200 MT

** One-time increase of 44% in Parking charges with effect from April 1, 2024 and 6% increase Y-o-Y thereafter till FY 2027-28.

Table 86: Parking charges beyond first four hours for the Second Control Period decided by the Authority

(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	6.75 per hour per MT	9.7 Per Hour Per MT	10.3 Per Hour Per MT	10.9 Per Hour Per MT	11.6 Per Hour Per MT
Above 25 MT up to 50 MT	168.73 + 9 per hour per MT in excess of 25 MT	242.5 + 13 per MT per hour in excess of 25 MT	257.5 + 13.8 per MT per hour in excess of 25 MT	272.5 + 14.6 per MT per hour in excess of 25 MT	290 + 15.5 per MT per hour in excess of 25 MT
Above 50 MT up to 100 MT	393.7+ 18 per hour per MT in excess of 50 MT	567.5 + 25.9 per MT per hour in excess of 50 MT	602.5 + 27.5 per MT per hour in excess of 50 MT	637.5 + 29.2 per MT per hour in excess of 50 MT	677.5 + 31 per MT per hour in excess of 50 MT
Above 100 MT to 200 MT	1,293.59+ 22.50 per hour per MT in excess of 100 MT	1,862.5 + 32.4 per MT per hour in excess of 100 MT	1,977.5 + 34.3 per MT per hour in excess of 100 MT	2,097.5 + 36.4 per MT per hour in excess of 100 MT	2,227.5 + 38.6 per MT per hour in excess of 100 MT
Above 200 MT	3,543.32+ 24.75 per hour per MT in excess of 200 MT	5,102.5 + 35.7 per MT per hour in excess of 200 MT	5,407.5 + 37.8 per MT per hour in excess of 200 MT	5,737.5 + 40.1 per MT per hour in excess of 200 MT	6,087.5 + 42.5 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.

- ii. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- iii. Charges shall be calculated on the basis of nearest MT.
- iv. Charges for each period parking shall be rounded off to nearest rupee.
- v. 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.
- vi. It is decided to waive off the night parking charges in principle for all domestic scheduled operators at Patna 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.
- vii. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- viii. For unauthorized overstay of aircraft an additional charge of ₹ 20.00 per hour per MT beyond 24 hours is to be payable or as per revised rate if any.
- ix. Tariff for International flights, if any, during the Second Control Period, will be same as applicable to Domestic flights, in that particular year.

17.1.3 **User Development Fee (UDF):** UDF approved by the Authority for PIA 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
Embarking passenger	660.00

Applicable rates for travel date from April 1, 2025 to March 31, 2026

(Rate in ₹)

Type of Passenger	Domestic
Embarking passenger	865.00

Applicable rates for travel date from April 1, 2026 to March 31, 2027

(Rate in ₹)

Type of Passenger	Domestic
Embarking passenger	900.00

Applicable rates for travel date from April 1, 2027 to March 31, 2028

(Rate in ₹)

Type of Passenger	Domestic
Embarking passenger	990.00



Notes:

- i. 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.
- ii. No collection charges are payable to casual operator/non-scheduled operators.
- iii. 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 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- iv. The existing UDF charges will be applicable on the tickets issued till March 31, 2024.
- v. Revised UDF charges will be applicable on the tickets issued on or after April 1, 2024
- vi. Tariff for International flights, if any, during the Second Control Period, will be same as applicable to Domestic flights, in that particular year.

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. 20/2018-19 dated 31/03/2017 of the Authority from the date the scheme is operationalized by Gol.

