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AERONAUTICAL INFORMATION  
SERVICES  
DIRECTOR GENERAL OF CIVIL AVIATION  
OPPOSITE SAFDARJUNG AIRPORT  
NEW DELHI-110003

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This AIC is issued for dissemination of the decisions contained in the Ministry of Civil Aviation's letter No. AV-20036/46/2017-AD dated 08.11.2017.



(B.S. BHULLAR)

Director General of Civil Aviation

**LEVY AND COLLECTION OF AERONAUTICAL CHARGES AT PUNE INTERNATIONAL AIRPORT FOR THE SECOND CONTROL PERIOD (01.04.2016-31.03.2021)**

The Airports Economic Regulatory Authority (AERA), in exercise of powers conferred on them by section 13(1) of the Airports Economic Regulatory Authority of India Act, 2008, has determined the Aeronautical Tariff for Pune International Airport for the 2<sup>nd</sup> Control Period (01.04.2016-31.03.2021), as per the details given in Annexure-I, II, III & IV of AERA's Order No. 15/2017-18 dated 30.10.2017 attached herewith.

2. These charges shall come into effect on 1<sup>st</sup> December, 2017 in the manner prescribed by AERA.

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File No. AERA/20010/MYTP/AAI-Pune/CP-II/2016-17

Order No. 15/2017-18



**Airports Economic Regulatory Authority of India**

सत्यमेव जयते

**In the matter of determination of aeronautical tariffs  
at Civil Enclave in respect of Pune airport for the second  
Control Period (01.04.2016 – 31.03.2021).**

भा. वि. आ. वि. प्रा.  
30<sup>th</sup> October, 2017

AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi – 110 003



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## 1. Introduction

1.1. Pune district is the second largest city in Maharashtra after Mumbai with a population of approximately 94 lakhs as per 2011 census. It is considered as the cultural capital of Maharashtra for its indigenous Marathi ethos comprising of its distinct cuisine, festivals, art, crafts and theatres. Pune is specifically known for its 10-day long Ganesh festival. Pune has several prominent educational institutions and students from various parts of India as well as from all over the world flock the city. Pune is rapidly emerging as an Information Technology hub due to availability of talent from its various educational institutions. A large number of multi-national companies have set-up their manufacturing units especially related to automobile in Pune.

1.2. Pune airport is one of the major airports in western India situated 10 km north-east of Pune in the state of Maharashtra.

1.3. The civil enclave is jointly operated by Airports Authority of India (AAI) and Indian Air Force. AAI operates the passenger terminal building and the civil apron while the Indian Air Force provides the airside facilities and air navigation services.

1.4. The traffic handled by civil enclave at Pune during the 1<sup>st</sup> control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1<sup>st</sup> control period at civil enclave Pune

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	3.2	0.1	3.3	26,134	976	27,110
2013	3.2	0.1	3.3	26,868	958	27,826
2014	3.5	0.1	3.6	29,506	1,028	30,534
2015	4.1	0.1	4.2	32,642	1,118	33,760
2016	5.2	0.2	5.4	38,682	2,044	40,726

1.5. Civil enclave at Pune, with a traffic of more than 1.5 mppa, is a major airport as defined in Section 2 (i) of AERA Act. Accordingly, tariff determination of aeronautical services at the airport is undertaken by AERA.

1.6. Technical and Terminal building details of civil enclave at Pune are provided in the table below:



Table 2 – Details of the airport facilities at civil enclave, Pune

Technical Details of civil enclave Pune	
Particulars	Details
Total airport area	26.01 acres (civil)
Runway orientation and length	10/28 and 2,535 meter – IAF Runway
No. of Taxi Tracks	1 parallel taxiway and 3 taxiways leading to civil apron
No. of Apron Bays	08
Aerodrome Category	4C
Navigational Aids	DVOR/DME by AAI
Operational hours	24 hours
Terminal building Details	
Particulars	Domestic / International (T-II)
Terminal Building Area	22,300 Sq.m
Immigration Counters	14
Customs Counters	6
Security Counters	10
Departure Conveyor	2
Arrival Conveyor	4
Peak hour passenger capacity	Departure: 450, Arrival: 450
No. of Check-in Counters (CUTE)	32
Total Area of Car Parking	11,000 Sq.m

1.7. AAI submitted the Multi Year Tariff Proposal (MYTP) for revising aeronautical charges for 2<sup>nd</sup> control period on 01.02.2017. The Authority's consideration of this proposal and its tentative views in respect of relevant issues were placed for stakeholder consultations vide Consultation Paper Number 17/2017-18 on 01.09.2017. The last date for receipt of comments was 29.09.2017.

1.8. A meeting with stakeholders for inviting responses on proposed decisions of the Authority was held on 18.09.2017.

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



## 2. Summary of stakeholders' comments on Consultation Paper No. 17/ 2017-18

2.1. In response to Consultation Paper No. 17/2017-18, the Authority received several responses from stakeholders. The list of stakeholders, who have commented on the Consultation Paper, is presented below.

Table 3 – Summary of stakeholders' comments

Sr. No.	Stakeholder	Issues Commented
1.	Business Aircraft Operators Association (BAOA)	<ul style="list-style-type: none"><li>• Revenue from services other than aeronautical services</li><li>• Annual Tariff Proposal</li></ul>
2.	Air Travellers Association (ATA)	<ul style="list-style-type: none"><li>• Fair Rate of Return (FRoR)</li><li>• Revenue from services other than aeronautical services</li><li>• Operation and Maintenance Expenditure</li><li>• Annual Tariff Proposal</li></ul>
3.	Indian Oil Corporation Limited (IOCL)	<ul style="list-style-type: none"><li>• Annual Tariff Proposal</li></ul>
4.	Hindustan Petroleum Corporation Limited (HPCL)	<ul style="list-style-type: none"><li>• Annual Tariff Proposal</li></ul>

2.2. The Authority has carefully considered comments made by stakeholders and has obtained response from AAI on these comments. The position of the Authority in its Consultation Paper No. 17/2017-18, issue-wise comments of the stakeholders on the Consultation Paper, response from AAI thereon, Authority's examination, and its decision are given in the relevant sections of this order.



### 3. Methodology for Tariff determination

3.1. The Authority, vide its Order No. 13/2010-11 dated 12.01.2011 (“Airport Order”) and Direction No. 5/2010/11 dated 28.02.2011 (“Airport Guidelines”), had issued guidelines to determine tariffs at major airports based on Single Till mechanism. Subsequently, the Authority has amended its guidelines vide its Order No. 14, 2016-17 dated 12.1.2017 to determine future tariffs using Hybrid Till.

3.2. The tariff determination process consists of true-up for 1<sup>st</sup> control period and determination of building blocks for 2<sup>nd</sup> control period. The Authority decides to undertake true-up of 1<sup>st</sup> control period based on actual financials and traffic data under Single Till (as was applicable during 1<sup>st</sup> control period) and determination of building blocks for 2<sup>nd</sup> control period under Hybrid Till.

3.3. The Aggregate Revenue Requirement (ARR) under regulatory framework of Authority is calculated as under

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$

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

Where

3.3.1. t is the Tariff Year in the control period;

3.3.2.  $ARR_t$  is the Aggregate Revenue Requirement for year t;

3.3.3. FRoR is the Fair Rate of Return for the control period;

3.3.4.  $RAB_t$  is the Aeronautical Regulatory Asset Base for year t;

3.3.5.  $D_t$  is the Depreciation corresponding to the Aeronautical RAB for year t;

3.3.6.  $O_t$  is the Aeronautical Operation and Maintenance Expenditure for year t, which include all expenditures incurred by the Airport Operator(s) towards aeronautical activities including expenditure incurred on statutory operating costs and other mandatory operating costs;

3.3.7.  $T_t$  is the Tax in year t, which includes payments by Airport Operator in respect of corporate tax on income from assets/ amenities/facilities/services taken into consideration for determination of ARR for year t;

3.3.8.  $\alpha$  is 30% cross subsidy factor for revenue from services other than aeronautical services under Hybrid Till for 2<sup>nd</sup> control period.  $\alpha$  is 100% cross



subsidy factor under Single Till for 1<sup>st</sup> control period; and

3.3.9.  $NAR_t$  is the revenue from services other than aeronautical services (Non-Aeronautical Revenues or NAR) for year t.

3.4. Based on ARR, Yield per Passenger is calculated as per formula given below:

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

Where,

3.4.1. Present value (PV) of  $ARR_t$  for a tariff year t is calculated at the beginning of the control period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority.

3.4.2.  $VE_t$  is the Traffic volume in a tariff year t as estimated by the Authority

3.4.3.  $ARR_t$  is the Aggregate Revenue Requirement for tariff year t.

3.5. While determining building blocks and ARR for civil enclave at Pune, Authority decides to:

3.5.1. Allocate CHQ/ RHQ overhead expenses on revenue basis as per the approach followed by the Authority while determining tariffs for Guwahati and Lucknow airports for the first control period

3.5.2. Adopt depreciation rates consistent with Companies Act and for assets not defined in the Companies Act at 3.33% from FY 2011-12 onwards.

3.6. The Authority caps airport tariffs at a level where revenue generated through approved tariffs is equal to the permissible ARR for the Airport Operator. The Authority's approach on the above is detailed in subsequent sections.

3.7. The true-up for 1<sup>st</sup> control period and determination of building blocks for 2<sup>nd</sup> control period are detailed in subsequent sections.

3.8. It is to be noted that some of the numbers in the order are rounded off for ease in representation.



#### 4. Multi Year Tariff Proposal of civil enclave Pune

4.1. In the 1<sup>st</sup> control period, the Authority, vide its Order No. 17/2015-16 dated 11.05.2015 had decided that the tariffs for civil enclave Pune would continue at the existing level on ad-hoc basis till 31.03.2016 and advised AAI to submit MYTP for the 2<sup>nd</sup> control period well in time by providing details of assets created by it and sitting in its books, the operating expenditure pertaining to such civil enclaves being incurred by AAI and details of other building blocks only pertaining to AAI. The Authority would accordingly determine the Parking and Housing charges and PSF/UDF to be levied by AAI.

4.2. Accordingly, AAI made submissions dated 30.11.2015 to the Authority for determination of tariffs for 2<sup>nd</sup> control period as per Single Till. Subsequent to the announcement of National Civil Aviation Policy, AAI made revised submissions under Hybrid Till on 01.02.2017. AAI has further revised their submission under Hybrid Till on 26.04.2017 and on 17.05.2017 as part of clarifications submitted in line with the comments provided by AAI for Trivandrum airport consultation paper for the 2<sup>nd</sup> control period. The Authority has adopted the model proposed by AAI as on 01.02.2017 based on AERA methodology and considered subsequent submissions made by AAI for this order.

4.3. AAI collects parking, housing, fuel throughput and other aeronautical charges at civil enclave Pune except for landing charges and ANS charges. The Authority noted that landing charges at civil enclave Pune are collected by the Indian Air Force as it is a civil enclave. Further, the Authority noted that the Air Navigation Services (ANS) at civil enclave Pune are provided by the Indian Air Force. AAI has submitted that the tariff proposal does not consider revenues, expenditure and assets on account of ANS and runway assets. This order discusses the determination of tariffs for aeronautical services at the airport excluding ANS and landing charges.

4.4. AAI has informed that accounts of AAI are audited by C&AG of India as mandated by the AAI Act. The C&AG's resident audit party audits the financial records and statements of AAI airports, regional/ field offices. However, the C&AG issues the final audit certificate for the AAI as a whole and only trial balance is available for civil enclave



at Pune. The Authority has utilized these documents as submitted by AAI for determination of tariffs.



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AERA

## 5. True-up for First control period

5.1. True-up for 1<sup>st</sup> control period is calculated as difference between

5.1.1. Permissible aeronautical revenue calculated based on actual traffic and financials

5.1.2. Actual aeronautical revenue received by AAI for 1<sup>st</sup> control period

5.2. AAI has submitted opening RAB for the 1<sup>st</sup> control period under Single Till at ₹ 85.2 crores.

Table 4 – Opening RAB for the 1<sup>st</sup> control period as per AAI – Single Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding ANS related assets as on 01.04.2011	103.4
2	Accumulated Depreciation as on 01.04.2011	18.1
3	<b>Opening RAB[(1)-(2)] as on 01.04.2011</b>	<b>85.2</b>

### Permissible aeronautical revenues

5.3. AAI has calculated Aggregate Revenue Requirement of ₹ 245.4 crores (PV of ARR is ₹ 187.1 crores as on 1<sup>st</sup> April 2012) for 1<sup>st</sup> control period.

Table 5 - ARR as per AAI for the 1<sup>st</sup> control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Opening RAB	85.2	77.1	68.1	59.6	64.5
Assets capitalized during the year	1.5	0.7	1.0	15.6	16.2
Disposals/ Transfer	0	0	0	0	0
Depreciation	9.6	9.6	9.5	10.7	11.8
Closing RAB	77.1	68.1	59.6	64.5	68.8
<b>Average RAB</b>	<b>81.2</b>	<b>72.6</b>	<b>63.9</b>	<b>62.1</b>	<b>66.7</b>
Return on Average RAB@14%	11.4	10.2	8.9	8.7	9.3
Operating Expenditure	36.5	51.3	58.8	54.4	57.2
Depreciation	9.6	9.6	9.5	10.7	11.8
Corporate Tax					
Less- Revenue from services other than Regulated services	23.5	22.8	22.2	19.9	24.2
<b>ARR as per AAI</b>	<b>34.0</b>	<b>48.3</b>	<b>55.1</b>	<b>53.9</b>	<b>54.1</b>
<b>Total ARR as per AAI</b>					<b>245.4</b>
<b>Discounted ARR</b>	34.0	42.3	42.4	36.4	32.0
<b>PV of ARR for the control period as on 01.04.2012</b>					<b>187.1</b>



## Actual aeronautical revenues

5.4. AAI has submitted that it has earned aeronautical revenues of ₹ 108.2 crores during 1<sup>st</sup> control period. Correspondingly, AAI has submitted that it has a shortfall of ₹ 233.3 crores (future value as on 01 April 2017) during the 1<sup>st</sup> control period. The aeronautical revenues for the 1<sup>st</sup> control period is shown below:

Table 6 - Aeronautical revenue earned for the 1<sup>st</sup> control period as per AAI Submission – Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
A	Revenues from Regulated Services					
1	Landing Charges:					
1.1	Domestic	-	-	-	-	-
1.2	International	-	-	-	-	-
1.3	Total Landing Charges	-	-	-	-	-
2	Parking and Housing Charges:	0.2	0.2	0.2	0.2	0.2
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	12.7	12.7	13.9	16.0	20.2
3.2	International	0.1	0.1	0.1	0.1	0.1
3.3	Total PSF (FC)	12.8	12.9	14.1	16.1	20.4
4	User Development Fees (UDF):					
4.1	Domestic	-	-	-	-	-
4.2	International	-	-	-	-	-
4.3	TOTAL UDF	-	-	-	-	-
5	Fuel Throughput Charges	0.6	0.7	0.9	0.9	0.2
6	Ground Handling Charges	1.2	3.0	3.8	3.7	4.3
7	Cargo revenues					
8	CUTE services	0.0	0.0	3.3	3.6	4.8
	<b>Total Aeronautical Revenues</b>	<b>14.8</b>	<b>16.8</b>	<b>22.3</b>	<b>24.5</b>	<b>29.9</b>



Table 7 - ARR and its resultant shortfall as per AAI for 1<sup>st</sup> control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	34.0	48.3	55.1	53.9	54.1	245.4
2	Aeronautical Revenue	14.8	16.8	22.3	24.5	29.9	108.2
3	Shortfall	19.2	31.5	32.8	29.4	24.2	137.1
4	Future Value of shortfall as on 01.04.2017	42.1	60.6	55.4	43.6	31.5	233.3

### Authority's Examination

5.5. The Authority noted that revenues from duty free shops have been taken as 0 from FY 2013-14 to FY 2015-16 during 1<sup>st</sup> control period. As per the clarifications provided by AAI dated 26.04.2017, duty free contract expired in May 2012. The effort to award a new contract did not materialize due to low international passengers and flights. The same was awarded in the month of July 2016 and the revenues are to be received from FY 2016-17 onwards.

5.6. The Authority had proposed adjustments on the following building blocks for calculating true-up of 1<sup>st</sup> control period

- 5.6.1. Adjustment of depreciation
- 5.6.2. Adjustment of non-aeronautical revenues
- 5.6.3. Adjustment of fuel throughput revenues

### Adjustment for Depreciation

5.7. AAI has used depreciation rates as per the accounting policy approved by AAI board.

The depreciation rates used by AAI for key assets are –

Table 8 - Depreciation rates as submitted by AAI

No.	Asset Class	As per AAI
1	Land	0%
2	Runways	13%
3	Taxiway	13%
4	Apron	13%
5	Road	13%
6	Building - Terminal	8%
7	Building - Temporary	100%
8	Building - Residential	5%
9	Security Fencing - Temporary	100%



No.	Asset Class	As per AAI
10	Security Fencing - Boundary Wall	8%
11	Security Fencing - Residential	5%
12	Computer and Peripheral	20%
13	Computer and Package	20%
14	Plant and Machinery	11%
15	Tool and Plant	20%
16	Office Furniture	20%
17	Other Vehicles	14%
18	Vehicle (Car/ Jeep)	14%
19	Electrical Installations	11%
20	Office Equipment	18%
21	Other than Office	20%
22	XBIS (X-Ray Baggage)	11%
23	CFT	13%

5.8. The Authority had proposed the following depreciation rates

5.8.1. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years from FY 2011-12 onwards

5.8.2. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 30.

5.9. Depreciation for the 1<sup>st</sup> control period has been calculated on the basis of actual date of capitalization of assets. The Authority also noted that while calculating accumulated depreciation as on 01.04.2011 to calculate initial RAB, reference year of capitalization for some of the assets is not linked correctly. The Authority had proposed to correct the linkages of reference year of capitalization for such assets.

5.10. The revised depreciation for the 1<sup>st</sup> control period under Single Till is given below:

Table 9 – The Authority's consideration of depreciation for 1<sup>st</sup> control period – Single Till

No.	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	As per AAI	9.6	9.6	9.5	10.7	11.8	51.3
2	As per Authority	3.2	3.2	3.1	6.9	7.6	24.0

5.11. The change in depreciation rates from RAB results in a change in average RAB of the Order no. 15/2017-18



1<sup>st</sup> control period as shown below –

Table 10 – The Authority’s consideration of average RAB for 1<sup>st</sup> control period – Single Till

No	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	<b>As per AAI</b>					
	Opening RAB	85.2	77.1	68.1	59.6	64.5
	Additions	1.5	0.7	1.0	15.6	16.2
	Disposals	0	0	0	0	0
	Depreciation	9.6	9.6	9.5	10.7	11.8
	Closing RAB	77.1	68.1	59.6	64.5	68.8
	<b>Average RAB</b>	<b>81.2</b>	<b>72.6</b>	<b>63.9</b>	<b>62.1</b>	<b>66.7</b>
2	<b>As per Authority</b>					
	Opening RAB	80.8	79.1	76.6	74.5	83.1
	Additions	1.5	0.7	1.0	15.6	16.2
	Disposals	0.0	0.0	0.0	0.0	0.0
	Depreciation	3.2	3.2	3.1	6.9	7.6
	Closing RAB	79.1	76.6	74.5	83.1	91.7
	<b>Average RAB</b>	<b>79.9</b>	<b>77.9</b>	<b>75.6</b>	<b>78.8</b>	<b>87.4</b>

#### Adjustment for Non-Aeronautical revenues

5.12. The Authority noted that AAI has considered lease rental revenues from ground handling agencies, oil companies and cargo as non-aeronautical revenues during the 1<sup>st</sup> control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling, oil companies and cargo are aeronautical services.

5.13. The Authority had proposed to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.

Table 11 – Comparison of NAR as considered by AAI and the Authority for 1<sup>st</sup> control period

NAR (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
<b>NAR as submitted by AAI (1)</b>	<b>23.5</b>	<b>22.8</b>	<b>22.2</b>	<b>19.9</b>	<b>24.2</b>
<b>Adjustment</b>					
<i>Revenue from Cargo, Ground handling and fuel services treated as aeronautical (2)</i>	0.8	0.8	0.9	1.7	2.6
<b>NAR as per Authority (3 = 1 - 2)</b>	<b>22.7</b>	<b>22.0</b>	<b>21.3</b>	<b>18.2</b>	<b>21.6</b>

#### Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

5.14. Total CHQ/ RHQ expenses for AAI is as shown in table below. AAI has requested the apportionment of CHQ/ RHQ expenses while determining tariffs of major airports.  
Order no. 15/2017-18



CHQ/ RHQ expenses consist of three components – Expenditure for civil enclave Pune employee’s retirement benefit allocated at CHQ, overheads at CHQ and overheads at RHQ. The CHQ/ RHQ expense considered for apportionment have been netted off against the income received by CHQ/ RHQ.

5.15. The retirement benefit is allocated on the basis of number of employees at civil enclave Pune. The Authority had proposed to allocate the CHQ/ RHQ overhead expenses for the airport services after excluding the ANS expenses on revenue basis which is consistent with the approach adopted by the Authority in MYTP of 1<sup>st</sup> Control Period for Guwahati and Lucknow airports. The Authority observes that as per the above methodology the CHQ/ RHQ overhead expenses are allocated in proportion to the capacity of the airport to absorb higher cost of CHQ/ RHQ. Under this methodology, a portion of CHQ/ RHQ expenses are allocated to Delhi and Mumbai airports based on revenue received by AAI from these airports.

Table 12 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1<sup>st</sup> control period

No.	in ₹ cr.	2012	2013	2014	2015	2016
<b>Apportionment of CHQ/ RHQ overheads</b>						
1	CHQ Expenses	259.3	331.2	303.8	397.3	404.6
2	Less - CHQ Revenue	93.8	152.6	183.5	236.8	227.7
<b>3</b>	<b>Net CHQ Expenses (1-2)</b>	<b>165.6</b>	<b>178.7</b>	<b>120.3</b>	<b>160.5</b>	<b>176.9</b>
1	Western Region - RHQ Expenses	61.9	126.3	152.6	78.1	72.6
2	Less - Western Region - RHQ Revenues	7.1	32.4	1.6	9.0	16.5
<b>3</b>	<b>Net Western Region RHQ Expenses (1-2)</b>	<b>54.7</b>	<b>93.9</b>	<b>151.0</b>	<b>69.1</b>	<b>56.1</b>
<b>Total of Net CHQ and RHQ Expenses</b>		<b>220.3</b>	<b>272.5</b>	<b>271.3</b>	<b>229.6</b>	<b>233.0</b>
<b>CHQ/RHQ Overheads allocated to Pune</b>		<b>6.2</b>	<b>8.2</b>	<b>9.2</b>	<b>5.2</b>	<b>4.9</b>
<b>Apportionment of Retirement Benefits at CHQ</b>						
<b>Total provision of retirement benefits at CHQ</b>		<b>159.7</b>	<b>289.4</b>	<b>160.0</b>	<b>275.2</b>	<b>182.9</b>
<b>Provision of Retirement Benefits at CHQ for Pune</b>		<b>1.8</b>	<b>5.1</b>	<b>3.4</b>	<b>7.0</b>	<b>4.4</b>



5.16. In view of the above, the O&M expenditure for 1<sup>st</sup> control period is given in table below.

Table 13 - Summary of O&M expenditure as per the Authority for 1<sup>st</sup> control period -Single Till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	Pay roll Expenditure of civil enclave Pune	22.2	24.7	26.1	27.2	28.1
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	1.8	5.1	3.4	7.0	4.4
<b>A</b>	<b>Total Pay roll Expenditure (1+2)</b>	<b>24.0</b>	<b>29.8</b>	<b>29.5</b>	<b>34.2</b>	<b>32.5</b>
3	Administrative and General Expenditure	0.6	0.6	0.9	1.2	1.1
4	Apportionment of administration & General expenditure of CHQ/RHQ	6.2	8.2	9.2	5.2	4.9
<b>B</b>	<b>Total Administration &amp; General Expenditure(3+4)</b>	<b>6.8</b>	<b>8.8</b>	<b>10.1</b>	<b>6.4</b>	<b>5.9</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure</b>	<b>2.1</b>	<b>2.6</b>	<b>2.3</b>	<b>3.1</b>	<b>6.4</b>
5	Power Charges	3.5	4.8	4.6	5.0	6.1
6	Consumption of stores and spares	0.2	0.3	0.3	0.2	0.2
7	Water Charges	0.1	0.1	0.1	0.2	0.3
8	Hire charges – Cars/Jeep and others	0.0	0.1	0.2	0.3	0.5
9	Consumption of petrol oil & Lubricants	0.1	0.1	0.1	0.1	0.1
<b>D</b>	<b>Utility and Outsourcing Expenditure</b>	<b>3.9</b>	<b>5.3</b>	<b>5.3</b>	<b>5.8</b>	<b>7.2</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.6</b>
	<b>Total (A+B+C+D+E)</b>	<b>36.9</b>	<b>46.7</b>	<b>47.3</b>	<b>49.6</b>	<b>52.7</b>

#### Adjustment of fuel throughput revenues

5.17. The Authority noted that fuel throughput volume decreased suddenly in FY 2015-16 (17,058 kl) from FY 2014-15 (79,848 kl) and there was a corresponding decrease in fuel throughput revenues for FY 2015-16. As per the clarifications provided by AAI dated 26.04.2017, fuel throughput volume in FY 2015-16 is corrected and ₹ 79.77 lakhs booked in Western Region is now updated in FY 2015-16 of Pune MYTP. The Authority accordingly had proposed to update the fuel throughput revenues.

#### Adjustment in base year for calculating present value of shortfall

5.18. The Authority noted that the present value factor considered by AAI for the shortfall in aggregate revenue collection in comparison to allowable aggregate revenue for the 1<sup>st</sup> control period (refer to Table 7) is calculated as on 01.04.2017 instead of



01.04.2016. The Authority had proposed to consider the present value of shortfall as on 01.04.2016.

### Tax calculation for 1<sup>st</sup> control period

5.19. The tax calculation as submitted by AAI for 1<sup>st</sup> control period apportions actual tax liability of AAI based on the profit before tax of civil enclave Pune and profit before tax of AAI.

5.20. The Authority noted that the tax liability of AAI would include tax as a result of income from Delhi and Mumbai airports. Therefore, the Authority had proposed to determine tax for civil enclave Pune by applying provisional tax rate on the standalone profit before tax of the airport. In addition, for calculation of tax, the Authority had proposed to determine depreciation considering the depreciation rates applicable under Income Tax laws.

5.21. AAI has submitted revised tax calculations based on standalone financials of civil enclave Pune. The Authority had proposed to consider the tax calculation as given below.

Table 14 – Revised amount of Tax as considered by Authority for the 1<sup>st</sup> control period

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	15.6	17.6	23.1	26.2	33.3
Non-Aeronautical Revenues	22.7	22.0	21.3	18.2	21.6
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	28.9	33.4	34.8	37.4	43.4
Retirement benefits and CHQ/ RHQ Overheads	8.0	13.3	12.5	12.2	9.3
Depreciation as per IT Act	10.1	8.8	7.8	8.5	9.3
PBT	-8.7	-15.9	-10.7	-13.7	-7.0
<b>Tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Revised Aggregate Revenue Requirement

5.22. The ARR for the 1<sup>st</sup> control period has been revised based on adjustments detailed above.

5.22.1. Change in depreciation rates as per Table 30

5.22.2. Apportionment of CHQ/RHQ costs and change in tax calculation



5.22.3. Lease rentals from ground handling agencies, oil companies and cargo to be treated as aeronautical revenues

5.22.4. Correction in fuel throughput volume and corresponding revenues

5.22.5. Correction of present value factor for shortfall calculation

Table 15 - ARR as per Authority for the 1<sup>st</sup> control period – Single Till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	79.9	77.9	75.6	78.8	87.4
Return on Average RAB@14%	11.2	10.9	10.6	11.0	12.2
Operating Expenditure	36.9	46.7	47.3	49.6	52.7
Depreciation	3.2	3.2	3.1	6.9	7.6
Corporate Tax	0.0	0.0	0.0	0.0	0.0
Less- Revenue from services other than Regulated services	22.7	22.0	21.3	18.2	21.6
<b>ARR as per Authority</b>	<b>28.5</b>	<b>38.7</b>	<b>39.7</b>	<b>49.4</b>	<b>50.9</b>
<b>Total ARR as per Authority</b>	<b>207.3</b>				
<b>Discounted ARR</b>	<b>28.5</b>	<b>34.0</b>	<b>30.6</b>	<b>33.4</b>	<b>30.1</b>
<b>PV of ARR for the control Period as on 01.04.2012</b>	<b>156.6</b>				

5.23. Correspondingly, the shortfall during the 1<sup>st</sup> control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 16 - ARR, yield and shortfall as per Authority for 1<sup>st</sup> control period – Single Till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year (refer Table 15)	28.5	38.7	39.7	49.4	50.9	207.3
2	Aeronautical Revenue	15.6	17.6	23.1	26.2	33.3	115.9
3	Shortfall	12.9	21.1	16.6	23.2	17.5	91.4
4	Future Value of shortfall as on 01.04.2016	24.9	35.7	24.5	30.1	20.0	135.3

#### Decision No. 1. True-up for the 1<sup>st</sup> control period

1.a. The Authority decides to true-up the 1<sup>st</sup> control period on the basis of Single Till

1.b. The Authority decides to apportion CHQ/RHQ overheads on revenue basis.

1.c. The Authority decides to consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.

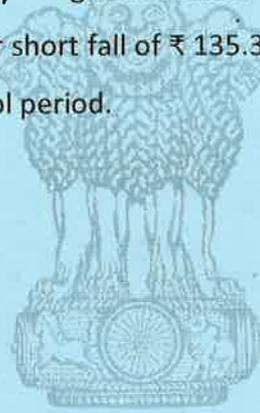
1.d. The Authority decides the following depreciation rates:

Order no. 15/2017-18



- a. For asset types not defined under Companies Act (runway, taxiway and aprons):  
3.33% based on useful life of 30 years from FY 2011-12 onwards.
- b. For asset types defined under Companies Act: rates prevalent under the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014. The depreciation rates as submitted by AAI and as considered by the Authority are given in Table 30.

1.e. The Authority decides to consider short fall of ₹ 135.3 crores in the 1<sup>st</sup> control period to be added to ARR for the 2<sup>nd</sup> control period.



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## 6. Traffic forecast

6.1. The traffic growth rates as submitted by AAI for 2<sup>nd</sup> control period are as follows:

Table 17 - Traffic Growth rates assumed by AAI for the 2<sup>nd</sup> control period

YEAR	Passenger			Air Traffic Movements (ATM)		
	Domestic	International	Combined	Domestic	International	Combined
2016-17	25%	10%	24%	18%	8%	17%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%

6.2. AAI submitted that traffic growth rate for FY 2016-17 is based on extrapolation of actual traffic data from April, 2016 to February, 2017.

### Authority's Examination

6.3. The Authority observed that the actual traffic data is available for FY 2016-17 for civil enclave Pune. Accordingly, AAI submitted that traffic growth rate for FY 2016-17 can be revised by the Authority based on actual traffic during FY 2016-17. The Authority had proposed to revise traffic growth rates for FY 2016-17 as per Table 19.

6.4. The Authority calculated CAGR (Compounded Annual Growth Rate) for ATM and passenger traffic from FY 2010-11 to FY 2015-16 (5 year CAGR) and from FY 2005-06 to FY 2015-16 (10 year CAGR) for civil enclave Pune. The details have been provided in the table below:

Table 18 - CAGR for Traffic at Civil enclave Pune

	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	5 Year CAGR (FY11 to FY16)
<b>Passenger</b>			
Domestic	12%	19%	13%
International	10%	129%	34%
<b>ATM</b>			
Domestic	10%	13%	13%
International	8%	24%	17%

6.5. After evaluation of 5 and 10 year CAGR of domestic traffic, the Authority is of the view that 10 years CAGR is too high due to lower initial base traffic and 5 years CAGR



provides more realistic traffic growth rates for future projections. AAI has submitted growth rate which is in line with 5 years CAGR. Hence, the Authority had proposed to adopt growth rates for domestic passenger and ATM traffic from FY 2017-18 to FY 2020-21 based on AAI's submissions.

6.6. The Authority noted that for international passenger and ATM traffic, the growth rate has increased significantly only in last 3 years and because of that CAGR for 5 years and 10 years are very high and cannot be taken as representative growth rates for future projections. Therefore, the Authority had proposed to consider growth rates for international passenger and ATM traffic as submitted by AAI.

Table 19 - Traffic growth rates and Traffic as considered by Authority for the 2<sup>nd</sup> control period

YEAR	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
<b>Growth Rates</b>						
2016-17	26%	3%	25%	16%	0%	15%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%
<b>Traffic</b>						
2016-17	6,540,312	247,079	6,787,391	44,886	2,046	46,932
2017-18	7,325,149	271,787	7,596,935	49,374	2,209	51,583
2018-19	8,204,166	298,965	8,503,132	54,312	2,386	56,698
2019-20	9,188,667	328,862	9,517,528	59,743	2,577	62,320
2020-21	10,291,306	361,748	10,653,055	65,717	2,783	68,499

6.7. The Authority had proposed to true-up traffic as per actual growth achieved during the current control period at the time of determination of tariff for 3<sup>rd</sup> control period as explained in earlier orders of the Authority.

#### Decision No. 2. Traffic Forecast

2.a. The Authority decides to consider the ATM and passenger traffic as per Table 19.

2.b. The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2<sup>nd</sup> control period while determining tariffs for the 3<sup>rd</sup> control period.



## 7. Allocation of Assets (Aeronautical and Non-Aeronautical)

7.1. Under Hybrid Till, only aeronautical assets are included as part of the Regulatory Asset Base. As a result of the shift from Single Till to Hybrid Till at the end of 1<sup>st</sup> control period, the assets need to be segregated and opening RAB for 2<sup>nd</sup> control period needs to be recalculated.

7.2. For the allocation of assets between aeronautical and non-aeronautical services, AAI had divided assets into aeronautical, non-aeronautical and common components. Common components have been further segregated into aeronautical and non-aeronautical assets by applying one of the following ratios:

- Terminal Area Ratio - ratio of aeronautical area to non-aeronautical area (applied for Terminal related assets based on TB ratio submitted by AAI)
- Admin ratio – admin area ratio based on aeronautical area (2,495.5 Sq.m) to non-aeronautical area (53.5 Sq.m) (applied for admin block related assets)
- Employee Ratio - ratio of staff providing commercial services (7 employees) to staff providing aeronautical services (229 employees)

7.3. The allocation of gross block of assets as on 01.04.2016 as submitted by AAI is given in the table below:

Table 20 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as submitted by AAI

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	0.0	0.0	-
2	Runways	0.0	0.0	100%
3	Taxiway	0.0	0.0	100%
4	Apron	0.5	0.5	100%
5	Road	0.1	0.1	100%
6	Building - Terminal	67.9	79.4	86%
7	Building - Temporary	0.0	0.0	100%
8	Building - Residential	0.0	0.0	100%
9	Security Fencing - Temporary	0.5	0.5	100%
10	Security Fencing - Boundary Wall	0.1	0.1	100%
11	Security Fencing - Residential	0.0	0.0	-
12	Computer and Peripheral	0.9	0.9	100%



Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
13	Computer and Package	0.0	0.0	100%
14	Plant and Machinery	5.3	5.3	100%
15	Tool and Plant	3.3	3.3	100%
16	Office Furniture	1.3	1.3	98%
17	Other Vehicles	0.0	0.0	100%
18	Vehicle (Car/ Jeep)	0.3	0.3	100%
19	Electrical Installations	36.7	39.3	93%
20	Office Equipment	0.3	0.3	100%
21	Other than Office	1.3	1.3	100%
22	XBIS (X-Ray Baggage)	5.6	5.6	100%
23	CFT	0.0	0.0	100%
	<b>Total</b>	<b>124.0</b>	<b>138.3</b>	<b>89.71%</b>

### Authority's Examination

Allocation based on Terminal Area Ratio

7.4. AAI submitted the workings for the calculation of aeronautical area to non-aeronautical area ratio vide letter dated 01.02.2017.

Table 21 – Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16

S.No.	Category	Domestic Terminal /International Terminal (Sq.m)
1	Restaurant / Snack Bars	567.7
2	T.R. Stall	152.2
3	Duty Free Shop	51.6
4	Hoarding & Display	0.0
5	Building Non-Residential	1,088.8
6	Admission Tickets	0.0
7	Offices of AAI commercial, land & rest room	65.0
	<b>Total Non-aeronautical area</b>	<b>1,925.2</b>
	<b>Total Terminal area</b>	<b>22,300</b>
	<b>TB Ratio</b>	<b>8.63%</b>

7.5. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. However, the Authority had proposed to use 8.63% as non-aeronautical area ratio for asset allocation of Terminal related assets given the existing airport terminal is congested.

7.6. Specific assets under Furniture & Fixtures, Machinery, Tools & Plant, inside Terminal Order no. 15/2017-18



Building have been considered as aeronautical by AAI. The Authority had proposed to allocate these assets in the ratio of 91.37% to 8.63%.

7.7. Residential building related assets have been considered as aeronautical by AAI. The authority proposed to allocate these assets based on terminal ratio as the assets are related to modification of terminal buildings.

7.8. Specific assets under Electrical Installations related to the Terminal Building have been considered as aeronautical by AAI. The Authority had proposed to allocate these assets in the ratio of 91.37% to 8.63%.

7.9. Assets related to vehicles have been considered as aeronautical assets by AAI. The Authority had proposed to use the employee ratio of 97% (ratio of employees for aeronautical activities to total employees) for allocation of specific assets related to vehicles (Vehicles and Cars/Jeeps).

7.10. The asset allocation proposed by Authority is tabulated below:

Table 22 – Change in allocation of gross block of assets existing as on 01.04.2016 between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Assets	Justification
1	Building Terminal	84.8%	Total assets are ₹ 79.4 crores out of which ₹ 1.3 crores are purely aeronautical assets and common assets are ₹ 71.0 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
2	Plant and machinery	97.7%	Total assets are ₹ 5.3 crores out of which ₹ 3.9 crores are purely aeronautical assets and common assets are ₹ 1.4 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
3	Tool and plant	97.2%	Total assets are ₹ 3.3 crores out of which ₹ 2.2 crores are purely aeronautical assets and common assets are ₹ 1.1 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal



Sr. No.	Particulars	Aero Assets	Justification
			building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
4	Office furniture	97.5%	Total assets are ₹ 1.3 crores out of which ₹ 0.2 crores are purely aeronautical assets and common assets are ₹ 1.1 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
5	Electrical Installations	91.8%	Total assets are ₹ 39.3 crores out of which ₹ 5.4 crores are purely aeronautical assets and common assets are ₹ 33.6 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.
6	Other than office equipment	84.9%	Total assets are ₹ 1.3 crores out of which ₹ 0.4 crores are purely aeronautical assets and common assets are ₹ 0.7 crores. Common assets are allocated based on 91.37% ratio as aeronautical assets for assets related to terminal building and based on 97.86% ratio as aeronautical assets for assets related to admin block.

7.11. The allocation of gross block of assets as on 01.04.2016 as considered by the Authority based on revised asset allocation is given in the table below:

Table 23 – Allocation of gross block of assets as on 01.04.2016 between aeronautical and non-aeronautical services as considered by the Authority

Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
1	Land	0.0	0.0	-
2	Runways	0.0	0.0	100%
3	Taxiway	0.0	0.0	100%
4	Apron	0.5	0.5	100%
5	Road	0.1	0.1	100%
6	Building - Terminal	67.3	79.4	85%
7	Building - Temporary	0.0	0.0	100%



Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
8	Building - Residential	0.0	0.0	91%
9	Security Fencing - Temporary	0.5	0.5	100%
10	Security Fencing - Boundary Wall	0.1	0.1	100%
11	Security Fencing - Residential	0.0	0.0	-
12	Computer and Peripheral	0.9	0.9	100%
13	Computer and Package	0.0	0.0	100%
14	Plant and Machinery	5.2	5.3	98%
15	Tool and Plant	3.2	3.3	97%
16	Office Furniture	1.3	1.3	98%
17	Other Vehicles	0.0	0.0	100%
18	Vehicle (Car/ Jeep)	0.3	0.3	97%
19	Electrical Installations	36.1	39.3	92%
20	Office Equipment	0.3	0.3	100%
21	Other than Office	1.1	1.3	85%
22	XBIS (X-Ray Baggage)	5.6	5.6	100%
23	CFT	0.0	0.0	100%
	<b>Total</b>	<b>122.5</b>	<b>138.3</b>	<b>88.62%</b>

### Decision No. 3. Allocation of assets between Aeronautical and Non-aeronautical services

3.a. The Authority decides to allocate assets as on 1<sup>st</sup> April 2016 between aeronautical and non-aeronautical assets as detailed in Table 23.

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## 8. Opening Regulatory Asset Base for the Second control period

8.1. Opening RAB for the 2<sup>nd</sup> control period under Hybrid Till as per AAI submission dated 29.11.2016 is ₹ 59.6 crores

Table 24 - Calculation of opening RAB as on 1<sup>st</sup> April 2016 as per AAI submission – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011	96.4
2	Aeronautical asset addition during the 1 <sup>st</sup> control period	27.6
3	<b>Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016</b>	<b>124.0</b>
4	Accumulated Depreciation as on 01.04.2016	64.5
5	<b>Opening RAB[(3)-(4)] as on 01.04.2016</b>	<b>59.6</b>

8.2. The Authority had proposed to adopt depreciation rates as detailed earlier in Para 5.8 for calculating RAB for the 2<sup>nd</sup> control period.

8.3. The Authority had proposed the allocation of assets between aeronautical and non-aeronautical assets as detailed in Table 23.

8.4. Based on revised depreciation rates and revised asset allocation, the opening RAB for 2<sup>nd</sup> control period considered by the Authority under Hybrid Till is ₹ 80.0 crores.

Table 25 - Calculation of opening RAB as on 1<sup>st</sup> April 2016 as per the Authority – Hybrid Till

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Aeronautical Assets excluding ANS related assets as on 01.04.2011	95.1
2	Aeronautical asset addition during the 1 <sup>st</sup> control period	27.4
3	<b>Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016</b>	<b>122.5</b>
4	Accumulated Depreciation as on 01.04.2016	42.5
5	<b>Opening RAB[(3)-(4)] as on 01.04.2016</b>	<b>80.0</b>

### Decision No. 4. Opening Regulatory Asset Base for the 2<sup>nd</sup> control period

4.a. The Authority decides to consider the opening regulatory base for the 2<sup>nd</sup> control period under Hybrid Till as ₹ 80.0 crores.



## 9. Capital Expenditure for Second control period

9.1. AAI has forecasted aeronautical capital expenditure of ₹ 452.4 crores for the 2<sup>nd</sup> control period in submissions dated 01.02.2017 and revised the capital expenditure dated 26.04.2017 and 28.07.2017 as shown below:

Table 26 – Aeronautical assets to be capitalized at civil enclave Pune for 2<sup>nd</sup> control period as per AAI

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Aprons	0.0	0.0	0.0	0.0	17.5
2	Building- Terminal	0.8	0.0	0.0	0.0	260.0
3	Plant & Machinery	0.2	0.0	0.0	0.0	0.0
4	Office Furniture	0.0	0.0	0.0	0.0	0.0
5	Electrical Installations	0.9	0.0	0.0	0.0	173.0
	<b>Total (₹ 452.4 crores)</b>	<b>1.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>450.5</b>
<b>Revised capital expenditure submitted by AAI dated 26.04.2017 and 28.07.2017</b>						
1	Aprons	0.0	0.4	17.8	0.0	0.0
2	Building- Terminal	0.8	1.5	10.1	0.0	260.0
3	Plant & Machinery	3.1	0.0	0.0	0.0	0.0
4	Office Furniture	0.1	0.0	0.0	0.0	0.0
5	Electrical Installations	0.6	0.0	18.3	0.0	173.0
6	Other Office Equipment	0.2	0.0	0.0	0.0	0.0
	<b>Total (₹ 485.8 crores)</b>	<b>4.7</b>	<b>1.9</b>	<b>46.2</b>	<b>0.0</b>	<b>433.0</b>

9.2. AAI has submitted the following details of proposed capital works to be undertaken during the second control period:

### 9.2.1. Construction of apron and link taxi track (₹ 17.5 crores)

A new apron to accommodate additional 4 Nos. AB-321/B-737 in contact parking bays. Additionally, 7 bays for smaller “B” category aircrafts proposed by reducing 2 Nos. AB-320 bays in the existing Apron.

### 9.2.2. Expansion of Terminal building (₹ 475.4 crores)

AAI has proposed to carry out modification of existing terminal, reconstruction of old terminal and additional expansion of terminal building. The required peak hour capacity for expansion of terminal building is 2,800 passengers (1,400 departure and 1,400 arrival) and the total area of expansion of terminal building is 35,000 Sq.m.

## Authority's Examination

9.3. The Authority requested AAI to submit the capital expenditure to be incurred in FY Order no. 15/2017-18



2016-17 based on current status. In response to this, AAI vide submission dated 26.04.2017 provided the revised capital expenditure (total ₹ 457.5 crores) to be incurred in FY 2016-17 and 2<sup>nd</sup> control period and accordingly the Authority has updated the capital expenditure in 2<sup>nd</sup> control period.

9.4. The Authority noted that the capital expenditure for construction of apron and link taxi track is revised to ₹ 17.8 crores vide AAI's submissions dated 26.04.2017.

9.5. The Authority noted that AAI in their submission dated 28.07.2017 provided following additional capital expenditure details:

9.5.1. Passenger boarding bridges (₹ 18.31 crores) - Construction of 3 nos. of aerobridges with fixed fingers to existing terminal building. The Authority had proposed to consider capital expenditure for passenger boarding bridges as submitted by AAI.

9.5.2. Provision of Tensile Canopy towards Air side & City side of Terminal Building (₹ 10.06 crores) - Construction of tensile fabric canopy on city side and air side for passenger facilitation. Work shall be taken up after PMC report for New Terminal Building for integrated plan. The Authority had proposed to consider the capital expenditure for tensile canopy based on 91.37% as aeronautical area ratio for terminal building.

9.6. The Authority noted as per AAI's submissions, the total amount for expansion of terminal building is ₹ 475.4 crores (civil works and electrical works). After applying 8.63% for non-aeronautical portion based on TB ratio, the aeronautical component for terminal building capital expenditure is ₹ 433 crores. Assuming 60% portion for civil works, it comes to ₹ 260 crores and 40% portion for electrical works amounting to ₹ 173 crores. The Authority had proposed to use 91.37% as aeronautical for asset allocation of expansion of terminal building. The other capital expenditure details have been updated based on capital expenditure status provided by AAI vide their submission dated 26.04.2017.

9.7. The Authority has issued an order on Normative Approach to Building Blocks in Economic Regulations of major airports. AAI submitted that the total cost for expansion of Airport Terminal is ₹ 475.4 crores and area of such terminal is 35,000 Sq. m. The



Authority noted that the cost of terminal per square meter of terminal area is ₹ 1,35,829 which is higher than the threshold limits of normative cost as per Authority's guideline/ order.

9.7.1. As part of the further clarifications provided by AAI dated 17.05.2017, AAI submitted that the total area of terminal building is 42,000 Sq.m instead of 35,000 Sq.m. The existing Terminal building area is 22,300 Sq.m out of this 7,300 Sq.m shall be dismantled and total 42,000 Sq.m shall be newly constructed. As per the revised area, per Sq.m cost is 1,13,190 which is still higher than the normative threshold as per Authority's guideline/order.

9.7.2. As per the further clarifications provided by AAI dated 18.07.2017, AAI submitted that the AAI board note has been provided to justify the total cost (wherein total cost of ₹ 475.4 crores is approved for construction of new integrated terminal). The cost has been worked out by CHQ, AAI, New Delhi and the estimated cost of ₹ 475.4 crores is the cost of terminal building and related works excluding the cost of Apron and has been worked on the basis of CPWD-PAR and market rates based on the building constructed in the past. The normative approach for building cost as per AERA cannot be adhered to. In this regard, JV cell has written a detailed letter dated 20.09.2016 at AERA. Further this cost is subject to enhancement at 6.5% per annum.

9.7.3. Additionally, AAI submitted that Proposed cost of Construction includes all civil works (superior finishes modern roofing, advanced façade system, interior etc.) electrical systems (Air conditioning, Baggage Conveyors, PBB, lifts, escalators, Walkalators, solar power system), Airport system IT Infrastructure with maintenance friendly system comparable with world class airports. Hence, per unit cost is commensurate with the elegance and world class facilities being provided.

9.7.4. As per the clarifications provided by AAI dated 28.07.2017, the revised terminal area is 44,000 Sq.m which is inclusive of utility building area 2,000 Sq.m. and provided the detailed break-up of terminal capital expenditure as given in the table below:



Table 27 - Capital expenditure for terminal building as submitted by AAI

S.N.	Particulars	₹ crore
<b>1</b>	<b>Total Cost of New Terminal Building</b>	<b>475</b>
<b>A</b>	<b>Components not considered in Normative Approach</b>	
2	Horticulture, Water Treatment, Car parking	3
3	Development of site, Internal Roads & Art work	5
4	External lightings and Advance lighting system, special lighting light fixtures & energy efficient fixtures, UPS system	15
5	Solar Photovoltaic Power Generation System	4
6	Central call bell system, telephone conduits, Computer conduiting	2
7	Interior works	10
8	Misc. works like Rain water harvesting and gable end works etc.	3
9	PMC service Charges	15
10	Contingency Works	14
	Total of A	71
	<b>Total cost of the Terminal building project less above Items (A)</b>	<b>404</b>
<b>B</b>	<b>Cost for Additional Scope / Superior Specifications</b>	
11	Additional cost for superior finish like aluminum alloy roofing (Kalzip) in place of RCC roofing.	9
12	Additional cost for superior finish like Structural steel frames for roofing	8
13	Additional cost for superior finish like structural glazing, SS cladding, ACP cladding etc.	8
14	Additional cost for Granite Flooring instead of vitrified tile flooring in 50% area.	3
15	In above estimate floor to floor height considered is 6m to 10m for 20000 Sq.m.	9
16	Additional cost for rock cutting for provision of basement (Part portion) in Terminal Building & Utility building	7
	Total of B	44
	<b>Total cost of the Terminal building project less above Items (B)</b>	<b>360</b>
<b>C</b>	<b>Additional cost due to other factors</b>	
17	Higher labour rates in Pune than labour rates at Cochin	14
18	Higher electricity rates in Pune than electricity supply rate in Cochin	3
19	Smaller size of Terminal building at Pune than Terminal Building at Cochin	5.5
20	Green building concept design to achieve GRIHA 4 star rating	3
21	Acute shortage of land for stacking of material, labour hutments, fabrication of frames, restriction of approach road etc. Labour arrangement will be at 5km from Airport site. Moreover Part site of work is not hindrance free, Central portion of existing Terminal Building of area 7000 Sq.m. is to be dismantled after rerouting of	5.5

	services and same is to be reconstructed to match with operational Terminal Building without disturbing airport operations.	
22	Total area constructed at Cochin Airport is 1,50,000 Sq.m., out of which considerable space is allocated for office area etc. which is of lower specification and requires less cost, whereas at Pune Airport office area is negligible.	3
23	Pune Airport is within Pune city limits, hence traffic regulations like no entry of heavy vehicles etc. are applicable which results in restricted working hours for bringing material and machinery.	3
24	Additional cost impact of GST @ 7%	28
	<b>Total of C</b>	<b>65</b>
	<b>Total cost of the Terminal building project less above Items (C)</b>	<b>295</b>
<b>D</b>	<b>Net Cost per Sq.m.</b>	<b>67,045.5</b>

9.8. The Authority noted that AAI has submitted construction cost of ₹ 67,045.5 per Sq.m. for expansion of terminal building after removing additional items not considered as part of normative benchmarks as shown in above Table 27. The Authority had proposed to revise the capital expenditure for expansion of airport terminal based on normative benchmarks for FY 2015-16 and increase the benchmarks by WPI of 4.2% per annum till the year of capitalization. The Authority notes that any increase in benchmark normative rate is dependent on the schedule of capital expenditure, actual increase in cost indices, site, location, design and date of capitalization. The Authority shall consider these while reviewing the actual capital expenditure for determining the amount of capital expenditure to be considered for RAB. Additionally, the components which have not been considered as part of normative benchmarks (line item 5 and line item 10 in Table 27) are added to the capital expenditure arrived as per normative benchmarks. The total capital expenditure for terminal building arrived at by the Authority is ₹ 353.4 crores as shown in Table 28.



Table 28 – Capital expenditure for terminal building as proposed by the Authority

Sr. No.	Asset	Year	Area (sq. m.)	Inflation adjusted normative benchmark cost per unit area (₹ per sq. m.)	Allowed Capex (₹ cr.)
1	Expansion of Terminal Building	2021	42,000	79,846	335.4
2	Additional items not considered in normative benchmarks				18.0
	<b>Total capital expenditure for expansion of terminal building</b>				<b>353.4</b>

9.9. The Authority had proposed to use 91.37% as aeronautical for asset allocation of expansion of terminal building. Assuming 60% portion for civil works, it comes to ₹ 193.7 crores and 40% portion for electrical works amounting to ₹ 129.1 crores. The Authority also had proposed to undertake a study by technical experts to estimate the allowable terminal cost for civil enclave Pune vis-à-vis normative benchmarks. The Authority had asked AAI for detailed information on justification for exceeding the normative benchmarks. Due to lack of adequate information and in the interest of avoiding delays in fixing tariffs, the Authority had proposed to determine capital expenditure using norms at this stage. The Authority is aware of the shortcoming of this approach and therefore, shall undertake a study on reasonableness of capital expenditure after capitalization of these assets and make appropriate adjustments while determining tariffs for third control period. Based on the outcome of study and the fairness of the tender procedures followed for selection of contractor, the Authority had proposed to true-up the capital expenditure for terminal building at the time of tariff determination for 3<sup>rd</sup> control period.

9.10. The Authority further noted that the cost for terminal related assets (₹ 0.8 cr. in FY 2016-17, ₹ 1.5 cr. in FY 2017-18 and ₹ 10.1 cr. in FY 2018-19) has been considered as 100% aeronautical capital expenditure. The Authority had proposed to allocate these assets based on 91.37% terminal building ratio to determine aeronautical capex (₹ 0.7 cr. in 2016-17, ₹ 1.4 cr. in FY 2017-18 and ₹ 9.2 cr. in FY 2018-19).

9.11. The Authority further noted that the cost for apron and link taxi track as submitted by AAI on 26.04.2017 is ₹ 17.5 crores and area of such apron is 21,090 Sq.m. The Authority noted that the cost of apron per square meter of area is 8,297.8 which is higher than the threshold limits of normative cost as per Authority's guideline/order. As part of the further clarifications provided by AAI dated 17.05.2017, AAI submitted that the following items have been included in total capital expenditure of ₹ 17.5 crores:

9.11.1. Shoulder area of 3,500 Sq.m approx. is also included in the estimate. Approx. cost of shoulder is ₹ 1.1 crores

9.11.2. Cost for electrical work of provision of Apron flood light High mast costing approx. ₹ 1.1 crores has been included in the estimate

9.11.3. Cost of ₹ 17.70 crores is also inclusive of service tax @ 6% on gross amount (15% on 40% amount) i.e. approx. ₹ 1 crore.

9.11.4. Provision of RCC pipes (900 mm Dia) has been made for drainage system and various electrical & Indian Air force cables below link taxi track is also included in the estimate approx. cost of the same is ₹ 1.1 crores

9.11.5. Approx. 50% area contains black cotton soil, ditch area and filled up soil up to average depth of 2m which needs to be replaced with moorum for construction of Apron. Approx. cost of the same including excavation, carriage of black cotton and filled up to 3km is ₹ 3 crores.

9.11.6. 50% of proposed site area is rocky area. Same needs to be removed as per the proposed slope of Apron. Approx. cost of the same is ₹ 0.7 crores.

9.11.7. Total cost for 21,090 Sq.m Apron and taxiway excluding above items is ₹ 9.7 crores and per Sq.m cost is 4,600 which is less than the normative threshold limit.

9.11.8. AAI vide their submission dated 28.07.2017 further revised the cost of apron and link taxi way to ₹ 17.8 cr. The Authority had proposed to consider the cost of apron and link taxi way of ₹ 17.8 cr. in the aeronautical capital expenditure.

9.12. The Authority noted that capital expenditure VIP lounge (₹ 0.1 cr. in FY 2016-17) has been considered by AAI as aeronautical capital expenditure. The Authority had proposed to exclude it from the aeronautical capital expenditure as it pertains to non-



aeronautical assets.

9.13. The Authority had proposed to consider the total aeronautical capital expenditure to be capitalized and added to RAB at ₹ 374.5 crores.

Table 29 - Revised aeronautical capital expenditure for 2<sup>nd</sup> control period as considered by the Authority

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Aprons	0.0	0.4	17.8	0.0	0.0
2	Building- Terminal	0.7	1.4	9.2	0.0	193.7
3	Plant & Machinery	3.1	0.0	0.0	0.0	0.0
4	Office Furniture	0.0	0.0	0.0	0.0	0.0
5	Electrical Installations	0.6	0.0	18.3	0.0	129.1
6	Other office Equipment	0.2	0.0	0.0	0.0	0.0
	<b>Total (₹ 374.5 crores)</b>	<b>4.5</b>	<b>1.8</b>	<b>45.3</b>	<b>0.0</b>	<b>322.9</b>

9.14. The Authority noted that the cost of the planned works is indicative. The Authority had proposed to consider the addition to aeronautical assets during the 2<sup>nd</sup> control period as given in Table 29 subject to true-up of RAB based on actual aeronautical asset addition, outcome of the study and the actual costs as per the tender while determining tariffs for the 3<sup>rd</sup> control period.

9.15. In the 2<sup>nd</sup> control period, project works related to Apron and expansion of terminal building are proposed to be taken up. These require user consultation as per the Guidelines. The Authority noted that AAI has provided the minutes of AUCC meeting in their submissions dated 26.04.2017 for all the required project information as part of the consultation process with users.

9.16. Based on the material before it and its analysis, the Authority proposed the following:

9.16.1. To consider allowable project cost of ₹ 374.5 crore and accordingly to reckon the amount of ₹ 374.5 crore as addition for total assets during the 2<sup>nd</sup> control period.

9.16.2. Direct AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.

9.16.3. To true-up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.



### **Stakeholders' comments and Authority's observations**

#### **AAI's submission on the asset additions in the 2<sup>nd</sup> control period**

9.17. In respect of the capital expenditure for construction of terminal building, AAI submitted that the capitalization has been worked out on the basis of Normative Approach, the same may be reconsidered while finalizing the tariff.

9.18. Terminal Building Ratio considered for the C/O New Integrated Terminal Building may be taken as 7.5% instead of 8.63% as taken for other Major Airports.

#### **Authority's examination of AAI's submission**

9.19. The Authority has noted the comments from AAI on consideration of the capital expenditure determined based on the normative approach. The Authority noted that AAI has provided some additional information but the detailed estimates and information for inclusion of higher capex beyond normative approach is not yet available. Hence, the Authority decides to consider the capital expenditure for construction of terminal building based on the normative approach as provided in Table 28.

9.20. The Authority had proposed the terminal building ratio of 91.37% to 8.63% for allocation of assets related to terminal building into aeronautical and non-aeronautical assets based on the actual non-aeronautical area as provided in Table 21. Since, the terminal building ratio is as per actuals, the Authority decides to allocate the capital expenditure for construction of terminal building based on it.

### **Decision No. 5. Capital Expenditure**

5.a. The Authority decides to consider allowable project cost of ₹ 374.5 crores and accordingly to reckon the amount of ₹ 374.5 crores as addition to total assets during the 2<sup>nd</sup> control period.

5.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.

5.c. The Authority decides to true-up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.



## 10. Depreciation

10.1. AAI has submitted that the depreciation rates used are as per AAI's approved accounting policy. The salient aspects of AAI's depreciation policy being followed are as under:

10.1.1. Method of depreciation: straight line;

10.1.2. 100% of depreciation rates of assets if assets are used in a financial year for 180 days or more. If the assets are used for less than 180 days in a year the depreciation is charged at 50% of the depreciation rates. This policy is effective from the financial year 2012-13;

10.1.3. Residual value for each asset is taken as Re.1 balance to be provided by way of depreciation as per prescribed rates.

### **Authority's Examination**

10.2. The Authority noted that the depreciation policy of AAI is not in accordance with the depreciation rates adopted by the Authority in other private airports. AAI is a statutory body established under the AAI Act and it does not come under the Companies Act. The Board of AAI has approved the depreciation policy that has been adopted by AAI.

10.3. The Authority noted that on some of the assets the depreciation charged by AAI is not in line with the Companies Act 2013. The Authority is of the view that adoption of depreciation rates as prescribed under the Companies Act at any point of time is appropriate, considering the variation in policies adopted by the airport operators. The Authority further noted that there is no specific mention of the classes of assets viz. apron, taxiway and runway in the Companies Act 2013 or 1956 or in the Income Tax Act 1961.

10.4. In this regard, the Authority has separately commissioned a study to determine appropriate depreciation rates for regulation of airports in line with the provisions of the Companies Act 2013. The Authority had proposed to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.

10.5. In light of above, for the categories of assets (runway, taxiway and apron) where no



specific depreciation rate/ useful life has been mentioned in the Companies Act, the Authority had proposed to adopt depreciation rate of 3.33%. This rate is proposed to be applied on runway, taxiway and apron assets existing as on 01.04.2011 and on these assets added during 1<sup>st</sup> and 2<sup>nd</sup> control period.

10.6. The Authority had proposed to adopt the depreciation rates mentioned under Companies Act for assets as per the Companies Act 1956 till FY 2013-14 and as per the Companies Act 2013 from FY 2014-15 onwards as the effective date of implementation of the Companies Act 2013 is 01.04.2014.

10.7. The Authority had proposed that for the new assets to be capitalized in the 2<sup>nd</sup> control period, depreciation is charged at 50% of the depreciation rates in the year of capitalization.

10.8. The depreciation rates as submitted by AAI and as considered by the Authority during the 1<sup>st</sup> and 2<sup>nd</sup> control period are given below:

Table 30 - Depreciation rates as submitted by AAI and as considered by the Authority

No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
1	Land	0%	0.00%	0.00%
2	Runways	13%	3.33%	3.33%
3	Taxiway	13%	3.33%	3.33%
4	Apron	13%	3.33%	3.33%
5	Road	13%	1.63%	3.33%
6	Building - Terminal	8%	1.63%	3.33%
7	Building - Temporary	100%	100.00%	33.33%
8	Building - Residential	5%	1.63%	3.33%
9	Security Fencing - Temporary	100%	100.00%	33.33%
10	Security Fencing - Boundary Wall	8%	1.63%	3.33%
11	Security Fencing - Residential	5%	1.63%	3.33%
12	Computer and Peripheral	20%	16.21%	16.67%
13	Computer and Package	20%	20.00%	20.00%
14	Plant and Machinery	11%	4.75%	6.67%
15	Tool and Plant	20%	4.75%	6.67%
16	Office Furniture	20%	6.33%	10.00%
17	Other Vehicles	14%	9.50%	12.50%
18	Vehicle (Car/ Jeep)	14%	9.50%	12.50%
19	Electrical Installations	11%	4.75%	10.00%



No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
20	Office Equipment	18%	4.75%	20.00%
21	Other than Office	20%	4.75%	20.00%
22	XBIS (X-Ray Baggage)	11%	4.75%	6.67%
23	CFT	13%	4.75%	6.67%

10.9. The revised depreciation for the 2<sup>nd</sup> control period as per Hybrid Till as proposed by the Authority is given below:

Table 31 - Authority's consideration on depreciation for the 2<sup>nd</sup> control period – Hybrid Till

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	10.6	10.1	9.8	9.4	47.8	87.7
2	As per Authority	6.9	6.7	7.8	9.0	18.6	49.1

#### Decision No. 6. Treatment of Depreciation

- 6.a. The Authority decides to adopt depreciation rates as per Table 30 and depreciation for the 2<sup>nd</sup> control period as per Table 31.
- 6.b. The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.

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## 11. RAB for Second control period

11.1. AAI has submitted Regulatory Asset Base for 2<sup>nd</sup> control period under Hybrid Till as follows:

Table 32 - Summary of the RAB and Depreciation for civil enclave Pune (Airport Services) as per AAI for the 2<sup>nd</sup> control period

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	59.6	50.8	40.7	30.9	21.6
B	Aeronautical Additional Assets capitalized during the year	1.9	0.0	0.0	0.0	450.5
C	Disposals/Transfers					
D	Depreciation	10.6	10.1	9.8	9.4	47.8
E	Closing Aeronautical RAB (A+B-C-D)	50.8	40.7	30.9	21.6	424.2
	<b>Average RAB (A+E)/2</b>	<b>55.2</b>	<b>45.8</b>	<b>35.8</b>	<b>26.2</b>	<b>222.9</b>

### Authority's Examination

11.2. The Authority had proposed to adopt opening RAB for FY 2016-17 as detailed in Table 25.

11.3. The Authority had proposed to adopt depreciation as proposed in Table 31.

11.4. The Authority had proposed ₹ 374.5 crores as the addition of aeronautical assets to RAB as detailed in Table 29.

11.5. The revised Regulatory Asset Base as calculated by the Authority for 2<sup>nd</sup> control period under Hybrid Till is as follows:

Table 33 - Summary of forecast and Roll forward RAB and Depreciation for civil enclave Pune (Airport Services) considered by the Authority for 2<sup>nd</sup> control period – Hybrid Till

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	80.0	77.6	72.7	110.2	101.2
B	Aeronautical Assets capitalized during the year	4.5	1.8	45.3	0.0	322.9
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	6.9	6.7	7.8	9.0	18.6
E	Closing Aeronautical RAB (A+B-C-D)	77.6	72.7	110.2	101.2	405.4
	<b>Average RAB (A+E)/2</b>	<b>78.8</b>	<b>75.2</b>	<b>91.4</b>	<b>105.7</b>	<b>253.3</b>





## 12. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR)

12.1. AAI has considered Fair Rate of Return (FRoR) as 14% at par with the decision taken by the Authority in Chennai, Kolkata Guwahati and Lucknow Airports for the 1<sup>st</sup> control period.

12.2. AAI has not taken any debt for financing the civil enclave Pune. FRoR is as per what has been adopted for AAI as a whole.

### Authority's Examination

12.3. The Authority has recognised that AAI's capital structure may not be regarded as an efficient one in that it doesn't optimize the cost of funds from a regulatory perspective. The Authority desires that the FRoR allowed to AAI should come down over a period of time by optimizing capital gearing. The Authority may also consider a normative capital structure to determine the FRoR at a later date. It may not be reasonable to expect AAI to contract large amounts of debt over a short period of time.

12.4. The Authority noted that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI. The Authority noted that it has considered FRoR at 14% for Chennai and Kolkata airport in the 1<sup>st</sup> control period considering the recommendations of another study done by NIPFP. Based on the decision taken for Chennai and Kolkata airport, the Authority considered FRoR at 14% for Guwahati and Lucknow airport for 1<sup>st</sup> control period.

12.5. Based on the above, the Authority had proposed to consider FRoR at the rate of 14% for civil enclave at Pune for the 1<sup>st</sup> and 2<sup>nd</sup> control period as submitted by AAI.

12.6. Based on the material before it and its analysis, the Authority proposed the following:

12.6.1. To consider the FRoR at 14% for civil enclave Pune for the 1st and 2nd control period.

12.6.2. To undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.

### Comments from ATA

12.7. With respect to FRoR, ATA submitted that WACC of 14% for these airports looks very high; attempt should be made to bring it down to a level of 10%-11%.



### **AAI's submission to ATA comments**

12.8. AAI stated that the Return on Equity allowed by AERA in order to calculate cost of capital is 16% whereas, AERA has allowed only 14% Return on Cost of Capital for AAI's airports.

### **Authority's examination of ATA's comments and AAI's submission to ATA's comments**

12.9. The Authority has given careful consideration to the comments from ATA on the FRoR and the response of AAI to ATA's comments. The Authority is yet to take a view on the normative capital structure. However, the Authority notes that while determining the FRoR for AAI in the 1st control period a normative capital structure has been assumed by the Authority. The Authority proposes to undertake a study to determine FRoR for major AAI airports. Further decision on the FRoR will be taken after considering the results of such study.

### **Decision No. 8. FRoR**

- 8.a. The Authority decides to consider the FRoR at 14% for civil enclave at Pune for the 1<sup>st</sup> and 2<sup>nd</sup> control period.
- 8.b. The Authority decides to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.

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### 13. Revenue from services other than aeronautical services

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

Table 34 - Revenue from Non-aeronautical Services – Projected by AAI for 2<sup>nd</sup> control period

No.	Revenue from services other than Regulated Services (₹ crore)	2015-16 (base)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurants/Snack Bar	3.5	4.0	4.6	5.2	5.9	7.4
2	TR Stall/others	1.5	1.7	2.0	2.3	2.6	3.2
3	Duty Free Shops	0.0	1.1	2.5	2.8	3.2	4.0
4	Hoardings & Displays	5.3	6.0	6.9	7.8	8.9	11.1
5	Land Leases	6.0	6.5	7.0	7.5	8.0	8.6
6	Buildings (Non-Residential)	1.6	1.9	2.2	2.5	2.8	3.5
7	Hanger	1.9	2.2	2.5	2.9	3.3	3.7
8	Car Parking	2.8	3.2	3.7	4.2	4.8	5.4
9	Admission Tickets	0.1	0.2	0.2	0.2	0.2	0.3
10	Flight catering service	0.4	0.5	0.6	0.6	0.7	0.9
11	Car rentals	0.1	0.1	0.1	0.1	0.1	0.2
12	Revenue from interest income	0.1	0.1	0.1	0.2	0.2	0.2
13	Other Miscellaneous Income	0.8	0.8	0.8	0.9	0.9	1.0
	<b>Total</b>	<b>24.2</b>	<b>28.3</b>	<b>33.0</b>	<b>37.1</b>	<b>41.7</b>	<b>49.6</b>

13.2. The growth rates assumed by AAI in their submissions dated 01.02.2017 for forecasting non aeronautical revenues are given below:

Table 35 – Assumption (growth rates) for Service other than Regulated Services for the 2<sup>nd</sup> Control Period as per AAI

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Restaurants/Snack Bar	14%	14%	14%	14%	25%
2	TR Stall/others	14%	14%	14%	14%	25%
3	Duty Free Shops	-	122%	14%	14%	25%
4	Hoardings & Displays	14%	14%	14%	14%	25%
5	Land Leases	7.5%	7.5%	7.5%	7.5%	7.5%
6	Buildings (Non-Residential)	14%	14%	14%	14%	25%
7	Hanger	14%	14%	14%	14%	14%
8	Car Parking	14%	14%	14%	14%	14%
9	Admission Tickets	14%	14%	14%	14%	25%
10	Flight catering service	14%	14%	14%	14%	25%
11	Car rentals	14%	14%	14%	14%	25%
12	Revenue from interest income	10%	10%	10%	10%	10%
13	Other Miscellaneous Income	5%	5%	5%	5%	5%



### **Authority's Examination**

13.3. The Authority noted that as part of clarifications provided dated 26.04.2017, AAI has revised the growth rates to 10% (from 14% as submitted earlier) for revenues from services other than regulated services all the revenues except for land lease revenues and other miscellaneous revenues. AAI has proposed these growth rates based on the contractual agreements. The Authority had proposed to consider the revised growth rates as submitted by AAI dated 26.04.2017 for the determination of tariff for the 2<sup>nd</sup> control period as they are as per the contracts/ agreements signed or projected as per the contracts/ agreements to be signed in future with the service providers.

13.4. AAI clarified that the Terminal building will come up in second half of FY 2020-21. Due to above reason non aeronautical revenues have been increased with previous year growth rate in the FY 2020-21. The impact due to new terminal building on non-aeronautical revenues will be reflected in 3<sup>rd</sup> control period.

13.5. The Authority noted additional revenue considered as part of Building non-residential in FY 2016-17 (₹ 2.7 lakh), FY 2017-18 (₹ 8.5 lakh), FY 2018-19 (₹ 9.3 lakh) and FY 2019-20 (₹ 10.3 lakh). As per the clarifications received from AAI dated 26.04.2017, AAI submitted that additional revenue pertains to space allotted for Duty Free facility. The space was allotted in FY 2016-17.

13.6. The Authority had proposed that non-aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues. The Authority had proposed to accept the revenues from services other than regulated services as submitted by AAI except for adjustments as detailed below.

### **Adjustment of lease rentals**

13.7. AAI has allotted following land to cargo, ground handling and fuel companies (CGF) for their operations. AAI has considered income from such land lease as non-aeronautical revenues



Table 36 – Details of land allotted to cargo, ground handling and supply of fuel service providers in 2<sup>nd</sup> control period

Service	Service Provider	Land Allocated (Sq.m)		Land Lease revenues (FY 2015-16) ₹ crore
		Paved	Unpaved	
Fuel	HPCL	760.56	-	0.45
Fuel	BPCL	623.82	-	0.32
Ground Handling	Cambatta Aviation	87.8	-	0.05
Ground Handling	Silver Jubilee Aviation Pvt. Limited	38.8	-	0.04
Cargo	Air India Limited	548.9	-	0.33
Cargo	Interglobe Aviation Limited	274.61	-	0.16
Cargo	Spice Jet Limited	319.81	-	0.19
Cargo	Jet Airways Limited	274.61	-	0.16
Cargo	Go Airlines Limited	225.47	-	0.13

13.8. Additionally, AAI has allotted 56 Sq.m. of space in Terminal building to GHA.

13.9. As per AAI's submissions dated 26.04.2017, AAI is not doing cargo activities at Pune airport. AAI has only provided paved land to airlines as detailed in the above table and earns land lease revenues. However, AAI has not considered income from cargo for the revised MYTP in the 2<sup>nd</sup> control period. As per clarifications provided by AAI dated 05.06.2017, Airports Authority of India has created a wholly owned subsidiary AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS) in the F.Y. 2016-17. The proposal for Cargo activities will be filed separately by AAICLAS or determination of Cargo tariff. Further, the Authority notes that there is no clarity on the transfer of cargo assets to AAICLAS as of now. The Authority will take a view on this in the 3rd control period based on the decisions taken by the AAI.

13.10. As per the provisions of the AERA Act, services rendered in respect of cargo, ground handling and fuel supply are aeronautical services.

13.11. The Authority noted that AAI in their submission dated 01.02.2017 have increased land lease rentals from cargo, ground handling agencies and oil companies by 7.5% per



annum and had proposed to accept the same. The Authority noted that AAI has increased rent revenues from building non-residential for GH agencies by 10% as per submissions made dated 26.04.2017 and had proposed to accept the same.

13.12. The Authority had proposed to consider land lease revenues and building non-residential rent revenues on account of the aeronautical services of CGF as aeronautical revenue.

13.13. The Authority noted that hangars charges have been considered as non-aeronautical revenues and hangar assets have been excluded from Regulatory Asset Base.

13.14. The Authority observes that non-aeronautical revenue at civil enclave Pune is low and expects AAI to utilize its resources better and maximize its non-aeronautical revenue to keep the aeronautical tariff down.

13.15. The Authority had proposed to consider non-aeronautical revenues as given below:

Table 37 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2<sup>nd</sup> control period

Revenue from services other than Regulated Services (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Non-Aeronautical Revenues as per AAI (A)</b>	<b>28.3</b>	<b>33.0</b>	<b>37.1</b>	<b>41.7</b>	<b>49.6</b>
<b>Adjustment:</b>					
Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth rates (B)	3.5	4.4	5.7	7.2	11.7
<b>Non-Aeronautical Revenues as per Authority (A-B)</b>	<b>24.9</b>	<b>28.6</b>	<b>31.4</b>	<b>34.5</b>	<b>37.9</b>

13.16. Based on the material before it and its analysis, the Authority proposed the following:

13.16.1. To consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including building rent from these activities as aeronautical revenue.

13.16.2. To consider the Non Aeronautical Revenue as per Table 37

13.16.3. To true up non-aeronautical revenues if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the

Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

**Comments from ATA**

13.17. With respect to non-aeronautical revenues, ATA submitted that the non-aeronautical revenues of these airports are very low as compared to the privatized airports. Therefore, burden or such under-performance should not be passed on to the tariff and eventually to Air Travellers.

**AAI's submission to ATA comments**

13.18. AAI stated that the Non-Aeronautical Revenue of all these Airports is in increasing trends. AAI has further stated that AERA proposes to true-up non-aeronautical revenues if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if AERA is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.

**Authority's examination of ATA's comments and AAI's submission to ATA's comments**

13.19. The Authority has given careful consideration to the comments from ATA on the non-aeronautical revenues and the response of AAI to ATA's comments. The Authority has noted that non-aeronautical revenues at these airports is low and hence, the Authority proposed to true up non-aeronautical revenues if it is higher than the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues. The Authority also noted that the Pune Airport has space/ land constraint. The airport is handling more number of passengers than its capacity. Immediately it may not be able to allocate more space/ land for non-aero activities.

**Decision No. 9. Non Aeronautical Revenues**

9.a. The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.

9.b. The Authority decides to consider the Non Aeronautical Revenue as per Table 37

9.c. The Authority decides that non-aeronautical revenues will be trued up if it is higher than

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the projected revenues. In case there is a shortfall, true-up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.



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#### 14. Operation and Maintenance Expenditure

14.1. Operation and Maintenance (O&M) expenditure submitted by AAI is segregated into:

- (i) Payroll expenses; (ii) Admin and General Expenditure; (iii) Repair and Maintenance Expenditure; (iv) Utilities and Outsourcing Expenditure; and (v) Other Outflows

14.2. Summary of aeronautical expenses proposed by AAI for 2<sup>nd</sup> control period is as below:

Table 38 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2<sup>nd</sup> control period on Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of civil enclave Pune	29.8	35.8	38.9	42.4	46.1
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.6	5.5	5.8	6.1	6.4
3	Common Expenses related to ANS and non-aero	0.1	0.2	0.2	0.2	0.2
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>34.3</b>	<b>41.2</b>	<b>44.6</b>	<b>48.3</b>	<b>52.3</b>
4	Administrative and General Expenditure	1.0	1.1	1.2	1.2	1.3
5	Apportionment of administration & General expenditure of CHQ/RHQ	6.0	6.6	7.2	7.9	8.7
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>7.0</b>	<b>7.6</b>	<b>8.4</b>	<b>9.2</b>	<b>10.1</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>6.9</b>	<b>7.6</b>	<b>8.4</b>	<b>9.2</b>	<b>10.1</b>
6	Power Charges	6.7	7.4	8.2	9.0	11.4
7	Water Charges	0.3	0.3	0.4	0.4	0.4
8	Hire Charges - Car / Jeep & Others	0.6	0.6	0.7	0.8	0.9
9	Consumption of Petrol oil & Lubricants	0.1	0.1	0.1	0.1	0.1
10	Consumption of Stores & Spares	0.2	0.2	0.2	0.2	0.3
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7)</b>	<b>7.9</b>	<b>8.7</b>	<b>9.5</b>	<b>10.5</b>	<b>13.1</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>
	<b>Total (A+B+C+D+E)</b>	<b>56.7</b>	<b>65.8</b>	<b>71.7</b>	<b>78.1</b>	<b>86.6</b>

14.3. The details of the assumptions made by AAI for O&M Expenditure in their



submissions dated 01.02.107 are given below:

Table 39 – Assumptions made by AAI for each item of O&M expenditure

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
<b>1</b>	<b>Payroll Expenses</b>					
	Salaries and Wages	9%	20%	9%	9%	9%
	PF contribution	9%	20%	9%	9%	9%
	Other staff benefits	9%	20%	9%	9%	9%
	Medical expenses	9%	20%	9%	9%	9%
	Overtime	5%	20%	5%	5%	5%
	Allocation of Retirement Benefit provided at CHQ in r/o civil enclave Pune Employees	5%	20%	5%	5%	5%
<b>2</b>	<b>R&amp;M Expenses</b>	10%	10%	10%	10%	10%
<b>3</b>	<b>Utility and outsourcing Expenditure</b>					
	Power charges	10%	10%	10%	10%	27%
	Water charges	10%	10%	10%	10%	10%
	Other outsourcing costs	10%	10%	10%	10%	10%
<b>4</b>	<b>Administration and General Expenditure</b>					
	Admin & General Expenses	10%	10%	10%	10%	10%
	Telephone Charges	5%	5%	5%	5%	5%
	Miscellaneous Expenses	5%	5%	5%	5%	5%
	Apportionment of CHQ/RHQ Expenses	10%	10%	10%	10%	10%
<b>5</b>	<b>Other Outflows</b>					
	Collection charges on PSF	10%	10%	10%	10%	10%

\* Higher growth rate for increase in Payroll costs in FY 2017-18 is due to 7<sup>th</sup> Pay Commission revision

14.4. AAI has segregated total O&M expenditure for the 2<sup>nd</sup> control period into aeronautical expenses, non-aeronautical expenses, and common expenses. Common expenses in turn have been allocated between aeronautical and non-aeronautical services.

14.5. Expense allocation as submitted by AAI for 2<sup>nd</sup> control period is tabulated below:



Table 40 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	97%	3%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	88%	12%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	100%	0%
5	R&M Expenses	97%	0%
6	Utility and Outsourcing Charges	100%	0%
7	Other Outflows	100%	0%
	<b>Total</b>	<b>98%</b>	<b>2%</b>

#### Authority's Examination

14.6. The Authority considered the operating expenses and their projections submitted by AAI and noted the following.

#### Forecasting of payroll expenses

14.6.1. The Authority noted that payroll costs components – Salaries and Wages, Fringe Benefits, including perks & medical expenditure and PF contribution have been increased by AAI at the growth rate of 9% annually for 2<sup>nd</sup> control period except for FY 2017-18. These growth rates appear to be on a higher side. The Authority had proposed growth rate of 7% for the above payroll components.

14.6.2. The Authority noted that expenditure on apportionment of retirement benefits provided to CHQ in respect of civil enclave Pune employees is increased at 5% annually for 2<sup>nd</sup> control period which is different from the 7% for the above mentioned payroll components. The Authority had proposed to apply the same growth rate of 7% annually except for FY 2017-18 for expenditure on apportionment of retirement benefits provided to CHQ in respect of civil enclave Pune employees (as per discussion with AAI).

14.6.3. The Authority has noted that an increase of 20% has been projected in the Order no. 15/2017-18



pay roll expenditure in FY 2017-18 due to tentative increase in salary and wages on account of wage revision. However, as part of clarifications provided, AAI has revised the growth rate for the payroll expenditure in FY 2017-18 to 35%. The Authority noted that Public Sector Undertakings are covered under separate wage revision mechanism. Moreover, the Authority is of the view that as on date there is no actual evidence for the said outflow in FY 2017-18 and hence had proposed to true up the expenditure in the 3<sup>rd</sup> control period. In view of above, an increase of 25% is proposed for projection of the pay roll expenditure for FY 2017-18 in line with the order issued for Trivandrum for the 2<sup>nd</sup> control period.

14.6.4. AAI has submitted apportionment of CHQ/RHQ expenses on cost basis. The Authority had proposed to adopt CHQ/RHQ overheads apportionment for the 2<sup>nd</sup> control period based on actual revenue basis data provided by AAI.

#### **Forecasting of apportionment of CHQ/RHQ admin expenses**

14.7. The Authority noted that apportionment of CHQ/RHQ overheads administrative expenses have been increased by AAI at the growth rate of 10% annually for 2<sup>nd</sup> control period. These growth rates appear to be on a higher side. The Authority had proposed growth rate of 5% for the apportionment of CHQ/RHQ overheads administrative expenses in line with the order issued for Trivandrum airport for 2<sup>nd</sup> control period.

#### **Forecasting of power and water charges**

14.8. The Authority noted that power charges have been increased by 10% from FY 2016-17 to FY 2019-20 and by 27% in FY 2020-21. The Authority also noted that wage charges have been increased by 10% for 2<sup>nd</sup> control period. As per the clarifications provided by AAI dated 26.04.2017, AAI submitted that the charges have been inadvertently revised in the 2<sup>nd</sup> control period and the same has been corrected in the revised submissions. As per the revised submissions dated 26.04.2017, the charges have not been increased during 2<sup>nd</sup> control period which is in line with the order issued for Trivandrum airport for 2<sup>nd</sup> control period.

#### **Segregation of aeronautical expenses**

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14.9. The Authority noted that the Payroll Costs in the operational expenditure have been allocated using percentage of employees for aeronautical services to total employees which is 97%. To account for common service employees handling both aeronautical and non-aeronautical activities, the Authority had proposed to use ratio of 95% to 5% for allocation of payroll costs.

14.10. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of civil enclave Pune and apportionment of admin CHQ/RHQ expenses have been considered as 100% aeronautical expenses. The Authority had proposed to use the ratio of 90% to 10% for aeronautical and non-aeronautical allocation for apportionment of admin CHQ/RHQ expenses. The Authority had proposed to use the ratio of 95% to 5% for aeronautical and non-aeronautical allocation for retirement benefits provided at CHQ in respect of employees at civil enclave Pune.

14.11. The Authority noted that the expenses related to vehicles such as R&M – Vehicles and Consumption of petrol/ lubricants etc. have been considered 100% aeronautical expense. The Authority had proposed to allocate aforementioned expenses using employee ratio into aeronautical and non-aeronautical expenses.

14.12. Terminal Area ratio for calculation of aeronautical assets is proposed as 91.37%. This ratio has been applied to specific expenses in R&M – Civil, R&M – Electrical, R&M - Electronics and Conservancy Charges/ Consumption of spares.

14.13. The Authority noted that certain expenses related to Salaries and Wages, PF Contribution, Other Staff Benefits and Medical Expenses include 50% expenses of ANS under airport expenses. AAI in their submissions dated 26.04.2017 clarified that staff deputed at Pune Airport (Civil Enclave) for ANS is also working for airport activities as ANS work is performed by Defence Authorities. Hence 50% staff related costs of ANS staff is taken as cost of airport activities. As per the revised clarification provided dated 05.08.2017, AAI submitted that the expenses of the ANS employees working exclusively for airport would be booked under Airport from the FY 2017-18 onwards .The projection of 50% expenses of ANS under airport expenses may continue for 2<sup>nd</sup> control period and it would be trued up on the basis of actual while finalizing tariff at 3<sup>rd</sup> control period for Pune. The Authority had proposed to consider 50% of ANS related



staff cost as part of airport O&M expenses as the employees work exclusively for airport.

### Correction in projection

14.14. The Authority has noted that Freight charges for ANS were included in the airport O&M expenditure. After consultation with AAI, these have been excluded from the airport's O&M expenditure.

14.15. The O&M expenditure for FY 2015-16 which includes both aeronautical and non-aeronautical expense is given in the table below:

Table 41 – Total O&M expenditure for FY 2015-16 as proposed by the Authority

No.	Particulars (₹ crore)	2015-16
1	Pay roll Expenditure of civil enclave Pune	28.2
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.4
3	Less - Pay and Allowances of ANS unit and non-aero	0.1
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>32.5</b>
4	Administrative and General Expenditure	1.1
5	Apportionment of administration & General expenditure of CHQ/RHQ	4.9
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>6.0</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>6.4</b>
6	Power Charges	6.1
7	Consumption of Stores and Spares	0.2
8	Water Charges	0.3
9	Hire Charges - Cars/Jeep & Others	0.5
10	Consumption of petrol oil & Lubricants	0.1
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7+8+9+10)</b>	<b>7.2</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.6</b>
	<b>Total (A+B+C+D+E)</b>	<b>52.7</b>

14.16. Expense allocation proposed to be considered by the Authority after above changes for 2<sup>nd</sup> control period is tabulated below:

Table 42 – Expense allocation between aeronautical and non-aeronautical services proposed by the Authority

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	95%	5%
2	Payroll Retirement benefit expenses Apportionment – CHQ	95%	5%



Sr. No.	Particulars	Aero Expense	Non-Aero Expense
3	Admin and General Expenses – Non CHQ	88%	12%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	90%	10%
5	R&M Expenses	97%	3%
6	Utility and Outsourcing Charges	99%	1%
7	Other Outflows	100%	0%
	<b>Total</b>	<b>95%</b>	<b>5%</b>

14.17. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period under Hybrid Till and given in table below.

Table 43 - Summary of Aeronautical O&M expenditure as per the Authority for the 2<sup>nd</sup> control period as per Hybrid Till

No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Pay roll Expenditure of civil enclave Pune	28.7	35.8	38.3	40.9	43.8
2	Expenditure for civil enclave Pune employees' retirement benefits allocated at CHQ	4.5	5.6	6.0	6.4	6.8
3	Less - Pay and Allowances of ANS and non-aero	0.1	0.2	0.2	0.2	0.2
<b>A</b>	<b>Total Pay roll Expenditure (1+2-3)</b>	<b>33.0</b>	<b>41.2</b>	<b>44.1</b>	<b>47.1</b>	<b>50.4</b>
4	Administrative and General Expenditure	1.0	1.1	1.2	1.2	1.3
5	Apportionment of administration & General expenditure of CHQ/RHQ	4.6	4.8	5.1	5.3	5.6
<b>B</b>	<b>Total Administration &amp; General Expenditure(4+5)</b>	<b>5.6</b>	<b>5.9</b>	<b>6.2</b>	<b>6.6</b>	<b>6.9</b>
<b>C</b>	<b>Repairs and Maintenance Expenditure (Total)</b>	<b>6.9</b>	<b>7.5</b>	<b>8.3</b>	<b>9.1</b>	<b>10.0</b>
6	Power Charges	6.1	6.1	6.1	6.1	6.1
7	Water Charges	0.2	0.2	0.2	0.2	0.2
8	Hire Charges - Car / Jeep & Others	0.3	0.3	0.3	0.3	0.3
9	Consumption of Petrol oil & Lubricants	0.6	0.6	0.7	0.7	0.8
10	Consumption of Stores & Spares	0.1	0.1	0.1	0.1	0.1
<b>D</b>	<b>Utility and Outsourcing Expenditure (6+7+8+9+10)</b>	<b>7.2</b>	<b>7.3</b>	<b>7.4</b>	<b>7.5</b>	<b>7.6</b>
<b>E</b>	<b>Other Outflows</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>



No.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
	<b>Total (A+B+C+D+E)</b>	<b>53.3</b>	<b>62.7</b>	<b>66.8</b>	<b>71.2</b>	<b>76.0</b>

14.18. The Authority had proposed to undertake an independent study to assess the reasonableness of the operation and maintenance expenditure. The Authority would consider the results of the study to true-up the operation and maintenance expenditure while tariff determination for the 3<sup>rd</sup> control period.

14.19. It appears that O&M expenditure at civil enclave Pune is on higher side and expects AAI to reduce the O&M expenditure over a period of time.

14.20. Based on the material before it and its analysis, the Authority proposed the following:

14.20.1. To consider the operational and maintenance expenditure as given in Table 43 above, for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period.

14.20.2. That AAI should endeavour to reduce O&M expenditure over a period of time.

14.20.3. To true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the 2<sup>nd</sup> control period based on the actuals at the time of determination of tariffs for the 3<sup>rd</sup> control period.

### **Stakeholders' comments and Authority's observations**

#### **ATA's comments**

14.21. Regarding the O&M expenditure, ATA stated that AERA has allocated the CHQ cost to these airports, on similar lines the benefit or revenue share accrued to AAI from the private airports should also be allocated to the airports. The revenue share for AAI should go in reducing the charges for the AAI airports. Otherwise the revenue share is forming part of the equity capita invested and is attracted for huge return on equity.

14.22. In the case of Pune Airport, it is observed that they are incurring huge money for use of electricity. We suggest that they may explore possibility to go in for alternate sources i.e. solar power etc.

#### **AAI's submission to ATA's comments**

14.23. AAI stated that the cost after netting off revenues are allocated to the profit centre.



CHQ expenses are first appropriated to RHQ on the basis of Revenue earned. RHQ expenses along with CHQ expenses are appropriated to all the airports under a particular RHQ on the basis of revenue earned by the Airports.

14.24. With respect to power cost, AAI stated that Pune Airport has prepared the estimates for the installation of solar power which is likely to be commissioned by June 2018 subject to approval by Indian Air Force as it is joint user air field and other approval is required.

***Authority's examination of ATA's comments and AAI's submission to ATA's comments***

14.25. The Authority is of the view that revenue share accrued to AAI from private airports should not cross-subsidize the tariffs under the regulatory framework of AERA since Authority views each airport of AAI as a separate entity which should earn a fair return on its investments. Besides, the Authority cannot force AAI to subsidize the tariffs from surplus of other airports. However, if AAI keeps the charges at an airport at a level lower than the cap determined by the Authority then the Authority will accept the tariffs proposed by AAI.

14.26. The Authority has noted AAI's comments on solar power plant.

***AAI's comments on O&M expenditure***

14.27. Regarding the pay revision, AAI submitted that as per recommendation of pay revision committee an increase of 35% in Pay and Allowances is proposed. AERA may reconsider pay revision impact of 35% instead of 25%.

***Authority's examination of AAI's comments***

14.28. The Authority noted that salaries at AAI are revised every 10 years and during the first year of revision, the increase in salary cost is in the range of 25% to 30%. The Authority has considered 25% increase in the current order.

**Decision No. 10. Operation and Maintenance expenditure**

10.a. The Authority decides to consider the operational and maintenance expenditure as given in Table 43 above, for the purpose of determination of aeronautical tariffs for the 2<sup>nd</sup> control period.

10.b. The Authority expects AAI to reduce per pax O&M expenditure over a period of time.



10.c. The Authority decides to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the 2<sup>nd</sup> control period based on the actuals at the time of determination of tariffs for the 3<sup>rd</sup> control period.



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## 15. Taxation

15.1. AAI has submitted tax calculations using provisional tax rate of 34.60 % for the 2<sup>nd</sup> control period. AAI had calculated the tax considering depreciation rates applicable under Income Tax laws.

### **Authority's Examination**

#### **Adjustment for 30% of non-aeronautical revenues**

15.2. AAI vide their submissions dated 01.02.2017 calculated tax for aeronautical services under Hybrid Till taking into account 30% of revenues from services other than regulated services as part of total revenues. As per MIAL Order No. 32/2012-13 (Decision No. XV), the Authority had decided to consider corporate tax pertaining to earnings from aeronautical services under shared till. Therefore, the Authority had proposed to exclude non-aeronautical component from revenues considered while determining tax for aeronautical services.

#### **Adjustment of aeronautical capital expenditure**

15.3. The Authority had proposed to consider aeronautical capital expenditure of ₹ 374.5 crores as given in Table 29 while calculating depreciation as per IT Act

#### **Adjustment of O&M Expenses**

15.4. The Authority had proposed to consider O&M expenses as given in Table 43.

#### **Adjustment of aeronautical revenues on account of CGF lease and rent correction**

15.5. The Authority had proposed to modify total aeronautical revenues considering lease rentals from CGF as aeronautical as mentioned in Para 13.10

#### **Continuation of existing tariffs in FY 2016-17**

15.6. The Authority had proposed to consider existing tariffs while calculating aeronautical revenues for FY 2016-17 as the revised tariffs as submitted by AAI are proposed to be applicable from 01.12.2017 onwards.

#### **Revised Tax as considered by the Authority**

15.7. The amount of tax as per submission of AAI and that arrived by the Authority after considering the above mentioned changes is given below:



Table 44 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2<sup>nd</sup> control period - Hybrid Till

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	6.4	29.2	35.9	43.9	54.2	169.6
As per Authority	0.0	4.0	35.2	42.8	46.3	128.3

15.8. The detailed calculation of tax for aeronautical service by the Authority is given in table below:

Table 45 - Amount of Tax for aeronautical services as calculated by the Authority for the 2<sup>nd</sup> control period - Hybrid Till

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	407.4	81.3	178.1	206.3	239.0
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	44.3	52.3	55.8	59.5	63.5
CHQ/ RHQ Overheads	9.1	10.4	11.1	11.7	12.4
Depreciation as per IT Act	7.5	7.0	9.4	11.4	29.3
PBT	-20.5	11.5	101.8	123.7	133.7
<b>Tax for aeronautical services</b>	<b>0.0</b>	<b>4.0</b>	<b>35.2</b>	<b>42.8</b>	<b>46.3</b>

15.9. The taxes actually paid/ apportioned in the 2<sup>nd</sup> control period are proposed to be trued up after review in the next control period.

#### Decision No. 11. Taxation

11.a. The Authority decides the corporate tax for aeronautical activities as per Table 45 for the 2<sup>nd</sup> control period.

11.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2<sup>nd</sup> control period during determination of tariffs for the 3<sup>rd</sup> control period.



## 16. Aggregate Revenue Requirement for Second control period

16.1. AAI has submitted Aggregate Revenue Requirement (ARR) the yield per passenger (YPP) for the 2<sup>nd</sup> control period as per Hybrid Till. AAI has shown the true-up value separately from yield calculations for 2<sup>nd</sup> control period. During discussions, AAI had requested for including true-up while calculating tariff for 2<sup>nd</sup> control period.

Table 46 - ARR and Yield as per AAI for the 2<sup>nd</sup> control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	55.2	45.8	35.8	26.2	222.9
Return on Average Aeronautical RAB@14%	7.7	6.4	5.0	3.7	31.2
Aeronautical Operating Expenditure	17.0	65.8	71.7	78.1	86.6
Depreciation on aeronautical RAB	10.4	9.9	9.6	9.2	5.5
Aeronautical Corporate Tax @34.60%	6.4	29.2	35.9	43.9	54.2
Less- 30% of Non-Aeronautical Revenues	8.5	9.9	11.1	12.5	14.9
<b>ARR as per AAI</b>	<b>33.1</b>	<b>101.4</b>	<b>111.1</b>	<b>122.3</b>	<b>162.6</b>
<b>Total ARR as per AAI</b>					<b>530.5</b>
No. of Passengers (as per Actual/Projected)	6,735,316	7,538,252	8,437,011	9,443,038	10,569,147
<b>Discounted ARR</b>	<b>33.1</b>	<b>89.0</b>	<b>85.5</b>	<b>82.6</b>	<b>96.3</b>
<b>True up short fall in 1<sup>st</sup> control period as on 01.04.2016</b>	<b>233.3</b>				
<b>PV of ARR for the control period as on 01.04.2016</b>					<b>619.6</b>
<b>Total Passengers during the control period</b>					<b>42,722,764</b>
<b>Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)</b>					<b>145.0</b>

### Authority's examination

16.2. The Authority has examined the calculations of AAI for various elements of the regulatory building blocks that contribute to the calculation of ARR.

16.3. The Authority noted that AAI has considered only 30% of aeronautical O&M expenditure in FY 2016-17 while calculating ARR. As per the clarifications received from AAI dated 26.04.2017, AAI submitted that the calculation is corrected for FY 2016-17 in the revised submissions dated 26.04.2017. The Authority had proposed to correct the Order no. 15/2017-18



calculation accordingly.

16.4. The Authority noted that AAI has considered depreciation only on opening RAB while calculating ARR. The Authority had proposed to consider total depreciation in a given year (i.e. depreciation on opening RAB and depreciation on additions during 2<sup>nd</sup> control period) while calculating ARR.

16.5. The Authority has estimated the following ARR and yield for the 2<sup>nd</sup> control period under Hybrid Till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.

Table 47 - ARR and Yield as per Authority for the 2<sup>nd</sup> control period – Hybrid Till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	78.8	75.2	91.4	105.7	253.3
Return on Average Aeronautical RAB@14%	11.0	10.5	12.8	14.8	35.5
Aeronautical Operating Expenditure	53.3	62.7	66.8	71.2	76.0
Depreciation on aeronautical RAB	6.9	6.7	7.8	9.0	18.6
Aeronautical Corporate Tax @34.6%	0.0	4.0	35.2	42.8	46.3
Less – 30% of Non-Aeronautical Revenues	7.5	8.6	9.4	10.4	11.4
<b>True up short fall in 1<sup>st</sup> control period as on 01.04.2016</b>	135.3				
<b>ARR as per Authority</b>	<b>199.1</b>	<b>75.4</b>	<b>113.3</b>	<b>127.5</b>	<b>165.0</b>
<b>Total ARR as per Authority</b>					<b>680.2</b>
<b>Discounted ARR</b>	<b>199.1</b>	<b>66.1</b>	<b>87.2</b>	<b>86.0</b>	<b>97.7</b>
<b>PV of ARR for the control period as on 01.04.2016</b>					<b>536.1</b>
No. of Passengers (as per Projected)	6,787,391	7,596,935	8,503,132	9,517,528	10,653,055
<b>Total Passengers during the control period</b>					<b>43,058,042</b>
<b>Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)</b>					<b>124.5</b>
Target yield per pax	150.9	157.2	163.8	170.7	177.8
<b>Target Aeronautical Revenues</b>	<b>102.4</b>	<b>119.4</b>	<b>139.3</b>	<b>162.4</b>	<b>189.4</b>
<b>PV of Target Aeronautical Revenues</b>					<b>536.1</b>



## 17. Annual Tariff Proposal

- 17.1. AAI has submitted ATP(s) for all years of the 2<sup>nd</sup> control period.
- 17.2. AAI has submitted the revision in tariff w.e.f. 01.04.2017 till 31.03.2021.
- 17.3. Accordingly AAI has submitted the ATP(s) for 2<sup>nd</sup> control period in respect of civil enclave Pune.

### Authority's Examination

- 17.4. The Authority noted that landing revenue at Pune airport is collected by Indian Air Force as it is a civil enclave.
- 17.5. The Authority also noted that the aeronautical tariffs for civil enclave Pune was determined in FY 2000-01 and have not been revised since then.
- 17.6. The Authority noted that AAI's proposed tariff could not be applicable from 01.04.2017. The Authority had proposed to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger. The Authority had proposed that the revised tariffs to be applicable from 01.12.2017.
- 17.7. The Authority noted that if the existing tariffs applicable at Pune airport are not increased for the second control period, there will be shortfall of ₹ 255.7 crore vis-à-vis ARR. The shortfall can either be met by increasing various aeronautical charges such as Parking & Housing and fuel throughput or increasing UDF or both. Even with the increased parking & housing charges and fuel throughput charges, there is still aeronautical revenues shortfall left vis-à-vis ARR for which the UDF is proposed to reduce the gap. After considering the revised parking & housing and fuel throughput charges as proposed by AAI applicable from 01.12.2017, the resultant shortfall is ₹ 254.0 crore without the proposed UDF. To reduce the remaining shortfall, AAI has proposed the revised UDF of ₹ 350 per departing domestic passenger and ₹ 700 per departing international passenger as given in Table 48.
- 17.8. The Authority proposes to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.12.2017.
- 17.9. The revised tariffs as applicable from 01.12.2017 as submitted by AAI and as



proposed by the Authority are given in table below:

Table 48 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority

Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
<b>Housing Charges</b>			
Up to 40 MT	₹ 3.5 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 140 + ₹ 6.8 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 548 + ₹ 10.3 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 6 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100		₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT
<b>Parking Charges</b>			
Up to 40 MT	₹ 1.8 Per Hour Per MT		
Above 40 MT up to 100 MT	₹ 72 + ₹ 3.4 per MT per Hour in excess of 40 MT		
Above 100 MT	₹ 276 + ₹ 5.2 per MT per Hour in excess of 100 MT		
Up to 25 MT		₹ 3 Per Hour Per MT	₹ 3 Per Hour Per MT
Above 25 MT up to 50 MT		₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT	₹ 175 + ₹ 8 per MT



Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
		per Hour in excess of 50 MT	per Hour in excess of 50 MT
Above 100 MT to 200 MT		₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT
Above 200 MT		₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT
<b>Throughput Charges</b>			
Rate per KL	₹ 106.8	₹ 112.1	₹ 112.1
<b>Passenger Service Fee (PSF) – Facilitation</b>			
Domestic Passenger (per embarking passenger)	₹ 77 \$ 1.93	₹ 350 \$ 5.83	- -
International Passenger (per embarking passenger)	₹ 77 \$ 1.93	₹ 700 \$ 11.67	- -
<b>User Development Fee (UDF) (UDF proposed by Authority instead of PSF(FC) above)</b>			
Domestic Passenger (per embarking passenger)	-	-	₹ 350
International Passenger (per embarking passenger)	-	-	₹ 700
<b>Passenger Service Fee (PSF) – Security*</b>			
Domestic Passenger (per embarking passenger)	₹ 130 \$ 3.25	₹ 130 \$ 3.25	₹ 130 \$ 3.25
International Passenger (per embarking passenger)	₹ 130 \$ 3.25	₹ 130 \$ 3.25	₹ 130 \$ 3.25

\* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

17.10. Additionally, from 01.04.2018, the increase in tariffs as submitted by AAI is given below. The Authority had proposed to accept the increase in tariffs for the second control period as submitted by AAI.

17.10.1. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger

17.10.2. Yearly increase of 4% every subsequent year (FY 2018-19 onwards) in parking and housing charges

17.10.3. Yearly increase of 5% per annum every subsequent year (FY 2018-19



onwards) in fuel throughput charges during the 2<sup>nd</sup> control period

17.11. The Authority noted that AAI's proposed tariff applicable from 01.12.2017 will not be able to recover the proposed ARR for the 2<sup>nd</sup> control period. Hence, the Authority proposes to accept the revised tariffs as submitted by AAI which would be applicable from 01.12.2017. The estimated aeronautical revenues based on tariffs as proposed by AAI is indicated in Table 48.

17.12. The Authority notes that revenue from tariff as proposed by AAI would not meet aeronautical revenue permissible for the 2<sup>nd</sup> control period. The resultant shortfall as on 01.04.2016 is ₹ 6.7 crores. The Authority proposes to consider the shortfall of ₹ 6.7 crores as on 01.04.2016 in the 2<sup>nd</sup> control period while determining tariffs for the 3<sup>rd</sup> control period.

17.13. The estimated aeronautical revenues based on tariffs as proposed by the Authority to be applicable from 01.12.2017 is indicated in Table 49.

Table 49 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2<sup>nd</sup> control period

Projected Aero Revenue based on AAI proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Landing (A)	0.0	0.0	0.0	0.0	0.0
Parking and Housing (B)	0.3	0.5	0.8	0.9	1.0
UDF/PSF as per existing rates (C)	26.1	29.2	32.7	36.6	41.0
Fuel Throughput (FTP) + Into Plane (ITP) and lease rentals (D)	2.8	3.1	3.4	3.8	4.2
Ground Handling Charges and lease rentals (E)	5.2	5.7	6.2	6.9	7.5
CUTE (F)	6.0	6.7	7.5	8.4	9.4
<b>Total Projected Revenue (G)</b>	<b>40.4</b>	<b>45.2</b>	<b>50.7</b>	<b>56.6</b>	<b>63.2</b>
<b>Target Aero Revenue</b>	<b>85.7</b>	<b>99.9</b>	<b>116.5</b>	<b>135.9</b>	<b>158.5</b>
Short fall (-)/ Excess (+) in revenue, i.e. difference (Projected – Permissible)	-45.3	-54.7	-65.9	-79.3	-95.3
PV value as on 01.04.2016 with Discount rate (14.00%)	-45.3	-48.0	-50.7	-53.5	-56.4
<b>Total PV of difference as on 01.04.2016 for the control period</b>					<b>-254.0</b>
UDF with revised rates considered by AERA (H)	26.1	65.4	160.2	186.4	216.8



<b>Total Projected Revenues with increased UDF (I = G-C+H)</b>	<b>40.4</b>	<b>81.3</b>	<b>178.1</b>	<b>206.3</b>	<b>239.0</b>
<b>Target Aero Revenue</b>	<b>102.4</b>	<b>119.4</b>	<b>139.3</b>	<b>162.4</b>	<b>189.4</b>
Difference in revenue, i.e. difference (Projected – Permissible)	-62.1	-38.2	38.8	43.9	49.5
<b>PV value of difference shortfall (-)/ excess (+) as on 01.04.2016 with discount rate (14%)</b>	<b>-62.1</b>	<b>-33.5</b>	<b>29.9</b>	<b>29.6</b>	<b>29.3</b>
<b>Total PV of difference shortfall (-)/ excess (+) as on 01.04.2016 for the control period</b>	<b>-6.7</b>				

17.14. The Authority noted that AAI has taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2<sup>nd</sup> control period and X factor of 0.01% from FY 2018-19 onwards. As per RBI issued Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 45, the WPI inflation is forecasted to be 4.2% for the next 5 years. The Authority had proposed to revise WPI for the 2<sup>nd</sup> control period to 4.2%.

17.15. The Authority had proposed that any shortfall/ excess in revenues for the 2<sup>nd</sup> control period based on proposed tariffs by AAI to be considered while determining aeronautical tariffs for the 3<sup>rd</sup> control period.

17.16. The Authority notes that ASQ rating at civil enclave Pune has been more than 3.75 in every quarter of 1st control period as required under Section 6.14.3 of Airport Guidelines. Details of the ASQ ratings are provided below.

Table 50 – Quarterly ASQ rating of civil enclave at Pune during the 1<sup>st</sup> control period

<b>Quarter</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Q1		4.03	4.10	4.53	4.62
Q2		4.06	4.14	4.02	4.65
Q3		4.06	4.23	4.35	4.70
Q4	4.05	4.08	4.34	4.52	4.78
<b>Average</b>	<b>4.05</b>	<b>4.06</b>	<b>4.20</b>	<b>4.36</b>	<b>4.69</b>

17.17. Based on the material before it and its analysis, the Authority proposed the following:

17.17.1. To accept Annual Tariff Proposals as given in Table 48 (and Annexure) for determination of tariff during 2nd control period.

17.17.2. To continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th Feb.2004 in order to encourage and promote intra-regional connectivity at civil enclave Pune.

17.17.3. To provide waiver of landing and other charges in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority

17.17.4. To merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.12.2017.

17.17.5. To consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period

**Stakeholders' comments and Authority's observations**

**ATA's comments**

17.18. It was observed that the tariff is being calculated based on actuals/ projections. The efficiency of operations at various airports is not being considered at present. However, AERA has clarified that a study is being undertaken to factor this Issue. We suggest that, any revision in the projections resulting in lower tariff should be passed on to the Air Travellers on a periodical basis.

17.19. Charges should be optimized to make it affordable to the consumer without sacrificing the quality of the service.

17.20. We suggest that standard should be established, for service to be provided i.e. seating arrangement, essential services (catering, medicines, cleanliness of toilets etc.), proper & user-friendly facility in uniform pattern at all respective airports for senior citizens/ disabled air travellers - both at the ground and at the time of boarding/ de-boarding to/from the seats of a aircrafts.

17.21. The airports in contention are not up to the mark in terms of service qualities. The tariffs should be linked to service quality levels.

17.22. ATS / CNS are also a regulated service as per the AERA act. AERA should also



consider determining the tariff for these services. Why the cost for these should be passed on to the airports.

**AAI's submission to ATA's comments**

17.23. With respect to ATA's comment on the facilities at the airport, AAI stated that most of the facilities are available at AAI Airports. More facilities would be added for Senior Citizen and Disabled persons.

17.24. With respect to ATA' comment on the service quality, AAI stated that the ASQ ratings by ACI are available at AAI Website for all these Airports. ASQ ratings are done on the basis of broad service parameters.

17.25. With respect to ATA's comment on the ATS/ CNS charges, AAI stated that neither cost nor revenue of ATS/ CNS are not considered while determining the tariff of major airports.

**Authority's examination of ATA's comments and AAI's submission to ATA's comments**

17.26. With respect to the lower tariffs if O&M expenditure are revised, the Authority determines tariffs for a control period of 5 years. Hence, the Authority would consider the results of a study for reasonableness of the O&M expenditure while true-up of the O&M expenditure of 2nd control period. This would be considered in the determination of aeronautical tariffs for 3rd control period. Hence, the impact of revision in projections of O&M expenditure would be considered in tariff determination of 3rd control period.

17.27. With respect to overall benchmark for service quality levels, the Authority has proposed to undertake a pilot study to assess the service quality levels at a few select airports. The study will be objective, technology based and will focus on passenger experience as well as the views of the airlines. Based on the pilot study, the methodology will be defined and the service quality at all major airports will be assessed. The linking of tariffs to service quality can be made only after this exercise is carried out.

17.28. The Authority has noted ATA's comments on regulation of ANS charges. The Authority is currently in the process of determining the airport charges other than ANS



at these airports. The Authority would separately issue guidelines and then, take up determination of ANS charges.

**IOCL's comments**

17.29. IOCL has submitted that AERA has proposed Fuel throughput charges 112.10 per kl applicable from 01.10.2017 to 31.03.2018 for civil enclave at Pune. Indian Oil has no objection in the throughput charge demanded by AAI for the said period. However, any new order may only be released on prospective basis.

**HPCL's comments**

17.30. HPCL has submitted that AERA has proposed Fuel throughput charges 112.10 per kl applicable from 01.10.2017 to 31.03.2018 and from 01.04.2018, yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) during the 2<sup>nd</sup> control period. We shall abide by the decision taken by AERA. However, any revision in fuel throughput charges (FTC) should be approved on prospective basis only.

**AAI's submission on IOCL's comments**

17.31. The fuel throughput charges proposed by AAI for Pune is prospective i.e. applicable w.e.f. 01.11.2017.

**Authority's examination of IOCL's and HPCL's comments and AAI's submission on IOCL's comments**

17.32. With respect to IOCL's and HPCL's comment on determining FTC on prospective basis, the Authority notes that the FTC at civil enclave Pune and many other airports operated by AAI are subject to the commercial agreement between AAI and oil companies. In as much as, the Authority has considered FTC as an aeronautical charge and revenues arising therefrom as aeronautical revenues, such revenue in the hands of AAI would be reckoned towards aeronautical charges. Having considered all these factors, the Authority decides to accept levy of revised FTC as proposed by AAI. This rate shall be effective from 01.12.2017.

**BAOA's comments**

17.33. In respect of the tariff card proposed by the Authority, BAOA submitted as follows:

17.33.1. **Ground Handling (GH) Charges:** Though the income from GH charges and Order no. 15/2017-18



FTC has been considered as aeronautical revenue, the GH charges for various such services undertaken at all these five public airports have not been proposed as part of the aeronautical tariff. The issue of GH charges to be treated as aeronautical services at an airport, as defined in AERA Act, has been repeatedly discussed in MoCA in the presence of AERA's representatives. It is, therefore, requested that separate proposal for GH charges at these five airports may please be immediately sought from airport operators as part of MYTP.

**17.33.2. Housing Charges:** As brought out during discussions on 18 September 2017, all the five airport operators be asked to specify the aeronautical assets being provided for housing of the aircraft, which attracts double the tariff than parking in the open on the tarmac. This is to ensure adherence to provision of AERA Act (para 2(a)(iii)) wherein housing or parking an aircraft, in the hangar, or any other ground facilities offered in connection with aircraft operations, is an aeronautical service at public airports.

**17.33.3. Fuel Throughput charges (FTC):** While FTC charges both at Goa and Pune are Rs. 112.1 per KL, the same charges at Kolkata are Rs. 1478.94 per KL. On querying from public sector oil companies supplying ATF at these public airports, it has been learnt that these charges are not for any additional services provided by the airport operator. Therefore, FTC happens to be the illegal royalty being charged by airport operator at public airports. This is in contravention with NCAP 2016 and the recent AERA's Order 08/2017-18 (para 5b) on GH services prohibiting charging of royalty or revenue share in any form for aeronautical services.

Therefore please do not allow any FTC charges at these airports, in view of the fact that separate lease rentals are already being paid by all companies for using the premises of the airport for supplying fuel

**17.33.4. Yearly increase of lease rentals for GH agencies:** It has been seen that yearly increase of lease rental for the space provided at terminal building to GH agencies is 7.5% and 10%, respectively for Pune and Goa. Since GH



services are aeronautical in nature, the annual increase should be aligned with RBI forecasted inflation of 4.2%, as already decided in Consultation Papers, for other aeronautical services.

**17.33.5. Para 12b of Consultation Papers (waiving of landing and other charges to RCS flights):** Please refer common provision for all airports in this regard referring AERA's Order no. 20/2016-17 dt. 31 March 2017. It is pointed out that, due to delayed development of airport facilities at many major airports, this Order becomes non-implementable by airport operators citing reasons of congestions. Therefore, it is imperative for AERA to immediately monitor timely development of aeronautical infrastructure at all major airports to ensure all public airports continue to perform as per standards and deliver quality, continuity and reliability of the service as specified by Central Government (MoCA). Development expenditure is duly considered while deciding tariff thus, necessitating close monitoring.

**17.33.6. Annual review of development activities at major airports by AERA:-** In order to discharge its duties, as mention in para 13(1)(d) of the Act, AERA must do annual review of approved development plans for all the major airports, post approving the MYTP. In addition to the AAI managed airports, the other PPP model airports at major metros also fall under the same provision of AERA Act. The Operations, Management, Development Agreement (OMDA) signed with the PPP model public airports, would also require AERA to critical monitor the development part of the agreement as economic regulator. The operations and management part of OMDA would continue to be monitored by DGCA for annual review of 'airport license' for these public airports. Please ensure a mechanism is in place for monitoring the development of these airports, as per the approved master plan, to enable AERA perform its duties stated at AERA Act para 13(1)(d). This has become all the more necessary after shifting from 'single till' to 'hybrid till' to provide more non-aeronautical revenue for faster and timely development of aeronautical infrastructure at all these public airports.



It is submit that any unauthorised charge or delayed development at public airports would ultimately lead to unfair charges being levied to the fare paying public.

**AAI's submission to BAOA's comments**

17.34. In regards to BAOA's comments on GH Charges, AAI stated that AAI has considered GHA as Aeronautical Revenue. The charges of GHA is regulated by AERA. AERA will separately fix the charges of independent service provider.

17.35. In regards to BAOA's comments on housing charges, AAI stated that AAI has considered Hangar Charges as Non-Aeronautical Revenue. If hangars are used for rent/leases to the airlines, it is to be considered as non-aeronautical income. Whereas if hangars are used for only housing of aircraft and not let out for rent or lease then it is to be considered as aeronautical income.

17.36. In regards to BAOA's comments on FTC, AAI stated that Fuel Throughput Charges are considered as Aeronautical Charges. It reduces the revenue requirement of a particular airport.

17.37. In regards to BAOA's comments on yearly increase of lease rentals for GH agencies, AAI stated that the yearly increase of lease rental for the space provided at terminal building to GH agencies is 10% for Pune and Goa Airport. The annual escalations are fixed by AAI only for all airports and are part of contract agreement with the party.

**Authority's examination of BAOA's comments and AAI's submission to BAOA's comments**

17.38. The Authority has noted the comment from BAOA regarding the ground handling charges and the response of AAI to BAOA's comments. It is clarified that ground handling activities at civil enclave Pune are undertaken by ground handling agencies and not by airport operator. Hence, the ground handling charges are not included in the Consultation Paper of the airport operator. The Authority will separately fix the ground handling charges of independent service providers.

17.39. The Authority has noted the comment from BAOA regarding the housing charges and the response of AAI to BAOA's comments. The Authority clarifies that so far hangars have been considered as non-aeronautical assets by the Authority. However, if

Order no. 15/2017-18



a view emerges that hangars are aeronautical facilities and should be considered as aeronautical assets then the Authority will come up with separate consultation and determine a methodology to determine the charges.

17.40. The Authority has noted the comment from BAOA regarding the FTC and the response of AAI to BAOA's comments. The Authority notes that FTC is an aeronautical tariff which is used to recover the ARR during the control period. In case FTC charges are not levied, as proposed, then the other aeronautical charges such as landing, parking, housing and UDF would have to be increased to recover the ARR. The Authority further notes that it determines the ARR for a control period and the tariff structure, including FTC, to recover such ARR is proposed by the airport operator. Hence, as the ARR recovery in a control period is different for each of the airport, FTC can be different at each of these airports. Further, the Authority does not find any evidence under NCAP 2016 or AERA's Order no. 08/ 2017-18 that the royalty being charged on aeronautical services by airport operator at public airports is not allowed.

17.41. The Authority has noted the comment from BAOA regarding yearly increase of lease rentals for GH agencies and the response of AAI to BAOA's comments. The Authority notes that as per AAI's response the yearly increase in the lease rentals is as per the contract agreements signed between AAI and ground handling agency (GHA). The Authority is of the view that since the increase in lease rental has been determined based on the mutual negotiation between AAI and the GHA while the contract agreements are entered, it proposes to consider the same for aeronautical tariff determination instead of the inflation, as proposed.

17.42. The Authority has noted the comment from BAOA regarding waiving of landing and other charges to RCS flights. The Authority notes that certain airports may be constrained by lack of space to develop facilities required for RCS flights. Wherever land is available airport assets should be constructed to take care of RCS flights. The Authority will undertake a pilot project to assess service quality parameters at some of the airports and then will take up a regular project for service quality assessment at all major airports.

#### **AAI's comments**

Order no. 15/2017-18



17.43. AAI submitted that the tariff card as proposed by the Authority is to be applicable from 01.10.2017 to 31.03.2021. If the date of applicability of tariff card changes from 01.10.2017 then the increase in shortfall is requested to be adjusted with increase in UDF for both Domestic and International pax.

**Authority's examination of AAI's comments**

17.44. The Authority has revised the date of applicability of tariff from 01.10.2017 to 01.12.2017 and accordingly UDF has been revised in the tariff card.

**Decision No. 12. Tariff rate card**

12.a. The Authority decides to accept Annual Tariff Proposals as given in Table 48 (and Annexure) for the 2<sup>nd</sup> control period. The Authority decides to accept the increase in tariffs for subsequent years of the second control period as below:

- a) Increase of 4% per annum every subsequent year (FY 2018-19 onwards) in UDF per departing passenger
- b) Increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges during the 2nd control period
- c) Increase of 4% per annum every subsequent year (FY 2018-19 onwards) in parking and housing charges during the 2nd control period

12.b. The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th Feb.2004 in order to encourage and promote intra-regional connectivity at civil enclave Pune.

12.c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/ 2016-17 dated 31.03.2017 of the Authority.

12.d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 01.12.2017



12.e. The Authority decides to consider shortfall/ excess in revenues for the 2<sup>nd</sup> control period based on proposed tariffs by the Authority while determining aeronautical tariffs for the 3<sup>rd</sup> control period.



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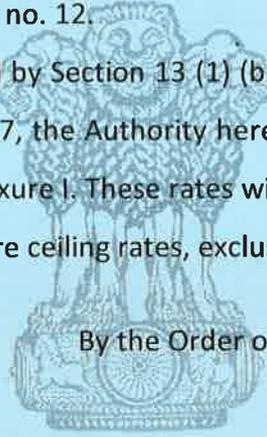
## 19. Order

19.1. In exercise of powers conferred by Section 13 (1) (a) of the AERA Act, 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at civil enclave Pune from 01.12.2017 are placed at Annexure I. The tariffs for the subsequent tariff years (i.e. FY 2018-19, FY 2019-20 and FY 2020-21) will be effective from 1<sup>st</sup> April of each Tariff Year, during the current Control Period with increase in tariffs as specified under Decision no. 12.

19.2. In exercise of powers conferred by Section 13 (1) (b) of the AERA Act, 2008, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure I. These rates will be effective from 01.12.2017.

19.3. The tariffs determined herein are ceiling rates, exclusive of taxes, if any.

By the Order of and in the Name of the Authority



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(Puja Jindal)  
Secretary

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

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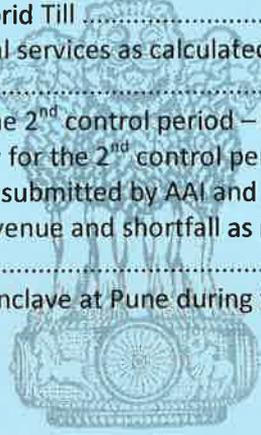


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Annexure 1 – Detailed Tariff Card as per the Authority to be applicable from 01.12.2017 or date of issuance of the AIC, whichever is later to 31.03.2018

**I) PARKING AND HOUSING CHARGES**

Weight of the Aircraft	Parking Charges Rates per Hour ((In ₹)	Housing Charges Rates per Hour (In ₹)
Up to 25 MT	₹ 3 Per Hour Per MT	₹ 6 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 75 + ₹ 4 per Hour per MT in excess of 25 MT	₹ 150 + ₹ 8 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 350 + ₹ 16 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 575 + ₹ 10 per MT per Hours in excess of 100 MT	₹ 1,150 + ₹ 20 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1,575 + ₹ 11 per MT per Hours in excess of 200 MT	₹ 3,150 + ₹ 22 per MT per Hours in excess of 200 MT

**Note**

1)	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 takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	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.
6)	It is decided to waive off the night parking charges in principle for all domestic scheduled operators at civil enclave Pune if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State



## II) THROUGHPUT CHARGES

Rate Per KL (IN ₹)
₹ 112.1

## III) PASSENGER SERVICE FEE (PSF) – SECURITY\*

per embarking passenger	
₹ 130	\$ 3.25

\* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US\$ into ₹ the rate as on the 1 <sup>st</sup> day of the month for 1 <sup>st</sup> fortnightly billing period and rate as on 16 <sup>th</sup> of the month for the 2 <sup>nd</sup> fortnightly billing period shall be adopted

## IV) USER DEVELOPMENT FEE (UDF)

Domestic per embarking passenger	₹ 350
International per embarking passenger	₹ 700

### Notes

1)	Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	For calculating the UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1 <sup>st</sup> fortnight and rate as on 15 <sup>th</sup> of the month for tickets issued in the 2 <sup>nd</sup> fortnight shall be adopted.
4)	Revised UDF charges will be applicable on tickets issued on or after 01.12.2017 or date of issuance of the AIC, whichever is later.
5)	No UDF will be levied for Transit Passengers



#### **V) Exemption from levy and collection from UDF and PSF (SC) at the Airports**

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

- (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").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

#### **VI) GENERAL CONDITION:**

- a) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/ 2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.



**Annexure 2 – Detailed Tariff Card as per the Authority applicable from 01.04.2018 to 31.03.2019**

**I) PARKING AND HOUSING CHARGES**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour ((In ₹)</b>	<b>Housing Charges Rates per Hour (In ₹)</b>
Up to 25 MT	₹ 3.1 Per Hour Per MT	₹ 6.2 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 77.5 + ₹ 4.2 per Hour per MT in excess of 25 MT	₹ 155.0 + ₹ 8.3 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 182.5 + ₹ 8.3 per MT per Hour in excess of 50 MT	₹ 362.5 + ₹ 16.6 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 597.5 + ₹ 10.4 per MT per Hours in excess of 100 MT	₹ 1192.5 + ₹ 20.8 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1637.5 + ₹ 11.4 per MT per Hours in excess of 200 MT	₹ 3272.5 + ₹ 22.9 per MT per Hours in excess of 200 MT

**Note**

1)	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 takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	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.
6)	It is decided to waive off the night parking charges in principle for all domestic scheduled operators at civil enclave Pune if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State



## II) THROUGHPUT CHARGES

<b>Rate Per KL (IN ₹)</b>
₹ 117.7

## III) PASSENGER SERVICE FEE (PSF) – SECURITY\*

<b>per embarking passenger</b>	
₹ 130	\$ 3.25

\* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US\$ into ₹ the rate as on the 1 <sup>st</sup> day of the month for 1 <sup>st</sup> fortnightly billing period and rate as on 16 <sup>th</sup> of the month for the 2 <sup>nd</sup> fortnightly billing period shall be adopted

## IV) USER DEVELOPMENT FEE (UDF)

Domestic per embarking passenger	₹ 364
International per embarking passenger	₹ 728

### **Notes**

1)	Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	For calculating the UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1 <sup>st</sup> fortnight and rate as on 15 <sup>th</sup> of the month for tickets issued in the 2 <sup>nd</sup> fortnight shall be adopted.
4)	No UDF will be levied for Transit Passengers

## V) Exemption from levy and collection from UDF and PSF (SC) at the Airports

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



- (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").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**VI) GENERAL CONDITION:**

- a) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/ 2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

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**Annexure 3 – Detailed Tariff Card as per the Authority applicable from 01.04.2019 to 31.03.2020**

**I) PARKING AND HOUSING CHARGES**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour ((In ₹)</b>	<b>Housing Charges Rates per Hour (In ₹)</b>
Up to 25 MT	₹ 3.2 Per Hour Per MT	₹ 6.4 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 80.0 + ₹ 4.4 per Hour per MT in excess of 25 MT	₹ 160.0 + ₹ 8.6 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 190.0 + ₹ 8.6 per MT per Hour in excess of 50 MT	₹ 375.0 + ₹ 17.3 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 620.0 + ₹ 10.8 per MT per Hours in excess of 100 MT	₹ 1240.0 + ₹ 21.6 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1700.0 + ₹ 11.9 per MT per Hours in excess of 200 MT	₹ 3400.0 + ₹ 23.8 per MT per Hours in excess of 200 MT

**Note**

1)	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 takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	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.
6)	It is decided to waive off the night parking charges in principle for all domestic scheduled operators at civil enclave Pune if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State



## II) THROUGHPUT CHARGES

<b>Rate Per KL (IN ₹)</b>
₹ 123.59

## III) PASSENGER SERVICE FEE (PSF) – SECURITY\*

<b>per embarking passenger</b>	
₹ 130	\$ 3.25

\* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US\$ into ₹ the rate as on the 1 <sup>st</sup> day of the month for 1 <sup>st</sup> fortnightly billing period and rate as on 16 <sup>th</sup> of the month for the 2 <sup>nd</sup> fortnightly billing period shall be adopted

## IV) USER DEVELOPMENT FEE (UDF)

Domestic per embarking passenger	₹ 379
International per embarking passenger	₹ 757

### **Notes**

1)	Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	For calculating the UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1 <sup>st</sup> fortnight and rate as on 15 <sup>th</sup> of the month for tickets issued in the 2 <sup>nd</sup> fortnight shall be adopted.
4)	No UDF will be levied for Transit Passengers

## V) Exemption from levy and collection from UDF and PSF (SC) at the Airports

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



- (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").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**VI) GENERAL CONDITION:**

- a) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/ 2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

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**Annexure 4 – Detailed Tariff Card as per the Authority applicable from 01.04.2020 to 31.03.2021**

**I) PARKING AND HOUSING CHARGES**

<b>Weight of the Aircraft</b>	<b>Parking Charges Rates per Hour ((In ₹)</b>	<b>Housing Charges Rates per Hour (In ₹)</b>
Up to 25 MT	₹ 3.3 Per Hour Per MT	₹ 6.7 Per Hour Per MT
Above 25 MT up to 50 MT	₹ 82.5 + ₹ 4.6 per Hour per MT in excess of 25 MT	₹ 167.5 + ₹ 8.9 per MT per Hour in excess of 25 MT
Above 50 MT up to 100	₹ 197.5 + ₹ 8.9 per MT per Hour in excess of 50 MT	₹ 390.0 + ₹ 18.0 per MT per Hour in excess of 50 MT
Above 100 MT to 200 MT	₹ 642.5 + ₹ 11.2 per MT per Hours in excess of 100 MT	₹ 1290.0 + ₹ 22.5 per MT per Hours in excess of 100 MT
Above 200 MT	₹ 1762.5 + ₹ 12.4 per MT per Hours in excess of 200 MT	₹ 3540.0 + ₹ 24.8 per MT per Hours in excess of 200 MT

**Note**

1)	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 takeoff.
2)	For calculating chargeable parking time any part of an hour shall be rounded off to the next hour.
3)	Charges shall be calculated on the basis of nearest MT.
4)	Charges for each parking period shall be rounded off to nearest Rupee
5)	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.
6)	It is decided to waive off the night parking charges in principle for all domestic scheduled operators at civil enclave Pune if the State Government has brought the rate of tax (VAT) on ATF up to 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs) will be made applicable from the date of implementation of 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn for all the airports within the jurisdiction of the said State



## **II) THROUGHPUT CHARGES**

<b>Rate Per KL (IN ₹)</b>
₹ 129.77

## **III) PASSENGER SERVICE FEE (PSF) – SECURITY\***

<b>per embarking passenger</b>	
₹ 130	\$ 3.25

\* PSF-Security is determined by MoCA and the rates as provided by MoCA from time to time shall be applicable

1)	Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at 2.50% of PSF per passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the PSF to AAI within the credit period of 15 days. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No PSF (Security) will be levied for Transit Passengers.
3)	For conversion of US\$ into ₹ the rate as on the 1 <sup>st</sup> day of the month for 1 <sup>st</sup> fortnightly billing period and rate as on 16 <sup>th</sup> of the month for the 2 <sup>nd</sup> fortnightly billing period shall be adopted

## **IV) USER DEVELOPMENT FEE (UDF)**

Domestic per embarking passenger	₹ 394
International per embarking passenger	₹ 787

### **Notes**

1)	Collection charges: If the payment is made within 15 days of receipt of invoice then collection charges at ₹ 5 per departing passenger shall be paid by AAI. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment. To be eligible to claim this collection charges, the airlines should have no overdue on any account with AAI. Wherever collection charges are payable the amount shall be settled within 15 days.
2)	No collection charges are payable to casual operator/non-scheduled operators
3)	For calculating the UDF in foreign currency, the RBI reference conversion rate as on the last day of the previous month for tickets issued in the 1 <sup>st</sup> fortnight and rate as on 15 <sup>th</sup> of the month for tickets issued in the 2 <sup>nd</sup> fortnight shall be adopted.
4)	No UDF will be levied for Transit Passengers

## **V) Exemption from levy and collection from UDF and PSF (SC) at the Airports**

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



- (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").
- (g) Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

**VI) GENERAL CONDITION:**

- a) Flight operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/ 2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by GOI.
- b) All the above Charges are excluding of GST. GST at the applicable rates are payable in addition to above charges.

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