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GOVERNMENT OF INDIA
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-20036/47/2017-AD dated 08.11.2017.


(B.S. BHULLAR)

Director General of Civil Aviation

LEVY AND COLLECTION OF AERONAUTICAL CHARGES AT GOA 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 Goa International Airport for the 2nd Control Period (01.04.2016-31.03.2021), as per the details given in Annexure-I, II, III & IV of AERA's Order No. 16/2017-18 dated 30.10.2017 attached herewith.

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

File No. AERA/20010/MYTP/AAI-Goa/CP-II/2016-17/Vol-I

Order No. 16/2017-18



Airports Economic Regulatory Authority of India

सत्यमेव जयते

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

भा.पि.आ.वि.प्रा.
30th October, 2017

AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003



Table of Contents

1. Introduction.....	2
2. Summary of stakeholders' comments on Consultation Paper No. 18/ 2017-18.....	4
3. Methodology for Tariff determination.....	5
4. Multi Year Tariff Proposal for civil enclave at Goa.....	9
5. True-up for First control period	11
6. Traffic forecast.....	22
7. Allocation of Assets (Aeronautical and Non-Aeronautical)	24
8. Opening Regulatory Asset Base for the Second control period.....	30
9. Capital Expenditure for Second control period.....	31
10. Depreciation	50
11. RAB for Second control period	53
12. Cost of Equity, Cost of Debt, Gearing, and Fair Rate of Return (FRoR).....	55
13. Revenue from services other than aeronautical services.....	58
14. Operation and Maintenance Expenditure	64
15. Taxation	75
16. Aggregate Revenue Requirement for Second control period.....	77
17. Annual Tariff Proposal.....	79
18. Summary of Orders	95
19. Order	96



1. Introduction

1.1. The state of Goa is located on the western coastal region of India. Goa is known for its beaches, world heritage architecture, and rich flora and fauna. A large number of domestic and international tourists visit Goa every year. Supported by various initiatives, Goa tourism has evolved from a beach destination to a multi-faceted holiday destination opening new avenues for tourists visiting the state.

1.2. Goa International Airport, more commonly known as Dabolim Airport, is the only airport in the state. Airports Authority of India (AAI) operates the civil enclave in a military airbase named INS Hansa.

1.3. AAI operates the passenger terminal building and the civil apron while the Indian Navy provides the airside facilities and air navigation services. The traffic handled by the civil enclave at Goa during the 1st control period is given in table below:

Table 1 - Passenger and ATM traffic during the 1st control period at civil enclave Goa

Year	Dom. Pax (mn)	Int. Pax (mn)	Total Pax (mn)	Dom. ATMs	Int. ATMs	Total ATMs
2012	2.94	0.58	3.52	23560	3870	27430
2013	2.89	0.66	3.54	22725	4085	26810
2014	3.15	0.74	3.89	24478	4426	28904
2015	3.90	0.61	4.51	29117	4305	33422
2016	4.73	0.65	5.38	34604	4426	39030

1.4. The civil enclave at Goa, 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.

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

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

Technical Details of civil enclave Goa	
Particulars	Details
Total airport area	44.25 acres (Civil Enclave)
Runway orientation and length	08-26; 3635 metres (Indian Navy)
No. of Taxi Tracks	02 (Civil Apron)
No. of Apron Bays	08 (Civil Apron)
Aerodrome Category	D



Navigational Aids	NDB, DVOR/ DME, ILS
Terminal building Details	
Particulars	Integrated Terminal Building
Terminal Building Area	64,700 sq. m.
Immigration Counters	Arrival – 18+10 and Departure – 12
Customs Counters	Arrival – 4 and Departure – 3
Security Counters	Domestic - 9; International – 4
Departure Conveyor	4
Arrival Conveyor	6
Peak hour passenger capacity	Departure – 1000; Arrival – 375
No. of Check-in Counters (CUTE)	64
Total Area of Car Parking	3,157 sq. m.

1.6. The Authority notes that MoCA has authorised the setting up of a new airport at Mopa in Goa and the airport operator who will take up the work of construction and operation of the airport has also been selected. The Authority has not considered the impact of the new airport on the traffic of the existing airport since the new airport may not commence commercial operations during this control period.

1.7. AAI submitted the Multi Year Tariff Proposal (MYTP) for revising aeronautical charges for 2nd control period on 01.03.2017. 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 18/2017-18 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. 18/ 2017-18

2.1. In response to Consultation Paper No. 18/2017-18, 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.	International Air Transport Association (IATA)	<ul style="list-style-type: none">• Methodology of Tariff Determination• True-up for 1st control period• Allocation of assets (Aeronautical and Non-aeronautical)• Capital expenditure for 2nd control period• Fair Rate of Return (FRoR)• Operation and Maintenance Expenditure• Annual Tariff Proposal
2.	Business Aircraft Operators Association (BAOA)	<ul style="list-style-type: none">• Revenue from services other than aeronautical services• Annual Tariff Proposal
3.	Air Travellers Association (ATA)	<ul style="list-style-type: none">• Fair Rate of Return (FRoR)• Revenue from services other than aeronautical services• Operation and Maintenance Expenditure• Annual Tariff Proposal
4.	Indian Oil Corporation Limited (IOCL)	<ul style="list-style-type: none">• Annual Tariff Proposal
5.	Hindustan Petroleum Corporation Limited (HPCL)	<ul style="list-style-type: none">• Annual Tariff Proposal

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. 18/2017-18, 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 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 1st control period and determination of building blocks for 2nd control period. The Authority decides to undertake true-up of 1st control period based on actual financials and traffic data under single till (as was applicable during 1st control period) and determination of building blocks for 2nd 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. α is 30% cross subsidy factor for revenue from services other than aeronautical services under hybrid till for 2nd control period. α is 100% cross



subsidy factor under single till for 1st control period; and

3.3.9. NAR_t is 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 Goa, 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%.

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 1st control period and determination of building blocks for 2nd 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.

Stakeholders' comments and Authority's observations

Comments from IATA

3.9. Similarly to our comments on Kolkata, we believe that by deciding to use hybrid till,



AERA is going against its well-reasoned conclusion that Single till should be the best mechanism for calculating charges. No proper reasoning has been provided for such a shift.

AAI's submission to IATA's comments

3.10. In response to IATA's comment on hybrid till, AAI stated that Ministry of Civil Aviation has in the recently announced Civil Aviation Policy stated that: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the airport operator and regulator will explore ways to keep the tariff reasonable, and spread the excess amount over the future."

AERA vide letter No. F. No. AERA/20010/Civil Aviation Policy/2014-15/9408 dated 4th August, 2016 has requested AAI to re-submit the Multi Year Tariff Proposal for determination of Aeronautical Tariff for the 2nd Control period (01.04.2016 to 31.03.2021) on 30% Hybrid Till basis for Seventeen Major Airports and true up of eleven Major Airports for the First control period (01.04.2011 to 31.03.2016) on single Till basis.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

3.11. The Authority has noted comments from IATA related to the regulatory Till applicable for civil enclave Goa and the response of AAI to IATA's comments. The Authority has decided to adopt Hybrid Till as per the revised guidelines issued vide its Order No. 14, 2016-17 dated 12.01.2017.

Authority's general views on adoption of Hybrid Till

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

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



be amended. The provisions of the Guidelines issued by the Authority, other than regulatory Till, shall remain the same.

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

3.13. In view of the above, the Authority decides to determine aeronautical tariffs at civil enclave Goa for first control period on Single Till basis and for second control period on Hybrid Till basis.

Decision no. 1. Methodology for tariff determination

1.a. The Authority decides to determine aeronautical tariffs at civil enclave Goa for the first control period on Single Till basis and for the second control period on Hybrid Till basis.



भा.वि.आ.वि.प्रा.
AERA

4. Multi Year Tariff Proposal for civil enclave at Goa

4.1. In the 1st control period, the Authority, vide its Order No. 17/2015-16 dated 11.05.2015 had decided that the tariffs for the civil enclave at Goa would continue at the existing level on ad-hoc basis till 31.03.2016 and advised AAI to submit MYTP for the 2nd 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 01.04.2016 to the Authority for determination of tariffs for 2nd control period as per single till. Subsequent to the announcement of National Civil Aviation Policy, AAI made revised submissions under hybrid till on 01.03.2017. AAI has further revised their submission under hybrid till on 17.05.2017 as part of clarifications. The Authority has adopted the model proposed by AAI on 01.03.2017 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 Goa except for landing charges. The Authority noted that landing charges at civil enclave Goa are collected by Indian Navy as it is a civil enclave and the runway is maintained by the Navy. Further, the Authority notes that the Air Navigation Services (ANS) at civil enclave Goa are provided by Indian Navy. 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. The Authority notes that Indian Navy has submitted the MYTP for the 2nd control period on 29.08.2016. The Authority notes that the MYTP submission of Indian Navy is incomplete and the Authority shall deal with the proposal separately.

4.5. 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 Goa. The Order no. 16/2017-18



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



5. True-up for First control period

5.1. True-up for 1st 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 1st control period

5.2. AAI has submitted opening RAB for the 1st control period under single till at ₹ 23.8 crore.

Table 4 – Opening RAB for the 1st control period as per AAI

S. No.	Particulars	Amount (₹ crore)
1	Original Cost of Airport Assets excluding ANS related assets as on 01.04.2011	67.0
2	Accumulated Depreciation as on 01.04.2011	43.2
3	Opening RAB[(1)-(2)] as on 01.04.2011	23.8

Permissible aeronautical revenues

5.3. AAI has calculated Aggregate Revenue Requirement of ₹ 229.1 crore (PV of ARR is ₹ 160.3 crore as on 1st April 2012) for 1st control period.

Table 5 - ARR as per AAI for the 1st control period – Single till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Opening RAB	23.8	25.0	21.9	226.9	254.0
Assets capitalized during the year	6.4	2.1	229.3	56.0	2.0
Disposals/ Transfer	0	0	0	0	0
Depreciation	5.2	5.1	24.3	28.9	28.9
Closing RAB	25.0	21.9	226.9	254.0	227.2
Average RAB	24.4	23.5	124.4	240.5	240.6
Return on Average RAB@14%	3.4	3.3	17.4	33.7	33.7
Operating Expenditure	21.6	23.2	29.8	36.1	37.2
Depreciation	5.2	5.1	24.3	28.9	28.9
Corporate Tax	5.7	9.5	0.0	0.0	0.0
Less- Revenue from services other than Regulated services	22.2	27.3	23.1	20.2	25.0
ARR	13.8	13.8	48.4	78.4	74.7
Total ARR					229.1
Discounted ARR	13.8	12.1	37.3	52.9	44.2
PV of ARR for the control period as on 01.04.2012					160.3

Actual aeronautical revenues

Order no. 16/2017-18



5.4. AAI has submitted that it has earned ₹ 126.4 crore during the 1st control period. Correspondingly, AAI has submitted that it has a shortfall of ₹ 143.7 crore (future value as on 01 April 2017) during the 1st control period. The aeronautical revenues for the 1st control period is shown below:

Table 6 - Aeronautical revenue earned for the 1st 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	0.0	0.0	0.0	0.0	0.0
1.2	International	0.0	0.0	0.0	0.0	0.0
1.3	Total Landing Charges	0.0	0.0	0.0	0.0	0.0
2	Parking and Housing Charges:	0.1	0.1	0.1	0.1	0.1
3	PSF(Facilitation Charges(FC)):					
3.1	Domestic	11.1	10.9	12.9	16.3	19.4
3.2	International	2.3	2.7	3.7	2.5	2.8
3.3	Total PSF (FC)	13.4	13.6	16.5	18.8	22.2
4	Fuel Throughput Charges	1.2	1.0	1.2	1.5	1.7
5	Ground Handling Charges	2.7	4.1	4.4	6.0	7.6
6	Cargo revenues	0.0	0.0	0.0	0.0	0.0
7	CUTE services	0.8	1.8	2.6	2.1	2.8
	Total Aeronautical Revenues	18.1	20.6	24.8	28.6	34.4

Table 7 - ARR and its resultant shortfall as per AAI for 1st control period – Single till

No.	Components (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	ARR for year	13.8	13.8	48.4	78.4	74.7	229.1
2	Aeronautical Revenue	18.1	20.6	24.8	28.6	34.4	126.4
3	Shortfall (+)/ Excess (-)	-4.3	-6.8	23.7	49.8	40.4	102.7
4	Future Value of shortfall (+) as on 01.04.2017	-9.4	-13.1	40.0	73.8	52.5	143.7

Authority's Examination

5.5. The Authority had proposed adjustments on the following building blocks for calculating true-up of 1st control period

Order no. 16/2017-18



- 5.5.1. Adjustment of depreciation
- 5.5.2. Adjustment of non-aeronautical revenues
- 5.5.3. Apportionment of CHQ/RHQ costs and change in tax calculation
- 5.5.4. Correction of present value factor for shortfall calculation

Adjustment for Depreciation

5.6. 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	0.00%
2	Runways, Taxiways, Aprons - Freehold	13.00%
3	Road, Bridges & Culverts	13.00%
4	Terminal and Other Buildings	8.00%
5	Building Temporary	100.00%
6	Building – Residential	5.00%
7	Security Fencing - Temporary	100.00%
8	Other Buildings - Unclassified	8.00%
9	Computers & IT Hardware & Accessories	20.00%
10	Intangible Assets - Computer Software	20.00%
11	Plant & Equipment - Freehold	11.00%
12	Tools & Equipments	20.00%
13	Office Furniture & Fixtures	20.00%
14	Vehicles – Freehold	14.00%
15	Electrical Installations	11.00%
16	Office Appliances - Freehold	18.00%
17	Furniture & Fixtures – Freehold – Operational Area	20.00%
18	X-Ray Baggage Inspection System	11.00%
19	C.F.T./ Fire Fighting Equipment	13.00%

5.7. The Authority had proposed the following depreciation rates

5.7.1. For asset types not defined under Companies Act (runway, taxiway and aprons): 3.33% based on useful life of 30 years

5.7.2. 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

Order no. 16/2017-18

13



considered by the Authority are given in Table 32.

5.8. Depreciation for the 1st 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.

5.9. The revised depreciation for the 1st control period under single till is given below:

Table 9 – The Authority’s consideration on depreciation for 1st control period – Single till

No.	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	As per AAI	5.2	5.1	24.3	28.9	28.9	92.3
2	As per Authority	1.7	1.8	6.3	14.0	14.0	37.9

5.10. AAI has taken the cost of land in to RAB. In respect of cost of land, the Authority noted that land is not a depreciable asset and if taken into RAB, the return over it has to be paid perpetually. Besides, if the principle of FRoR based on cost of capital is applied on cost of land the aeronautical charges may have to be fixed at exorbitantly high rates. However, the Authority realizes that unless some kind of return is given on land, future land acquisitions for airport purposes could become a major hurdle for airport development. Therefore, it is proposed to conduct a study based on which the treatment to be given to cost of land can be determined.

5.11. It is therefore proposed to exclude the existing cost of land (₹ 0.32 cr. in FY 2011-12) as well as any additions (₹ 0.0 cr. in 1st control period) from the RAB till a final decision is taken on the issue.

5.12. The change in depreciation rates and exclusion of land from RAB results in a change in average RAB of the 1st control period as shown below –



Table 10 – Authority’s consideration of average RAB for 1st control period – Single till

No	Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	As per AAI					
	Opening RAB	23.8	25.0	21.9	226.9	254.0
	Additions	6.4	2.1	229.3	56.0	2.0
	Disposals	0	0	0	0	0
	Depreciation	5.2	5.1	24.3	28.9	28.9
	Closing RAB	25.0	21.9	226.9	254.0	227.2
	Average RAB	24.4	23.5	124.4	240.5	240.6
2	As per Authority					
	Opening RAB	23.5	28.1	28.4	251.3	293.3
	Additions	6.4	2.1	229.3	56.0	2.0
	Disposals	0	0	0	0	0
	Depreciation	1.7	1.8	6.3	14.0	14.0
	Closing RAB	28.1	28.4	251.3	293.3	281.3
	Average RAB	25.8	28.2	139.8	272.3	287.3

Adjustment for Non-Aeronautical revenues

5.13. The Authority noted that AAI has considered lease rental revenues from ground handling agencies as non-aeronautical revenues during the 1st control period. As per the provisions of the AERA Act, the services rendered in respect of ground handling are aeronautical services.

5.14. 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 1st control period

NAR (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
NAR as submitted by AAI (1)	22.2	27.3	23.1	20.2	25.0
Adjustment					
<i>Revenue from Ground handling treated as aeronautical (2)</i>	0.1	0.1	0.2	0.3	0.6
NAR as per Authority (3 = 1 - 2)	22.1	27.2	22.9	19.9	24.4

Adjustment for operating expenditure (CHQ/ RHQ expenditure apportionment)

5.15. 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. CHQ/ RHQ expenses consist of three components – Expenditure for civil enclave Goa 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.

5.16. The retirement benefit is allocated on the basis of number of employees at civil enclave Goa. 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 1st 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 1st control period

No.	in ₹ cr.	2012	2013	2014	2015	2016
Apportionment of CHQ/ RHQ overheads						
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
3	Net CHQ Expenses (1-2)	165.6	178.7	120.3	160.5	176.9
Apportionment of Retirement Benefits at CHQ						
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
3	Net Western Region RHQ Expenses (1-2)	54.7	93.9	151.0	69.1	56.1
Total of Net CHQ and RHQ Expenses		220.3	272.5	271.3	229.6	233.0
CHQ/RHQ Overheads allocated to Goa		6.7	9.7	10.1	5.8	5.3
Apportionment of Retirement Benefits at CHQ						
Total provision of retirement benefits at CHQ		159.7	289.4	160.0	275.2	182.9
Provision of Retirement Benefits at CHQ for Goa		1.0	2.8	1.3	2.3	1.7

5.17. Further, the Authority noted that retirement benefits at CHQ for civil enclave Goa has been excluded from staff cost while allocating the common expenses of Finance and HR



employees for ANS services. The Authority had proposed to allocate common expenses of Finance and HR employees for ANS services after including the retirement benefits at CHQ for civil enclave Goa.

5.18. The Authority observed that AAI has allocated 50% of the ANS staff expense under airport payroll costs. AAI vide their submissions dated 17.05.2017 submitted that the staff deputed at Goa 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. Further, the AAI vide their submissions dated 06.08.2017 submitted that the expenses of the ANS employees working exclusively for airport would be booked under airport from the FY 2017-18 onwards. The Authority had proposed to consider 50% of the ANS staff cost as the airport payroll costs since these employees have been working in airport activities for the 1st control period.

5.19. AAI vide their submissions dated 17.05.2017 submitted the revised payroll costs for FY 2011-12 and FY 2012-13 as per the actuals. The Authority had proposed to consider the revised payroll costs for FY 2011-12 and FY 2012-13 since these are based on actuals.

5.20. In view of the above, the O&M expenditure for 1st control period is given in table below.

Table 13 - Summary of O&M expenditure as per the Authority for 1st control period -Single till

No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
1	Pay roll Expenditure of civil enclave Goa	9.1	7.0	8.0	10.0	10.8
2	Expenditure for civil enclave Goa employees' retirement benefits allocated at CHQ	1.0	2.8	1.3	2.3	1.7
A	Total Pay roll Expenditure (1+2)	10.1	9.8	9.3	12.3	12.4
3	Administrative and General Expenditure	1.9	1.9	1.6	2.7	2.6
4	Apportionment of administration & General expenditure of CHQ/RHQ	6.7	9.7	10.1	5.8	5.3
B	Total Administration & General Expenditure(3+4)	8.7	11.6	11.7	8.4	7.9
C	Repairs and Maintenance Expenditure	2.7	2.6	2.4	3.2	4.5
5	Power Charges	1.7	1.8	2.4	7.1	7.3
6	Water Charges	0.2	0.2	0.3	0.7	0.5
7	Consumption of Stores and Spares	0.1	0.1	0.0	0.1	0.1



No.	Particulars (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
D	Utility and Outsourcing Expenditure	2.1	2.1	2.7	7.9	7.8
E	Other Outflows	0.1	0.2	0.1	0.3	0.3
	Total (A+B+C+D+E)	23.6	26.4	26.1	32.1	32.9

Adjustment in base year for calculating present value of shortfall

5.21. 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 1st control period (refer to Table 8) 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 1st control period

5.22. The tax calculation as submitted by AAI for 1st control period apportions actual tax liability of AAI based on the profit before tax of civil enclave Goa and profit before tax of AAI.

5.23. 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 Goa 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.

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

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

Particular (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Aeronautical Revenues	18.1	20.7	25.0	28.9	35.0
Non-Aeronautical Revenues	22.1	27.2	22.9	19.9	24.4
O&M (excluding retirement benefits and CHQ/ RHQ Overheads)	15.9	13.8	14.8	24.0	25.9
Retirement benefits and CHQ/ RHQ Overheads	7.7	12.5	11.4	8.1	7.0
Depreciation as per IT Act	4.1	3.8	27.4	30.5	27.4
PBT	12.5	17.7	-5.7	-13.8	-0.8
Tax	4.0	5.7	0.0	0.0	0.0



Revised Aggregate Revenue Requirement

5.25. The ARR for the 1st control period has been revised based on adjustments detailed above.

5.25.1. Change in depreciation rates as per Table 32

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

5.25.3. Lease rentals from ground handling agencies to be treated as aeronautical revenues

5.25.4. Correction of present value factor for shortfall calculation

Table 15 - ARR as per Authority for the 1st control period – Single till

Details (₹ crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Average RAB	25.8	28.2	139.8	272.3	287.3
Return on Average RAB@14%	3.6	4.0	19.6	38.1	40.2
Operating Expenditure	23.6	26.4	26.1	32.1	32.9
Depreciation	1.7	1.8	6.3	14.0	14.0
Corporate Tax	4.0	5.7	0.0	0.0	0.0
Less- Revenue from services other than Regulated services	22.1	27.2	22.9	19.9	24.4
ARR as per Authority	10.9	10.7	29.2	64.2	62.7
Total ARR as per Authority					177.7
Discounted ARR	10.9	9.4	22.4	43.4	37.1
PV of ARR for the control Period as on 01.04.2012					123.2

5.26. Correspondingly, the shortfall during the 1st control period between permissible aeronautical revenues and actual aeronautical revenues is calculated as below:

Table 16 - ARR, yield and shortfall as per Authority for 1st 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)	10.9	10.7	29.2	64.2	62.7	
2	Aeronautical Revenue	18.1	20.7	25.0	28.9	35.0	
3	Shortfall (+)/ Excess (-)	-7.2	-10.0	4.2	35.3	27.7	
4	Future Value of shortfall (+)/ excess (-) as on 01.04.2016	-13.9	-16.9	6.2	45.9	31.6	53.0

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

Order no. 16/2017-18



- 5.27.1. To true-up the 1st control period on the basis of Single Till
- 5.27.2. To apportion CHQ/RHQ overheads on revenue basis.
- 5.27.3. To consider the revenues from Cargo facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals as aeronautical revenue.
- 5.27.4. To apply following depreciation rates
- 5.27.4.1. 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
- 5.27.4.2. 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 32.
- 5.27.4.3. To consider short fall of ₹ 53.0 crores in the 1st control period to be added to ARR for the 2nd control period.

Stakeholders' comments and Authority's observations

Comments from IATA

5.28. Similar to all recent determinations, AERA mentions that it will carry out a study on whether to include land on the RAB. We urge AERA to carry out such a study and consult on its results as soon as possible.

Authority's examination of IATA's comments

5.29. The Authority noted IATA's comment related to treatment of land and the Authority proposes to conduct the study and issue the consultation paper for stakeholder consultation in the financial year 2017-18.

Decision no. 2. True-up for the 1st control period

2.a The Authority decides to true-up the 1st control period on the basis of Single Till

2.b The Authority decides to adopt CHQ/RHQ overheads apportionment on revenue basis.



- 2.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.
- 2.d The Authority decides to apply following depreciation rates:
- 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.
 - 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 32.
- 2.e The Authority decides to consider short fall of ₹ 53.0 in the 1st control period to be added to ARR for the 2nd control period.



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6. Traffic forecast

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

Table 17 - Traffic Growth rates assumed by AAI for the 2nd control period

YEAR	Passenger			Air Traffic Movement (ATM)		
	Domestic	International	Combined	Domestic	International	Combined
2016-17	20.0%	6.0%	18.3%	18.0%	5.0%	17.0%
2017-18	12.0%	5.0%	11.2%	10.0%	4.0%	9.0%
2018-19	12.0%	5.0%	11.3%	10.0%	4.0%	9.0%
2019-20	12.0%	5.0%	11.3%	10.0%	4.0%	9.0%
2020-21	12.0%	5.0%	11.4%	10.0%	4.0%	9.0%

6.2. AAI submitted that traffic growth rate for FY 2016-17 is based on the actual traffic during FY 2016-17.

Authority's Examination

6.3. The Authority observed that the actual traffic data is available for FY 2016-17 for civil enclave Goa. 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 Goa. The details have been provided in the table below:

Table 18 - CAGR for Traffic at Civil enclave Goa

	Growth rates as per AAI (FY18 to FY21)	10 Year CAGR (FY06 to FY16)	5 Year CAGR (FY11 to FY16)
Passenger			
Domestic	12.0%	14%	13.6%
International	5.0%	5%	2.3%
ATM			
Domestic	10.0%	10%	11.6%
International	4.0%	5%	1.9%

6.5. After evaluation of 5 and 10 year CAGR of traffic, the Authority is of the view that 10 years CAGR provides more realistic traffic growth rates for future projections. Hence,



the Authority had proposed to adopt growth rates for passenger and ATM traffic from FY 2017-18 to FY 2020-21 based on 10 years CAGR.

Table 19 - Traffic growth rates and traffic as considered by Authority for the 2nd control period

Year	Passenger			ATM		
	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
2016-17	27.9%	24.6%	27.5%	23.4%	15.1%	22.5%
2017-18	14%	5%	13.0%	10%	5%	9.8%
2018-19	14%	5%	13.1%	10%	5%	9.8%
2019-20	14%	5%	13.1%	10%	5%	9.8%
2020-21	14%	5%	13.2%	10%	5%	9.8%
Traffic						
2016-17	6,051,602	804,760	6,856,362	42,701	5,094	47,796
2017-18	6,903,138	843,247	7,746,385	47,120	5,347	52,467
2018-19	7,874,495	883,575	8,758,070	51,996	5,612	57,608
2019-20	8,982,535	925,832	9,908,367	57,376	5,890	63,266
2020-21	10,246,489	970,109	11,216,599	63,313	6,182	69,495

6.6. 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 3rd control period as explained in earlier orders of the Authority.

Decision No. 3. Traffic Forecast

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

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



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

7.1. Under a 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 1st control period, the assets need to be segregated and opening RAB for 2nd 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)
- Employee Ratio - ratio of staff providing commercial services (2 employees) to staff providing aeronautical services (77 employees)
- Vehicle Ratio – ratio of vehicles used for commercial purposes (1 vehicle) to total number of vehicles at airport (9 vehicles)

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	0.32	0.32	100.0%
2	Runways, Taxiways, Aprons – Freehold	21.92	21.92	100.0%
3	Road, Bridges & Culverts	1.70	1.72	99.2%
4	Terminal and Other Buildings	249.62	262.14	95.2%
5	Building Temporary	0.11	0.11	100.0%
6	Building – Residential	0.60	0.60	100.0%
7	Security Fencing - Temporary	0.20	0.20	100.0%
8	Other Buildings - Unclassified	0.00	2.50	0.03%
9	Computers & IT Hardware & Accessories	0.77	0.77	99.9%
10	Intangible Assets - Computer Software	0.04	0.04	100.0%



Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
11	Plant & Equipment - Freehold	28.12	28.13	100.0%
12	Tools & Equipments	0.96	0.96	100.0%
13	Office Furniture & Fixtures	3.30	3.30	100.0%
14	Vehicles – Freehold	0.78	0.79	98.9%
15	Electrical Installations	29.64	29.65	99.97%
16	Office Appliances - Freehold	0.66	0.67	98.0%
17	Furniture & Fixtures – Freehold – Operational Area	2.92	2.92	100.0%
18	X-Ray Baggage Inspection System	5.89	5.89	100.0%
19	C.F.T./ Fire Fighting Equipment	0.05	0.05	100.0%
	Total	347.59	362.66	95.8%

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 01.03.2017.

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	428.1
2	T.R. Stall	407.2
3	Duty Free Shop	115.5
4	Hoarding & Display	0.0
5	Building Non-Residential	1,492.7
6	Admission Tickets	4.5
7	Offices of AAI comml., land & rest room	0.0
8	Additional Commercial Area earmarked by CHQ for Retail	221.0
9	Additional Commercial Area earmarked by CHQ for F& B	790.0
	Total Non-aeronautical area	3,459.0
	Total Terminal area	64,781.0
	TB Ratio	5.34%

7.5. The Authority observed that the percentage of non-aeronautical area is lower compared to similar airports. The Authority had proposed to use 92.5% as aeronautical



area for asset allocation of Terminal related assets to encourage growth of NAR which would cross-subsidize aeronautical charges.

7.6. 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 92.5% to 7.5%.

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

7.8. Further, AAI vide their submission dated 17.05.2017 submitted that ₹ 0.7 cr. of the Plant & Equipment – Freehold assets has been considered as ANS assets instead of airport assets as per their earlier submissions.

7.9. 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	Road, Bridges & Culverts	99.2%	Total assets are ₹ 1.71 crores out of which ₹ 1.70 crores are purely aeronautical assets. Car park related assets of 0.01 crores have been considered as non-aeronautical assets.
2	Terminal and Other Buildings	93.3%	Total assets are ₹ 262.1 crores out of which ₹ 29.1 crores are purely aeronautical assets, ₹ 0.1 crores are purely non-aeronautical assets and ₹ 232.9 crores are common assets. Common assets have been allocated based on 92.5% ratio as aeronautical assets.
3	Building - Temporary	97.9%	Total assets are ₹ 0.15 crores out of which ₹ 0.11 crores are purely aeronautical assets and ₹ 0.04 crores are common assets. Common assets have been allocated based on 92.5% ratio as aeronautical assets.
4	Other Buildings - Unclassified	0.0%	Total assets of ₹ 2.5 crores are cargo related assets and have been excluded from the RAB since it is proposed to transfer these assets to a subsidiary.
5	Computer and IT Hardware and Accessories	99.8%	Total assets are ₹ 0.77 crores out of which ₹ 0.75 crores are purely aeronautical assets and ₹ 0.02 crores are common assets. Common assets



Sr. No.	Particulars	Aero Assets	Justification
			have been allocated based on 92.5% ratio as aeronautical assets.
6	Vehicles - Freehold	98.9%	Total assets are ₹ 0.79 crores out of which ₹ 0.71 crores are purely aeronautical assets and ₹ 0.08 crores are common assets. Common assets have been allocated based on 92.5% ratio as aeronautical assets.
7	Electrical Installation	99.9%	Total assets are ₹ 29.65 crores out of which ₹ 29.13 crores are purely aeronautical assets and ₹ 0.52 crores are common assets. Common assets have been allocated based on terminal building ratio and employee ratio.
8	Office Appliances-Freehold	97.3%	Total assets are ₹ 0.67 crores out of which ₹ 0.39 crores are purely aeronautical assets and ₹ 0.28 crores are common assets. Common assets have been allocated based on terminal building ratio and employee ratio.

7.10. 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, Taxiways, Aprons-Freehold	21.9	21.9	100.0%
3	Roads, Bridges and Culverts	1.7	1.7	99.2%
4	Terminal and Other Buildings	244.5	262.1	93.3%
5	Building – Temporary	0.2	0.2	97.9%
6	Building – Residential	0.6	0.6	100.0%
7	Security Fencing - Temporary	0.2	0.2	100.0%
8	Other Buildings - Unclassified	0.0	2.5	0.0%
9	Computer and IT Hardware and Accessories	0.8	0.8	99.8%
10	Intangible Assets - Computer Software	0.0	0.0	100.0%
11	Plant & Equipment-Freehold	27.4	27.4	100.0%
12	Tools and Equipments	1.0	1.0	100.0%
13	Office Furniture and Fixtures	3.3	3.3	100.0%
14	Vehicles-Freehold	0.8	0.8	98.9%



Sr. No.	Assets	Aero Assets (₹ crore)	Total Assets (₹ crore)	% Aero
15	Electrical Installation	29.6	29.7	99.9%
16	Office Appliances-Freehold	0.7	0.7	97.3%
17	Furniture & Fixtures-Freehold-Operational Area	2.9	2.9	100.0%
18	X-Ray Baggage Inspection System	5.9	5.9	100.0%
19	CFT/ Fire Fighting Equipments	0.0	0.0	100.0%
	Total	341.5	361.7	94.4%

7.11. Based on the material before it and its analysis, the Authority proposed to allocate assets as on 1st April 2016 between aeronautical and non-aeronautical assets as detailed in Table 23.

Stakeholders' comments and Authority's observations

Comments from IATA

7.12. Our comments are the same as per Kolkata. We believe that the cost allocation calculations are extremely biased towards aeronautical activities. Based on the AERA's cost allocation assumptions, we have calculated that the return on non-aeronautical RAB was around 140%, which hints that something is wrong in the allocation.

AAI's submission to IATA's comments

7.13. AAI stated that the expenses and assets of Non-Aeronautical activities are not considered while calculating tariff of second control period (1/4/2016 to 31/3/2021). AAI has projected Aero and Non-Aero Allocation taking into proposed Non-Aero activities as 5.34% as Non-Aero and 94.66% as Aeronautical activities. AERA has allocated Aero vs Non-Aero activities as 92.5% and 7.5% respectively, ratios such as Terminal Building ratio, Employee ratio & Quarter ratio etc.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

7.14. The Authority has noted comments from IATA related to asset allocation between aeronautical and non-aeronautical assets for civil enclave Goa and the response of AAI to IATA's comments. The Authority has provided the rationale for allocating the assets and O&M expenditure into aeronautical and non-aeronautical components in the Consultation Paper. For example, employee costs have been allocated based on the



normative ratio of 95% to 5% and terminal related assets have been allocated into aeronautical assets based on the normative terminal building ratio of 92.5% to 7.5%. The Concessionaires make a lot of investments in setting up their businesses in the space provided by the airport operator and IATA has not considered these investments while determining the return on the investments.

Decision No. 4. Allocation of assets between Aeronautical and Non-aeronautical services

4.a The Authority decides to allocate assets as on 1st 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 2nd control period under hybrid till as per AAI submission dated 01.03.2017 is ₹ 216.1 crore

Table 24 - Calculation of opening RAB as on 1st 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	67.2
2	Aeronautical asset addition during the 1 st control period	280.3
3	Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016	347.6
4	Accumulated Depreciation as on 01.04.2016	131.5
5	Opening RAB[(3)-(4)] as on 01.04.2016	216.1

8.2. The Authority had proposed to adopt depreciation rates as detailed earlier in para 5.7 for calculating RAB for the 2nd 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 2nd control period considered by the Authority under hybrid till is ₹ 263.0 crore.

Table 25 - Calculation of opening RAB as on 1st 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	66.2
2	Aeronautical asset addition during the 1 st control period	275.4
3	Cost of Aeronautical Assets [(1)+(2)] as on 01.04.2016	341.5
4	Accumulated Depreciation as on 01.04.2016	78.5
5	Opening RAB[(3)-(4)] as on 01.04.2016	263.0

Decision No. 5. Opening Regulatory Asset Base for the 2nd control period

5.a. The Authority decides to consider the opening regulatory base for the 2nd control period under hybrid till as ₹ 263.0 crore



9. Capital Expenditure for Second control period

9.1. AAI has forecasted aeronautical capital expenditure of ₹ 174.9 crore as per their submission dated 01.03.2017 for the 2nd control period as shown below:

Table 26 – Aeronautical assets to be capitalized at civil enclave Goa for 2nd control period as per AAI

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways, Taxiways, Aprons-Freehold	0.0	0.0	0.0	0.0	103.7
2	Terminal and Other Buildings	22.0	1.4	0.0	0.0	0.0
3	Building Residential	0.0	26.8	0.0	0.0	0.0
4	Security Fencing – Temporary	0.0	1.0	0.0	0.0	0.0
5	Tools and Equipments	0.0	0.0	0.0	0.0	0.0
6	Electrical Installations	19.7	0.3	0.0	0.0	0.0
7	CFT/ Fire Fighting Equipments	0.0	0.1	0.0	0.0	0.0
	Total (₹ 174.9 cr.)	41.7	29.5	0.0	0.0	103.7
	Revised capex as submitted by AAI on 17.05.2017, 05.06.2017, 08.07.2017 and 18.07.2017					
1	Runways, Taxiways, Aprons-Freehold	0.0	0.0	0.0	0.0	111.7
2	Terminal and Other Buildings	0.7	21.2	0.0	0.0	94.7
3	Building Residential	0.0	26.8	0.0	0.0	0.0
4	Security Fencing – Temporary	0.0	1.0	0.0	0.0	0.0
5	Tools and Equipments	1.1	0.0	0.0	0.0	0.0
6	Electrical Installations	0.5	18.1	0.0	0.0	100.0
7	CFT/ Fire Fighting Equipments	0.0	0.1	0.0	0.0	0.0
	Total (₹ 375.8 cr.)	2.3	67.1	0.0	0.0	306.4

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

9.2.1. Expansion of Existing Integrated Passenger Terminal Building on Eastern Side

Construction of 18,300 sq. m. of centrally air-conditioned as extension of existing Integrated Terminal Building with all modern facilities and amenities. The extension is designed such that after construction the extended Terminal building (62000+18300=80300 sq. m.) shall be capable of handling at least 3,450 (2700 Domestic + 750 International) passengers during peak hour.

The extension building shall have 1 no. islands of 32 check in counters each to



have total 96 check in counters in the total building along with toilets, baggage, conveyor belts, queuing space, segregation railing, back-up offices for Airlines, facilitation counters, weighing machines, counters, automated baggage drop system, etc.

The extension building shall have a full row of domestic security check counters along with toilets and offices. It shall also cater for Domestic security Hold with 3 nos. additional Exit gates to PBB with F&B and retail outlets. Escalators, staircase and lift connectivity between Domestic SHA on First floor in extended portion and relocated Domestic SHA on Second floor is also proposed.

The existing domestic and international passenger movement within the terminal is proposed to be interchanged at first and second floors so that the SHA with the existing building on eastern side becomes Domestic SHA. The extension building shall have Domestic security hold and F&B and retail outlets in continuation to the existing security hold area and connecting with the proposed domestic security hold on the first floor with a series of escalators and stairs.

The old Terminal Building which was to be partially demolished for construction of Parallel Taxi track shall be totally demolished including its approach ramps, for construction of the extension of Integrated Terminal Building and Apron.

9.2.2. Expansion of Existing Apron

Expansion of existing Apron to the eastern side having an area of 9170 sq. m. to accommodate 3 nos AB-321/ B-737 type of aircrafts in power-in push out configuration space for Ground Support Equipments. Slopes on an apron, including those on an aircraft stand taxi lane, shall be sufficient to prevent accumulation of water on the surface of the apron but shall be kept as level as drainage requirements permit. Demolition of exiting shoulder 1863 sq. m. in area and construction of pavement of apron strength. The Apron should have strength to cater to the operation of AB 747-400 type of aircraft. Provision of fillets at intersection with Parallel Taxi track for AB-747-400 aircraft.

Provision of apron edge lights and mandatory instruction signs and other



illuminated information signs. Augmentation of power supply, if any. Provision of apron flood lights for the extended portions of the apron to meet the required illumination standards as per DGCA (CAR) and Aerodrome Design Manual Part-IV (Visual Aids). Rerouting of any electrical or communication cables in the areas of proposed extension of apron.

9.2.3. Construction of Parallel Taxi Track

The existing Civil Enclave is almost at one end of the runway 08/26 on the northern side. Due to the absence of Parallel Taxi Track on the northern side of Runway 08/26, landed aircraft has to back track on the whole length of runway to reach Civil Apron using the link Taxi ways N1/N2, N4, N5 or using curtailed Parallel Taxi Track on the southern side involving crossing of runway. This process limits the runway capacity of handling aircrafts.

In order to reduce the runway occupancy time by Civil Flights, a full length parallel taxi track suitable for B-747 type of aircrafts is proposed on the northern side on Runway 08/26. AAI and Indian Navy have agreed in Principle to share the cost of Construction on 50:50 basis. The terms and conditions of the MOU are being finalized for signing with Indian Navy.

9.2.4. Extension of West Side Finger for NITB

The Integrated Terminal Building having an area of 62000sqm and having 5 Nos. aerobridges for "C" Category aircrafts is capable of handling 2750 peak hour passengers (2000 Domestic and 750 International) at a time. Due to increase of International chartered aircraft movements within a limited time, need was felt to provide additional in-contact facilities on the existing apron for 'E' category aircrafts by extending airside corridor at three levels on the western side towards IOC dump. The work for extension of west side finger with rotunda for 3 Nos. aerobridge has been awarded to M/s M. Venkata Rao Infra Project Pvt. Ltd at a cost of ₹ 38.76 crores.

9.2.5. Construction of Residential Quarters at Goa

Goa Airport being a civil enclave does not have enough land within airport boundary for construction of staff quarters. Therefore State Govt. has handed



over about 5 acres of land to AAI at Chicalim for residential quarters. Subsequently AAI had proposed construction of 45 Nos. Quarters + 24 transit accommodation (20 Nos. -B type, 20 Nos.- C type, 5 Nos. - D Type, 8 Nos. Double room Transit quarters, 16 Nos. single room transit quarters and a Community centre). The work of construction of residential quarters has been awarded to M/s CMM Infrastructure Limited, Indore. AA/ ES for the above mentioned work is ₹ 29.60 Cr.

Authority's Examination

- 9.3. The Authority requested AAI to submit the Capex to be incurred in FY 2016-17 based on current status. In response to this, AAI vide their submission dated 17.05.2017, 05.06.2017, 08.07.2017 and 18.07.2017 provided the revised capital expenditure to be incurred in the 2nd control period. AAI vide their submission dated 08.07.2017 submitted that the revised capital expenditure for extension of Terminal Building and Apron to be capitalized in FY 2020-21 is ₹ 200 cr. and ₹ 8 cr.
- 9.4. The Authority noted that there is no clarity on the traffic demand after this control period due to commissioning of greenfield airport at Mopa, Goa. Further, the Authority noted that the capital expenditure for expansion of integrated terminal building (₹ 200 cr.) and apron (₹ 8 cr.) to be capitalized in FY 2020-21 is tentative and hence had proposed to exclude the same for the tariff determination in the 2nd control period. In case, AAI incurs the capital expenditure towards the expansion of terminal building and capitalizes the same during the 2nd control period, it will be trued up while determining tariff for 3rd control period. In case the expenditure is incurred during the 2nd control period and AAI feels that this will lead to significant increase in tariff, it may propose revision of tariffs after capitalization of the terminal building and apron.
- 9.5. The Authority noted that the total capital expenditure for Construction of Residential Quarters (₹ 29.60 crore) has been allocated into aeronautical assets using the ratio of airport staff (85) to total staff (94). The Authority had proposed to consider the aeronautical capital expenditure for construction of residential quarters (₹ 26.8 crore) as provided by AAI.



9.6. The Authority has issued an order on Normative Approach to Building Blocks in Economic Regulations of major airports. In this regard, AAI submitted that the following details:

Table 27 – Details of cost per unit area of Terminal Building and Taxi way as per AAI for the capital expenditure in 2nd control period

Sr. No.	Asset	Capitalizati on year	Cost (₹ cr.)	Area (sq. m.)	Cost per unit area (₹ per sq. m.)
1	Construction of Terminal Building (Extension of Western Side fingers)	FY 2017-18	35.5	4,677	75,903
2	Construction of Parallel Taxi Track	FY 2020-21	103.7	160,000	6,482

9.7. The Authority observed that the cost of terminal for extension of western side fingers per square meter of terminal area is greater than the threshold limits of normative cost as per Authority's guideline/ order. The Authority had requested AAI to provide justification for such higher cost per unit area. AAI vide their response dated 18.07.2017 provided that the total plinth area of extension of west side finger at Goa is around 4,677 sq. m and probable completion cost of the project is ₹ 35.5 Crores (final bill under process). Hence cost per unit area works out to ₹ 75,903. The cost includes cost of superior finishing like standing seam roof with insulation aluminium roofing system. Glass facade, expensive architectural toughened glass, stainless steel casing on columns, etc. which makes AAI Airports comparable to world class airport. Hence, cost per unit area cost of ₹ 75,903 is commensurate with elegance and facility provided.

9.8. The Authority observed that the cost of parallel taxi track per square meter of parallel taxi track is greater than the threshold limits of normative cost as per Authority's guideline/ order. The Authority had requested AAI to provide justification for such higher cost per unit area. AAI vide their response dated 18.07.2017 provided that cost of PTT works out to ₹ 103.7 crores excluding earthwork cost up to subgrade level i.e. ₹ 6,420/- per sq. m. Considering the soil condition, the proposed section for parallel taxi track consists of sand/ moorum filling, west mix macadam, dry rolled lean concrete and finally pavement quality concrete as the top layer. The per unit area rate of PTT for the above section as per CPWD – DSR-2016 + CI works out to be ₹ 6,000. The above work

Order no. 16/2017-18

35



rate of ₹ 6,000 does not include the cost of associated works such as drainage system, RCC culvert, boundary wall including internal road, electrical works, earth filling of around 9,00,000 etc. In view of above, the unit rate per SQM for parallel taxi work seems to be reasonable.

9.9. The Authority has noted the above justification by AAI for cost exceeding the normative benchmarks. However, the Authority is of the view that the capital expenditure of the planned works is indicative and actual capital expenditure may be different. Hence, the Authority had proposed to revise the capital expenditure for terminal building and PTT 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.

9.10. The total capital expenditure for these assets as proposed by the Authority has been provided in the table below:

Table 28 – Capital expenditure for terminal building, apron and PTT as proposed by the Authority

Sr. No.	Asset	Capitalization year	Area (sq. m.)	Inflation adjusted normative benchmark cost per unit area (₹ per sq. m.)	Allowed Capex (₹ cr.)
1	Construction of Terminal Building (Extension of Western Side fingers)	2018	4,677	70,575	33.0
2	Construction of PTT (shared between AAI and Indian Navy)	2021	160000	5,773	92.4

9.11. The Authority further noted that the total capital expenditure for construction of terminal building (revised to ₹ 16.5 crore) and other terminal related expenditure (revised to ₹ 2.6 crore) capitalized in FY 2017-18 has been allocated into aeronautical assets using the terminal building ratio of 94.66%. The Authority had proposed to



consider 92.5% as aeronautical assets for construction of terminal building (₹ 15.3 crore) and other terminal related expenditure (₹ 2.4 crore) in FY 2017-18. Additionally, capex for construction of administrative block (₹ 1.9 crore) which is capitalized in FY 2017-18 has been considered as aeronautical capex.

9.12. The Authority further noted that total capital expenditure for electrical installations in the terminal buildings which has been capitalized in FY 2017-18 (revised to ₹ 16.5 crore) has been considered by AAI as aeronautical capex vide their submission dated 17.05.2017. Further, AAI vide their submission dated 05.06.2017 submitted that 20% of capital expenditure for electrical installations may be considered for allocation into aeronautical and non-aeronautical assets using terminal building ratio and remaining 80% should be considered as 100% aeronautical capex. The Authority had proposed to allocate 92.5% of the capital expenditure for electrical installations which has been capitalized in FY 2017-18 as aeronautical Capex.

9.13. The Authority noted from the list of works provided by AAI that the cost of construction of Parallel Taxi Track (PTT) including other works such as strengthening of taxiways, development of fillets of taxiways, construction of perimeter road around dumbbell, etc. is ₹ 183.3 cr. AAI in their submissions dated 18.07.2017 submitted that the cost of PTT including other works has been revised to ₹ 187.9 cr. The Authority proportionally increased the components of the parallel taxi track which have been provided in table below:

Table 29 – Details of cost for construction of PTT and other works

Sr. No.	Asset	Cost (₹ cr.)
1	Construction of PTT shared between AAI and Indian Navy	122.9
2	Capex of Other Works (includes strengthening of taxiways, development of fillets of taxiways, construction of perimeter road around dumbbell, etc.)	65.0
2(i)	Capex under other works undertaken by AAI only	26.2
2(ii)	Capex under other works undertaken by Indian Navy only	3.6
2(iii)	Capex under other works shared between AAI and Indian Navy	35.2
3	Total Capex	187.9

9.14. The Authority had proposed to revise the capital expenditure for construction of Order no. 16/2017-18



parallel taxi track based on normative benchmarks for FY 2015-16 and increase the benchmarks by WPI of 4.2% per annum till the year of capitalization. Accordingly, the Authority had proposed to consider the cost of PTT to be ₹ 92.4 cr. which will be shared between AAI and Indian Navy. The Authority had proposed to consider ₹ 90.0 cr. for the capital expenditure for PTT and other works which will be borne by AAI as per the table below:

Table 30 – Capital Expenditure for PTT and other works to be borne by AAI and Indian Navy as proposed by the Authority

Sr. No.	Asset (in ₹ cr.)	Cost	Cost borne by AAI	Cost borne by Indian Navy
1	Construction of PTT shared between AAI and Indian Navy	92.4	46.2	46.2
2	Capex of Other Works (includes strengthening of taxiways, development of fillets of taxiways, construction of perimeter road around dumbbell, etc.)	65.0		
2(i)	Capex under other works undertaken by AAI only	26.2	26.2	0
2(ii)	Capex under other works undertaken by Indian Navy only	3.6	0	3.6
2(iii)	Capex under other works shared between AAI and Indian Navy	35.2	17.6	17.6
3	Total Capex	157.3	90.0	67.4

9.15. The Authority also had proposed to undertake a study by technical experts to estimate the allowable terminal and parallel taxi track capital expenditure for civil enclave Goa 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



construction of Terminal Building (Extension of Western Side fingers) and construction of parallel taxi track at the time of tariff determination for 3rd control period.

9.16. The other capital expenditure details have been updated based on capital expenditure status provided by AAI vide their submission dated 17.05.2017, 05.06.2017, 08.07.2017 and 18.07.2017.

Table 31 - Revised aeronautical capital expenditure for 2nd control period as considered by the Authority

S.N.	Particulars (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
1	Runways, Taxiways, Aprons-Freehold	0.0	0.0	0.0	0.0	90.0
2	Terminal and Other Buildings	0.7	19.6	0.0	0.0	0.0
3	Building Residential	0.0	26.8	0.0	0.0	0.0
4	Security Fencing – Temporary	0.0	1.0	0.0	0.0	0.0
5	Tools and Equipments	1.1	0.0	0.0	0.0	0.0
6	Electrical Installations	0.5	15.5	0.0	0.0	0.0
7	CFT/ Fire Fighting Equipments	0.0	0.1	0.0	0.0	0.0
	Total	2.3	63.0	0.0	0.0	90.0

9.17. The Authority had proposed to consider the total aeronautical Capex to be capitalized and added to RAB at ₹ 155.3 crore.

9.18. 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 2nd control period as given in Table 31 subject to true-up of RAB based on actual aeronautical asset addition, outcome of the study mentioned in para 9.15 and the actual costs as per the tender while determining tariffs for the 3rd control period.

9.19. In the 2nd control period, project works related to Construction of Parallel Taxi Track, Extension of West Side Finger at NITB inclusive of electrical installations and Construction of Residential Quarters are proposed to be taken up. These require user consultation as per the Guidelines. The Authority expects AAI to provide all the required project information as part of the consultation process with users. AAI has submitted vide their response dated 18.07.2017 the User Consultation for construction of parallel taxi track.



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

9.20.1. To consider allowable project cost of ₹ 155.3 crore and accordingly to reckon the amount of ₹ 155.3 crore as addition for total assets during the 2nd control period.

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

9.20.3. 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

Comments from IATA

9.21. With respect to capital expenditure for 2nd control period, IATA submitted as follows:

"The same points apply to Goa as to Kolkata regarding:

- The need to consult with the airline community from an early stage
- Support for normative costs recognising the need for third party independent checks
- Airline consensus and support before projects are approved
- Scrutiny of inflation with a target to off-set construction inflation
- Need to consider regulatory incentives to ensure the beneficial use of assets when to the programme and specification selected.

In this context we provide the following comments for AERA to consider:

- Similar to Kolkata, we are unable to assess or provide any meaningful feedback regarding any of the projects mentioned unless costs, benefits, and designs are shared with Users.
- Regarding the terminal extension we request AAI shares information regarding the Levels of Service intended to process the 3,450 passengers during the peak hours. This is an essential measure that should be shared, otherwise Users are not able to understand and assess whether this meets their needs, cost effectively.
- We appreciate the terminal expansion details, however are unable to assess



whether this option described meet is airline User needs, or is a cost effective solution. IATA suggests the terminal design plans are shared amongst all stakeholders, along with a Business Case so airlines are able to understand the options selection and benefits of the project including capacity enhancement elements.

- Regarding the West Side Finger pier extension, we support the principle of high levels of pier service and equal access to contact gates through provision of a Code E gate. The Business Case for investment however needs to be shared and along with the levels of pier service expected to be delivered so Users can understand the costs, benefits and passenger experience to understand whether it meets their needs.
- A significant concern is AAI's assumption there is a requirement to invest in high-end finishes that is likely to result in unnecessary gold plating of projects – were these finishes and the associated costs agreed with airline Users funding the investment? If not, why not? Investment is clearly not at any cost.
- IATA supports AERA's suggestion to scrutinise the costs of terminals and other infrastructure, and also supports the principle to split the cost proportionately between the Navy and Civil elements
- IATA does however wish to challenge the cost allocations of assets for both electrical installations and the terminal building – what are the underlying assumptions leading to such as high proportion being allocated to aeronautical charges i.e. 92.5% for terminals (despite the revisions).”

AAI's submission to IATA's comments

9.22. AAI stated that Airport Users Consultative Committee (AUCC) meetings are conducted at Airports for discussion of Major capital works of that Airports. All the stakeholders of that Airport including AERA are invited for the meeting.

Further, AAI has stated that AERA has followed Normative approach for construction of Terminal Building and construction of pavements. (Runway, Taxiways and Apron). It has considered 4.2% per year as inflation for the purpose of Normative approach. AERA has



further stated that it would give to the expert for study of major capital works of AAI for the purpose of Normative approach.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

9.23. The Authority has given careful consideration to the comments from IATA on the capital expenditure and the response of AAI to IATA's comments.

9.24. With respect to IATA's comment on the need to consult from an early stage and before projects are approved, the Authority notes that the capital expenditure for assets falling under Category 2 (more than minimum of 10% of opening RAB or ₹ 500 cr.), airport operators are required to undertake consultation with Users including airlines at Stage 1 (Needs Identification Stage) and Stage 3 (Detail project design stage) as per the AERA Guidelines, 2011. Further, the Authority has directed airport operators that an Authority's representative should be invited to become part of the stakeholder consultation meetings for capital expenditure. The Authority would appreciate constructive involvement of airlines in such a consultative process. The Authority would urge AAI to undertake user consultation process as per the norms.

9.25. The Authority does not have the mandate to monitor the on-time delivery of the major projects, its quality and specifications. But however, if a capital addition project is delayed due to any unjustifiable cause, the Authority will not consider any addition to cost of the project. The Authority notes the need for prompt investments for improvement of service quality at the airport.

9.26. The Authority notes the support of IATA to the Authority's normative approach on capital expenditure for Terminal Building, Runway, Taxiway and Apron.

9.27. The Authority notes IATA's support to the principle of splitting the cost proportionately between the Navy and Civil elements.

9.28. With respect to IATA's comment on the allocation of electrical installations in terminal building, the Authority notes that electrical installation are part of the terminal building which are provided mainly for the use of passengers irrespective of the presence of non-aeronautical services. Hence, the Authority decided to allocate these assets based on the terminal building ratio (aeronautical area to non-aeronautical area) of 92.5% to



7.5%.

AAI's submission on the asset additions in the 2nd control period

9.29. In respect of development for extension of existing terminal building, AAI submitted that the tender for appointment of PMC has been floated on 13.09.2017 & execution of work for Extension of Existing Terminal Building shall be completed by FY 2020-21 and same shall be capitalized in the FY 2020-21. Extension of Terminal Building & other allied works amounting to Rs241 Crores would be completed by FY 20-21. The return on RAB & Depreciation may be considered. AAI submitted the following preliminary estimate for extension of TB are as follows:

- Civil work = Rs. 124.35 Crs.
- Electrical work = Rs. 69.83 Crs.
- Airport System = Rs. 34.28 Crs.
- IT = Rs. 1.03 Crs.
- Total = Rs. 229.49 Crs.
- PMC = Rs. 11.70 Crs.
- Grand Total = Rs. 241.19 Crs.

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

9.30.1. In respect of the reasons for additional cost of western side finger:

- The total plinth area of western side finger is 4677 sqm. and probable completion cost of the project is Rs. 35.50 Crores. Work shall be capitalized in FY 2017-18. As per normative approach:
- Cost Rs. 70575 per sqm for FY 2017-18 with enhancement @ 4.2% per annum = 4677 sqm x Rs 70575 = Rs. 33.00 crs.
- For development work = Rs. 2.50 crs.
- Grant total = Rs. 35.50 crs.

AAI submitted the following justification for the development of western side finger:

- The Integrated Terminal Building at Goa have an area of 62000sqm and

Order no. 16/2017-18

43



with 5 Nos. aerobridges for "C" Category aircrafts is capable of handling 2750 peak hour passengers (2000 Domestic and 750 International) at a time.

- Due to increase of International chartered aircraft movements within a restricted watch hours, need was felt to provide additional in-contact facilities on the existing apron for 'E' category aircrafts by extending airside corridor having three levels on the Western side.
- The work for extension of Western side finger with rotunda for 3 Nos. aerobridge has been completed.
- For smooth aircraft movement within the restricted watch hours, it is essential to construct Western side finger.

9.30.2. In respect of the reasons for additional cost for extension of existing terminal building:

- As per normative approach
- Cost Rs. 79846 per sqm for FY 2020-21 with enhancement @ 4.2% per annum = 18300 sqm x Rs 79846 = Rs. 146.20 Crs.
- PMC : Rs. 11.70 Crs
- For development work, earth filling, royalty etc. : Rs. 29.70 Crs.
- Extra for Integration of existing building with proposed, diversions etc.: Rs. 50.00Crs
- Augmentation of power supply/ provision of dedicated feeder: Rs. 3.60 Crs.
- Grand Total: Rs. 241.19 Crs.

AAI submitted the following justification for the development for the extension of terminal building:

- The present ITB building having 62000 sqm. area was commissioned in Dec, 2013 to cater for 4.5 Million PAX annually. Airport has served 6.86 Million PAX in the FY 2016-17.
- Building is suitable to handle 2000 domestic PAX and 750 International PAX during the peak hours.



- The total PAX Traffic at Goa airport is expected to be 11.65 million by 2021-22 by this time the other competing airport i.e. MOPA would also be operational and traffic will definitely get distributed between both the airports, however Dabolim shall be a preferred airport due to its geographical location.
- AAI decided to enhance the apron capacity for 3 nos. AB-321 / B-737 type of aircrafts.
- AAI shall construct 3 no aircraft parking, which means increasing approx. 900-1000 PAX handling capacity which means requirement of additional terminal building area of 18000-19000 sqm.
- For smooth aircraft operation, it is essential to extend the existing terminal building by 18300 sqm.
- The NIT for the Extension of Existing Terminal Building has already been published on 13.09.2017 with time period for completion as 21 months. The completion of the work will be achieved by April.2020 and therefore the work will definitely be capitalized within this 2nd Control Period and therefore this expenditure of Rs. 241 Crores towards cost of the building should be a part of RAB.
- The capacity of the terminal building had already been exhausted as compared to its design capacity and therefore the need to expand the terminal building is inevitable so as to mitigate congestion and ensuring smooth operation and functioning of terminal building and also to maintain required ASQ.
- Dabolim has capacity constraints and therefore it is imperative to have terminal building extension to cater to more passengers as well as to improve service.

9.30.3. In respect of the reasons for additional cost of apron:

- Apron work will be taken up along with the Construction of PTT. As per normative approach
- Area calculation of pavement Apron = 13033 sqm.



- Cost Rs. 5773 per sqm for FY 2020-21 with enhancement @ 4.2% per annum as per normative approach = $13033 \times 5773 = \text{Rs. } 7.52 \text{ Crs.}$
- Development works = Rs. 0.5 crs.
- Grant Total = Rs. 8.02 Crs. (Say Rs. 8.00 crs.)

AAI submitted the following justification for extension of Apron is as follows:

- Due to extension of the Terminal Building, apron has to be constructed in front of the extension portion of the Terminal building, to park the 3 nos c-type of Aircrafts.
- After construction of PTT, apron has to be constructed to park the aircrafts. Moreover Traffic is increasing by more than @ 15% per annum in the last three years which will require additional parking bays.

9.30.4. In respect of the reasons for additional cost for construction of PTT work:

- Construction of PTT work has already been awarded on 19.05.2017 and same shall be capitalized in the Financial Year 2020-21. As per normative approach:
- Area calculation of pavement: PTT - $3710 \times 45 = 166950 \text{ sqm}$; Strengthen of link taxi 5 nos. and 2 nos. link taxi: $7 \times 127.5 \times 45 = 40162 \text{ Sqm}$; Fillet etc. = 27000 sqm . - Total: 234112 Sqm .
- Cost Rs. 5773 per sqm for FY 2020-21 with enhancement @ 4.2% per annum as per normative approach = $234112 \times 5773 = \text{Rs. } 135.20 \text{ Crs.}$
- Extra earth work for preparation of sub grade below the sub-base of PTT. : 740000 cum
- Cost of earth work Rs. 624 per cum = $740000 \times 624 = \text{Rs. } 46.20 \text{ Crs.}$
- Other miscellaneous work like parameter road around dumbbell, diversion of cable, DG set, replacement of new CAT-I ILS etc. = Rs. 6.5 Crs.
- Total expenditure of PTT project = Rs. 135.20 Crs. + Rs. 46.20 Crs. + Rs. 6.5 Crs. = Rs. 187.9 Crs.
- There is excessive soil filling required to make the required profile of PTT (Parallel Taxi Track).
- Being a Civil Enclave there is only 54.8 acres of land in custody of AAI for

Order no. 16/2017-18

46



civil aircraft operations at Goa airport. There is 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.

- Total area constructed at Cochin Airport is 150000 Sqm, whereas at Goa Airport area is much lesser than that this will increase per unit cost of construction.
- The site for construction is not hindrance free as the work has to be carried out in the operational area and in coordination with Navy considering their operations.

AAI submitted the following justification for construction of parallel taxi track:

- With present arrangements / procedure of Aircraft movement during takeoff and landing due to the absence of Parallel Taxi Track on the northern side of the Runway, it has negative effect on the turnaround time of the Aircraft.
- The runway efficiency is also getting limited due to backtracking of Aircraft after landing using either Taxiway N4 & N5 or using southern side part Taxi Track involving crossing of runway.
- In order to reduce the runway occupancy time by Civil Flights, a full length Parallel Taxi Track suitable for B747 type of Aircraft is required to be constructed

Authority's examination of AAI's submission

9.31. The Authority has noted AAI's comments on the commissioning of the terminal building by FY 2020-21. The Authority notes that AAI has further revised the capital expenditure of the terminal building to ₹ 241 cr. from the earlier submissions of ₹ 200 cr. Further, the Authority notes from AAI's submission that the tender for appointment of PMC has been floated on 13.09.2017 and the timeline for construction of terminal building is proposed to be 21 months. However, the Authority is of the view that the capital expenditure for expansion of integrated terminal building (₹ 241 cr.) and apron (₹ 8 cr.) is still in planning stage and the timeline proposed by AAI seems unrealistic



when compared with construction periods for other such development projects. Hence, the Authority decides to exclude the capital expenditure for expansion of integrated terminal building (₹ 241 cr.) and apron (₹ 8 cr.) from the tariff determination in the 2nd control period. In case, AAI incurs the capital expenditure towards the expansion of terminal building and capitalizes the same during the 2nd control period, it will be trued up while determining tariff for 3rd control period. In case the expenditure is capitalized during the 2nd control period and AAI feels that this will lead to significant increase in tariff, it may propose revision of tariffs after capitalization of the terminal building and apron.

9.32. The Authority noted the comments from AAI on consideration of the capital expenditure determined based on the normative approach. The Authority's evaluation is provided below:

9.32.1. With respect to the capital expenditure for western side finger, the Authority noted that ₹ 2.5 crore are incurred for development works over the normative approach cost of ₹ 33 cr. However, AAI has not provided the justification for exclusion of development works cost from the normative approach. Hence, the Authority decides to consider the capital expenditure of ₹ 33 cr. for western side finger determined based on the normative approach.

9.32.2. As stated above the Authority decides to exclude the capital expenditure for extension of terminal building and hence, it has not considered its capital expenditure on normative basis.

9.32.3. As stated above the Authority decides to exclude the capital expenditure for apron and hence, it has not considered its capital expenditure on normative basis.

9.32.4. With respect to the capital expenditure for construction of PTT, the Authority noted that AAI has not allocated the cost of PTT between AAI and Indian Navy. Further, the Authority notes that AAI has included areas of link taxi way which are strengthened and fillets while determining cost as per normative approach. Since the strengthening of the taxiway enables operation of a higher class of aircraft this is being considered as capital expenditure. However, strengthening



of taxi way and fillets, etc. are not under the purview of the normative approach. Hence, the Authority decides to determine the capital expenditure for construction of PTT as detailed in para 9.14 above.

9.33. Further, the Authority decides to undertake a study by technical experts to estimate the allowable terminal and parallel taxi track capital expenditure for civil enclave Goa vis-à-vis normative benchmarks as per para 9.9 and 9.15.

Decision no. 6. Capital Expenditure

- 6.a. The Authority decides to consider allowable project cost of ₹ 155.3 crore and accordingly to reckon the amount of ₹ 155.3 crore as addition to total assets during the 2nd control period.
- 6.b. The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the Guidelines.
- 6.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.



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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 Order no. 16/2017-18



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 1st and 2nd 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 2nd 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 1st and 2nd control period are given below:

Table 32 - 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	0.00%	0.00%	0.00%
2	Runways, Taxiways, Aprons – Freehold	13.00%	3.33%	3.33%
3	Road, Bridges & Culverts	13.00%	1.63%	3.33%
4	Terminal and Other Buildings	8.00%	1.63%	3.33%
5	Building Temporary	100.00%	100.00%	33.33%
6	Building – Residential	5.00%	1.63%	3.33%
7	Security Fencing - Temporary	100.00%	100.00%	33.33%
8	Other Buildings – Unclassified	8.00%	1.63%	3.33%
9	Computers & IT Hardware & Accessories	20.00%	16.21%	16.67%
10	Intangible Assets - Computer Software	20.00%	20.00%	20.00%
11	Plant & Equipment - Freehold	11.00%	4.75%	6.67%
12	Tools & Equipments	20.00%	4.75%	6.67%
13	Office Furniture & Fixtures	20.00%	6.33%	10.00%
14	Vehicles – Freehold	14.00%	9.50%	12.50%
15	Electrical Installations	11.00%	4.75%	10.00%
16	Office Appliances - Freehold	18.00%	4.75%	20.00%
17	Furniture & Fixtures – Freehold – Operational Area	20.00%	6.33%	10.00%



No.	Asset Class	As per AAI	As per Authority till FY 2014	As per Authority FY2015 onwards
18	X-Ray Baggage Inspection System	11.00%	4.75%	6.67%
19	C.F.T./ Fire Fighting Equipment	13.00%	4.75%	6.67%

10.9. The revised depreciation for the 2nd control period as per hybrid till as proposed by the Authority is given below:

Table 33 - Authority's consideration on depreciation for the 2nd control period – Hybrid till

No.	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	As per AAI	30.4	31.1	29.3	28.9	42.1	161.7
2	As per Authority	13.3	15.0	16.5	16.2	17.3	78.4

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

10.10.1. To adopt depreciation rates as per Table 32 and depreciation for the 2nd control period as per Table 33.

10.10.2. 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.

Decision No. 7. Treatment of Depreciation

7.a. The Authority decides to adopt depreciation rates as per Table 32 and depreciation for the 2nd control period as per Table 33.

7.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.



11. RAB for Second control period

11.1. AAI has submitted Regulatory Asset Base for 2nd control period under hybrid till as follows:

Table 34 - Summary of the RAB and Depreciation for civil enclave Goa (Airport Services) as per AAI for the 2nd control period

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	216.06	227.3	225.8	196.5	167.6
B	Aeronautical Additional Assets capitalized during the year	41.7	29.5	0.0	0.0	103.7
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	30.4	31.1	29.3	28.9	42.1
E	Closing Aeronautical RAB (A+B-C-D)	227.3	225.8	196.5	167.6	229.3
	Average RAB (A+E)/2	221.7	226.5	211.1	182.1	198.4

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 33.

11.4. The Authority had proposed ₹ 155.3 crore as the addition of aeronautical assets to RAB as detailed in Table 31.

11.5. The revised Regulatory Asset Base as calculated by the Authority for 2nd control period under hybrid till is as follows:

Table 35 - Summary of forecast and Roll forward RAB and Depreciation for civil enclave Goa (Airport Services) considered by the Authority for 2nd control period – Hybrid till

	Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
A	Opening Aeronautical RAB	263.0	252.0	300.0	283.5	267.2
B	Aeronautical Assets capitalized during the year	2.3	63.0	0.0	0.0	90.0
C	Disposals/Transfers	0.0	0.0	0.0	0.0	0.0
D	Depreciation	13.3	15.0	16.5	16.2	17.3
E	Closing Aeronautical RAB (A+B-C-D)	252.0	300.0	283.5	267.2	339.9
	Average RAB (A+E)/2	257.5	276.0	291.7	275.3	303.5



11.6. The Authority had proposed to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates, at the time of determination of tariff for the 3rd control period.

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

11.7.1. To consider RAB for 2nd control period as given in Table 35

11.7.2. To true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

Decision No. 8. RAB for 2nd control period

8.a. The Authority decides to consider RAB for 2nd control period as given in Table 35

8.b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.

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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 1st control period.

12.2. AAI has not taken any debt for financing the civil enclave Goa. 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 1st control period considering the recommendations of another study done by NIPFP. Based on the decision for Chennai and Kolkata airport, the Authority considered FRoR at 14% for Guwahati and Lucknow airport for 1st control period.

12.5. Based on the above, the Authority had proposed to consider FRoR at the rate of 14% for civil enclave at Goa for the 1st and 2nd 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 Goa 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.

Stakeholders' comments and Authority's observations

Comments from IATA

Order no. 16/2017-18



12.7. With respect to FRoR, IATA submitted that similar to our comments for Kolkata, we don't believe that it would be appropriate to benefit Goa airport with a cost of capital that resembles an inefficient capital structure. Users are being asked to pay more than what they should and therefore we urge AERA to reconsider its approach, and assume a minimum level of gearing in its calculations.

Comments from ATA

12.8. 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 IATA's and ATA's comments

12.9. AAI stated that the return on equity considered by AERA in order to calculate Weighted Average Cost of Capital is 16% whereas AERA has allowed only 14% Fair Rate of Return (FRoR) on the investment made by AAI.

FRoR calculated by reputed consultant in the First Control period is 14.96% whereas AERA has allowed only 14%. The report has already been submitted to AERA.

Normally higher debt proportion in the capital structure is desirable in case where new companies formed for the purpose of undertaking the new projects. This is not the case in case of AAI, which is already in existence and managing the airports and generating the internal resources from the airport operations. As such AAI opted to finance the project mainly from internal resources. Further, in case of higher debt also, there would be outflow on account of servicing the debt.

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

12.10. The Authority has given careful consideration to the comments from IATA and ATA on the FRoR and the response of AAI to IATA's and 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. 9. FRoR

- 9.a. The Authority decides to consider the FRoR at 14% for civil enclave at Goa for the 1st and 2nd control period.
- 9.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 36 - Revenue from Non-aeronautical Services – Projected by AAI for 2nd control period

No.	Revenue from services other than Regulated Services (₹ crore)	2015-16 (base)	2016-17	2017-18	2018-19	2019-20	2020-21
	Trading Concessions						
1	Restaurants/Snack Bar	3.4	3.9	4.5	5.1	5.8	6.6
2	TR Stall/others	2.1	2.4	2.8	3.1	3.6	4.1
3	Hoardings & Displays	4.0	4.5	5.2	5.9	6.7	7.6
	Rent and Services						
4	Buildings (Residential)	0.0	0.0	0.0	0.0	0.0	0.0
5	Buildings (Non-Residential)	3.8	4.2	4.6	5.1	5.6	6.2
	Miscellaneous						
6	Duty Free Shops	3.5	8.2	9.1	10.0	11.0	12.1
7	Car Rentals	0.0	0.0	0.2	0.2	0.3	0.3
8	Car Parking	2.8	3.1	2.5	2.7	3.0	3.3
9	Admission Tickets	0.5	0.5	0.6	0.6	0.7	0.7
10	Other Miscellaneous Income	4.8	5.0	5.3	5.6	5.8	6.1
11	Sale of Scrap/ Fixed Asset	0.1	0.0	0.0	0.0	0.0	0.0
	Total	25.0	32.0	34.6	38.3	42.4	47.0

13.2. The growth rates assumed by AAI for forecasting non aeronautical revenues are given below:

Table 37 – Assumption (growth rates) for Service other than Regulated Services for the 2nd 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%	14%
2	TR Stall/others	14%	14%	14%	14%	14%
3	Hoardings & Displays	14%	14%	14%	14%	14%
4	Buildings (Residential)	7.5%	7.5%	7.5%	7.5%	7.5%
5	Buildings (Non-Residential)	10%	10%	10%	10%	10%
6	Duty Free Shops	135%	10%	10%	10%	10%
7	Car Rentals	-	-	14%	14%	14%
8	Car Parking	10%	-21%	10%	10%	10%
9	Admission Tickets	10%	10%	10%	10%	10%
10	Other Miscellaneous Income	5%	5%	5%	5%	5%

13.3. AAI has provided in their submissions dated 01.03.2017 that civil enclave at Goa would



start generating revenues from car rentals from FY 2017-18 because car rental contract is expected to be restored in FY 2017-18. AAI further stated that there is sudden increase in Duty Free shop revenues in FY 2016-17 because the revised Duty Free shop contract has been effected in FY 2016-17. AAI submitted that the decrease in the revenues from car parking in FY2017-18 is because the car parking area would be partly used for parallel taxi track from FY 2017-18 onwards.

Authority's Examination

13.4. The Authority noted that as part of clarifications provided dated 17.05.2017, AAI has revised the growth rates to 10% (from 14% as submitted earlier) for revenues from Restaurants/ Snack Bar, T. R. Stalls/ other, Hoardings & Display and Car Rentals. AAI has proposed these growth rates based on the contractual agreements. AAI further stated that the Terminal Building will come up in 2nd half of FY 2020-21, hence, the impact of additional terminal area on non-aeronautical revenues would take effect in 3rd control period. Hence, non-aeronautical revenue has been increased in the FY 2020-21 as per contractual agreements.

13.5. The Authority had proposed to consider the revised growth rates as submitted by AAI dated 17.05.2017 for the determination of tariff for the 2nd 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.

13.6. The Authority requested AAI to provide justification for the forecasted growth rate of 5% assumed for Other Miscellaneous income. AAI vide their submissions dated 17.05.2017 clarified that 5% growth rate is based on the past trend in the Other Miscellaneous income. The Authority had proposed to revise the growth rate of Other Miscellaneous income to 8% based on the past 5-year (FY11-FY16) CAGR.

13.7. The Authority observed that civil enclave at Goa has accrued 1.41 lakhs in FY 2015-16 from revenue share from cargo service provider as per the Trial Balance for FY 2015-16. AAI vide its submission dated 05.06.2017 clarified that this revenue pertains to X-ray screening charges instead of revenue share from cargo service provider. As X-ray screening is an aeronautical service, the Authority had proposed to deduct this revenue



from non-aeronautical revenues.

13.8. 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

13.9. AAI has allotted following space to ground handling for their operations. AAI has considered income from such Building rent as non-aeronautical revenues

Table 38 – Details of land allotted to ground handling in 2nd control period

Service	Service Provider	Space Allocated (Sq.m)	Building Non-Residential revenues (FY 2015-16) ₹ crore
Ground Handling	J.P. Aviation Sys Pvt Ltd	9.75	0.00 (₹ 47,467)
Ground Handling	Nas Aviation Sys Pvt Ltd	769.15	0.26
Ground Handling	Janus Aviation Pvt Ltd	280.5	0.07
Ground Handling	Globe Ground India Pvt Ltd	250.32	0.12
Ground Handling	IFOS Aviation Sys Pvt Ltd	14.25	0.03
Ground Handling	Freedom Holidays Pvt Ltd	13.44	0.03
Ground Handling	Minar Travels	11.5	0.03
Ground Handling	Cicerone Air Transport Sys	28.45	0.03
Ground Handling	Aircon Air Spares	12.45	0.01
Ground Handling	Jet Concept Pvt Ltd	12.45	0.02

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 01.03.2017 have increased rent revenues from building non-residential for GH agencies by 10% and had proposed to accept the same.

13.12. AAI has created a wholly owned subsidiary AAI Cargo Logistics and Allied Services Order no. 16/2017-18



Company Ltd (AAICLAS) in the FY 2016-17 which will take over cargo operations at civil enclave Goa. The proposal for cargo activities will be filed separately by AAICLAS for determination of cargo tariff in the 2nd control period. As per the clarifications received from AAI dated 08.07.2017, AAI will not receive any revenue from AAICLAS for the 2nd control period for cargo operations. The cargo revenue projection has not been considered in determination of tariff of 2nd control period of civil enclave Goa. 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.

13.13. The Authority had proposed to consider building non-residential rent revenues on account of the aeronautical services of ground handling as aeronautical revenue.

13.14. The Authority observes that non-aeronautical revenue at civil enclave Goa 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 39 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2nd control period

Revenue from services other than Regulated Services (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Aeronautical Revenues as per AAI (A)	32.0	34.6	38.3	42.4	47.0
Adjustment:					
Change in revenue from ground handling and cargo considered as aeronautical revenues and change in growth rates (B)	0.9	2.2	2.8	3.5	4.3
Non-Aeronautical Revenues as per Authority (A-B)	31.1	32.4	35.5	38.9	42.7

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 39
- 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. Further, the Authority has revised the terminal building ratio from 5.34% to 7.5% so as to encourage AAI to utilize more of the terminal building area for non-aeronautical services.

Decision No. 10. Non Aeronautical Revenues

10.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 building rent from these activities as aeronautical revenue.

10.b. The Authority decides to consider the Non Aeronautical Revenue as per Table 39

10.c. The Authority decides 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.



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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 2nd control period is as below:

Table 40 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2nd 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 Goa	11.47	14.34	15.63	17.03	18.55
2	Expenditure for civil enclave Goa employees' retirement benefits allocated at CHQ	1.74	2.18	2.29	2.40	2.52
A	Total Pay roll Expenditure (1+2-3)	13.2	16.5	17.9	19.4	21.1
3	Administrative and General Expenditure	2.73	3.00	3.30	3.63	3.99
4	Apportionment of administration & General expenditure of CHQ/RHQ	6.36	6.67	7.01	7.36	7.73
B	Total Administration & General Expenditure(4+5)	9.1	9.7	10.3	11.0	11.7
C	Repairs and Maintenance Expenditure (Total)	4.84	5.32	5.85	6.44	7.08
5	Power Charges	7.26	7.26	7.26	7.26	7.26
6	Water Charges	0.45	0.45	0.45	0.45	0.45
7	Consumption of Stores and Spares	0.05	0.05	0.06	0.07	0.07
D	Utility and Outsourcing Expenditure (6+7)	7.8	7.8	7.8	7.8	7.8
E	Other Outflows	0.30	0.33	0.37	0.41	0.45
	Total (A+B+C+D+E)	35.2	39.6	42.2	45.0	48.1

14.3. The details of the assumptions made by AAI for O&M Expenditure are given below:



Table 41 – Assumptions made by AAI for each item of O&M expenditure

No.	Particular	2016-17	2017-18	2018-19	2019-20	2020-21
1	Payroll Expenses					
	Salaries and Wages	9%	25%	9%	9%	9%
	PF contribution	9%	25%	9%	9%	9%
	Fringe benefits including perks & medical expenses	9%	25%	9%	9%	9%
	Overtime	5%	25%	5%	5%	5%
	Allocation of Retirement Benefit provided at CHQ in r/o civil enclave Goa Employees	5%	25%	5%	5%	5%
2	R&M Expenses	10%	10%	10%	10%	10%
3	Utility and outsourcing Expenditure					
	Power & Water charges	0%	0%	0%	0%	0%
	Consumption of Stores and Spares	10%	10%	10%	10%	10%
4	Administration and General Expenditure					
	Admin & General Expenses	10%	10%	10%	10%	10%
	Apportionment of CHQ/RHQ Expenses	5%	5%	5%	5%	5%
5	Other Outflows					
	Collection charges on PSF	11%	11%	11%	11%	11%

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

14.4. AAI has segregated total O&M expenditure for the 2nd 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 2nd control period is tabulated below:

Table 42 – O&M Expense allocation as submitted by AAI

Sr. No.	Particulars	Aero Expense	Non-Aero Expense
1	Payroll Expenses - Non-CHQ	98%	2%
2	Payroll Retirement benefit expenses Apportionment – CHQ	100%	0%
3	Admin and General Expenses – Non CHQ	97%	3%
4	Admin and General overheads Expenses Apportionment – CHQ/RHQ	63%	37%
5	R&M Expenses	97%	3%
6	Utility and Outsourcing Charges	100%	0%
7	Other Outflows	100%	0%
	Total	89%	11%



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 2nd 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 Goa employees is increased at 5% annually for 2nd 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 Goa employees (as per discussion with AAI).

14.6.3. The Authority has noted that an increase of 25% has been projected in the pay roll expenditure in FY 2017-18 by AAI due to tentative increase in salary and wages on account of wage revision. However, as part of clarifications provided dated 17.05.2017, AAI has revised the growth rate for the payroll expenditure in FY 2017-18 to 40% from earlier 25%. 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 3rd 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 Trivandrum order for the 2nd 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



2nd control period based on actual revenue basis data provided by AAI. The Authority had proposed to increase CHQ/RHQ overheads apportionment costs (admin & general expenditure of CHQ/RHQ) by 5% per annum for the 2nd control period as submitted by AAI.

14.6.5. The Authority observed that AAI has allocated 50% of the ANS staff expense under airport payroll costs. AAI vide their submissions dated 17.05.2017 submitted that the staff deputed at Goa 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. Further, the AAI vide their submissions dated 06.08.2017 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% may continue for 2nd control period and it would be trued up on the basis of actual while finalizing tariff at 3rd control period for Goa Airport. The Authority had proposed to consider 50% of the ANS staff cost as the airport payroll costs since these employees have been working in airport activities for the 2nd control period. The Authority had proposed to true-up the payroll costs for these ANS staff in the 3rd control period based on actuals.

Segregation of aeronautical expenses

14.7. 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.

14.8. The Authority noted that apportionment of retirement benefits provided in CHQ in respect of civil enclave Goa have been considered as 100% aeronautical expenses. The Authority had proposed to use the ratio of 92.5% to 7.5% 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 Goa.

14.9. Terminal Area ratio for calculation of aeronautical assets is proposed as 92.5%. This ratio has been applied to specific expenses in R&M – Civil, R&M – Electrical, R&M - Electronics and Conservancy Charges/ Consumption of spares.

Correction in projection

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

Table 43 – 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 Goa	10.8
2	Expenditure for civil enclave Goa employees' retirement benefits allocated at CHQ	1.7
A	Total Pay roll Expenditure (1+2-3)	12.4
3	Administrative and General Expenditure	2.6
4	Apportionment of administration & General expenditure of CHQ/RHQ	5.3
B	Total Administration & General Expenditure(4+5)	7.9
C	Repairs and Maintenance Expenditure (Total)	4.5
5	Power Charges	7.3
6	Water Charges	0.4
7	Consumptions of Stores and Spares	0.1
D	Utility and Outsourcing Expenditure (6+7+8)	7.8
E	Other Outflows	0.3
	Total (A+B+C+D+E)	32.9

14.11. Expense allocation proposed to be considered by the Authority after above changes for 2nd control period is tabulated below:

Table 44 – 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%
3	Admin and General Expenses – Non CHQ	94%	6%
4	Admin and General overheads Expenses	92.5%	7.5%



Sr. No.	Particulars	Aero Expense	Non-Aero Expense
	Apportionment – CHQ/RHQ		
5	R&M Expenses	96%	4%
6	Utility and Outsourcing Charges	100%	0%
7	Other Outflows	100%	0%
	Total	96%	4%

14.12. In view of above, the O&M expenditure is reworked for the purpose of determination of aeronautical tariffs for the 2nd control period under hybrid till and given in table below.

Table 45 - Summary of Aeronautical O&M expenditure as per the Authority for the 2nd 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 Goa	10.9	13.7	14.6	15.7	16.7
2	Expenditure for civil enclave Goa employees' retirement benefits allocated at CHQ	1.7	1.8	1.9	2.1	2.2
A	Total Pay roll Expenditure (1+2-3)	12.6	15.5	16.6	17.7	19.0
3	Administrative and General Expenditure	2.6	2.9	3.2	3.5	3.9
4	Apportionment of administration & General expenditure of CHQ/RHQ	5.1	5.4	5.7	6.0	6.3
B	Total Administration & General Expenditure(4+5)	7.8	8.3	8.9	9.5	10.1
C	Repairs and Maintenance Expenditure (Total)	4.8	5.3	5.8	6.4	7.0
5	Power Charges	7.3	7.3	7.3	7.3	7.3
6	Water Charges	0.4	0.4	0.4	0.4	0.4
7	Consumption of Stores and Spares	0.0	0.1	0.1	0.1	0.1
D	Utility and Outsourcing Expenditure (6+7)	7.8	7.8	7.8	7.8	7.8
E	Other Outflows	0.3	0.3	0.4	0.4	0.5
	Total (A+B+C+D+E)	33.3	37.2	39.4	41.7	44.3

14.13. 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

Order no. 16/2017-18

69



while tariff determination for the 3rd control period.

14.14. The Authority noted that O&M expenditure at civil enclave Goa is on higher side and expects AAI to reduce the O&M expenditure.

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

14.15.1. To consider the operational and maintenance expenditure as given in Table 45 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

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

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

Stakeholders' comments and Authority's observations

IATA's comments

14.16. Regarding the O&M expenditure, IATA submitted the following comments:

14.16.1. As in the case of Kolkata, we believe that AERA should also assume revenue as the driver for allocating CHQ/RHQ costs (which would be then consistent with how these costs have been allocated among AAI airports).

14.16.2. Again, and similar to the case of Kolkata, we do not understand why AERA should be allowing a 25% increase in staff costs for 2017-18. Such an approach does not provide the company with the incentives to deliver costs in an efficient manner.

14.16.3. We would also query as to why AERA is assuming a higher than proposed growth rate for CHQ/RHQ costs.

14.16.4. While we see that some ANS staff appears to have been working on airport activities, we would appreciate in having further details as to why 50% (and not a lower percentage) has been allocated to airport costs. The majority of ANS costs usually relate to ATCOs so it is unclear how the 50% was arrived at.

14.16.5. As mentioned previously, we believe that using a 95:5 ratio for Order no. 16/2017-18



allocating common costs as extremely high towards regulated activities. We urge AERA to reassess such an assumption.

14.16.6. Similar to the comments made for Kolkata, AERA indicates that GOA's O&M costs are on the higher side. We would there appreciate that AERA sets O&M efficiency targets that are consistent with such a view.

AAI's submission to IATA's comments

14.17. AAI stated that the pay revision takes place once in 10 years. The impact of pay revision is approximately 35% whereas AERA has allowed only 25%. The year on year impact on pay is approximately 9% whereas AERA has allowed only 7%.

Further, AAI stated that AERA has used the ratio of 90% to 10% for aeronautical and non-aeronautical allocation for apportionment of admin CHQ/RHQ expenses on revenue basis which is more than the Terminal building ratio provided by AAI. Further AERA has used the ratio of 95% to 5% for aeronautical and non-aeronautical allocation for retirement benefits provided at CHQ in respect of employees at Goa airport. The impact of actual retirement benefit is less than 2%.

14.18. With respect to IATA's comment on ANS costs, AAI stated that out of 15 employees of ANS in the FY 15-16, 8 employees are engaged at Airport activities and seven employees are engaged in ANS activity. The cost center of the ANS employees working for Airport would be rectified from the FY 17-18, so that in true up the actual amount would be reflected in Airport and ANS segment.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

14.19. The Authority has given careful consideration to IATA's comment on allocating the CHQ/ RHQ expenses into aeronautical and non-aeronautical expenses on revenue basis. A conscious decision was taken to apportion CHQ/RHQ costs on revenue basis to each airport. This is based on the rationale that airports with higher revenues would be able to absorb higher costs. This is consistent with the approach adopted in the case of determination of tariffs at Kolkata Airport. The CHQ/RHQ overheads expenses apportioned to civil enclave Goa have been allocated to aeronautical and non-aeronautical component as per para 14.8.

14.20. The Authority has noted the comments of IATA on the growth rate of 25% for FY Order no. 16/2017-18



2017-18 for payroll costs. 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%. During the last pay revision, the increase was 50% in the first year but the Authority has considered 25% increase in the current proposal.

14.21. With respect to IATA's comment growth rate of CHQ/ RHQ expenses, the Authority has noted that the CHQ/ RHQ growth rate was 5% which was different from the 7% proposed by the Authority for other components of employee cost. In the discussions with AAI, AAI proposed the Authority to revise the growth rate of CHQ/ RHQ costs to 7%. The Authority after taking into account AAI's views proposed to consider the growth rate of 7% for CHQ/ RHQ costs.

14.22. With respect to IATA's comment on the ANS employee costs being allocated to airport expenses, the Authority notes from AAI's response that in FY 2015-16, 8 out of 15 ANS employees are involved in airport activities which is approximately 50% of the total ANS employees. Further, the Authority notes from AAI's response that from FY 2017-18 onwards the cost centre of the ANS employees working for airport would be rectified. Hence, the Authority decides to allocate 50% of the ANS employee cost to airport expenses for the second control period and to true-up such ANS employee cost based on actuals for FY 2017-18 to FY 2020-21.

14.23. The Authority has noted the comments from IATA on the employee ratio used for allocation of the employee costs. The Authority has examined the employee details submitted by AAI and is satisfied that the ratio of 95% to 5% is reasonable.

14.24. With respect to IATA's comment on setting the operational efficiency target, the Authority has proposed to conduct a study to determine the reasonableness of the O&M expenditure in the 2nd control period and to true-up O&M expenditure for 2nd control period based on the results of the study.

ATA's comments

14.25. 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.

AAI's submission to ATA's comments

14.26. 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.

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

14.27. 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.

AAI's comments

14.28. 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

14.29. 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. 11. Operation and Maintenance expenditure

11.a. The Authority decides to consider the operational and maintenance expenditure as given in Table 45 above, for the purpose of determination of aeronautical tariffs for the 2nd control period.

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

11.c. The Authority decides to true up the O&M expenditure for 2016-17 to 2020-21 of the



2nd control period based on the actuals at the time of determination of tariffs for the 3rd control period.

11.d. The Authority decides the following factors for corrections while determining tariffs for the next control period:

- (i) Mandated cost incurred due to directions issued by regulatory agencies like DGCA;
- (ii) Cost of actual operating expenses including electricity;
- (iii) All statutory levies in the nature of fees, levies, taxes and other such charges by Central or State Government or local bodies, local taxes, levies directly imposed on and paid by AAI on final product/service provided by AAI will be reviewed by the Authority for the purpose of corrections. Any additional expenditure by way of interest payments, penalties, fines and such penal levies associated with such statutory levies which AAI has to pay, for either any delay or non-compliance, the same will not be trued up.

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15. Taxation

15.1. AAI has submitted tax calculations using provisional tax rate of 34.60 % for the 2nd 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 01.03.2017 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 Capex

15.3. The Authority had proposed to consider aeronautical Capex of ₹ 155.3 crore as given in Table 31 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 45.

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 13.13.

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:

Order no. 16/2017-18



Table 46 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2nd control period - Hybrid till

Income Tax (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21	Total
As per AAI	0.0	31.8	39.6	48.2	53.3	172.9
As per Authority	0.0	4.2	29.4	37.8	45.1	116.6

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

Table 47 - Amount of Tax for aeronautical services as calculated by the Authority for the 2nd control period - Hybrid till

Particular (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Aeronautical Revenues	40.6	72.9	148.3	172.3	200.3
Aeronautical O&M (excluding CHQ/ RHQ Overheads)	26.4	29.9	31.8	33.7	35.9
CHQ/ RHQ Overheads	6.8	7.2	7.6	8.0	8.5
Depreciation as per IT Act	23.1	23.5	23.8	21.2	25.6
PBT	-15.7	12.2	85.1	109.4	130.3
Tax for aeronautical services	0.0	4.2	29.4	37.8	45.1

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

Decision No. 12. Taxation

12.a. The Authority decides the corporate tax for aeronautical activities as per Table 47 for the 2nd control period.

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



16. Aggregate Revenue Requirement for Second control period

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

Table 48 - ARR and Yield as per AAI for the 2nd control period – Hybrid till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	221.7	226.5	211.1	182.1	198.4
Return on Average Aeronautical RAB@14%	31.0	31.7	29.6	25.5	27.8
Aeronautical Operating Expenditure	35.2	39.6	42.2	45.0	48.1
Depreciation on aeronautical RAB	30.4	31.1	29.3	28.9	42.1
Aeronautical Corporate Tax @34.60%	0.0	31.8	39.7	48.2	53.3
Less- 30% of Non-Aeronautical Revenues	9.6	10.4	11.5	12.7	14.1
ARR as per AAI	87.1	123.8	129.2	134.9	157.2
Total ARR as per AAI	632.2				
No. of Passengers (as per Actual/Projected)	6,360,248	7,075,555	7,874,305	8,766,387	9,762,878
Discounted ARR	87.1	108.6	99.4	91.0	93.1
True up short fall in 1st control period as on 01.04.2016	143.7				
PV of ARR (including shortfall) for the control period as on 01.04.2016	622.9				
Total Passengers during the control period	39,839,373				
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)	156.4				

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 has estimated the following ARR and yield for the 2nd control period under hybrid till based on various submissions of AAI and proposals considered by Authority in earlier sections on the building blocks.



Table 49 - ARR and Yield as per Authority for the 2nd control period – Hybrid till

Details (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Average Aeronautical RAB	257.5	276.0	291.7	275.3	303.5
Return on Average Aeronautical RAB@14%	36.0	38.6	40.8	38.5	42.5
Aeronautical Operating Expenditure	33.3	37.2	39.4	41.7	44.3
Depreciation on aeronautical RAB	13.3	15.0	16.5	16.2	17.3
Aeronautical Corporate Tax @34.6%	0.0	4.2	29.4	37.8	45.1
Less – 30% of Non-Aeronautical Revenues	9.3	9.7	10.7	11.7	12.8
True up short fall in 1st control period as on 01.04.2016	53.0				
ARR as per Authority	126.3	85.3	115.5	122.7	136.4
Total ARR as per Authority					586.2
Discounted ARR	126.3	74.8	88.9	82.8	80.8
PV of ARR for the control period as on 01.04.2016					453.6
No. of Passengers (as per Projected)	6,856,362	7,746,385	8,758,070	9,908,367	11,216,599
Total Passengers during the control period					44,485,783
Yield per passenger for the control period (PV of ARR for the control period/Total passengers during the control period)					102.0
Target yield per pax	123.8	129.0	134.4	140.0	145.9
Target Aeronautical Revenues	84.9	99.9	117.7	138.7	163.6
PV of Target Aeronautical Revenues for the control period as on 01.04.2016					453.6

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17. Annual Tariff Proposal

17.1. AAI has submitted ATP(s) for all years of the 2nd 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 2nd control period in respect of civil enclave Goa.

Authority's Examination

17.4. The Authority noted that landing revenues at civil enclave Goa is collected by Indian Navy as it is a civil enclave. The Authority noted that the MYTP submission of Indian Navy is incomplete and the Authority shall deal with the proposal separately.

17.5. The Authority noted that the tariffs at civil enclave Goa had been determined in FY 2000-2001 and it has not been revised since then.

17.6. The Authority noted that AAI's proposed tariff could not be applicable from 01.04.2017.

17.7. The Authority noted that if the existing tariffs applicable at civil enclave Goa are not increased for the second control period, there will be shortfall of ₹ 179.0 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 ₹ 177.9 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 51.

17.8. Further, the Authority noted that the revenue from tariffs and UDF as proposed by AAI to be applicable from 01.12.2017 will exceed the proposed ARR as per Authority for the 2nd control period. The resultant excess as per tariffs proposed by AAI as calculated on 01.04.2016 is provided in table below.



Table 50 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposed tariffs for the 2nd control period applicable from 01.12.2017

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)	0.1	0.1	0.2	0.2	0.2
UDF/ PSF as per existing rates (C)	26.4	29.8	33.7	38.1	43.2
Fuel Throughput (FTP) + Into Plane (ITP) and lease rentals (D)	2.0	2.2	2.6	3.0	3.4
Ground Handling Charges and lease rentals (E)	8.9	9.7	10.6	11.6	12.7
CUTE (F)	3.3	3.7	4.1	4.6	5.1
Cargo Charges (G)	0.0	0.0	0.0	0.0	0.0
Total Projected Revenues without increased UDF (H = A+B+C+D+E+F+G)	40.6	45.5	51.2	57.5	64.7
Target Aero Revenue	70.2	82.6	97.3	114.7	135.3
Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	29.5	37.1	46.1	57.1	70.6
PV value of shortfall as on 01.04.2016 with Discount rate (14.00%)	29.5	32.5	35.4	38.6	41.8
Total PV of shortfall as on 01.04.2016 for the control period	177.9				
UDF with revised rates proposed by AAI (I)	26.4	70.0	175.5	205.3	240.0
Total Projected Revenues with increased UDF (J = H-C+I)	40.6	85.7	193.0	224.7	261.5
Target Aero Revenue	92.5	108.8	128.2	151.1	178.2
Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	51.8	23.2	-64.8	-73.5	-83.3
PV value of short fall (+)/ excess (-) revenue as on 01.04.2016 with Discount rate (14.00%)	51.8	20.3	-49.9	-49.6	-49.3
Total PV of short fall (+)/ excess (-) difference as on 01.04.2016 for the control period	-76.6				

17.9. Hence, the Authority had proposed to reduce the tariffs as submitted by AAI such that



the ARR is recovered through the revised tariffs. Accordingly, the UDF per departing passenger for domestic and international passengers is revised as per Table 51 to be applicable from 01.12.2017.

17.10. 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 w.e.f. 01.12.2017.

17.11. 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 51 - 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
Housing Charges			
Up to 40 MT	-		
Above 40 MT up to 100 MT	-		
Above 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
Parking Charges			
Up to 100 MT	₹ 4.1 Per Hour Per MT		
Above 100 MT	₹ 410 + ₹ 5.4 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	₹ 75 + ₹ 4 per Hour



Particular	Existing Tariff	Revised tariff by AAI	Revised tariff proposed by Authority
		per MT in excess of 25 MT	per MT in excess of 25 MT
Above 50 MT up to 100		₹ 175 + ₹ 8 per MT per Hour in excess of 50 MT	₹ 175 + ₹ 8 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	₹ 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
Throughput Charges			
Rate per KL	₹ 106.75	₹ 112.1	₹ 112.1
Passenger Service Fee (PSF) – Facilitation			
Domestic Passenger (per embarking passenger)	₹ 77 per embarking passenger	₹ 350 per embarking passenger	Nil
	\$ 1.93 per embarking passenger	\$ 5.83 per embarking passenger	Nil
International Passenger (per embarking passenger)	₹ 77 per embarking passenger	₹ 700 per embarking passenger	Nil
	\$ 1.93 per embarking passenger	\$ 11.67 per embarking passenger	Nil
User Development Fee (UDF) (UDF proposed by Authority instead of PSF(FC) above)			
Domestic Passenger (per embarking passenger)	Nil	Nil	₹ 260
International Passenger (per embarking passenger)	Nil	Nil	₹ 529
Passenger Service Fee (PSF) – Security*			
Domestic Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25
International Passenger (per embarking passenger)	₹ 130	₹ 130	₹ 130
	\$ 3.25	\$ 3.25	\$ 3.25

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



17.12. 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.

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

17.12.2. Yearly increase of 5% per annum every subsequent year (FY 2018-19 onwards) in fuel throughput charges during the 2nd control period

17.12.3. Yearly increase of 4% per annum every subsequent year (FY 2018-19 onwards) in parking and housing charges during the 2nd control period

17.13. The estimated aeronautical revenues based on tariffs as proposed by the Authority is indicated in Table 52.

Table 52 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2nd control period

Projected Aero Revenue based on Authority 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)	0.1	0.1	0.2	0.2	0.2
UDF/ PSF as per existing rates (C)	26.4	29.8	33.7	38.1	43.2
Fuel Throughput (FTP) + Into Plane (ITP) and lease rentals (D)	2.0	2.2	2.6	3.0	3.4
Ground Handling Charges and lease rentals (E)	8.9	9.7	10.6	11.6	12.7
CUTE (F)	3.3	3.7	4.1	4.6	5.1
Cargo Charges (G)	0.0	0.0	0.0	0.0	0.0
Total Projected Revenues without increased UDF (H = A+B+C+D+E+F+G)	40.6	45.5	51.2	57.5	64.7
Target Aero Revenue	70.2	82.6	97.3	114.7	135.3
Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	29.5	37.1	46.1	57.1	70.6
PV value of shortfall as on 01.04.2016 with Discount rate (14.00%)	29.5	32.5	35.4	38.6	41.8
Total PV of shortfall as on 01.04.2016 for the control period	177.9				
UDF with revised rates proposed by Authority (I)	26.4	57.2	130.8	152.9	178.8



Projected Aero Revenue based on Authority proposed tariffs (₹ crore)	2016-17	2017-18	2018-19	2019-20	2020-21
Total Projected Revenues with increased UDF (J = H-C+I)	40.6	72.9	148.3	172.3	200.3
Target Aero Revenue	84.9	99.9	117.7	138.7	163.6
Short fall (+)/ Excess (-) in revenue, i.e. difference (Projected – Permissible)	44.2	27.0	-30.6	-33.6	-36.7
PV value of short fall (+)/ excess (-) revenue as on 01.04.2016 with Discount rate (14.00%)	44.2	23.7	-23.5	-22.7	-21.7
Total PV of short fall (+)/ excess (-) difference as on 01.04.2016 for the control period	0.0				

17.14. The Authority noted that AAI has taken 6% inflation rate while determining the Yield per Passenger for tariff years in the 2nd 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 2nd control period to 4.2%.

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

17.16. The Authority notes that ASQ rating at civil enclave Goa 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 53 – Quarterly ASQ rating of civil enclave at Goa during the 1st control period

Quarter	2012	2013	2014	2015	2016
Q1		4.02	4.05	4.19	4.79
Q2		4.00	4.15	4.73	4.86
Q3		4.03	4.21	4.72	4.40
Q4	4.08	3.98	4.30	4.65	4.30
Average	4.08	4.01	4.18	4.57	4.59

17.17. Based on the material before it and its analysis, the Authority proposed the Order no. 16/2017-18



following:

- 17.17.1. To accept Annual Tariff Proposals as given in Table 51 (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 Goa.
- 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 the Authority while determining aeronautical tariffs for the 3rd control period

Stakeholders' comments and Authority's observations

IATA's comments

17.18. In response to tariff card, IATA submitted that similar to comments made at previous submission, we request that there are no differential tariffs between domestic and international flights, unless there is a cost that justifies such a differential.

AAI's submission to IATA's comments

17.19. In regards to IATA's comments on differential tariffs for domestic and international, AAI stated that the differential landing charges for domestic and International carriers have been worked out considering market conditions. Such practice of charging different rates for domestic and international carriers is prevalent at many foreign airports also.

In Indian context, the tariff for domestic and international flights are different in all the private Airport Operators and AAI operated Airports.



The turnaround time is more in case of International passengers than the domestic passengers. The common facilities available at the Airports are used more by the International passengers than the Domestic passengers, so they are charged more than domestic passengers.

Authority's examination of IATA's comments and AAI's submission to IATA's comments

17.20. With respect to the tariff differential between international and domestic operations, the Authority notes that the airport has to set up facilities such as immigration, customs, etc. for international operations. For international passengers, facilities required are more and therefore the costs also vary. Hence, the Authority is of the view that international tariffs can be higher than the domestic tariffs.

ATA's comments

17.21. 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.

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

17.23. 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.

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

17.25. 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

Order no. 16/2017-18



17.26. 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.

17.27. With respect to ATA's 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.

17.28. 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

17.29. 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 the 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.

17.30. With respect to overall benchmark for service quality levels, the Authority has proposed to undertake a pilot study to assess the monitoring of 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.

17.31. 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 the ANS charges.

IOCL's comments

17.32. 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 Goa. 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

17.33. 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 2nd 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

17.34. The fuel throughput charges proposed by AAI for Goa 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

17.35. With respect to IOCL's and HPCL's comment on determining FTC on prospective basis, the Authority notes that the FTC at civil enclave Goa 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

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

- 17.36.1. **Ground Handling (GH) Charges:** Though the income from GH charges and 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.

17.36.2. **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.

17.36.3. **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

17.36.4. **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.

17.36.5. **Para 12b of Consultation Papers (waiving of landing and other**
Order no. 16/2017-18



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.

17.36.6. 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

Order no. 16/2017-18

90



17.37. 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.

17.38. 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.

17.39. 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.

17.40. 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

17.41. 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 Goa 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.

17.42. 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 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.

17.43. 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.

17.44. 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.

17.45. BAOA has commented on the difficulty in implementation of waiver of landing and other charges to RCS flights due to delay in development of facilities at major airports. In this regard, BAOA has requested the Authority to monitor timely development of aeronautical infrastructure at all major airports. The Authority does not see any difficulty in waiving of charges for the RCS flights. While determining the tariffs, the Authority considers the timely investments in improvement of airport facilities. Moreover, the Authority will undertake a pilot project to monitor the service quality parameters at the major airports based on which further steps will be taken to monitor service levels at all major airports. There is also a consultation mechanism in place to ensure that airport expansion takes place in a systematic manner.

AAI's comments

Order no. 16/2017-18



17.46. 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

17.47. 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. 13. Tariff rate card

13.a. The Authority decides to determine the Annual Tariff as given in Table 51 (and Annexure) for the 2nd control period. The Authority decides to increase the 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

13.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 09.02.2004 in order to encourage and promote intra-regional connectivity at civil enclave Goa.

13.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.

13.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.

13.e. The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by the Authority while determining aeronautical



tariffs for the 3rd control period.



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AERA

18. Summary of Orders

Decision no. 1. Methodology for tariff determination.....	8
Decision no. 2. True-up for the 1 st control period.....	20
Decision No. 3. Traffic Forecast.....	23
Decision No. 4. Allocation of assets between Aeronautical and Non-aeronautical services....	29
Decision No. 5. Opening Regulatory Asset Base for the 2 nd control period.....	30
Decision no. 6. Capital Expenditure	49
Decision No. 7. Treatment of Depreciation	52
Decision No. 8. RAB for 2 nd control period	54
Decision No. 9. FRoR	57
Decision No. 10. Non Aeronautical Revenues.....	62
Decision No. 11. Operation and Maintenance expenditure	73
Decision No. 12. Taxation.....	76
Decision No. 13. Tariff rate card	93

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AERA

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 Goa 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 1st April of each Tariff Year, during the current Control Period with increase in tariffs as specified under Decision no. 13.

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

सत्यमेव जयते


(Puja Jindal)
Secretary

To,

Airports Authority of India

Rajiv Gandhi Bhavan

Safdarjung Airport

New Delhi -110003

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List of Tables

Table 1 - Passenger and ATM traffic during the 1 st control period at civil enclave Goa	2
Table 2 - Technical and Terminal building details of civil enclave Goa	2
Table 3 - Summary of stakeholders' comments	4
Table 4 - Opening RAB for the 1 st control period as per AAI	11
Table 5 - ARR as per AAI for the 1 st control period – Single till	11
Table 6 - Aeronautical revenue earned for the 1 st control period as per AAI Submission – Single till ..	12
Table 7 - ARR and its resultant shortfall as per AAI for 1 st control period – Single till	12
Table 8 - Depreciation rates as submitted by AAI	13
Table 9 - The Authority's consideration on depreciation for 1 st control period – Single till	14
Table 10 - Authority's consideration of average RAB for 1 st control period – Single till	15
Table 11 - Comparison of NAR as considered by AAI and the Authority for 1 st control period	15
Table 12 - Summary of CHQ/ RHQ Overheads as submitted by AAI for 1 st control period	16
Table 13 - Summary of O&M expenditure as per the Authority for 1 st control period -Single till	17
Table 14 - Revised amount of Tax as considered by Authority for the 1 st control period	18
Table 15 - ARR as per Authority for the 1 st control period – Single till	19
Table 16 - ARR, yield and shortfall as per Authority for 1 st control period – Single till	19
Table 17 - Traffic Growth rates assumed by AAI for the 2 nd control period	22
Table 18 - CAGR for Traffic at Civil enclave Goa	22
Table 19 - Traffic growth rates and traffic as considered by Authority for the 2 nd control period	23
Table 20 - Allocation of gross block of assets as on 01.04.2016 between aeronautical and non- aeronautical services as submitted by AAI	24
Table 21 - Workings of Terminal Area Ratio calculation as submitted by AAI for FY 2015-16	25
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	26
Table 23 - Allocation of gross block of assets as on 01.04.2016 between aeronautical and non- aeronautical services as considered by the Authority	27
Table 24 - Calculation of opening RAB as on 1 st April 2016 as per AAI submission – Hybrid Till	30
Table 25 - Calculation of opening RAB as on 1 st April 2016 as per the Authority – Hybrid Till	30
Table 26 - Aeronautical assets to be capitalized at civil enclave Goa for 2 nd control period as per AAI	31
Table 27 - Details of cost per unit area of Terminal Building and Taxi way as per AAI for the capital expenditure in 2 nd control period	35
Table 28 - Capital expenditure for terminal building, apron and PTT as proposed by the Authority ..	36
Table 29 - Details of cost for construction of PTT and other works	37
Table 30 - Capital Expenditure for PTT and other works to be borne by AAI and Indian Navy as proposed by the Authority	38
Table 31 - Revised aeronautical capital expenditure for 2 nd control period as considered by the Authority	39
Table 32 - Depreciation rates as submitted by AAI and as considered by the Authority	51
Table 33 - Authority's consideration on depreciation for the 2 nd control period – Hybrid till	52
Table 34 - Summary of the RAB and Depreciation for civil enclave Goa (Airport Services) as per AAI for the 2 nd control period	53
Table 35 - Summary of forecast and Roll forward RAB and Depreciation for civil enclave Goa (Airport Services) considered by the Authority for 2 nd control period – Hybrid till	53
Table 36 - Revenue from Non-aeronautical Services – Projected by AAI for 2 nd control period	58
Table 37 - Assumption (growth rates) for Service other than Regulated Services for the 2 nd Control	



Period as per AAI	58
Table 38 – Details of land allotted to ground handling in 2 nd control period	60
Table 39 – Adjustment to Revenue from Non-aeronautical Services considered by Authority for 2 nd control period	61
Table 40 - Summary of Aeronautical O&M expenditure as submitted by AAI for 2 nd control period on hybrid till	64
Table 41 – Assumptions made by AAI for each item of O&M expenditure	65
Table 42 – O&M Expense allocation as submitted by AAI	65
Table 43 – Total O&M expenditure for FY 2015-16 as proposed by the Authority	68
Table 44 – Expense allocation between aeronautical and non-aeronautical services proposed by the Authority	68
Table 45 - Summary of Aeronautical O&M expenditure as per the Authority for the 2 nd control period as per hybrid till	69
Table 46 - Amount of Tax for aeronautical services as per AAI submission and as calculated by the Authority for the 2 nd control period - Hybrid till	76
Table 47 - Amount of Tax for aeronautical services as calculated by the Authority for the 2 nd control period - Hybrid till	76
Table 48 - ARR and Yield as per AAI for the 2 nd control period – Hybrid till	77
Table 49 - ARR and Yield as per Authority for the 2 nd control period – Hybrid till	78
Table 50 - Projected Revenue, Target Revenue and shortfall/ excess based on AAI proposed tariffs for the 2 nd control period applicable from 01.12.2017	80
Table 51 - Revised aeronautical tariffs as submitted by AAI and as proposed by the Authority	81
Table 52 - Projected Revenue, Target Revenue and shortfall as per the Authority for the 2 nd control period	83
Table 53 – Quarterly ASQ rating of civil enclave at Goa during the 1 st control period	84



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	Housing Charges Rates per Hour
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 take-off.
- 2) For calculating chargeable parking time, part of an hour shall be rounded off to the nearest 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 Goa Airport 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

Notes

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 1 st day of the month for 1 st fortnightly billing period and rate as on 16 th of the month for the 2 nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

IV) USER DEVELOPMENT FEE (UDF)

Domestic UDF per embarking passenger	₹ 260
International UDF per embarking passenger	₹ 529

Notes

1)	Collection Charge: 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 st fortnight and rate as on 15 th of the month for tickets issued in the 2 nd 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

Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
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 take-off.
2)	For calculating chargeable parking time, part of an hour shall be rounded off to the nearest 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 Goa Airport 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 ₹)
117.7

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

Notes

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 1st day of the month for 1st fortnightly billing period and rate as on 16th of the month for the 2nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

IV) USER DEVELOPMENT FEE (UDF)

Domestic UDF per embarking passenger	₹ 270
International UDF per embarking passenger	₹ 550

Notes

1)	Collection Charge: 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 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd 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.

भा.वि.आ.वि.प्रा.



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

I) PARKING AND HOUSING CHARGES

Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
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 take-off.
2)	For calculating chargeable parking time, part of an hour shall be rounded off to the nearest 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 Goa Airport 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 ₹)
123.59

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

Notes

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 1 st day of the month for 1 st fortnightly billing period and rate as on 16 th of the month for the 2 nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

IV) USER DEVELOPMENT FEE (UDF)

Domestic UDF per embarking passenger	₹ 281
International UDF per embarking passenger	₹ 572

Notes

1)	Collection Charge: 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 st fortnight and rate as on 15 th of the month for tickets issued in the 2 nd 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.



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

I) PARKING AND HOUSING CHARGES

Weight of the Aircraft	Parking Charges Rates per Hour	Housing Charges Rates per Hour
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 take-off.
2)	For calculating chargeable parking time, part of an hour shall be rounded off to the nearest 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 Goa Airport 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 ₹)
129.77

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

Notes

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 1 st day of the month for 1 st fortnightly billing period and rate as on 16 th of the month for the 2 nd fortnightly billing period shall be adopted. If the payment is made within 15 days of receipt of bills, then collection at 2.5% of PSF per passenger is payable.

IV) USER DEVELOPMENT FEE (UDF)

Domestic UDF per embarking passenger	₹ 292
International UDF per embarking passenger	₹ 595

Notes

1)	Collection Charge: 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 st fortnight and rate as on 15 th of the month for tickets issued in the 2 nd 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.

