

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

Order No. 44/ 2018-19



Airports Economic Regulatory Authority of India

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In the matter of Determination of Aeronautical Tariffs in respect of Coimbatore Airport for the First Control Period (01.04.2018 – 31.03.2023).

06th March, 2019

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AERA Building

Administrative Complex

Safdarjung Airport

New Delhi – 110 003



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1. LIST OF ABBREVIATIONS

AAI	Airport Authority of India	GOI	Government Of India
ACI	Airports Council International	HPCL	Hindustan Petroleum Corporation Limited
AERA or the Authority	Airport Economic Regulatory Authority of India	INR or ₹	Indian rupees
Aero	Aeronautical	K_e	Cost of equity
Airport Guidelines	AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28 February 2011	M or m	meter
ANS	Air Navigation Service	MESS	Mechanized Environmental Support Services
ARR	Aggregate Revenue Requirement	MoCA	Ministry of Civil Aviation
ASQ	Airport Service Quality	MoU	Memorandum of Understanding
ATC	Air Traffic Control	MT	Million tonne
ATM	Air traffic movement	MYTP	Multi Year Tariff Proposal
BCAS	Bureau of Civil Aviation Security	NAR or Non-Aero	Non-Aeronautical Revenue
CAGR	Compounded Annual Growth Rate	NCAP	National Civil Aviation Policy 2016
CAPEX	Capital Expenditure	NIPFP	National Institute of Public Finance and Policy
CHQ	Central Headquarters	O&M	Operations and Maintenance
Coimbatore Airport	Coimbatore International Airport	Opex	Operating Expenditure
CP&MS	Corporate Planning & Management Systems	P&L	Profit and Loss
CSR	Corporate Social Responsibility	p.a.	Per annum
CUTE	Common User Terminal Equipment	PAX	Passenger(s)
DGCA	Directorate General of Civil Aviation	PDC	Post-date of Completion
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization	PSF	Passenger Service Fee
FIA	Federation of Indian Airlines	PV	Present value
FIDS	Flight Information Display Systems	RAB	Regulated Asset Base
FRoR	Fair Rate of Return	RHQ	Regional Headquarters
FY	Financial Year	sq.m.	Square Meter
		T.R. Stall	Travelers' Requisite Stall
		UDF	User Development Fee
		w.e.f.	with effect from
		XIBS	X-ray Baggage System
		YoY	Year-on-Year



2. INTRODUCTION

2.1. Coimbatore International Airport ("Coimbatore Airport") is located in Peelamedu, 13 kilometers from Coimbatore city, in the state of Tamil Nadu. Coimbatore Airport commenced operations in 1940 as a civil aerodrome. Later, the airport was modernized with an extended runway to accommodate larger aircrafts and was reopened in 1987. Presently, Coimbatore airport serves six domestic and two international airlines, making it the second busiest airport in the state and 19th busiest airport in India; operated by Airports Authority of India ("AAI").

2.2. Technical details of Coimbatore Airport are given in Table 1.

Table 1: Technical Details of Coimbatore Airport

Particulars	Details
Total land area available	Total land acquired: 420.33 acres Lease land : 60.95 acres
Total built-up area of Integrated Terminal Building (ITB)	22,060 square meter (sq.m.) (including canopy area)
Runway	Orientation: Runway 05/23 Dimension: 2990 x 45 meter (m)
Apron	<ul style="list-style-type: none">• Dimension: 428 x 125 M (52,875 sq.m.), capacity: 08 parking bays• New Apron Dimension: 7,511 sq.m., capacity: 02 parking bays; yet to be commissioned
Taxiways	Taxiway A, B, C, D & E
ATC	24 hours of operation
Peak hour capacity	<ul style="list-style-type: none">• Domestic Departure: 350 passengers Arrival: 350 passengers• International Departure: 150 passengers Arrival: 150 passengers
Check-in Counter	<ul style="list-style-type: none">• Number of CUTE counters: 24• Number of CUSS/Self Check-in counters: 05
Other Details	<ul style="list-style-type: none">• Fire Category of Coimbatore airport is Category VII• Aerodrome Reference Code of Coimbatore airport is: 4C• Aircraft suitability at Coimbatore airport: Up to B 737-900 / A 321

2.3. Coimbatore Airport handled 2,104,904 passengers in 2016-17 thereby falling under the definition of major airport as per section 2(i) of the AERA Act. Therefore, the Airport is mandatorily required to follow the Guidelines issued by the Authority and submit its tariff proposal before the Authority for tariff determination.



3. SUMMARY OF STAKEHOLDERS' COMMENTS ON CP NO. 26/2018-19

3.1. In response to Consultation Paper No. 26/2018-19, the Authority received several responses from stakeholders. The list of stakeholders, who have commented on the Consultation Paper is presented in Table 2 below.

Table 2: Summary of stakeholders' comments

S. No.	Stakeholder	Issues commented
1.	AAI	<ul style="list-style-type: none">• Regulatory Asset Base ("RAB")• Quality of Service• Revenue from Aeronautical Services
2.	Hindustan Petroleum Corporation Limited ("HPCL")	<ul style="list-style-type: none">• Revenue from Aeronautical Services
3.	Federation of Indian Airlines ("FIA")	<ul style="list-style-type: none">• Methodology for Tariff Calculation• Traffic Forecast• RAB• Revenue from Non-Aeronautical Services• Quality of Service• ARR and Shortfall Computation• Revenue from Aeronautical Services

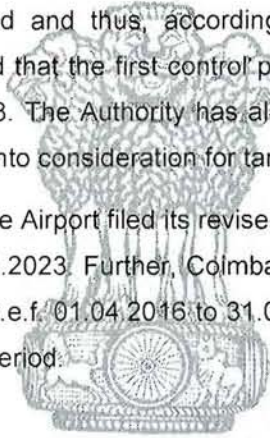
3.2. The Authority has carefully considered comments made by stakeholders and has obtained response from AAI on these comments. The position of the Authority in its Consultation Paper No. 26/2018-19, issue-wise comments of the stakeholders on the Consultation Paper, response of AAI thereon, Authority's examination, and its decision are given in the relevant sections of this order.

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4. MULTI YEAR TARIFF PROPOSAL SUBMITTED BY COIMBATORE AIRPORT

- 4.1. Coimbatore Airport filed its original MYTP submission on 25.10.2017 for the first control period from 01.04.2016 to 31.03.2021.
- 4.2. The Authority noted that more than 2 years had already elapsed in the first control period proposed by AAI, which might require a significant change in tariff during the remaining control period to match the Aggregate Revenue Requirement ("ARR"). It is also likely that the tariff would need to be reduced significantly for the next control period. Such steep changes in tariff are best avoided and thus, accordingly, the Authority vide letter to AAI dated 29.06.2018 has proposed that the first control period for Coimbatore Airport should be from 01.04.2018 to 31.03.2023. The Authority has also clarified that the shortfall of the prior first two years may be taken into consideration for tariff determination.
- 4.3. Subsequently, Coimbatore Airport filed its revised MYTP on 09.10.2018 for the control period from 01.04.2018 to 31.03.2023. Further, Coimbatore Airport in its revised MYTP submission has calculated shortfall w.e.f. 01.04.2016 to 31.03.2018 and included in the present value of ARR for the first control period.



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5. METHODOLOGY FOR TARIFF CALCULATION

- 5.1. The methodology adopted by the Authority to determine tariff is based on AERA Act, 2008 and the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28 February 2011. The ARR is first calculated by providing for depreciation, return on the RAB, the operations and maintenance ("O&M") expenses, and taxes. The present value of total aeronautical revenues that is estimated to be realized each year during the control period at proposed tariff levels is compared with the present value of the ARR during the control period. In case the present value of aeronautical revenues during the control period is lower than the present value of ARR during the control period, the airport operator may opt to increase the proposed tariff. In case the present value of aeronautical revenues is higher than the present value of the ARR then the airport operator will have to suitably reduce its tariff.
- 5.2. Further, tariff is based on 'hybrid till' method wherein 30% of non-aeronautical revenues is used to cross-subsidize ARR (Order No. 14/ 2016-17 "In the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy-2016 (NCAP-2016) approved by the Government of India" dated 12.01.2017).
- 5.3. The Authority shall determine the ARR for the current control period on the basis of the following Regulatory Building Blocks:
- 5.3.1. Regulatory Asset Base (RAB)
- 5.3.2. Depreciation (D);
- 5.3.3. Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);
- 5.3.4. Operation and Maintenance Expenditure (O);
- 5.3.5. Taxation (T);
- 5.3.6. Revenue from services other than aeronautical services (NAR).
- 5.4. Based on the building blocks provided above, the formula for determining ARR under Hybrid Till is as follows:

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

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - 30\% \text{ of } NAR_t$$

Where

't' is the Tariff Year in the Control Period;

ARR_t is the Aggregate Revenue Requirement for year 't';

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

RAB_t is the Regulatory Asset Base for the year 't';



D_t is the Depreciation corresponding to the RAB for the year 't';

O_t is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandated operating costs;

T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and

NAR_t is revenue from services other than aeronautical services for the year 't'

- 5.5. The detailed submissions provided by Coimbatore Airport in respect of the opening RAB, additions to RAB, and other items of the Regulatory Building Blocks have been discussed in the subsequent sections.

Stakeholder comments and the Authority's observations

Comments from FIA

- 5.6. Regarding Methodology for Tariff Calculation, FIA submitted that-

"FIA submits that as per para 4.2 & 4.3 of the Consultation Paper, it is stated that the Authority shall determine tariffs for Coimbatore Airport using the Hybrid Till model. It is to be noted that FIA has from time to time, advocated the application of a Single Till model across the airports in India. FIA submits that Single Till is premised on the following legal framework being:

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

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

(i) Fair Rate of Return applied to the Regulatory Asset Base

(ii) Operation & Maintenance Expenditure

(iii) Depreciation

(iv) Taxation

(v) Revenues from services other than aeronautical services

(c) It is submitted that determination of aeronautical tariff warrants a comprehensive evaluation of the economic model and realities of the airport – both capital and revenue elements. AERA's approach of Hybrid Till for Coimbatore Airport deserves to be discarded.

(d) In the Single Till Order, Authority has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the Authority in its inter alia Single Till Order has:

(i) Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.

(ii) Taken into account the legislative intent behind Section 13(1)(a)(v) of the AERA Act.

(iii) Concluded that the Single Till is the most appropriate for the economic regulation of major airports in India.



(iv) The criteria for determining tariff after taking into account standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO.

(v) The Authority in its AERA Guidelines (Clause 4.3) has followed the Single Till approach while laying down the procedure for determination of ARR for Regulated Services. In this respect, the matter must be dealt with by the Authority considering the ratio pronounced by the Constitutional Bench in the Hon'ble Supreme Court Judgment in PTC vs. CERC reported as (2010) 4 SCC 603 (please ref: Paragraph Nos. 58 to 64 at Page Nos. 639 to 641) wherein it is specifically stated that regulation under an enactment/statute, as a part of regulatory framework, intervenes and even overrides the existing contracts between the regulated entities inasmuch as it casts a statutory obligation on the regulated entities to align their existing and future contracts with the said regulations.

(vi) The fundamental reasoning behind 'Single Till' approach is that if the consumers/passengers are offered cheaper air-fares on account of lower airport charges, the volume of passengers is bound to increase leading to more foot-fall and probability of higher non-aeronautical revenue. The benefit of such non aeronautical revenue should be passed on to consumers/passengers and that can be assured only by way of lower aeronautical charges. It is a productive chain reaction which needs to be taken into account by the Authority.

(e) FIA therefore submits as under:

(i) Single Till Model ought to be applied to ALL the airports regulated and operated by the Authority regardless of whether it is a public or private airport or works under the PPP model and in spite of the concession agreements as the same is mandated by the statute.

(ii) Single Till is in the public interest and will not hurt the investor's interest and given the economic and aviation growth that is projected for India, Fair Rate of Return (FRoR) alone will be enough to ensure continued investor's interest.

(iii) MoCA's view(s) with respect to any issue at best can be considered as that of a Stakeholder and by no means are binding to Authority's exercise of determination of aeronautical tariff as is admitted by MoCA itself before the AERAAT.

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

Authority's examination of FIA's comments

5.7. With respect to FIA's comments related to the regulatory till applicable for Coimbatore Airport, 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.



6. TRAFFIC FORECAST

- 6.1. As per the Airport Guidelines, the airport operator is required to submit traffic forecasts as part of the MYTP submissions. The Airport Guidelines further provide that the Authority would reserve the right to review such forecast assumptions, methodologies and processes to determine the final forecast to be used for determination of tariffs. The Guidelines further state that the Authority will also use forecast correction mechanism if the actual traffic happens to fall outside the prescribed bands whilst keeping the upper and lower band percentages equal. As part of the tariff determination process, the Authority would require Airport Operator to provide proposal for the values of the upper and lower bands, support of evidence for the rationale behind such bands and will review the operation of the bands and determine the final bands for tariff determination. As per the Guidelines (Clause 6.15.2), any variation outside these bands would be shared equally between the Airport Operator and users.
- 6.2. As per Coimbatore's submission, the traffic data has been updated up to the FY 2017-18. The passenger traffic growth has been taken as 9% per annum (p.a.) and as 15% p.a. for domestic and international respectively, and for air traffic movement ("ATM" traffic) the growth has been taken as 8% p.a. and 15% p.a. for domestic and international respectively for FY 2018-2023 as per data given by department of CP&MS of AAI.
- 6.3. The projected passenger and ATM traffic along with their YOY growth rates as considered by Coimbatore Airport is provided in Table 3 and Table 4 respectively.

Table 3: Projected annual passenger traffic as per Coimbatore Airport submission

Financial Year	Domestic	YOY growth (Domestic)	International	YOY growth (International)
FY 18-19*	23,98,211	9.00%	2,34,302	15.00%
FY 19-20	26,14,050	9.00%	2,69,447	15.00%
FY 20-21	28,49,315	9.00%	3,09,865	15.00%
FY 21-22	31,05,753	9.00%	3,56,344	15.00%
FY 22-23	33,85,271	9.00%	4,09,796	15.00%

Table 4: Projected annual ATM traffic as per Coimbatore Airport submission

Financial Year	Domestic	YOY growth (Domestic)	International	YOY growth (International)
FY 18-19*	21,670	8.00%	1,199	15.00%
FY 19-20	23,404	8.00%	1,379	15.00%
FY 20-21	25,276	8.00%	1,585	15.00%
FY 21-22	27,298	8.00%	1,823	15.00%
FY 22-23	29,482	8.00%	2,097	15.00%

*Traffic for FY 2018-19 has been considered proportionately for operational period starting from 01.10.2018

Authority's Examination



6.4. The analysis of historical trend of passenger traffic and ATM of Coimbatore Airport are summarized in Table 5 and Table 6, respectively. The historical traffic data has been sourced from AAI Traffic News.

Table 5: 10-year historical passenger traffic data of Coimbatore Airport

Year	Domestic	YOY Rate of Growth	International	YOY Rate of Growth	Total Traffic (Domestic + International)
2007-08	10,10,517		52,288		
2008-09	9,21,282	-8.83%	89,535	71.23%	10,10,817
2009-10	10,14,791	10.15%	94,546	5.60%	11,09,337
2010-11	11,43,469	12.68%	1,00,354	6.14%	12,43,823
2011-12	12,43,107	8.71%	1,02,274	1.91%	13,45,381
2012-13	11,85,407	-4.64%	1,12,397	9.90%	12,97,804
2013-14	11,24,743	-5.12%	1,19,565	6.38%	12,44,308
2014-15	13,05,948	16.11%	1,23,250	3.08%	14,29,198
2015-16	15,60,092	19.46%	1,31,461	6.66%	16,91,553
2016-17	19,64,709	25.94%	1,40,195	6.64%	21,04,904
2017-18	22,00,194	11.99%	2,03,741	45.33%	24,03,935
Simple average-5 years	13.67%		13.62%		
Simple average-10 years	8.64%		16.29%		
CAGR-5 Years	18.26%		14.25%		17.90%
CAGR-10 Years	10.16%		9.57%		10.10%

Table 6: 10-year historical ATM traffic data of Coimbatore Airport

Year	Domestic	YoY Rate of Growth	International	YoY Rate of Growth	Total Traffic (Domestic + International)
2007-08	15,442		915		
2008-09	14,355	-7.04%	926		15,281
2009-10	14,346	-0.06%	850	-8.21%	15,196
2010-11	13,423	-6.43%	853	0.35%	14,276
2011-12	13,710	2.14%	862	1.06%	14,572
2012-13	12,006	-12.43%	846	-1.86%	12,852
2013-14	12,400	3.28%	949	12.17 %	13,349
2014-15	16,760	35.16%	931	-1.90%	17,691
2015-16	16,982	1.32%	953	2.36%	17,935
2016-17	19,710	16.06%	1,012	6.19%	20,722
2017-18	20,065	1.80%	1,530	51.19%	21,595
Simple average-5 years	11.53%		14.00%		
Simple average-10 years	3.38%		6.82%		
CAGR-5 Years	12.79%		12.68%		12.78%



CAGR- 10 Years	3.79%		5.74%		3.92%
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6.5. The Authority has examined the growth assumptions considered by Coimbatore Airport in its submission for projected passenger traffic for the first Control Period. The Authority noted that Coimbatore Airport has taken a conservative estimate for domestic passenger growth rate of 9% p.a. from FY 2019-20 to FY 2022-23 as given in Table 3, as compared to its 10-years compounded annual growth rate ("CAGR") of 10.16%, as given in Table 5. Further, the Authority notes that Coimbatore has witnessed high growth in domestic passenger traffic in recent years as compared to 10-year CAGR. The Authority is of the view that 10-year CAGR may not be an appropriate benchmark to project traffic during the first control period. Simple average of growth rates of domestic traffic of the past 5 years works out to 13.67% p.a. Accordingly, the Authority has decided to consider growth rate rounded off to 13.5% p.a. in domestic traffic during the first control period as a more reasonable estimate. Further, on careful examination of international passenger traffic of Coimbatore Airport, the Authority has decided to accept the growth rate projected for the international passenger, of 15% p.a. in FY 2019-20 to FY 2022-23, as the same appears to be reasonable. Accordingly, the revised passenger traffic decided by the Authority is given in Table 7 below.

Table 7: Projected annual passenger traffic as per the Authority's Examination

Financial Year	Domestic	YOY growth (Domestic)	International	YOY growth (International)	Total passenger traffic
FY 18-19	24,97,220	13.50 %	2,34,302	15.00%	27,31,522
FY 19-20	28,34,345	13.50 %	2,69,447	15.00%	31,03,792
FY 20-21	32,16,981	13.50 %	3,09,865	15.00%	35,26,846
FY 21-22	36,51,274	13.50 %	3,56,344	15.00%	40,07,618
FY 22-23	41,44,196	13.50 %	4,09,796	15.00%	45,53,992

6.6. The Authority has examined the growth in ATMs considered by Coimbatore Airport in its submission and is of the view that the growth rates considered by Coimbatore are reasonable. However, in its examination and discussion with Coimbatore Airport, the Authority noted that Coimbatore Airport has inadvertently considered incorrect international ATM traffic of 1,042 in FY 2017-18 as the basis of future growth in traffic. The correct figure as per AAI's Traffic News is 1,530 which the Authority has considered while computing international ATM projections. Accordingly, the traffic projections for both domestic and international ATM as per Authority is presented in Table 8.

Table 8: ATM traffic as estimated by the Authority

Financial Year	Domestic	YOY growth (Domestic)	International	YOY growth (International)	Total ATM traffic
FY 18-19	21,670	8.00%	1,760	15.00%	23,430
FY 19-20	23,404	8.00%	2,023	15.00%	25,427
FY 20-21	25,276	8.00%	2,327	15.00%	27,603
FY 21-22	27,298	8.00%	2,676	15.00%	29,974
FY 22-23	29,482	8.00%	3,072	15.00%	32,559

Stakeholder comments and the Authority's observations

Comments from FIA

6.7. Regarding the Traffic Forecast, FIA submitted that-

"FIA submits that for traffic projections at Coimbatore Airport, the Authority has considered historical passenger & ATM traffic from FY08 to FY18 from AAI traffic news and its projections for the first control period. FIA has observed that the Authority has done an upward revision in Coimbatore Airport projections for YoY growth rates for domestic passenger traffic from 9% to 13.5% from FY19 to FY23. Further, the growth rate projections submitted by AAI for international passenger traffic and ATMs (domestic + International) have been accepted by the Authority (refer table below). FIA submits that the Authority has not conducted its own independent study on traffic projections and broadly relied on the data provided by Coimbatore Airport. Further, as per Proposal 2(b) of the Consultation Paper, Authority has proposed to true up the passenger traffic and ATM for first control period based on actuals.

Passenger traffic

As per Table 4 of the Consultation Paper, the historical 5-year and 10-year CAGR for domestic passenger traffic is 18.26% and 10.16% respectively and 5-year CAGR and 10-year CAGR for international passenger traffic is 14.25% and 9.57% respectively.

As per Para 5.5 of the Consultation Paper, the Authority has considered a 13.5% growth rate for domestic passenger from FY19 to FY23 instead of 9% growth rate proposed by Coimbatore airport. Authority has considered growth rate of 13.5% for domestic passengers, basis past 5 year simple average. However, FIA submits that the same is lower than historical 5 year CAGR of 18.26% for domestic passengers

Hence, FIA submits that the Authority consider 5-year CAGR of 18.26% for YoY growth rate projections for domestic passenger traffic for the first control period.

Also, FIA observed a summation error in total passenger traffic. FIA submits that Authority should correct these numbers in final order.

Air traffic movement

As per Table 5 of the Consultation Paper, historical 5-year and 10-year CAGR for domestic ATM is 12.79% and 3.79% respectively and 5-year CAGR and 10-year CAGR for international ATM is 12.68% and 5.74% respectively

As per Para 5.6 of the Consultation Paper, Authority has considered an 8% growth rate for domestic ATM from FY19 to FY23 and considered a 15% growth rate for international ATM from FY19 to FY23, thereby accepting estimates proposed by Coimbatore airport. However, this is lower than historical 5-year CAGR of 12.79% for domestic ATM. Hence, FIA submits that Authority should consider the 5-year CAGR of 12.79% YoY growth rate projections for domestic ATM for the first control period.

FIA further submits that the basis of 8% growth rate in domestic ATM has not been explained by the Authority and simple average of 5 years growth rate i.e. 11.53% has not been considered while estimating domestic ATM projections. Authority has considered 5 year simple average rate for estimating passenger growth over the control period, however no such assumption is applied while projecting growth in domestic ATM.

Hence, Authority is inconsistent in its approach of considering year on year growth percentage in domestic passenger traffic v/s ATM. Also, the Authority has not considered qualitative factors affecting the traffic growth such as the UDAN scheme, double digit growth



in passengers across Indian airports in the last 4 years (as per the DGCA [Directorate General of Civil Aviation] domestic traffic reports).

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

AAI's submission on FIA's comments

"AAI had proposed passenger growth rate 9% YoY after considering the past trends, econometric analysis and regression analysis and various economic factors & policy framework. However AERA has considered 13.5% based on 5 year simple average. Even 13.5% may not sustain for longer period."

Authority's examination of FIA's comments

- 6.8. In response to FIA's comments regarding traffic, the Authority observed that growth in domestic passenger traffic and domestic ATM from FY2016-17 to FY2017-18 was only 11.99% and 1.8% p.a. respectively. In Authority's view 5-year CAGR may not be sustainable during the control period. Accordingly, growth rate of 13.5% for domestic passenger traffic and 8% p.a. for domestic ATM as decided seem to be reasonable estimates. Further, the summation error as pointed out by FIA has been rectified in this order.

Decision No. 1 Regarding Traffic Forecast

- 1.a. The Authority has decided to consider passenger traffic projections given in Table 7 and ATM traffic projections as given in Table 8.
- 1.b. The Authority has decided to true up the passenger and ATM traffic of the first Control Period based on actuals at the time of determination of tariff for the next Control Period.



7. REGULATORY ASSET BASE (RAB) AND DEPRECIATION

Opening RAB - Coimbatore Airport's submission

- 7.1. As per clause 5.2.4 of Airport Guidelines, opening RAB is to be calculated by taking into consideration the original cost of fixed asset, accumulated depreciation, accumulated capital receipts of the nature of contributions from stakeholders, adjustment for value of assets excluded from the scope of RAB and adjustment for value of the land excluded from the scope of RAB.
- 7.2. Coimbatore Airport has considered actual RAB for FY 2016-17 and FY 2017-18.
- 7.3. In its submission, Coimbatore Airport has mentioned that depreciation is calculated as per AAI's depreciation rate up to FY 2015-16; depreciation on RAB and addition to fixed asset FY 2016-17 and FY 2017-18 is calculated as per Companies Act, 2013. From FY 2018-19 onwards, depreciation is worked out as per rates prescribed by the Authority. Half year rate of depreciation is calculated for additions in assets in form 10(a) for first year of capitalization.
- 7.4. Accordingly, RAB during the first control period has been calculated as per the following steps:
- 7.4.1. Classification of gross block as on 01.04.2016 into aeronautical, non-aeronautical, common, cargo and air navigation service (ANS) assets;
- 7.4.2. Further bifurcation of common assets into aeronautical and non-aeronautical assets;
- 7.4.3. Determination of opening RAB as on 01.04.2016 by reducing accumulated depreciation up to 01.04.2016;
- 7.4.4. Additions during FY 2016-17 and FY 2017-18 to Opening RAB as on 01.04.2016;
- 7.4.5. Depreciation on opening RAB as on 01.04.2016 and additions to RAB during FY 2016-17 and FY 2017-18;
- 7.4.6. Determination of opening RAB as on 01.04.2018 after considering additions and depreciation during FY 2016-17 and FY 2017-18;
- 7.4.7. Additions to opening RAB as on 01.04.2018 during the first control period;
- 7.4.8. Depreciation on opening RAB as on 01.04.2018 and additions during the first control period;
- 7.4.9. Determination of RAB during the first control period after considering additions and depreciation during the first control period.
- 7.5. Coimbatore Airport in its submission has classified the opening gross block as on 01.04.2016 into aeronautical, non-aeronautical, common, cargo and ANS assets. Since cargo is separately managed by AAI Cargo Logistics And Allied Services Company Limited (AAI CLAASCL) and ANS also has a separate division, the assets of Coimbatore Airport are also divided among them. Accordingly, the division of assets of the airports is shown in Table 9.



Table 9: Gross block of assets as on 01.04.2016 and bifurcation into aeronautical, non-aeronautical and common assets as per Coimbatore Airport's submission (in ₹ lakhs)

Asset head	Aero	Non-Aero	Common	Cargo	ANS	Total
Runways, Taxiway & Aprons	6,858	-	-	-	-	6,858
Building-Terminal	1,328	79	3,785	200	99	5,491
Electrical Installations	3,241	1	861	-	40	4,143
Plant & Machinery	879	-	8	86	671	1,645
Road, Bridges & Culverts	351	-	-	-	-	351
Building-Temporary	46	-	-	-	-	46
Building-Residential	37	6	114	-	26	182
Security Fencing – Temporary	91	-	-	-	-	91
Boundary Wall – Operational	267	-	-	-	-	267
Boundary Wall – Residential	8	-	-	-	-	8
Computer & Peripherals – End User Devices	54	-	2	-	1	57
Computer & Peripherals – Servers & Networks	46	-	-	-	-	46
Computer Software – Intangible assets	48	-	-	-	-	48
Tools & Equipment	152	-	0	-	14	167
Other Vehicles	65	-	-	-	-	65
Vehicle- Cars & Jeeps	40	-	-	-	-	40
Other Office equipment	21	1	1	1	1	25
Furniture & Fixtures (Other than Trolley)	176	-	1	-	5	182
Furniture & Fixtures – Trolley	56	-	-	4	-	60
X Ray Baggage System (XIBS)	226	-	-	42	-	268
CFT/Fire Fighting Equipment	1,387	-	-	-	-	1,387
Grand Total	15,376	88	4,774	332	858	21,428

7.6. Opening common assets other than terminal building have been bifurcated into aeronautical and non-aeronautical on the basis of actual utilization of assets.

7.7. As per the submission of Coimbatore Airport, the total area of integrated terminal building was 19,000 sq.m. in FY 2016-17, of which 1,480 sq.m. is earmarked for non-aeronautical activities, constituting 7.79% of the total terminal building area. This allocation is given in Table 10 below.

Table 10: Terminal building area earmarked as non-aeronautical as per Coimbatore Airport (in sq.m.)

Particulars	Total area in sq.m. in FY 2016-17
Restaurant / Snack Bars	511.65
T.R. Stall	182.62
Duty Free Shop	31.50
Hoarding & Display	-
Building Non-Residential	729.92
Admission Tickets	4.46
Offices of AAI, commercial land & rest room	20.35
Total Non-Aeronautical area including seating area [A]	1,480.50
Total Terminal area (Other than canopy) [B]	19,000
% of Non-Aeronautical area to Terminal Building [C]= [A]/[B]	7.79 %



7.8. Accordingly, allocation of common assets into aeronautical and non-aeronautical, is given in Table 11 below.

Table 11: Classification of opening common assets into aeronautical as per Coimbatore Airport's submission (in ₹ lakhs)

Asset head	Total common assets	Aero	% of common assets as Aero	Remarks
Building- Terminal	3,785	3,490	92.21 %	As per terminal building area bifurcation in Table 10
Building – Residential	114	111	97.44 %	Based on actual allocation of quarters to employees
Computer & Peripherals – End User Devices	2	2	92.21 %	Based on actual utilization of assets
Plant & Machinery	8	8	92.21 %	
Tools & Equipment	0.35	0.32	92.21 %	
Electrical Installations	861	794	92.22 %	
Other Office equipment	1.41	1.33	94.61 %	
Furniture & Fixtures – Other than Trolley	11	1.02	92.21 %	
Total	4,774	4,408		

7.9. Gross opening RAB as on 01.04.2016 is computed by aggregating the aeronautical asset block as given in Table 9 and aeronautical proportion of common assets as given in Table 11.

7.10. Coimbatore Airport has submitted that depreciation on RAB up to FY 2015-16 is computed as per AAI's depreciation rates. Opening RAB as on 01.04.2016 has been computed by reducing accumulated depreciation up to FY 2015-16 from gross block as on 01.04.2016 as shown in Table 12.

Table 12: Opening RAB as in 01.04.2016 as per the submission of Coimbatore Airport (in ₹ lakhs)

Asset Block	Aeronautical Asset block as on 01.04.2016 [A]	Common Assets- Aero [B]	Less: accumulated depreciation as on 31.03.2016 [C]	Opening RAB as on 01.04.2016 [D]=[A]+[B]-[C]
Runways, taxiway and aprons	6,858		6,577	282
Terminal building	1,328	3,490	2,448	2,370
Electrical installation	3,241	794	2,810	1,225
Plant and Machinery	879	8	669	217
Roads bridges & culverts	351		347	4
Temporary Building	46		46	-
Residential Building	57	111	76	72
Security Fencing – Temporary	91		91	-



Asset Block	Aeronautical Asset block as on 01.04.2016 [A]	Common Assets- Aero [B]	Less: accumulated depreciation as on 31.03.2016 [C]	Opening RAB as on 01.04.2016 [D]=[A]+[B]-[C]
Boundary Wall – Operational	267		177	90
Boundary Wall – Residential	8		3	5
Computers – End User Devices	54	2	52	4
Computers – Servers & Networks	46		46	-
Computer software – Intangible Assets	48		48	-
Tools and Equipment	152	0	132	20
Other Vehicles	65		52	13
Vehicle- Cars and Jeeps	40		28	13
Other office equipment	21	1	16	6
Furniture & fixtures – other than trolley	176	1	156	21
Furniture & fixtures – Trolley	56		52	4
X-ray Baggage Sys. (XIBS)	226		212	14
CFT & Fire Fighting Equipment	1,387		1,295	92
Total	15,376	4,408	15,333	4,451

7.11. Further, gross additions during FY 2016-17 and FY 2017-18 to RAB as on 01.04.2016 as per Coimbatore Airport's submission is shown in Table 13 below.



Table 13: Gross additions during FY 2016-17 and FY 2017-18 to RAB as on 01.04.2016 as per Coimbatore Airport's submission (in ₹ lakhs)

Asset head	Description	FY 16-17	FY 17-18	Total
Aprons	Construction of two additional parking bays	-	621	621
Terminal building	Provision of cabins for back up office in arrival, construction of sump for drinking water, beautification of the airport with murals/ artefacts, and beautification/ development services below canopy area.	27	278	306
Electrical installations	High mast for national flag, ground lighting system, replacement of feeder cables with hume pipes, borewell including laying of pipes, etc.	19	5	23
Machinery	Hand held metal detectors, hydro pneumatic pumping system, upgradation of CCTV storage, explosive trace detector, air curtains for terminal building, upgradation of Flight Information Display Systems (FIDS), fire pump, routers and switches for ATS automation, etc.	150	91	241
Roads bridges & culverts	Construction of emergency access road on end of runway	-	60	60
Computers: End User Devices	Procurement of laptop, computers and printers.	1	13	14
Software	Purchase of Microsoft Office 2016	-	3	3
Tools & Equipment	Spearhead grass cutting machine, fireman helmet, biometric access control system, fire proximity suit, fire chemical suit, etc.	18	31	50
Office furniture	Dustbin, art gallery steel stand, sofa sets, coffee tables, chairs, office furniture, book shelf, computer tables, almirah, etc.		68	71
Cars/Jeeps	Ambulance and jeeps	3		
Other Office equipment	Precision biometric integrated, amplifier with speaker, digital alcohol breath analyser, paper shredder machine, projector, hand held ticketing machine, printer for HR, etc.	1	2	3
Furniture & fixtures: Trolley	Passenger trolley	-	22	22
X-ray Baggage System (XIBS)	Nutech X-ray system	-	22	22
Total		290	1,302	1,591

7.12. Depreciation during FY 2016-17 and FY 2017-18 on opening RAB as on 01.04.2016 and on additions during FY 2016-17 and FY 2017-18 has been computed as per depreciation rates prescribed under Companies Act, 2013.

7.13. Opening RAB as on 01.04.2018 as per Coimbatore Airport's submission is presented in Table 14.



Table 14: Opening RAB as on 01.04.2018 as per Coimbatore Airport (in ₹ lakhs)

Asset Block	Opening RAB as on 01.04.2016 [A]	Additions in FY16-17, FY17-18 [B]	Depreciation during FY16-17, FY17-18 [C]	Opening RAB as on 01.04.2018 [D]=[A]+[B]-[C]
Runways	282	-	201	81
Terminal building	2,370	306	299	2,376
Electrical installation	1,225	156	657	724
Plant and Machinery	217	241	68	390
Aprons	-	621	10	611
Roads bridges & culverts	4	60	2	62
Residential Building	72	-	10	62
Boundary Wall- Operational	90	-	14	76
Boundary Wall- Residential	5	-	1	4
Computers: End User Devices	4	14	4	14
Computer software: Intangible Assets	-	3	0	3
Tools and Equipment	20	50	8	62
Office Furniture	-	71	4	67
Other Vehicles	13	-	4	9
Vehicle- Cars and Jeeps	13	23	10	26
Other office equipment	6	3	5	4
Furniture & fixtures: other than trolley	21	-	11	10
X-ray Baggage Sys. (XIBS)	14	22	15	22
CFT & Fire Fighting Equipment.	92	-	91	0
Total	4,447	1,569	1,412	4,603

Authority's Examination – Opening RAB

7.14. The Authority after verifying material facts and relying AAI's audited accounts, found computation of Opening RAB as on 01.04.2018 submitted by Coimbatore Airport in Table 14 has omitted asset block Furniture & Fixtures- Trolley. The Authority has decided to include the following amount pertaining to Trolley in Opening RAB as on 01.04.2018, as presented in Table 15.

Table 15: Opening Furniture & fixtures: Trolley amount as on 01.04.2018 as per Authority's Examination (in ₹ lakhs)

Asset Block	Opening asset as on 01.04.2016 [A]	Additions to asset in FY16-17, FY17-18 [B]	Depreciation on asset during FY16-17, FY17-18 [C]	Opening amount as on 01.04.2018 [D]=[A]+[B]-[C]
Furniture & fixtures: Trolley	4	22	4	23



7.15. The Authority has decided to consider Opening RAB as on 01.04.2018 after including the asset block Furniture & fixtures: Trolley, as presented in Table 16.

Table 16: Opening RAB as on 01.04.2018 as per Authority's Examination (in ₹ lakhs)

Asset Block	Opening RAB as on 01.04.2016 [A]	Additions in FY16-17, FY17-18 [B]	Depreciation during FY16-17, FY17-18 [C]	Opening RAB as on 01.04.2018 [D]=[A]+[B]-[C]
Runways	282	-	201	81
Terminal building	2,370	306	299	2,376
Electrical installation	1,225	156	657	724
Plant and Machinery	217	241	68	390
Aprons	-	621	10	611
Roads bridges & culverts	4	60	2	62
Residential Building	72	-	10	62
Boundary Wall- Operational	90	-	14	76
Boundary Wall- Residential	5	-	1	4
Computers: End User Devices	4	14	4	14
Computer software: Intangible Assets	-	3	0	3
Tools and Equipment	20	50	8	62
Office Furniture	-	71	4	67
Other Vehicles	13	-	4	9
Vehicle- Cars and Jeeps	13	23	10	26
Other office equipment	6	3	5	4
Furniture & fixtures: other than trolley	21	-	11	10
Furniture & fixtures: Trolley	4	22	4	23
X-ray Baggage Sys. (XIBS)	14	22	15	22
CFT & Fire Fighting Equipment	92	-	91	0
Total	4,451	1,591	1,416	4,626

Additions to RAB during the first Control Period as per Coimbatore Airport's submission

7.16. As per the submission of Coimbatore Airport additional capital expenditure amounting to ₹245 crores has been taken in MYTP.

7.17. Following major capital expenditures is submitted by Coimbatore Airport:

- Construction of new domestic departure terminal building: ₹125 crores post-date of completion (PDC) in FY 2020-21 is taken to RAB, which includes building civil work, cost of dismantling, canopy cost, art work to be installed in the new terminal building, plant and machinery, and cost of electrical installations.
- Construction of staff quarters- ₹40 crores PDC in FY 2019-20.
- Construction of additional 05 number of parking bays, for category 'C' type aircraft and extension of apron for additional two numbers of ATR bays, aggregating to ₹35 crores PDC in FY 2019-20.
- Face lift work for terminal building- ₹758 crores PDC in FY 2018-19.



- One air crash fire tender- ₹4.03 crores.
- Construction of fixed figure for PBB- ₹3.55 crores PDC in FY 2018-19.
- Sewage treatment plant- ₹3.32 crores PDC in FY 2018-19.
- Providing Apron Drive Glass Walled PBB-- ₹3.08 crores
- SITC of Biometric Access control system - ₹2.63 crores
- Covering of Nallah on sides of runway- ₹2.66 crores PDC in FY 2018-19.
- Provision of Way Finding Signage- ₹1.21 crores
- Provision of Perimeter Lights- ₹1.06 crores
- Supply of Grass Cut Cum Collect machine- ₹0.77 crores
- Grading operational area wall to wall- ₹0.50 crores
- Replacement of Cooling Towers- ₹0.50 crores
- Supply of 03 number of Explosive Trace Detector (ETD)- ₹0.41 crores
- Supply of Mobile Command Post- ₹0.44 crores
- Procurement of 01 number of ambulance - ₹0.44 crores.

7.18. Additions to RAB during the first control period as per Coimbatore Airport's submission are given in Table 17 below.

Table 17: Additions to RAB during the first Control Period as per the submission of Coimbatore Airport (in ₹ lakhs)

Asset head	Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Runways	Development of runway safety area on 23m side of runway	30	-	-	-	-	30
Aprons	Construction of five additional parking bays— category "C" type aircraft, extension of apron for three additional bays	-	3,480	-	-	-	3,480
Terminal building	Civil works—Construction of office building, sewage treatment plant, face-life works, construction of new domestic departure terminal	1,303	-	5,449	-	-	6,752
Electrical installation	Electrical work related to face lift works for terminal building; replacement of cooling towers, feeder pillars and cables in residential colony; construction of sewage treatment plant,	1,154	-	467	-	-	3,622



Asset head	Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
	providing apron drive glass walled; provision of perimeter lighting, way finding signage, etc.						
Plant and Machinery	Supply of bomb detection & disposal vehicles, mobile command post, airport rotating beacons, grass cutting machine, etc; airport system for new domestic departure terminal area	611	-	5,322	-	-	5,933
Roads bridges & culverts	Improvement of drainage system; construction of perimeter road.	44	-	-	-	-	44
Residential Building	Construction of additional parking shed for residential colony, and staff quarters.	25	-	3,999	-	-	4,024
Boundary Wall-Operational	Wall to wall grading of operational area	50	-	-	-	-	50
Other buildings-unclassified	Covering of nallah on 23 side of runways	266	-	-	-	-	266
Tools and Equipment	Procurement of tools and plant, biometric access control system.	266	-	-	-	-	266
Vehicle-Cars and Jeeps	Procurement of ambulance having stretchers.	44	-	-	-	-	44
Total		3,792	3,480	17,238	-	-	24,510

Authority's Examination – Additions to RAB

7.19. The Authority noted that Coimbatore airport in its submission has stated its plans of constructing new terminal building and expansion of aprons. The Authority has analyzed the normative capital cost of Terminal Building and Taxiway/Apron, as per the Authority's order in the matter of "Normative Approach in Building Block in Economic Regulation of Major Airports" dated 06 June 2016 (hereafter referred to as Normative Capital Cost Order).

7.20. With regards to capital expenditure incurred towards terminal building, in its submission, Coimbatore Airport has submitted aeronautical cost of ₹12,506 lakhs for construction of a new terminal building of 10,950 sq.m area, by considering 95% of civil works cost, electrical installations cost and 100% of plant and machinery cost as aeronautical. The total project cost of terminal building is ₹12,877 lakhs to be commissioned in FY 2020-21. As per normative cost studies conducted for other major airports, the Authority has considered normative cost of ₹100,000 per sq. m for terminal building. AAI has clarified that cost of plant and machinery includes cost of PBB, which will also serve the existing building. Thus, the cost of PBB of ₹1,328 lakhs attributable to existing terminal building of 19,000 sq.m. has



been reduced before computing normative capital cost of construction of terminal building. Normative capital cost of terminal building is presented in Table 18.

Table 18: Normative capital cost of new Terminal Building as per Authority's Examination

Particulars	Unit	Value
Construction of terminal building excluding canopy cost [i]	₹ lakhs	4,958
Plant and machinery [ii]	₹ lakhs	5,322
Electric installations in the terminal building [iii]	₹ lakhs	2,597
Total cost of new terminal building [A] = [i] + [ii] + [iii]	₹ lakhs	12,877
Less: PBB cost attributable to existing building (iv)	₹ lakhs	(842)
Cost of terminal building to be considered for normative [B] = [A] - [iv]	₹ lakhs	12,035
Area in sq.m. as per Coimbatore Airport [C]	sq.m.	10,950
Cost per sq.m. [C]/[B]	₹	1,09,904

7.21. The Authority notes that normative capital cost of terminal building exceeds the prescribed benchmark of ₹1,00,000 per sq.m. by 9.90%. The Authority has taken into consideration AAI's comment that cost of baggage conveyor system of ₹2,474 lakhs included in plant and machinery, has higher throughput and is prescribed as per the guidelines of Bureau of Civil Aviation Security (BCAS). This machine has a higher cost than the previously used baggage system of ₹1,400 lakhs, which has pushed the normative capital cost more than the benchmark. However, the Authority had revised normative capital cost of terminal building to ₹1,00,000 after considering increase in cost of assets pertaining to terminal building. Considering these facts, the Authority has decided to cap the project cost to ₹10,950 lakhs, computed at normative capital cost of ₹1,00,000 sq.m. for the given terminal building area of 10,950 sq.m. The total project cost has been proportioned between civil works, plant and machinery, and electrical installations. Further, 95% of the cost for civil works and electrical installation has been considered as aeronautical, while 100% of the plant and machinery cost has been considered as aeronautical and added to RAB. Further, the Authority notes that work contracts for new terminal building are expected to be awarded in the next few months. Considering that construction of the new terminal building is expected to take 36 months from date of award of work orders/contracts, the Authority has decided to consider commissioning of new terminal building by 30.09.2021 and not 30.09.2020 considered by Coimbatore airport.

7.22. With regards to capital expenditure incurred towards apron, Coimbatore Airport in its submission has submitted total capital expenditure of ₹3,480 lakhs pertaining to additions to apron, namely construction of 5 new parking bays and extension of apron for 2 bays, to be commissioned in FY 2019-20. However, the Authority notes that work contracts for apron expansion and construction have been awarded recently. Considering that construction of aprons is expected to take 18 months from date of award of work orders/contracts, the Authority has decided to consider the commissioning of additions to apron by 01.04.2020 and not 30.09.2019 considered by Coimbatore airport Accordingly, the Authority has increased the normative benchmark by WPI of 5% per annum till the date of capitalization.



As a result, the normative benchmark after excluding earthwork cost of taxiway/apron increases to INR 5,713 per sq m. as on 01.04.2020 from INR4,700 per.sq.m.as on 01.04.2016 given in the normative cost order. The normative capital cost of additions to apron is presented in Table 19

Table 19: Normative capital cost of construction of Apron as per Authority's Examination

Particulars	Unit	Value
Total cost of additions to Apron (construction & expansion) [i]	₹ lakhs	3,480
Less: Cost of excavation [ii]	₹ lakhs	875
Net project cost [A] = [i]-[ii]	₹ lakhs	2,604
Area in sq.m. as per Coimbatore Airport [B]	sq.m.	41,374
Cost per sq.m. [A]/[B]	₹ per sq.m.	6,294

7.23. The Authority notes that normative capital cost of additions to and extension of apron is 10% more than the normative capital cost benchmark. Accordingly the Authority has decided to restrict the cost of additions to apron at ₹2,364 lakhs computed at normative capital cost of ₹5,713 per sq.m. for the given area of 41,374 sq.m.

7.24. Accordingly, considering the above, revised computation and phasing of additions to RAB during the Control Period as per the Authority is presented in Table 20.

Table 20: Revised additions to terminal building and apron to be considered for tariff determination as per Authority's Examination (in ₹ lakhs)

Asset head	Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Apron	Construction of five additional parking bays—category "C" type aircraft, extension of apron for two additional bays	-	-	2,364	-	-	2,364
Terminal building	Civil work during construction of new terminal building	1,303	-	-	4,744	-	6,047
Electric Installations	Electric installations in the new terminal building	1,154	-	-	2,098	-	3,253
Plant and machinery	Construction of new terminal building airport system	611	-	-	4,526	-	5,136

7.25. Accordingly revised total additions to be considered for RAB computation as per the Authority is presented in the Table 21.



Table 21: Additions to RAB during the first Control Period as per the Authority (in ₹ lakhs)

Asset head	Description	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Runways	Development of runway safety area on 23m side of runway	30	-	-	-	-	30
Aprons	Construction of five additional parking bays—category “C” type aircraft, extension of apron for three additional bays			2,364	-	-	2,364
Terminal building	Civil works—Construction of office building, sewage treatment plant, face-lift works, construction of new domestic departure terminal	1,303	-	-	4,744	-	6,047
Electrical installation	Electrical work related to face lift works for terminal building; replacement of cooling towers, feeder pillars and cables in residential colony; construction of sewage treatment plant, providing apron drive glass walled; provision of perimeter lighting, etc.	1,154	-	-	2,098	-	3,253
Plant and Machinery	Supply of bomb detection & disposal vehicles, mobile command post, airport rotating beacons, grass cutting machine, etc; airport system for the new domestic departure terminal area	611	-	-	4,526	-	5,136
Roads bridges & culverts	Improvement of drainage system; construction of perimeter road.	44	-	-	-	-	44
Residential Building	Construction of additional parking shed for residential colony and staff quarters.	25	-	3,999	-	-	4,024
Boundary Wall-Operational	Wall to wall grading of operational area	50	-	-	-	-	50
Other buildings-unclassified	Covering of nallah on 23 side of runways	266	-	-	-	-	266
Tools and Equipment	Procurement of tools and plant, biometric access control system.	266	-	-	-	-	266
Vehicle-Cars and Jeeps	Procurement of ambulance having stretchers.	44	-	-	-	-	44
Total		3,792	-	6,363	11,367	-	21,523

Stakeholder comments and the Authority's observations

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Comments from AAI

7.26. Regarding Terminal Building, AAI submitted that-

"AERA is requested to consider total cost of TB (terminal building) of Rs 132 cr due to following reasons:

1. The total cost of TB includes cost of Baggage Conveyor System of Rs 24.74 Cr. having CTX high throughput X ray machine as per new BCAS guidelines which is higher than normal baggage system of Rs 14 Cr.
2. Further AERA has considered the area of 10,950 sqmtrs for calculating cost per sqmtr of PBB as against considering total area of 29950 sqmtrs (10950+19000) as the PBB shall also serve the departure as well as arrival areas.
After considering the above, the per sqmt cost of TB shall be Rs 94000/- as against Rs 114210/- worked out by AERA.

Comments from FIA

7.27. Regarding Asset Allocation Ratio, FIA submitted that-

Average RAB

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

Further, FIA submits that the Depreciation for control period has been computed on the basis of order 35/2017-18. However, Authority has taken a conservative approach on useful life for Buildings and Aprons (Refer Issue No. VIII for more details.)

As per table 20 of the Consultation Paper, FIA observed that summation error in total row in year FY21 & FY22. As per FIA's analysis, the sum of total additions in FY21 & FY22 is INR 3,480 lakhs and INR 15,989 lakhs respectively instead of INR 7,479 lakhs & INR 11,990 lakhs in FY21 & FY22 respectively. FIA submits that Authority should rectify the additions to RAB in order and consequential effect needs to be given in ARR.

Asset allocation

FIA submits that as per para 6.8 of the Consultation Paper, the Authority has allocated the common assets in opening RAB as at 01-April, 2016 into aeronautical and non-aeronautical terminal building based on following ratios:-

FIA submits that in relation to the opening RAB, the Authority has considered this allocation based on earmarked areas for terminal building and essentially relied on assumptions of Coimbatore airport. Hence, during FY 17 & FY 18 aero addition of INR 1,591 lakhs has been accepted. However, allocation ratio has not been provided. During FY 19 to FY 23, gross addition of INR 258 crores in which aero assets of INR 245 crores has been proposed by AAI, of which, INR 232 crores has been accepted by Authority as aero additions for first control period.

With respect to additions to RAB in first control period, FIA submits that Authority has not mentioned the basis for allocation of assets into aeronautical and non-aeronautical including the terminal area allocation for new terminal building. Further, the Authority has failed to clarify as to whether the additions to RAB have been bifurcated into aeronautical and non-aeronautical assets or not. In view of the same, FIA submits that it is unable to comment on basis of allocation of assets into aeronautical and non-aeronautical assets.

Given the criticality of allocation of the airport assets between aeronautical and non-aeronautical in a shared/hybrid till approach, FIA submits that the Authority should mention



the allocation ratio of additions to RAB. However, such ratio should be supported by an independent study.

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

7.28. Regarding Gross Additions to RAB, FIA submitted that-

"FIA submits that as per Para 6.17 of the Consultation Paper, AAI has proposed an addition to terminal building amounting to INR 12,506 lakhs with a post date of completion in FY 21. However, on examining the current status of the project, it appears that the Authority has deferred a capitalisation to FY 22 instead of FY 21.

FIA further submits that as per Para 6.21 of the Consultation Paper, the Authority has examined that normative capital cost of terminal building proposed by AAI for Coimbatore airport is INR 1,14,210 per sqm., which is higher than prescribed benchmark of INR 1,00,000 per sqm. Thereby, Authority has proposed to capitalise the cost of terminal building as INR 10,950 lakhs (as per normative order) in FY22, implying a reduction of INR 1,556 lakhs as highlighted in above table. However, in the absence of an allocation ratio, the reduction in aeronautical additions cannot be ascertained. On comparison of an overall aeronautical additions proposed by Coimbatore airport of INR 24,510 lakhs and accepted by Authority for INR 23,261 lakhs, there is a gap of INR 1,248 lakhs which primarily pertains to the terminal building and plant & machinery – the remaining costs being accepted by Authority on an 'as is' basis. Hence, FIA submits that there is no linkage or explanation of how reduction of INR 1,556 lakhs on account of normalisation has transformed into an amount of INR 1,248 lakhs. FIA submits that it appears that the gap of INR 308 lakhs is either due to allocation ratio or due to some other reason, which has not been explained by the Authority.

On a best effort basis, FIA has computed aero allocation pertaining to this reduction of INR 1,556 lakh, considering 7.29% as a non-aeronautical area (as per para 3.4.6, allocation ratio of FY 18), accordingly INR 113 lakhs is due to non-aero allocation and for balance INR 195 lakhs is not explained. Hence, FIA submits that INR 195 lakh should be reduced from RAB additions and the ABR needs to be recomputed accordingly."

7.29. Regarding Normative Cost, FIA submitted that-

"As highlighted by AAI in Para 6.17, a new terminal building (T3) spanning across 10.950 square metres has been proposed with an estimated expenditure of INR 12,506 lakhs. New terminal building is proposed to be capitalised during FY21 by AAI.

FIA submits that the Authority has tried to estimate the cost of terminal building by considering normative cost of INR 1,00,000 per sq. mt. at FY18 prices. However, as per Normative Order No. 07/2016-17 "In the matter of normative approach to building blocks in economic regulation of major airports – capital costs reg." dated 13.06.2016, ceiling cost per sq. metre for terminal building is INR 65,000. FIA submits that no basis has been provided by Authority to calculate the normative cost of INR 1,00,000 per sq. mt. Further, based on Authority's calculation, projected cost of terminal building is INR 10,950 lakhs, which is considered by Authority while proposing capital additions in FY22.

FIA understands that the Consultation Paper was issued on 09 January 2019, wherein as per Para 6.24 of the Consultation Paper, the Authority is cognizant of fact that work contracts for new terminal building will be awarded in a few months. At the same time, Authority acknowledged the fact that new terminal building is expected to take 36 months from the date of award of work. FIA submits that considering the past trends in delay of



commissioning of infrastructure projects and award of work is yet to be done, it will be prudent to assume that terminal building will not be able to operationalise in FY22. Hence, FIA submits that Authority should defer the capitalisation of new terminal building to FY23 and the ARR should be recomputed accordingly.

FIA submits that considering the Coimbatore Airport to be in losses in past years and if financial closure have not been achieved yet, the timelines for capitalization of terminal building might be impacted. Hence, FIA submits that Authority should reconsider year of capitalization considering the financial aspect of additions.

Further, FIA reiterates that, despite repeated requests, it has not been provided with any minutes of AUCC consultation meeting, Project Investment File (PIF), as applicable for relevant capital expenditures. Also, the details for basic planning, regulatory approvals, financial closure etc. has not been provided for FIA's review. Hence, in the absence of such details by AAI, FIA is unable to appreciate, assess and comprehend the facts and figures (and any comparison thereto) of the CP in its entirety and actuality.

Hence, FIA submits that Authority should provide such details for FIA's review.

Construction of new aprons and extension of existing aprons –INR 3,480 lakhs

FIA submits that, AAI proposed to capitalise apron (excluding cost of excavation) for INR 2,604 lakhs spanning across 41,374 square metres at Coimbatore Airport. The Authority has tried to estimate the cost of aprons by considering benchmark of normative cost of INR 7,200 per sq. mt. at FY18 prices. However, as per Normative Order No. 07/2016-17 "In the matter of normative approach to building blocks in economic regulation of major airports –capital costs reg." dated 13.06.2016, ceiling cost per sq. metre for apron is INR 4700 per sqm. FIA submits that no basis has been provided by Authority to calculate the normative cost of INR 7,200 per sq. mt.

FIA submits that the Authority should clarify the rationale for considering INR 1,00,000 & INR 7,200 as normative cost to terminal building and apron respectively instead of INR 65,000 & INR 4,700 as mentioned in Authority's order 07/2016-17."

AAI's submission on FIA's comments

- 7.30. "The allocation ratio has been proposed by AAI based on actual usage. It is not realistic to apply aero allocation of 80% as per CP 5/2014-15 uniformly to all airports, as the ratio varies depending on the various factors at the airports"
- 7.31. "There is totalling error in Table 20- addition to RAB however while working out ARR the correct figure has been taken in the respective year/Assets ahead"

Authority's examination of AAI's and FIA's comments

- 7.32. In response to FIA's comments on summation error, the Authority has noted that the same were typographical errors and have no impact on ARR whatsoever. Table 21 has been rectified to reflect correct totals.
- 7.33. With respect to FIA's comments on asset allocation ratio, it is clarified by the Authority that additions to RAB submitted by AAI are considered after allocating total proposed capital expenditure into aeronautical and non-aeronautical. Allocation ratio is based on existing terminal building area allocation. Further, it is to be noted that the Authority is in the process



of conducting a study on the subject and will true up the asset allocation accordingly in the next control period.

- 7.34. In response to FIA's comments on gross additions to RAB, the Authority clarifies that restricting capital expenditure during the control period to normative cost was done on a proportionate basis. Further, FIA is requested to refer paragraph 7.21 for revised capping as per normative cost benchmarks post revised submissions by AAI.
- 7.35. With respect to FIA's comments on normative cost benchmarks, deferment of capital expenditure and request for minutes of AUCC consultation meeting/ Project Investment File (PIF), the Authority clarifies that normative cost benchmark for terminal building of ₹1,00,000 per sqm is as per normative cost studies conducted for other major airports. Further in respect of normative cost of Apron, FIA is requested to refer paragraph 7.19. Regarding deferment of capital expenditure, the Authority notes that basis discussions with AAI, delay in commissions seems unlikely. In any case, actual delay of project commissioning and impact thereof will be adjusted in true-up. Regarding, request for minutes of AUCC minutes/ Project Investment File (PIF), it is to be noted that the Authority has reviewed the minutes of AUCC consultation meeting and observed no major objections from any of the attendees. Further, it is clarified that subsequent submissions by Airport Operator are fully captured in the Consultation Paper released by the Authority. Therefore, a separate discussion on each of the subsequent submission by Coimbatore Airport may not be required.
- 7.36. In response to AAI's comment on gross additions to RAB, the Authority has acknowledged that cost of baggage conveyor system has increased. The Authority clarifies that the normative capital cost of INR 1,00,000 per sq.m. considered for terminal building is after adjusting for inflation and rising cost of assets pertaining to terminal building. Accordingly, the Authority has decided to restrict the cost of additions to RAB of terminal building based on the normative cost of INR 1,00,000 per sq.m. Further, in regards to the cost of PBB, the Authority has considered AAI's comment of deducting the cost of PBB attributable to the existing terminal building area for computing normative capital cost of new terminal building. The same is presented in Table 18.



Depreciation on RAB as per Coimbatore Airport's submission

7.37. Depreciation from FY 2018-19 onwards has been computed as per the rates prescribed under AERA Order No. 35/ 2017-18 "In the matter of Determination of Useful life of Airport Assets" dated 12.01.2018. Further, half yearly rates of depreciation have been considered for additions to RAB in the first year of capitalization. Accordingly, the accumulated depreciation during the first Control Period as submitted by Coimbatore Airport is given in Table 22.

Table 22: Depreciation on RAB during First Control period as submitted by Coimbatore Airport (in ₹ lakhs)

Asset Head	Depreciation Rate	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Runways	3.33 %	72	3	3	3	2	83
Terminal building	3.33 %	178	200	291	382	382	1,433
Electrical installation	10.00 %	380	332	325	382	378	1,797
Plant and Machinery	6.67 %	60	80	257	434	434	1,265
Aprons	3.33 %	21	79	137	137	137	509
Roads bridges & culverts	10.00 %	9	11	11	3	10	46
Temporary Building	33.33 %	-	-	-	-	-	-
Residential Building	3.33 %	5	6	72	139	139	361
Boundary Wall-Operational	10.00 %	9	12	23	20	19	84
Boundary Wall-Residential	10.00 %	0	0	1	1	1	3
Other buildings-unclassified	3.33 %	4	9	9	9	9	40
Computers: End User Devices	33.33 %	5	5	3	2	5	21
Computer software: Intangible Assets	20.00 %	1	1	1	1	0	3
Tools and Equipment	6.67 %	15	23	23	23	22	107
Office Furniture	14.29 %	10	10	10	7	10	48
Other Vehicles	12.50 %	2	2	2	2	1	9
Vehicle- Cars and Jeeps	12.50 %	8	10	10	9	8	46
Other office equipment	20.00 %	2	1	1	1	0	4
Furniture & fixtures: other than trolley	14.29 %	4	4	1	1	1	10
Furniture & fixtures: Trolley	33.33 %	9	7	7	2	7	33
X-ray Baggage Sys. (XIBS)	6.67 %	1	1	1	1	1	7
CFT & Fire Fighting Equipment.	6.67 %	0	0	-	-	-	-
Total Depreciation		796	797	1,189	1,560	1,567	5,909



Authority's Examination – Depreciation on RAB

7.38. Considering Authority's decision to revise phasing of capital expenditure on terminal building expansion and apron as mentioned in paragraphs 7.21 and 7.22 respectively, depreciation on additions during the Control Period is accordingly revised.

7.39. After careful examination, the Authority found that, depreciation during the Control Period of Opening RAB as on 01.04.2016 for operational boundary wall, residential boundary wall, end user devices, and furniture and fixtures (other than trolley) were incorrectly calculated.

7.40. Accordingly, the Authority has decided to consider the revised depreciation on RAB during the first control period as presented in Table 23.

Table 23: Depreciation on RAB during First Control period as per Authority's Examination (in ₹ lakhs)

Asset Head	Depreciation Rate	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Runways	3.33 %	72	3	3	3	2	83
Terminal building	3.33 %	178	200	200	279	358	1,217
Electrical installation	10.00 %	380	332	201	241	341	1,495
Plant and Machinery	6.67 %	60	80	79	230	381	830
Aprons	3.33 %	21	21	60	99	99	301
Roads bridges & culverts	10.00 %	9	11	11	10	10	53
Residential Building	3.33 %	5	6	72	139	139	361
Boundary Wall-Operational	10.00 %	22	23	23	18	12	99
Boundary Wall-Residential	10.00 %	1	1	1	1	1	4
Other buildings-unclassified	3.33 %	4	9	9	9	9	40
Computers: End User Devices	33.33 %	6	5	3	-	-	14
Computer software: Intangible Assets	20.00 %	1	1	1	1	0	3
Tools and Equipment	6.67 %	15	23	23	23	22	107
Office Furniture	14.29 %	10	10	10	10	10	51
Other Vehicles	12.50 %	2	2	2	2	1	9
Vehicle- Cars and Jeeps	12.50 %	8	10	10	9	8	46
Other office equipment	20.00 %	2	1	1	1	0	4
Furniture & fixtures: other than trolley	14.29 %	5	3	1	1	0	10
Furniture & fixtures: Trolley	33.33 %	9	7	6	-	-	23
X-ray Baggage Sys. (XIBS)	6.67 %	1	1	1	1	1	7
Total Depreciation		812	750	719	1,077	1,397	4,755

Stakeholder comments and the Authority's observations

Comments from FIA

7.41. Regarding useful life of assets, FIA submitted that-

"On an overall basis, average useful life of assets including opening RAB ranging between 6-17 years during control period, is lower considering the international airports & new additions. FIA's review of RAB additions & its allocation indicated that shorter useful lives have been broadly considered by Authority. FIA's submit that as per Para 6.28 of the Consultation Paper, depreciation from FY 19 onwards has been computed as per rates prescribed under AERA Order No. 35/2017-18 "In the matter of Determination of Useful life of Airport Assets" dated 12 January 2018 (Order 35). Further, half yearly rates of depreciation have been considered for additions to RAB in the first year of capitalization. For terminal building and other buildings, while Order 35 states useful life as 30 or 60, the useful life consider by AAI for Coimbatore airport and accepted by Authority has been 30 years in the Consultation Paper. For reference FIA would like to highlight, life of buildings as 30 years, considered by Authority, is not in accordance with Part C of Schedule II of Companies Act, 2013, which provides useful life of buildings having Reinforced Concrete Cement (RCC) frame structure to be 60 years.

FIA submits that that there is no mention with respect to the structure of buildings, although it is highly unlikely that terminal buildings are not built with RCC technology.

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

Depreciation on correct allocation ratio

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

Further, FIA's review of useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal building have useful life of as long as 60 years and aprons have it as long as 99 years. Also, the useful life of terminal building for Kannur & Cochin airports have been considered 60 years by Authority. However as per the Consultation Paper, average life of airport assets additions between FY19 to FY23 is ranging between 6-17 years during the control period which primarily comprises of Terminal & other buildings and Aprons.

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

FIA also submitted that-

In terms of per Para 3.4.7 of the Consultation Paper, FIA understands that prior to FY17, the depreciation computed is as per AAI depreciation rates and during FY17& FY18 depreciation has been computed as per Companies Act, 2013.

However, depreciation from FY19 has been computed as per rates prescribed under AERA order No. 35/2017-18. Rates of depreciation for FY18 & prior to that has not been mentioned



in the Consultation Paper. However, FIA observed that the same depreciation policy is adopted in other AAI airports like Bhubaneswar airport. Hence, FIA has assumed depreciation rates upto FY16 and for FY17 & FY18 as mentioned in Bhubaneswar airport to be applicable for Coimbatore airport.

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

"From the date this Schedule comes into effect, the carrying amount of the asset as on that date—

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

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

However, in absence of detailed component level breakup of depreciation, FIA cannot comment whether depreciation calculated in table 15 & 22 of the Consultation Paper has been in compliance with above mentioned provision. However, taking certain assumptions and on best effort basis, FIA has calculated the depreciation for runways for pre control period and for first control period

Further, FIA submits that as per AAI rates life of runway is approx. 7.7 years and life as per Companies Act, 2013 & as per order 35/2017-18 is 30 years. As highlighted above, opening RAB for 01.04.2016 needs to be depreciated in remaining life of runways. FIA has assumed that runways has already completed life of 3 years upto FY16 and hence opening RAB needs to be depreciated in another 27 years. Therefore, the opening RAB as on 01.04.2016 of INR 282 lakhs for runway needs to be depreciated in 27 years.

Hence, the resultant depreciation would be INR 10.4 lakhs per annum and cumulative depreciation for FY17 & FY18 will be INR 20.8 lakhs. However, FIA observed that depreciation charged by AAI for these two years is INR 201 lakhs instead of INR 20.8 lakhs, leading to an accelerated depreciation of INR 180.2 lakhs.

Further, FIA has computed depreciation for FY19 wherein depreciation on opening RAB will be INR 10.4 lakhs (as computed in above paragraph) and depreciation on additions of INR 30 lakhs will be charged for half year i.e. INR 0.5 lakhs. Hence total depreciation for FY19 is INR 10.9 lakhs instead of INR 72 lakhs proposed by AAI and same has been accepted by Authority as is. Prima facie, it seems that the detailed evaluation of depreciation computation provided by AAI has not been conducted specifically with respect to opening RAB as on 01.04.2016 & 01.04.2018 which has led to accelerated depreciation, resulting in a higher ARR. In absence of component level breakup, FIA cannot comment on the accuracy of depreciation figures in table 22 of Consultation Paper.

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



Authority's examination of FIA's comments

7.43. In response to FIA's comment on useful life of assets for depreciation and depreciation on correct allocation ratio, FIA to refer AERA Order No. 35/ 2017-18 "In the matter of Determination of Useful life of Airport Assets" dated 12.01.2018, which states that useful life of terminal building may be considered as 30 years or 60 years as evaluated by the airport operator. Further, the Authority has decided to accept allocation ratio which is based on actual area utilisation, hence re-computation of depreciation is not required.

7.44. With respect to FIA's submission on depreciation calculation, the Authority clarifies that depreciation for any asset block forming part of opening RAB as on 01.04.2016 and assets acquired during FY2016-17 and FY2017-18 (jointly referred to as "pre-CP assets" hereunder) is calculated on gross block. RAB as on 01.04.2016 and 01.04.2018 depicts the net block. Depreciation calculated on pre-CP assets will be depreciated considering useful life as per AAI rates or Companies Act, 2013 whichever applicable upto 01.04.2018 to the extent of net block. From 01.04.2018 onwards, depreciation on pre-CP assets will be computed on gross block with revised useful life of assets prescribed under AERA order no. 35/ 2017-18 to the extent of net block of such assets as on 01.04.2018.

Average RAB as per Coimbatore Airport's submission

7.45. RAB during the control period as per Coimbatore Airport has been summarized in the Table 24 below.

Table 24: Average RAB as per Coimbatore Airport's submission (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Opening RAB	4,451	4,021	4,603	7,608	10,298	26,355	24,800
Additions to RAB	290	1,302	3,792	3,480	17,238	-	-
Disposals	-	-	-	-	-	-	-
Depreciation	716	700	796	797	1,189	1,560	1,567
Closing RAB	4,024	4,623	7,600	10,291	26,347	24,795	23,233
Average RAB	4,237	4,322	6,101	8,950	18,323	25,575	24,016

Authority's Examination – Average RAB

7.46. For computing Average RAB, the Authority has decided to consider the following:

7.46.1. Opening RAB as on 01.04.2016 and 01.04.2018 as presented in Table 12 and Table 16 respectively.

7.46.2. Additions to RAB in FY 2016-17 and FY 2017-18, and during the Control Period as presented in Table 13 and Table 21 respectively.

7.46.3. Depreciation in FY 2016-17 and FY 2017-18, and during the Control Period as presented in Table 16 and Table 23 respectively.

7.47. Considering the above decisions of the Authority pertaining to building blocks of RAB, Average RAB as per the Authority's examination is presented in Table 25.

Table 25: Average RAB as per Authority's Examination (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Opening RAB	4,451	4,024	4,626	7,607	6,856	12,500	22,790
Additions to RAB	290	1,302	3,792	-	6,363	11,367	-
Disposals	-	-	-	-	-	-	-
Depreciation	716	700	812	750	719	1,077	1,397
Closing RAB	4,024	4,626	7,607	6,856	12,500	22,790	21,393
Average RAB	4,237	4,325	6,116	7,231	9,678	17,645	22,092

Stakeholder comments and the Authority's observations

Comments from FIA

7.48. With regard to additions to RAB, FIA submitted that-

"The Authority has considered additions of INR 7479 lakhs & INR 11,990 lakhs in FY21 & FY22 respectively for ARR computation. However, FIA has observed that addition proposed by the Authority amounts to INR 3,480 lakhs & INR 15,989 lakhs in FY21 & FY22 respectively. FIA submits that it appears that postponement of capitalisation of terminal building to FY22 has not been considered. Hence, on an overall basis there are no gaps.

However, FIA submits that the same has led to higher average RAB in FY21 and higher return on RAB during first control period. FIA has computed the impact of these summation issues leading to overstatement of ARR by 560 lakhs. Hence, FIA submits that Authority should recalculate the additions to RAB and subsequently change the ARR, which will have an impact of reduction in tariff for first control period.

While computing impact on ARR of aforementioned issue, FIA has not revised depreciation as FIA assumes that the depreciation would have been computed by Authority on a component level. However, if the Authority has taken any other basis for calculating depreciation, then FIA would request Authority to give effect of this error on depreciation also and ARR needs to be recomputed accordingly."

Authority's examination of FIA's comments

7.49. In response to FIA's comments, the Authority has noted that the errors pointed out by FIA were typographical errors and have no impact on ARR whatsoever. Table 21 has been rectified to reflect correct totals.

Decision No. 2 Regarding RAB

- 2.a. The Authority has decided to use Average RAB as given in Table 25 for calculation of ARR.
- 2.b. The Authority has decided to true up Average RAB of the first Control Period based on actuals at the time of determination of tariff for the next Control Period.



8. FAIR RATE OF RETURN (FRoR)

- 8.1. Coimbatore Airport in its submission has stated that the Airport has no debt. Therefore, interest rate computation is not applicable.
- 8.2. Coimbatore Airport has considered Fair Rate of Return (FRoR) equivalent to the cost of equity (K_e) at 14% p.a. This is as par with the decision taken by the Authority for other AAI airports such as in Chennai, Kolkata, Guwahati and Lucknow for the first Control Period.

Authority's Examination

- 8.3. The Authority has recognized that Coimbatore Airport'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 Coimbatore Airport 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 Coimbatore Airport to contract large amounts of debt over a short period of time.
- 8.4. The Authority notes that as per a study conducted in respect of the 'Fair Rate of Return Estimation for AAI' in July 2011 it estimated a figure of 14.96% as Fair Rate of Return for AAI owned airports. The Authority notes that it has considered FRoR at 14% for Chennai and Kolkata airport in the first control period considering the recommendations of another study done by National Institute of Public Finance and Policy (NIPFP). Based on the decision taken for Chennai and Kolkata airport, the Authority considered FRoR at 14% for all AAI Airports for whom tariff has been determined subsequently.
- 8.5. Based on the above, the Authority has decided to consider FRoR at the rate of 14% for Coimbatore Airport for the first Control Period, as submitted by Coimbatore Airport.

Decision No. 3 Regarding FRoR

- 3.a. The Authority has decided to consider the FRoR at 14% for Coimbatore Airport for the first Control Period.
- 3.b. The Authority will undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.



9. OPERATION AND MAINTENANCE EXPENDITURE

- 9.1. The expenses appearing in the Trial Balance for FY 2016-17 and FY 2017-18 have been bifurcated into aeronautical expenses, non-aeronautical expense and common expenses.
- 9.2. Coimbatore Airport in its submission as trued up O&M expenses for FY 2016-17 and FY 2017-18.
- 9.3. The details and assumptions as per the submission for proposed O&M expenditure during the first control period are provided in Table 26.

Table 26: Assumptions made by Coimbatore Airport for each item of O&M Expenditure

Item	Assumption
Payroll costs	<ul style="list-style-type: none"> • Coimbatore Airport has assumed 52% of total staff as executive and 48% of total staff as non-executive. • Central headquarters (CHQ)/Regional headquarters (RHQ) expenses for FY2016-17 and FY2017-18 has been taken on the basis of actual FY2015-16 with 7% YOY increase during the Control Period. Further, 5% of CHQ/RHQ expenses has been considered as non-aero expenses, as per the submission. • The apportionment amount excludes the amount paid by DIAL and MIAL towards redeployed employees at Coimbatore Airport, till 31.03.2019 as per the Operations, Management and Development Agreement (OMDA). • Coimbatore Airport has assumed an increase of 7% YOY in executive pay for the entire control period. • For non-executive staff, an increase of 37.16% is assumed due to pay revision in FY 2018-19 and an increment of 5% YOY for the remaining Control Period. • For overtime pertaining to non-executive staff, an increment of 37.16% is assumed in FY 2018-19 due to pay revision and an increment of 5% YOY for the remaining control period. • Payroll costs exclude common employee expenses pertaining to ANS and common employee expenses classified as non-aeronautical.
Repair & Maintenance	<ul style="list-style-type: none"> • Repair and maintenance constitute cost of civil works, electrical works, vehicles, equipment and furniture, and electronics • Civil works and electrical works assumed to grow at 10% YOY throughout the control period, except for FY 2021-22, when an additional 10% is assumed due to expansion of domestic departure area. • Repair and maintenance pertaining to vehicles, equipment and furniture, and electronics assumed to grow at 10% YOY throughout the control period. • The following components were booked as work in progress previously and have been charged off as follows: <ul style="list-style-type: none"> ○ In Civil works Grading of Operational area for ₹16.52 lakhs and high mast (civil) ₹269.20 lakhs have been charged off in F.Y.2017-18 ○ In electrical works high mast ₹10.55 lakhs have been charged off in FY 2016-17



Item	Assumption
	<ul style="list-style-type: none"> In electrical works lighting of terminal building ₹136.89 lakhs and high mast ₹1.31 lakhs have been charged off in FY 2017-18 In vehicles ₹6.23 lakhs are included for fire form & fire hose purchased in FY2017-18 The increase in expenditure towards electronics is due to ₹26.18 lakhs lease paid for X-Ray Baggage Inspection System (XBIS) started from FY 2017-18 onward.
Utilities and outsourcing expenses	<ul style="list-style-type: none"> Utilities include expenses incurred towards power charges (electricity consumed), consumption of stores and spares, water charges, fees paid to outsiders (consultancy/advisory) and hire charges/ jeep and others. The expenses pertaining to these utilities are assumed constant from FY 2017-18, except in the case of power charges which has been increased by 10% in FY2021-22 on account of expansion of domestic departure. Fees Paid to outsiders included ₹229.5 lakhs in FY2016-17 -for arbitration paid to contractor.
Administration & Other expenses	<ul style="list-style-type: none"> CHQ/RHQ expenses for FY2016-17 and FY2017-18 has been taken on the basis of actuals of FY2015-16 with 5% annual increase. Further, 5% of CHQ/RHQ expenses has been considered as non-aero expenditure Increase in upkeep expenses is due to new Mechanized Environmental Support Service (MESS) contract award of ₹515 lakhs for 3 years from 2017-18 onward.
Other Outflows	Other outflows comprise of facilitation charges pertaining to PSF. It is assumed that this expenditure will grow year-on-year at the combined traffic growth rate of domestic and international passengers.

9.4. Projected O&M expenditure as per the submission of Coimbatore Airport is presented below in Table 27.

Table 27: Projected O&M expenditure by Coimbatore Airport for the first control period (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Payroll costs	1,642	2,032	2,467	2,652	2,838	3,037	3,249
Repair and maintenance	472	1,130	769	846	931	1,110	1,221
Utilities & outsourcing expenses	802	425	425	425	425	458	458
Total Admin & Other expenses	747	882	1,045	1,110	1,179	1,255	1,337
Other Outflows (Collection charges on PSF (F)/ UDF)	16	31	34	37	41	45	49
Total	3,679	4,499	4,741	5,070	5,414	5,905	6,315



Authority's Examination

- 9.5. On careful examination and discussion with Coimbatore Airport, the Authority has decided the following:
- 9.5.1. On examining, the Authority noted that Coimbatore Airport in its submission has taken the actuals of FY 2015-16 as the basis and projected it for FY 2016-17 and FY 2017-18. Due to unavailability of actual allocation of CHQ/ RHQ expenses to Coimbatore Airport in FY 2016-17 and FY 2017-18, the Authority has decided to disallow escalation impact in such expenses and consider constant expenses of FY2015-16 throughout the control period.
- 9.5.2. The Authority has noted that other outflows comprising of collection charges on PSF are assumed to grow year-on-year at a rate equivalent to combined traffic growth rate of domestic and international passengers. Accordingly, this expense will get revised in accordance to the Authority's decision to revise projections of domestic traffic, as given in paragraph 6.5.
- 9.5.3. Based on Authority's decision to consider the commissioning of the new terminal building by 30.09.2021, the incremental cost incurred on account of civil works, electrical works and power charges will be revised. Accordingly, the Authority has decided to consider the 10% increment of these costs proportionately in FY 21-22 and FY 22-23.
- 9.5.4. AAI clarified that ₹30 lakhs expenditure on corporate social responsibility (CSR) has been incorrectly included in other expenses in FY 2017-18, in the category "Total Admin & Other Expenses". Accordingly, the Authority has decided to deduct ₹30 lakhs from other expenses in 2017-18 and use the resulting amount of ₹10 lakhs as the basis of escalation during the control period.
- 9.5.5. The Authority noted that municipal taxes in "Total Admin & Other expenses" have been incorrectly computed for FY 2018-19 to FY 2022-23 as ₹118.45 lakhs, which should be ₹15.13 lakhs per year during the Control Period. Accordingly, the Authority has decided to revise the municipal taxes during the Control Period.
- 9.6. Based on the Authority's proposals above, the revised O&M expenditure of Coimbatore is presented in the Table 28 below.



Table 28: Projected O&M expenditure for the first control period as per Authority's Examination (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Payroll costs	1,621	1,903	2,248	2,384	2,531	2,689	2,857
Repair and maintenance	472	1,130	769	846	931	1,072	1,231
Utilities & outsourcing expenses	802	425	425	425	425	441	458
Total Admin & Other expenses	747	852	909	970	1,036	1,107	1,183
Other Outflows (Collection charges on PSF (F)/ UDF)	16	31	35	40	46	52	59
Total	3,658	4,341	4,386	4,666	4,969	5,361	5,789

Stakeholder comments and the Authority's observations

Comments from FIA

9.7. FIA submitted that-

"FIA submits that the Operating expenditure is one of the major component for determining ARR (70% of ARR), hence, the Authority should have evaluated these expenses in detail rather than accepting projections and basis provided by AAI on an "as is". Authority should have scrutinized the expenses in detail instead of leaving it for true up in the next control period.

As per clause 5.4.2 of AERA Guidelines, while reviewing forecast of operating expenditure the Authority has to assess (a) baseline operation and maintenance expenditure based on review of actual expenditure indicated in last audited accounts and check for underlying factors impacting variance over the preceding year; and (b) efficiency improvement with respect to such costs based on review of factors such as trends in operating costs, productivity improvements, cost drivers as may be identified, and other factors as maybe considered appropriate.

FIA submits that considering the approach of the Authority for reviewing the operating expenditure is not in line with provision of AERA Guidelines. AAI has proposed 10% increase in repair and maintenance charges due to increase in terminal building area in FY 22 at Coimbatore Airport. However, these expenditures will not increase for new terminal building in initial years. Hence, FIA submits that in order to assess efficient operating expenditure the Authority should have conducted independent analysis.

Per proposal 5 (b) the Authority has proposed to true up the operating expenditure based on the actual costs. FIA submits that Coimbatore Airport has already completed a significant period of operations, hence benchmarking the costs would not be difficult for the Authority. Therefore, rather than truing up, price cap should be mandated by the Authority for each of the operating expenditures depending on the evaluation of past trends, cost drivers, productivity movements, future expansions otherwise the Coimbatore airport would not make palpable efforts to contain the costs. This would lead to additional burden on the passengers for the next control period.

FIA submits that the gross operating expenditure, allocation ratio and basis of allocation has not been mentioned by Authority in the Consultation Paper, which suggests very casual



approach by Authority. Hence, FIA cannot comment on the trend of the increase of gross operating expenditure and allocation methodology.

FIA submits that allocation of the operating expenditure between Aeronautical or Non-Aeronautical categories is critical under a Shared/Hybrid Till approach, Authority ought to confirm the allocation ratio and gross operating expenditure being projected prior to the release of Order for stakeholder review."

9.8. FIA also submitted that-

"The Authority has not provided Gross operating expenditure, allocation ratio and basis of allocation in Consultation Paper.

FIA submits that under repair and maintenance expenditure, expenditure of INR 434 lakhs has been charged off in FY17 & FY18. Prima facie, these expenditures seems to be in capital nature and no comment/justification has been provided in Consultation PaPER for charging off this expense in income statement

Under table 25, FIA observed that expenses for first control period has been projected taking actual FY18 figures as a base. However, CHQ/RHQ expenses under payroll cost and administration cost has been computed on the basis of actual in FY16 rather than projecting growth on FY18 actual numbers. No justification has been provided for such change in estimation criteria."

AAI's submission in response to FIA's comments

"AAI has submitted the allocation ratio while submitting MYTP of Coimbatore airport. All the works mentioned here are of nature of Repair and Maintenance only and accordingly has been charged off. CHQ/RHQ expenses have been allocated based on FY16 and projected in the control period. These shall be tried up in the next control period"

Authority's examination of FIA's comments

9.9. In response to FIA's comments regarding operation and maintenance expenditure, the Authority informs that it has carefully examined the underlying assumptions for projecting operation and maintenance expenditure. The Authority has examined audited financial statements for FY 2016-17 and FY 2017-18 to verify correctness of allocated costs, and escalation in expenses are based on analysis of past contracts and agreements.

9.10. In response to FIA's comments on expenditure charged off and CHQ/ RHQ expenses, it is clarified that the charged off expenses were on account of high mast charges, which have been considered as one-time expenses. Further the Authority has noted FIA's observation in respect of CHQ/ RHQ expenses. The Authority sought information regarding actual CHQ/ RHQ expenses allocated to Coimbatore Airport. Due to unavailability of actual allocation of CHQ/ RHQ expenses to Coimbatore Airport in FY 2016-17 and FY 2017-18, the Authority has decided to disallow escalation impact in such expenses and consider constant expenses of FY2015-16 throughout the control period. Accordingly, Table 28 has been revised to reflect updated CHQ/ RHQ expenses.



Decision No. 4 Regarding Operation and Maintenance expenditure

- 4.a. The Authority has decided to consider the revised operation and maintenance expenditure for Coimbatore Airport as given in Table 28.
- 4.b. The Authority has decided to true up the operation & maintenance expenses based on the actual expenditure during the Control Period.



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10. REVENUE FROM NON-AERONAUTICAL SERVICES

- 10.1. Coimbatore Airport has submitted the forecasts of various components of non-aeronautical revenue streams as well as the assumptions underlying the forecast.
- 10.2. Coimbatore Airport in its submission as trued up revenue from non-aeronautical services for FY 2016-17 and FY 2017-18.
- 10.3. In its submission, Coimbatore Airport has assumed an additional increase of 10% in non-aeronautical revenues in FY 2021-22 due to commencement of Terminal 3 operations.
- 10.4. The details and assumptions as per the submission for proposed non-aeronautical revenues during the first control period are provided in Table 29.

Table 29: Assumptions made by Coimbatore Airport for each item of Non-Aeronautical Revenue

Item	Assumption
Trading Concessions	<p>Trading concessions comprise of revenues from restaurant/snack bars, Travellers' Requisite (T.R.) Stall, and hoarding and display.</p> <p>In its submission, Coimbatore Airport has:</p> <ul style="list-style-type: none"> • Revenue from restaurant/snack bars is assumed taken to be ₹210 lakhs in 2018-19, based on new award given to the vendor. As per the award letter, this amount is subject to 10% escalation YOY. • Further, revenue from restaurant/snack bars is assumed to grow at additional 10% in FY 2021-22 due to commencement of terminal 3 operations. • Actual revenue from T.R. Stall in FY 2017-18 is taken as basis, which is assumed to grow 10% YOY, with an additional 10% increase in FY 2021-22. • Revenue from hoarding and display is taken to be ₹570.13 lakhs in FY2018-19 based on the new letter of award for advertisement. This amount is assumed to grow at 10% YOY, and at an additional 10% in FY 2021-22.
Rent & Services	<p>Rent and services comprise of land leases, and rents from residential and non-residential buildings.</p> <ul style="list-style-type: none"> • Assuming land lease in FY 2017-18 as the basis, the revenues from land lease is considered uniform from FY 2018-19 to FY 2022-23, in accordance with AAI's letter No.AV.21012/58/2016-LM/710 dated 04.12.2017, pertaining to "Review of Revision in Base Rates of Land Lease Rental/License Fee Rates w.e.f 01.04.2017 to 31.03.2022 at AAI Airports". • Taking actuals of 2017-18 as the basis, the rent revenue from residential building is assumed to grow at 5% YOY from FY 2018-19 to FY 2022-23. • Taking actuals of 2017-18 as the basis, the rent revenue from non-residential building is assumed to grow at 10% YOY, with an additional 10% growth in FY 2021-22 due to commencement of terminal 3 operations.
Miscellaneous	<p>Miscellaneous comprises of revenue from duty free shops, car rentals, car parking, and admission tickets.</p> <p>In its submission, Coimbatore Airport has:</p> <ul style="list-style-type: none"> • Assuming actuals of FY 2017-18 as the basis, revenue from duty free shops is assumed to grow at 10% YOY, with an additional 10% growth in FY 2021-22 on account of beginning of terminal 3 operations.



Item	Assumption
	<ul style="list-style-type: none"> Revenue from car rentals is assumed to be ₹86.40 lakhs, based on the license fee as stated in the new car rental service letter of award. These revenues are escalated at 10% YOY from FY2019-20 onward, with an additional 10% growth in FY 2021-22 due to commencement of terminal 3 operations. Revenue from car parking is assumed to be ₹303.48 lakhs, based on the license fee as stated in the new letter of award for car parking service. These revenues are escalated at 10% YOY from FY2019-20 onward as per the agreement, with an additional 10% growth in FY 2021-22 due to commencement of terminal 3 operations. Assuming actuals of FY 2017-18 as the basis, revenue from admission tickets is assumed to grow at 10% YOY, from FY 2018-19 to FY 2022-23.
Other Income	Income from sale of scrap assets constitute other income. In its submission, Coimbatore Airport has assumed actuals of FY 2017-18 as basis and escalated the revenue at 5% YOY from FY 2018-19 to FY 2022-23.

10.5. Revenue from Non-Aeronautical Services for the first control period submitted by Coimbatore Airport is presented in Table 30.

Table 30: Revenue from non-aeronautical services projected for the first control period (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Restaurant/ Snack Bars	142	186	210	231	254	305	335
T.R Stall	247	244	268	295	324	389	428
Hoarding & Display	249	373	570	627	690	828	911
Land Leases	23	33	33	33	33	33	33
Building (Residential)	2	3	3	4	4	4	4
Building (Non- Residential)	127	176	193	212	234	280	308
Duty Free Shops	152	175	192	211	232	279	307
Car Rentals	87	87	86	95	105	125	138
Car Parking	180	191	303	334	367	441	485
Admission Tickets	49	67	74	82	90	99	109
Other Miscellaneous Income, sale of scrap	120	132	139	146	153	161	169
Total	1,379	1,668	2,073	2,269	2,486	2,944	3,226



Authority's Examination

10.6. The Authority has decided to include hanger rent as non-aeronautical revenue. Taking actuals of FY 2017-18, hangar rent is assumed to grow at 10% p.a. during the Control Period. Accordingly, the proceeds from hangar rent is presented in Table 31.

Table 31: Proceeds from hanger rent to be included in non-aeronautical revenues as per the Authority (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Hangar Rent	107	122	134	147	162	178	196

10.7. Further, based on the Authority's decision to commission the new terminal building by 30.09.2021, the Authority has considered a proportionate increase in non-aeronautical revenues in FY2021-22 and FY 2022-23. Accordingly, the Authority has decided to consider half the incremental growth in non-aeronautical revenue in FY2021-22 as compared to Coimbatore's submission and a complete 10% increment in non-aeronautical revenue in FY 2022-23 as submitted by Coimbatore Airport.

10.8. The revised non-aeronautical revenues as per the Authority is presented in Table 32 below.

Table 32: Non-aeronautical revenues as per Authority's Examination (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Restaurant/ Snack Bars	142	186	210	231	254	292	336
T.R Stall	247	244	268	295	324	373	429
Hoarding & Display	249	373	570	627	690	793	912
Land Leases	23	33	33	33	33	33	33
Building (Residential)	2	3	3	4	4	4	5
Building (Non- Residential)	127	176	193	212	234	269	309
Duty Free Shops	152	175	192	211	232	267	307
Car Rentals	87	87	86	95	105	120	138
Car Parking	180	191	303	334	367	422	486
Admission Tickets	49	67	74	82	90	103	119
Other Miscellaneous Income, sale of scrap	120	132	139	146	153	161	169
Hangar rent as presented in Table 31	107	122	134	147	162	178	196
Total	1,486	1,789	2,207	2,417	2,648	3,017	3,439



Stakeholder comments and the Authority's observations

Comments from FIA

10.9. FIA submitted that-

"FIA submits that as per proposal 6(b), the Authority has proposed to consider Non Aeronautical Revenues as per table below and to true up the non-aero revenue in second control period based on actual revenue of first control period.

Conservative approach while projecting growth in non-aeronautical revenue

FIA submits that with regard to projected non-aero revenue from FY19 to FY23 the Authority had accepted all the key non-aero revenues (Hoarding & Display, Car parking, T.R stall, Non-residential building lease, Restaurants & admission tickets) as projected by Coimbatore Airport. Hence, the Authority has accepted most of the non-aeronautical revenues submitted by AAI and has not evaluated the basis/assumptions for growth rates considered by the Coimbatore airport.

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

Further, as per agreement entered by AAI with various vendors, eight non-aeronautical revenue streams (namely restaurant/snack bar, T.R. stall, hoarding & display, car rentals, car parking, building-nonresidential, duty free shops and admission tickets) which contributes 93% of total non-aeronautical revenue for first control period, year on year 10% increase has been proposed by Authority between FY19 to FY21. As per table 28, we understand that Authority has verified the agreement in respect of escalation terms for key vendors. However, further details & breakup pertaining to agreement has not been mentioned in Consultation Paper. No details has been mentioned with respect to key terms, duration, tenure of these agreements.

FIA further submits that Coimbatore airport being the 2nd busiest airport in Tamil Nadu and per table 4 of the Consultation Paper, had registered domestic passenger growth over 5 year CAGR is 18.26%. However, as per table 6 of Consultation Paper, on a conservative basis, passenger growth over the control period has been projected to be 13.5% p.a. On comparing the passenger growth rate with the escalation clauses in agreement, we analysed that escalation clauses as per agreements is 10% during FY19 to FY21, which is lower than year on year projected passenger growth over the control period. Therefore, non-aeronautical revenue per passenger was analyzed for each year of the first control period and is in a range of INR 77 to INR 82 per passenger, which clearly indicated that the Authority has taken lower growth rate projections for non-aero revenue.

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

However, FIA's review of the Consultation Paper indicated that for the purpose of determining Non-Aeronautical Revenue, Authority, rather than evaluating non-aeronautical revenue in detail as per AERA Guidelines to consider the impact of inflationary increase and



real increase while projecting these Non-Aero revenue has relied on adhoc growth rate and basis provided by Coimbatore Airport.

FIA submits that Authority should re-consider growth rates for non-aero revenues so as to keep them in line with the growth in passengers. Further, Authority has not commented on the real increase, inflationary increase and passenger traffic based increase for the growth rates proposed for the first control period. Since, each of them affect the non-aeronautical revenues, FIA submits that the Authority should re-evaluate the growth rates for non-aeronautical revenue basis a consultant study. However, for the purpose of the order, FIA submits that the Authority should consider 18.26% YoY growth (being 5-year passenger growth CAGR) in non-aero revenue during the control period except in case of long term contracts where YoY escalation is agreed.

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

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

AAI's submission on FIA's comments

"Non-aeronautical revenue has been projected on the basis of agreement with the concessioners. Further AAI proposed additional 5% due to new departure area in FY22"

Authority's examination of FIA's comments

10.10. In response to FIA's comments regarding non-aeronautical revenues, it is to be noted that projections as approved by the Authority are based on amounts appearing in novated contracts during FY2017-18 and growth rates as per the agreements.

Decision No. 5 Regarding Non Aeronautical Revenues

- 5.a. The Authority has decided to consider the Non Aeronautical Revenues as given in Table 32 for determination of aeronautical tariffs for the first control period.
- 5.b. The Authority has decided to true-up the Non Aeronautical Revenues of the first Control Period based on actuals at the time of determination of tariff for the next Control Period.



11. TAXATION

11.1. Clause 5.5.1 and Clause 5.5.2 of the Airport Guidelines state that:

"Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement."

"The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof."

11.2. As per the Airport Guidelines any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration as expenditure or cost.

11.3. Coimbatore Airport in the tariff proposal has calculated income tax on the basis of rates of depreciation as per Income Tax Act.

11.4. Tax liability during the first control period considered by Coimbatore Airport is provided in Table 33.

Table 33: Tax liability as per Coimbatore Airport's submission (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Aeronautical revenues [A]	2,148	2,551	4,056	11,484	12,651	13,945	15,380
Less: Operating expenses (i)	3,679	4,499	4,741	5,070	5,414	5,905	6,315
EBIDTA [B] = [A] - [i]	-1,531	-1,948	-684	6,413	7,237	8,040	9,065
Less: Book Depreciation [ii]	716	700	797	794	1,175	1,560	1,545
PBT [C] = [B] - [ii]	-2,247	-2,648	-1,481	5,619	6,062	6,480	7,520
Less: Tax depreciation for the year [iii]	495	517	743	1,046	2,000	2,671	2,369
Add: Book depreciation for the year [iv]	716	700	797	794	1,175	1,560	1,545
Taxable Income [D] = [C] - [iii] + [iv]	-2,026	-2,465	-1,428	5,367	5,238	5,369	6,696
Less: Set-off of prior period tax losses [v]	-	-	-	-	-	-	-
Taxable Income under normal tax provisions [E] = [D] - [v]	-2,026	-2,465	-1,428	5,367	5,238	5,369	6,696
Tax rate to be used [vi]			NA	27%	16%	16%	13%
Tax liability as per normal tax provisions [E] * [vi]	-	-	1,174	1,445	855	856	857



Authority's Examination

- 11.5. In its examination, the Authority found that Coimbatore Airport has inadvertently calculated incorrect tax liability.
- 11.6. The Authority has decided that the tax on aeronautical profits be computed at tax rate of 34.61% p.a. in FY 2016-17 and FY 2017-18, and at 34.94% p.a. for the first control period from FY 2018-19 to FY 2022-23.
- 11.7. The Authority notes that AAI is not liable to pay Minimum Alternate Tax (MAT). Accordingly, the Authority has decided to consider only set-off of prior period tax losses attributable to Coimbatore Airport while computing tax liability.
- 11.8. In relation to the Authority's decision to evaluate impact of cargo operations while determining tariff for Coimbatore airport (as elaborated in para 13.3 and para 16.7). For FY 2016-17, it has been observed that overall losses of Coimbatore airport are more than the taxable income from Cargo operations, hence there will not be any impact on tax payable by Coimbatore Airport during such year. However, impact on tax losses because of Cargo operations in FY 2016-17 has been factored into overall tax for Coimbatore airport. Further, from FY 2017-18 onwards, revenue share from cargo operations (as discussed in para 13.3 and para 16.7) has been considered as part of aeronautical revenues while computing tax for respective years.
- 11.9. The tax liability of Coimbatore Airport as per the Authority is presented in Table 34 below.

Table 34: Tax liability as per the Authority's Examination (in ₹ lakhs)

Particulars	FY 16-17 ¹	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Aeronautical revenues [A] as given in Table 53	2,306	2,524	2,809	7,977	9,054	10,282	11,682
Less: Operating expenses as given in Table 28 (i)	(3,809)	(4,341)	(4,386)	(4,666)	(4,969)	(5,361)	(5,789)
EBIDTA [B] = [A] - [i]	(1,503)	(1,817)	(1,577)	3,311	4,085	4,921	5,894
Less: Book Depreciation as given in Table 25 [ii]	(728)	(700)	(812)	(750)	(719)	(1,077)	(1,397)
PBT [C] = [B] - [ii]	(2,232)	(2,517)	(2,389)	2,561	3,366	3,844	4,497
Less: Tax depreciation for the year [iii]	(509)	(517)	(743)	(872)	(992)	(1,789)	(2,277)
Add: Book depreciation for the year as given in Table 25 [iv]	728	700	812	750	719	1,077	1,397
Taxable Income [D] = [C] - [iii] + [iv]	(2,013)	(2,334)	(2,321)	2,439	3,093	3,132	3,617
Less: Set-off of prior period tax losses [v]	-	-	-	(2,439)	(3,093)	(1,136)	-
Taxable Income under						1,996	3,617

¹ Figures for FY 2016-17 include figures pertaining to cargo operations during such year

normal tax provisions [E] = [D] –[v]							
Tax rate to be used [vi]	34.61%	34.61%	34.94%	34.94%	34.94%	34.94%	34.94%
Tax liability as per normal tax provisions [E] * [vi]	-	-	-	-	-	698	1,264

Stakeholder comments and the Authority's observations

Comments from FIA

11.10. FIA submitted that-

"As per Section 72 of Income Tax Act, 1961 business losses can be carried forward for 8 years and will be set off with profits in future years. It is submitted that carry forward losses for periods prior to FY17 (if any) should be considered in the first control period rather than leaving it for true up in the second control period."

Authority's examination of FIA's comments

11.11. In response to FIA's comments the Authority has decided that carry forward of losses prior to FY 2016-17 shall not be considered for the purposes of tariff determination since Coimbatore airport was declared a major airport w.e.f. 01.04.2016 and the Authority has jurisdiction only when an airport is designated as a major airport.

Decision No. 6 Regarding Taxation

- 6.a. The Authority has decided to consider tax computation as given in Table 34.
- 6.b. The Authority has decided to true up tax of the first Control Period based on actuals at the time of determination of tariff for the next Control Period.

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12. QUALITY OF SERVICE

- 12.1. Airport Service Quality (ASQ) ratings are carried out by Airports Council International (ACI) on 34 parameters on quarterly basis.
- 12.2. The ASQ ratings of Coimbatore Airport for 2017-18, as submitted by Coimbatore Airport is given in Table 35.

Table 35: ASQ ratings as submitted by Coimbatore Airport

Quarter (Q)	2017	2018
Q1	4.04	4.58
Q2	4.04	4.55
Q3	4.54	4.59
Q4	4.53	-
Average	4.29	4.57

Authority's Examination – Quality of Service

- 12.3. The Authority has noted that Coimbatore Airport has received ASQ ratings for the first three quarters of 2018.
- 12.4. The Authority also noted that the ASQ ratings for years 2017 and 2018 of Coimbatore Airport are less than the target rating of 4.80 agreed upon in the Memorandum of Understanding (MoU) signed between the Ministry of Civil Aviation and AAI.
- 12.5. The Authority has also noted that the quality of service of Coimbatore Airport has improved in year 2018 as compared to year 2017, as given in Table 35. The Authority expects the ASQ rating of Coimbatore Airport to improve further with the commissioning of the expansion of the terminal building during the first Control Period as this will ease out the present congestion.

Stakeholder comments and the Authority's observations

Comments from AAI

- 12.6. AAI submitted that-

"As per AERA Guidelines the benchmark of ASQ is 3.75. Moreover MOU was signed between AAI and MoCA to achieve target of 4.8 based on average of 20 major airports. In view of this AERA is requested to review the clause of imposing the penalty."

Comments from FIA

- 12.7. FIA submitted that-

"FIA submits that as per Chapter III of the AERA Guidelines 2011, "Overall satisfaction with the airport" on the ACI ASQ survey to be conducted every quarter".

FIA submits that the Airport Service Quality (ASQ) ratings are carried out by Airports Council International (ACI) on 34 parameters on quarterly basis.

FIA submits that as per MoU signed between the Ministry of Civil Aviation and AAI, the target ASQ rating of 4.80 was agreed upon. Accordingly Authority has advised AAI to make all out



efforts to improve the Service Quality at Coimbatore Airport. As per Proposal 8, "Authority is of the view that it will examine ASQ ratings while truing up in the next control period and if by then Coimbatore Airport is unable to achieve the said target, the Authority will consider imposing penalty on Coimbatore Airport as appropriate.". FIA observed that Authority has not given details on how such penalty will be calculated.

However, since ASQ ratings for 2017 and 2018 have not been met, FIA submits that penalty should be computed for the first control period in order to minimize UDF (being used to bridge the gap between ARR and aeronautical revenues) and accordingly not put passengers under unnecessary burden in the first control period."

Authority's examination of AAI's and FIA's comments

12.8. In response to FIA's and AAI's comments, the Authority notes that since this is the first tariff consultation for Coimbatore airport, it would not be just to penalise the airport at the outset. The Authority has taken a view to give opportunity to Coimbatore to make all out efforts to improve the Service Quality at Coimbatore Airport. The Authority is of the view that it will examine ASQ ratings while truing up in the next control period and if by then Coimbatore Airport is unable to achieve the said target, the Authority will consider imposing penalty on Coimbatore Airport as appropriate.

Decision No. 7 Regarding quality of service

7.a. Since the ASQ ratings of Coimbatore Airport have been below the target rating of 4.80, the Authority advises AAI to make all out efforts to improve the Service Quality at Coimbatore Airport. The Authority is of the view that it will examine ASQ ratings while truing up in the next control period and if by then Coimbatore Airport is unable to achieve the said target, the Authority will consider imposing penalty on Coimbatore Airport as appropriate.



13. PRIOR PERIOD SHORTFALL

13.1. As explained in paragraph 4.2, the Authority shall consider ARR of the first two years i.e. FY 2016-17 and FY 2017-18. ARR shall be compared with actual aeronautical revenues during such period. Any shortfall or surplus from these two years shall be considered as true-up of the current control period.

13.2. Coimbatore Airport in its submission has computed shortfall of ₹ 6,292 lakhs (compounded at 14% p.a.) for FY 2016-17 and FY 2017-18, as given in Table 36.

Table 36: Shortfall computation of FY 2016-17 and FY 2017-18 as per the submission of Coimbatore Airport (in ₹ lakhs)

Particulars	FY 2016-17	FY 2017-18	Total
ARR of previous years [1]	4,575	5,304	9,878
Aeronautical revenues of previous years [2]	2,148	2,551	4,699
Previous Shortfall [3]=[1]-[2]	2,427	2,753	5,180
Compound Factor as on 01.04.2018 [4]	1.30	1.14	
PV of shortfall [5]= [3]*[4]	3,154	3,138	6,292

Authority's Examination – Prior period shortfall

13.3. The Authority has noted that impact of cargo operations has not been evaluated while determining tariff for Coimbatore airport. Cargo operations at Coimbatore Airport were handed over to AAI Cargo Logistics and Allied Services Company Limited ("AAICLAS") w.e.f. 01.04.2017. Accordingly, For FY 2016-17, the Authority has decided to consider full impact of cargo operations on shortfall during such year. Impact on shortfall from cargo operations for FY 2016-17 is presented in Table 37. For FY 2017-18 onwards, the Authority has decided to consider 30% of cargo revenues during respective years as Coimbatore Airport's revenue share. Accordingly, revenue share from cargo operations from FY 2017-18 onwards has been considered as aeronautical revenues in the respective years during the first control period.

Table 37: Shortfall/ Surplus from Cargo Services of Coimbatore Airport in FY 2016-17 as per the Authority

Particulars	FY 16-17
Average RAB [1]	120
FRoR [2]	14.00 %
Return on Average RAB [3] = [1] * [2]	17
Add: Depreciation [4]	12
Add: Operating expenses [5]	151
Add: Taxation [6]	-
Less: 30% of Non - Aeronautical revenue [7]	-
ARR [8] = [3] + [4] + [5] + [6] - [7]	180
Aeronautical revenues from cargo services [9]	265
Surplus/ (Shortfall) [9]-[8]	85

13.4. After considering the Authority's decision to exclude hanger rent and include cargo revenue in aeronautical revenues as stated in para 16.6 and 16.7 respectively, aeronautical revenues of FY 2016-17 and FY 2017-18 are accordingly revised and presented in Table 38.



Table 38: Revised aeronautical revenues for FY 2016-17 and FY 2017-18 as per the Authority (in ₹ lakhs)

Particulars	FY 2016-17	FY 2017-18
Landing Charges	848	1,056
Total parking & housing charges	1	1
Fuel Throughput charges	54	47
Ground handling charges	151	218
CUTE Charges	117	96
UDF	-	-
PSF (excluding UDF Charges)	820	961
Land leases	51	50
Cargo revenue	-	95
Total aeronautical revenues	2,041	2,524

13.5. The Authority has considered cash flows to occur at the end of any particular financial year. Further, the date up to which cash flows for any particular financial year are compounded and/ or discounted shall be considered as the end of the financial year in which tariff determination takes place. Accordingly, the present value factor in the present case has been computed up to 01.04.2019.

13.6. After considering the above decisions of the Authority, the revised prior period shortfall as per the Authority is presented in Table 39 below.

Table 39: Revised prior period shortfall of FY 2016-17 and FY 2017-18 as per the Authority's examination (in ₹ lakhs)

Particulars	FY 2016-17	FY 2017-18	Total
ARR of previous years [1]	4,522	5,109	9,631
Aeronautical revenues of previous years as per Table 38 [2]	2,041	2,524	4,565
Previous shortfall before cargo adjustment [3]=[1]-[2]	2,481	2,586	5,066
Add: Shortfall from cargo services as per Table 37 [4]	85		85
Total prior period shortfall [5] = [3] + [4]	2,396	2,586	4,981
Compound Factor at 14% p.a. as on 01.04.2019 [6]	1.30	1.14	
PV of compounded shortfall [7]= [6]*[5]	3,115	2,949	6,063

Decision No. 8 Regarding prior period shortfall

8.a. The Authority has decided to consider prior period shortfall as given in Table 39 for truing up in the current Control Period.



14. AGGREGATE REVENUE REQUIREMENT AND SHORTFALL COMPUTATION

14.1. The ARR computation as submitted by Coimbatore Airport for the first control period is shown in Table 40:

Table 40: ARR computation as per Coimbatore Airport for the first control period (in ₹ lakhs)

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Average RAB [1]	6,101	8,950	18,323	25,575	24,016	
FRR [2]	14 %	14 %	14 %	14 %	14 %	
Return on Average RAB [3] = [1] * [2]	854	1,253	2,565	3,581	3,362	
Add: Depreciation [4]	796	797	1,189	1,560	1,567	
Add: Operating expenses [5]	4,741	5,070	5,414	5,905	6,315	
Add: Taxation [6]	1,174	1,445	855	856	857	
Less: 30% of Non - Aeronautical revenues [7]	(622)	(681)	(746)	(883)	(968)	
ARR [8] = [3] + [4] + [5] + [6] - [7]	6,943	7,884	9,277	11,018	11,133	46,255

14.2. Shortfall computation for FY 2018-19 to FY 2022-23 submitted by Coimbatore Airport is given in Table 41.

Table 41: Shortfall computation for FY 18-19 to FY 22-23 as per the submission of Coimbatore Airport (in ₹ lakhs)

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
ARR	6,943	7,884	9,277	11,018	11,133	46,255
Discount Factor	1.00	0.88	0.77	0.67	0.59	
PV ARR [A]	6,943	6,916	7,138	7,437	6,592	35,026
Aeronautical revenues	4,055	11,484	12,652	13,946	15,381	57,517
Discount Factor	1.00	0.88	0.77	0.67	0.59	
PV Aeronautical revenues [B]	4,055	10,074	9,735	9,413	9,107	42,383
(Shortfall)/ Surplus of the current control period [B]-[A]	(2,887)	3,157	2,597	1,976	2,515	7,357



Authority's Examination –ARR & Shortfall

14.3. After considering Authority's decisions pertaining to building blocks of RAB in prior chapters of this consultation paper, revised ARR as per the Authority is as given in Table 42.

Table 42: ARR computation as per the Authority for the first control period (in ₹ lakhs)

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Average RAB as per Table 25 [1]	6,116	7,231	9,678	17,645	22,092	
FRoR as per Decision No. 3 [2]	14 %	14 %	14 %	14 %	14 %	
Return on Average RAB [3] = [1] * [2]	856	1,012	1,355	2,470	3,093	
Add: Depreciation as per Table 25 [4]	812	750	719	1,077	1,397	
Add: Operating expenses Table 28 [5]	4,386	4,666	4,969	5,361	5,789	
Add: Taxation as per Table 34 [6]	-	-	-	698	1,264	
Less: 30% of Non - Aeronautical revenues as per Table 32 [7]	(662)	(725)	(794)	(905)	(1,032)	
ARR [8] = [3] + [4] + [5] + [6] - [7]	5,392	5,704	6,248	8,701	10,510	36,555

14.4. Yield per passenger (YPP) is presented in Table 43 below.

Table 43: Yield per passenger as per the Authority

Particulars	Unit	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Total pax	pax lakhs	27.3	31.0	35.3	40.1	45.5	
Discount factor	#	1.00	0.88	0.77	0.67	0.59	
ARR	₹ lakhs	5,392	5,704	6,248	8,701	10,510	
PV of ARR	₹ lakhs	5,394	5,003	4,808	5,873	6,223	27,301
Annual escalation	% p.a.	1.00	1.00	1.00	1.00	1.00	
YPP	INR/ pax	201	201	201	201	201	

It is to be noted that the above yield is based on total passengers expected at the airport. i.e., departing as well as arriving. The yield per departing passenger is similar seems would be thrice the yield as per the above table i.e. INR 402.



14.5. Revised shortfall computation as per the Authority for FY 2018-19 to FY 2022-23 without considering revenues from UDF is given in Table 44.

Table 44: Shortfall computation for the first control period as per the Authority's examination (in ₹ lakhs)

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
ARR as per Table 42	5,392	5,704	6,248	8,701	10,510	36,555
Aeronautical revenues (excluding UDF) as per Table 51	2,809	2,411	2,727	3,090	3,508	14,545
Discount Factor at 14% p.a.	1.00	0.88	0.77	0.67	0.59	
PV ARR	5,394	5,003	4,808	5,873	6,223	27,301
PV Aeronautical revenues (excluding UDF)	2,810	2,115	2,098	2,086	2,077	11,185
Difference between PV of Aero revenues (excluding UDF) and PV of ARR						(16,115)

Stakeholder comments and the Authority's observations

Comments from FIA

14.6. FIA submitted that-

"FIA submits that as per Para 6.1 of Chapter III of the Airport Guidelines, "The Authority shall determine Aggregate Revenue Requirement as specified in Clause 4.3 and the yield per passenger (Y), to be specified in the Multi Year Tariff Order for the Control Period as specified". Accordingly, Authority has to determine not only ARR but also the yield per passenger for the control period.

FIA observed that in the Consultation Paper, YPP has not been computed and submitted by AAI for Coimbatore airport and further not computed and evaluated by the Authority. Hence, FIA requests the Authority to compute YPP and comment on the same as part of the Order for first control period of Coimbatore Airport."

14.7. FIA also submitted that-

"As per Table 42 of the Consultation Paper, Authority has accepted the shortfall of 81% of ARR before imposing UDF which has reduced to 12% post introduction of UDF for the first time. It implies that approx. 69% of shortfall is recovered from UDF.

However, the Authority has not discussed or suggested any means to recover such a significant shortfall. If the shortfall of 12%, is met through an increase in the tariffs, the viability and affordability of airport for airlines and passengers will be significantly hampered.

FIA further submits that the one of the key reasons of shortfall is acceptance of AAI's submission in all building blocks like higher RAB, higher FRoR, operating expenditure, and lower non-aero revenue; these all factors have cumulatively led to a higher ARR. FIA has conducted analysis on each of the building blocks as appearing hereinafter.

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



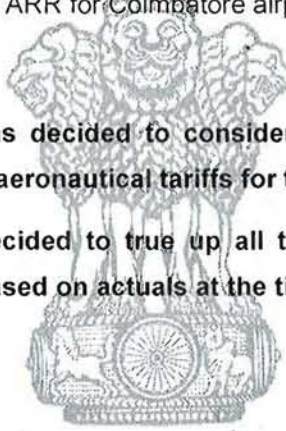
Authority's examination of FIA's comments

14.8. In response to FIA's comment on YPP calculation, FIA to refer Chapter 5 on "Methodology for tariff calculation". The Authority has simplified the methodology to review airport tariffs after taking into consideration AERA guidelines. However, the Authority has computed YPP in Table 43 for reference.

14.9. In response to FIA's comment on measures to be suggested by the Authority to contain shortfall, it is to be noted that the Authority carefully examined AAI's submissions for each building block to arrive at ARR for Coimbatore airport.

Decision No. 9 Regarding ARR

- 9.a. The Authority has decided to consider the ARR as provided in Table 42 for determination of aeronautical tariffs for the first Control Period.
- 9.b. The Authority decided to true up all the building blocks of ARR of the first Control Period based on actuals at the time of determination of tariff for the next Control Period.



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15. TRUE-UP

15.1. Total (shortfall)/ surplus for first control period as per Coimbatore Airport is given in Table 45.

Table 45: Computation of total shortfall for the first control period as per the submission of Coimbatore Airport (in ₹ lakhs)

Particulars	Value
PV Aeronautical revenues during the first control period [1] as per Table 41	42,383
PV Target ARR considered by Coimbatore Airport [2]	35,026
(Shortfall)/ Surplus for current control period [3]=[1]-[2]	7,357
Add: True-up (Shortfall of prior periods) from [4] as per Table 36	(6,292)
Total (shortfall) / surplus for the control period [5]=[3]+[4]	1,065

Authority's examination – True-up

15.2. Revised total shortfall or surplus (before considering UDF) as per the Authority is given in Table 46.

Table 46: Revised total shortfall (before considering UDF) as per the Authority (in ₹ lakhs)

Revised (shortfall) / surplus of current control period (without considering UDF) as per Table 44	(16,115)
Add: Revised present value of prior period (shortfall)/surplus as per Table 39	(6,063)
Revised total (shortfall)/ surplus (before considering UDF)	(22,179)

15.3. The Authority notes that AAI initially proposed an amount of ₹625 per domestic embarking passenger and ₹725 per international embarking passenger towards UDF. The proposed rate would lead to surplus in current control period. As per the Authority, it was observed that UDF of ₹425 per domestic embarking passenger and ₹525 per international embarking passenger would neutralize the ARR with expected revenue. Since there is no significant capital expenditure proposed in next control period and all the building blocks will also get reduced, the ARR/UDF for next control period would be significantly lower. To avoid such wide fluctuation of UDF in the current control period and next control period, the Authority proposed a UDF of ₹350 per domestic embarking passenger and ₹450 per international embarking passenger for the current control period, leading to revised shortfall of ₹2,734 lakhs, which could be carried forward to next control period. After stakeholders' consultation, AAI submitted revised UDF rates of ₹400 per domestic embarking passenger and ₹500 per international embarking passenger. However, post AAI's discussion with the Authority and considering the aforesaid, AAI has agreed to consider UDF rates of ₹350 and ₹450 for domestic and international passengers respectively for the current control period. Additionally, during the stakeholders' consultation meeting AAI submitted to increase the Fuel Throughput Charges from ₹164.54 per KL to ₹500 per KL, which the Authority has accepted while computing shortfall of the Control Period. Accordingly, the Authority has decided to consider UDF rates of ₹350 per domestic embarking passenger and ₹450 per international embarking passenger for the current control period.



15.4. Revised aeronautical revenues from UDF is shown in Table 47 .

Table 47: Revised aeronautical revenues from UDF as per the Authority (in ₹ lakhs):

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Aeronautical Revenues from UDF as per Table 52	-	5,566	6,327	7,192	8,174	27,259
Discount Rate at 14% p.a.	1.00	0.88	0.77	0.67	0.59	
PV of revenues from UDF	-	4,883	4,868	4,854	4,840	19,445

15.5. Revised total shortfall (after considering UDF) is given in Table 51 below.

Table 48: Revised total shortfall (after considering UDF) as per the Authority (in ₹ lakhs)

Revised total (shortfall)/surplus (before considering UDF) as per Table 46	(22,179)
PV of revenue from UDF as per Table 47	19,445
Revised net total (shortfall)/ surplus	(2,734)



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16. **REVENUE FROM AERONAUTICAL SERVICES**

16.1. As per section 2(a) of the AERA Act, aeronautical services include services for Landing, Housing or Parking, Ground handling services, services for Cargo facility, and services for supplying fuel to the aircraft at an airport.

16.2. Coimbatore Airport in its submission has bifurcated revenues for FY 2018-19 into two periods, 01.04.2018 to 01.02.2019 constituting 10 months and 01.02.2019 to 31.03.2019 constituting two months. Aeronautical revenues for the first 10 months are calculated at the previous tariff rates of FY 2017-18 and escalated rates have been assumed for the next two months as applicable.

16.3. Coimbatore Airport's submission in relation to revenues from aeronautical services is discussed in Table 49.

Table 49: Assumptions made by Coimbatore Airport for each item of Aeronautical Revenues

Item	Assumption
Landing Charges	In its submission, Coimbatore Airport has proposed to increase average domestic landing charges by 31% and international landing charges by 26% from the existing charges w.e.f. 01.02.2019 to 31.03.2019. An increase of 4% thereafter on YOY basis from FY 2019-20 to FY 2022-23 is proposed.
Parking & Housing charges	Parking and housing charges are proposed to increase by 114% from the existing charges w.e.f. 01.02.2019 by Coimbatore Airport. An increase of 4% thereafter on YOY basis from FY 2019-20 is proposed.
Fuel Throughput charges	AAI has proposed ₹164.54 per kiloliter (KL) for FY 2018-19 w.e.f. 01.02.2019. This is a 15% increase in existing rates of ₹143.08 per kiloliter (KL). No increase is proposed for the subsequent years by Coimbatore Airport in its submission.
Ground Handling charges	No increase or change in ground handling charges is proposed by Coimbatore Airport.
CUTE Charges	No increase or change in CUTE charges is proposed by Coimbatore Airport.
UDF- Domestic & International	Presently, Coimbatore Airport does not charge UDF. In its submission, Coimbatore Airport as proposed to levy UDF of ₹625 per passenger for domestic passenger and ₹725 per passenger for international passenger, w.e.f. 01.02.2019 to 31.03.2023. No increase in UDF is proposed for subsequent years.
PSF-Domestic & International	PSF(Facilitation) charges of ₹77- charged presently for both domestic and International passenger is withdrawn w.e.f. 01.02.2019.

16.4. The projected revenue from Aeronautical Services for Coimbatore Airport has been provided in Table 50.



Table 50: Projected revenue from aeronautical services as furnished by Coimbatore Airport for first control period (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Landing Charges	848	1,056	1,211	1,704	1,937	2,204	2,508
Total parking & housing charges	1	1	1	1	2	2	2
Fuel Throughput charges	54	47	53	64	69	75	82
Ground handling charges	151	218	237	256	278	301	327
CUTE Charges	117	96	105	115	126	138	151
UDF	-	-	1,391	9,146	10,027	10,997	12,064
PSF (excluding UDF Charges)	820	961	875	-	-	-	-
Land leases	51	50	50	50	50	50	50
Hanger Rent	107	122	134	147	162	178	196
Total	2,148	2,551	4,055	11,484	12,652	13,946	15,381

Authority's Examination

- 16.5. The Authority has decided to consider 01.04.2019 as the effective date for tariff determination.
- 16.6. The Authority has decided to classify revenue from hangar rent as non-aeronautical. Accordingly, hangar rent is deducted from aeronautical revenues.
- 16.7. In relation to cargo operations at Coimbatore airport (as discussed in para 13.3). The Authority has analysed cargo revenues at Coimbatore airport from FY 2015-16 to 31.01.2019², and has decided to consider 30% of cargo revenues in any financial year as aeronautical revenues in the respective years during the first control period. To project cargo revenues during the control period, average growth rate per annum for the last 3 years has been considered by the Authority.
- 16.8. Coimbatore Airport in its submission has considered fuel throughput charges of ₹164.54 w.e.f. 01.04.2019. After discussion with AAI during the stakeholder consultation meeting, AAI submitted revised fuel throughput charges as ₹500 per KL. The Authority has decided to accept Coimbatore's submission in this regard.
- 16.9. Accordingly, the aeronautical revenues excluding UDF for FY 2018-19 to FY 2022-23 as per the Authority are given in Table 51 below.



² Cargo revenues for 10 month period from 01.04.2018 to 31.01.2019 have been annualized for the aforesaid analysis.

Table 51: Projected revenue from aeronautical services excluding UDF as per the Authority (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Landing Charges	848	1,056	1,153	1,638	1,863	2,119	2,412
Total parking & housing charges	1	1	1	1	2	2	2
Fuel Throughput charges	54	47	51	195	212	230	250
Ground handling charges	151	218	237	257	279	303	329
CUTE Charges	117	96	109	123	140	159	181
PSF (excluding UDF Charges)	820	961	1,093	-	-	-	-
Land leases (fuel farm & ground handling)	51	50	50	50	50	50	50
Cargo	-	95	116	145	181	227	284
Total aero revenue excluding UDF	2,041	2,524	2,809	2,411	2,727	3,090	3,508

16.10. Revenue from UDF shall be computed at ₹350 per domestic embarking passenger and at ₹450 per international embarking passenger as discussed in para 15.3. Accordingly, revised revenue from UDF as per the Authority is shown in Table 52.

Table 52: Aeronautical revenues from UDF as per the Authority's examination (in ₹ lakhs)

Particulars	FY 2018-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total
Aeronautical Revenue from UDF- Domestic	-	4,960	5,630	6,390	7,252	24,232
Aeronautical Revenue from UDF- International	-	606	697	802	922	3,027
Total Aeronautical Revenue from UDF	-	5,566	6,327	7,192	8,174	27,259

16.11. Total aeronautical revenues including UDF as per the Authority is given in Table 53.

Table 53: Total Aeronautical Revenues of Coimbatore Airport during the first control period as per the Authority's examination (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Landing Charges	848	1,056	1,153	1,638	1,863	2,119	2,412
Total parking & housing charges	1	1	1	1	2	2	2
Fuel Throughput charges	54	47	51	195	212	230	250
Ground handling charges	151	218	237	257	279	303	329
CUTE Charges	117	96	109	123	140	159	181
PSF (excluding UDF Charges)	820	961	1,093	-	-	-	-
Land leases (fuel	51	50		50	50	50	50

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
farm & ground handling)			50				
Cargo	-	95	116	145	181	227	284
UDF as per Table 52	-	-	-	5,566	6,327	7,192	8,174
Total	2,041	2,524	2,809	7,977	9,054	10,282	11,682

Stakeholder comments and the Authority's observations

Comments from AAI

16.12.AAI submitted that-

"1. AERA is requested to consider the correct figure of Landing and Ground handling charges for FY 2017-18 as it will result in increase of shortfall of Rs 9 Crs.

2. AERA is requested to consider Hanger Rent as non-aeronautical as considered in the earlier tariff proposal of AAI airports and accordingly work out ARR. This will increase shortfall by Rs 6 Crs."

16.13.AAI also submitted that-

"AERA is requested to consider the above comments of AAI on CP and approve the following revised ATP (annual tariff proposal).

Landing Charges-- Same as proposed in CP

Parking Charges-- Same as proposed in CP. However, to optimize the use of limited parking bays, an additional charge of Rs 20/- Per Hr Per MT beyond 24 Hrs is payable. (Applicable to only General Aviation)

Fuel Throughput Charges- Revised Through Put Charges of Rs 500 per KI is proposed for the control period as against Rs 164.54 per KI proposed in CP in order to reduce shortfall to the tune of Rs 3 Cr.

UDF: Domestic - Rs 400 per pax, International- Rs 500 per pax (for the control period)
The revised ATP due to revised working as mentioned above will result in a shortfall of Rs 30 crs."

Comments from HPCL

16.14.HPCL submitted that-

"AERA has proposed Throughput charges at Coimbatore as 164.54 Rs/KL effective from 01.12.2018.

We shall abide by the decision taken by AERA on revision of throughput charges. However, we request to keep the date of implementation of tariff, only after the date of release of the order."

Comments from FIA

16.15.FIA submitted that-

"FIA submits that as per "Charges for airport services (major / non major airports) effective from 1 April 2017" as issued by AAI, it was noted that existing tariff rates at Coimbatore airport are based on the following slabs: (i) upto 40 MT, (ii) Above 40MT upto 100MT and (iii)



Above 100MT. Since, the weight slabs mentioned for all charges as per AAI tariff card are different from the ones mentioned in Schedule of charges on Page 47 of the Consultation Paper and no bridge has been provided between these slabs, FIA requests Authority to confirm the manner in which the increase of tariffs has been computed for first control period over the existing tariff rates. Refer below table on existing rates as per AAI.

FIA further submits that as per assumptions under Table 44 of the Consultation Paper, "Parking and housing charges are proposed to increase by 114% from existing rates w.e.f. 01.02.2019 and an increase of 4% thereafter on YoY basis from FY 2019-20 onwards". FIA submits that the Authority has accepted these rates for the first control period except for its applicability from 01 March 2019. Year on year growth rate proposed by Authority for domestic air traffic movement ("ATM"), which forms 91% of total ATM, is only 8% as compared to the historical 5-year CAGR of 12.79% mentioned in Table 7 of the Consultation Paper. FIA submits that a conservative approach considered towards estimation of domestic ATM may have resulted in 114% increase in the parking charges. FIA submits that Authority should consider c. 12.79% year-on year growth rate for domestic ATM and re-evaluate the 114% increase in housing and parking charges.

FIA submits that on best effort basis, FIA has tried to compute the percentage increase in proposed tariffs vis-à-vis existing tariffs. We have computed the increase for certain weight categories of aircrafts due to non-availability of certain slabs in existing rates and proposed rates in above mentioned table. FIA has observed that key charges have increased in the range of 19% to 108%. However, percentage increase as per FIA's analysis is different in each category as compared to percentage increase highlighted by Authority in the Consultation Paper.

FIA further submits that Authority has proposed INR 350 & INR 450 as UDF per domestic and international embarking passenger respectively. At present, no UDF is charged by Coimbatore airport. Authority should consider 18.26% YoY growth rate for domestic passengers while computing UDF.

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

AAI's submission on FIA's comments

"The revised tariff shall be applicable with prospective date only"

Authority's examination of AAI's, HPCL's and FIA's comments

16.16. In response to AAI's comment, the Authority clarifies that aeronautical revenue from landing and ground handling in FY 2017-18 stand rectified, as presented in Table 53. Additionally, the Authority has decided to classify hangar rent as non-aeronautical and have been accordingly included in non-aeronautical revenues as presented in Table 32. The Authority has accepted AAI's submission of landing charges, parking charges, and revised fuel through put charges of INR 500 per KL. However, the Authority has decided to keep UDF rates at INR 350 and INR 450 per domestic and international passenger respectively, as discussed in para 15.3.

16.17. In response to FIA's comments regarding tariff card and computations of aeronautical revenue thereof, it is to be noted that the Authority lets the airport operator decide its tariffs basis its own market assessment and judgement. For the purposes of computing aeronautical revenues for tariff determination, average charge of FY2017-18 is computed for



each stream of revenue which is then escalated each year by the increase in tariff as sought by AAI. Such escalated average charge is then multiplied by traffic to arrive at aeronautical revenues. Further FIA is requested to refer to para 6.8 for the Authority's response to FIA's comment on growth in domestic traffic.

16.18. In response to HPCL's concern regarding approval of fuel throughput charges on prospective basis, the Authority states that the fuel throughput charges of Rs 500 per KL would be approved on prospective basis only.

Decision No. 10 Regarding Aeronautical Revenues

- 10.a. The Authority has decided to consider UDF at ₹350 per domestic embarking passenger and at ₹450 per international embarking passenger.
- 10.b. The Authority has decided to consider Aeronautical Revenues as given in Table 53.
- 10.c. The Authority has decided to true up the Aeronautical Revenues of the first Control Period based on actual Aeronautical Revenues earned at the time of determination of tariff for the next Control Period.

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17. ANNUAL TARIFF PROPOSAL SUBMITTED BY COIMBATORE AIRPORT

17.1. Coimbatore Airport vide its submission proposed the following tariff (excluding taxes) for FY 2018-19 with effect from 01.02.2019 to 31.03.2019.

17.1.1. Landing Charges

Weight of the Aircraft	Unit	Proposed Rate per Landing—Domestic Flights	Proposed Rate per Landing—International Flights
Up to 25 MT	₹/ MT	160.00	240.00
Above 25 MT up to 50 MT	₹/ MT	4,000.00 + 280.00 in excess of 25 MT	6,000.00 + 450.00 in excess of 25 MT
Above 50 MT up to 100	₹/ MT	11,000.00 + 320.00 in excess of 50 MT	17,250.00 + 520.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ MT	27,000.00 + 390.00 in excess of 100 MT	43,250.00 + 600.00 in excess of 100 MT
Above 200 MT	₹/ MT	66,000.00 + 440.00 in excess of 200 MT	1,03,250.00 + 720.00 in excess of 200 MT

Notes-

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

17.1.2. Parking Charges

Weight of the Aircraft	Unit	Parking Charges Rates per Hour (first two hours after free parking period)	Parking charges per hour (beyond four hours)
Up to 25 MT	₹/ hour/ MT	3.00	6.00
Above 25 MT up to 50 MT	₹/ hour/ MT	75.00 + 4.00 in excess of 25 MT	150.00 + 8.00 in excess of 25 MT
Above 50 MT up to 100	₹/ hour/ MT	175.00 + 8.00 in excess of 50 MT	350.00 + 16.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ hour/ MT	575.00 + 10.00 in excess of 100 MT	1,150.00 + 20.00 in excess of 100 MT
Above 200 MT	₹/ hour/ MT	1,575.00 + 11.00 in excess of 200 MT	3,150.00 + 22.00 in excess of 200 MT

Notes-

- To optimize the use of limited parking bays an additional charge of ₹20.00 per hour per MT beyond 24 hours is payable (applicable to general aviation)
- No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.
- For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- Charges shall be calculated on the basis of nearest MT.
- Charges for each period parking shall be rounded off to nearest rupee.
- At the in-contact stands and open stands, after free parking, the parking charges shall be levied as



per table given above.

- 1g. It is proposed to waive off the night parking charges (between 2200 hours to 0600 hours) in principle for all domestic scheduled operators at Coimbatore Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking (between 2200 hours to 0600 hours) will be made applicable from the date of implementation of < 5% tax on ATF by the State Government. 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.
- 1h. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.

17.1.3. Fuel Throughput Charges

Proposed Rate	Per Kiloliter in ₹.	164.54
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17.1.4. UDF Charges

Passenger	Unit	PSF existing rate	UDF existing rate	Proposed UDF rates (01.02.2019 to 31.03.2019)
Domestic	₹/embarking passenger	77.00	-	625.00
International	₹/embarking passenger	77.00	-	725.00

2a. PSF(F) is proposed to be withdrawn

- 2b. Collection charges: if the payment is made within 15 days of receipt of invoice, then collection charges at ₹ 5.00 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.
- 2c. No collection charges are payable to casual operator/non-scheduled operators.
- 2d. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
- 2e. UDF will be applicable on tickets issued on or after 01.02.2019.

17.1.5. PSF- Security

- 3a. Coimbatore Airport has proposed to continue the existing rate of PSF-Security charges;
- 3b. ₹130/- per embarking International/ Domestic passenger.
- 3c. USD 3.25 per passenger in respect of the tickets issued against Dollar Tariff.
- 3d. 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.
- 3e. No PSF (Security) will be levied for Transit Passengers.
- 3f. For conversion of USD into INR 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.

Authority's Examination

- 17.2. The Authority proposes that the tariff for the first control period shall be applicable with effect from 01.04.2019.



- 17.3. The Authority has noted that Coimbatore Airport has sought revision in fuel throughput rate from ₹164.54 per KL to ₹500 per KL during the first control period as part of revised tariff proposal pursuant to discussion in para 15.3. The Authority has decided to finalize fuel throughput rate at ₹500 per KL after consultation with the stakeholders. Accordingly, fuel throughput rate of ₹500 per KL has been considered for the purposes of computing shortfall/surplus during the first control period.
- 17.4. The Authority has decided to accept the tariff rates of landing and parking charges as submitted by Coimbatore Airport.
- 17.5. In response to AAI's comment, the Authority clarifies that aeronautical revenue from landing and ground handling in FY 2017-18 stand rectified, as presented in Table 53. Additionally, the Authority has decided to classify hangar rent as non-aeronautical and have been accordingly included in non-aeronautical revenues as presented in Table 32. The Authority has accepted AAI's submission of landing charges, parking charges, and revised fuel through put charges of INR 500 per KL. However, the Authority has decided to keep UDF rates at INR 350 and INR 450 per domestic and international passenger respectively, as discussed in para 15.3.
- 17.6. The Authority is of the view that the PSF-Security rates should be applicable as prescribed by Ministry of Civil Aviation (MoCA).
- 17.7. Based on above decisions of the Authority, the tariff card (excluding taxes) for the first control period is as follows:

17.7.1. Landing Charges

Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
<u>Domestic passengers</u>					
Up to 25 MT	₹/ MT	160.00	166.40	173.06	179.98
Above 25 MT up to 50 MT	₹/ MT	4,000.00 + 280.00 in excess of 25 MT	4,160.00 + 291.20 in excess of 25 MT	4,326.40 + 302.85 in excess of 25 MT	4,499.46 + 314.96 in excess of 25 MT
Above 50 MT up to 100	₹/ MT	11,000.00 + 320.00 in excess of 50 MT	11,440.00 + 332.80 in excess of 50 MT	11,897.60 + 346.11 in excess of 50 MT	12,373.50 + 359.96 in excess of 50 MT
Above 100 MT	₹/ MT	27,000.00 +	28,080.00 +	29,203.20 +	30,371.33 +



to 200 MT		390.00 in excess of 100 MT	405.60 in excess of 100 MT	421.82 in excess of 100 MT	438.70 in excess of 100 MT
Above 200 MT	₹/ MT	66,000.00 + 440.00 in excess of 200 MT	68,640.00 + 457.60 in excess of 200 MT	71,385.60 + 475.90 in excess of 200 MT	74,241.02 + 494.94 in excess of 200 MT

International Passengers

Up to 25 MT	₹/ MT	240.00	249.60	259.58	269.97
Above 25 MT up to 50 MT	₹/ MT	6,000.00 + 450.00 in excess of 25 MT	6,240.00 + 468.00 in excess of 25 MT	6,489.60 + 486.72 in excess of 25 MT	6,749.18 + 506.19 in excess of 25 MT
Above 50 MT up to 100	₹/ MT	17,250.00 + 520.00 in excess of 50 MT	17,940.00 + 540.80 in excess of 50 MT	18,657.60 + 562.43 in excess of 50 MT	19,403.90 + 584.93 in excess of 50 MT
Above 100 MT to 200 MT	₹/ MT	43,250.00 + 600.00 in excess of 100 MT	44,980.00 + 624.00 in excess of 100 MT	46,779.20 + 648.96 in excess of 100 MT	48,650.37 + 674.92 in excess of 100 MT
Above 200 MT	₹/ MT	1,03,250.00 + 720.00 in excess of 200 MT	1,07,380.00 + 748.80 in excess of 200 MT	1,11,675.20 + 778.75 in excess of 200 MT	1,16,142.21 + 809.90 in excess of 200 MT

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



17.7.2. Parking Charges

Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Parking Charges rates per hour (first two hours after free parking period)					
Up to 25 MT	₹/ hour/ MT	3.00	3.12	3.24	3.37
Above 25 MT up to 50 MT	₹/ hour/ MT	75.00 + 4.00 in excess of 25 MT	78.00 + 4.16 in excess of 25 MT	81.12 + 4.33 in excess of 25 MT	84.36 + 4.50 in excess of 25 MT
Above 50 MT up to 100	₹/ hour/ MT	175.00 + 8.00 in excess of 50 MT	182.00 + 8.32 in excess of 50 MT	189.28 + 8.65 in excess of 50 MT	196.85 + 9.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ hour/ MT	575.00 + 10.00 in excess of 100 MT	598.00 + 10.40 in excess of 100 MT	621.92 + 10.82 in excess of 100 MT	646.80 + 11.25 in excess of 100 MT
Above 200 MT	₹/ hour/ MT	1,575.00 + 11.00 in excess of 200 MT	1,638.00 + 11.44 in excess of 200 MT	1,703.52 + 11.90 in excess of 200 MT	1,771.66 + 12.37 in excess of 200 MT
Parking Charges Rates per hour (beyond four hours)					
Up to 25 MT	₹/ hour/ MT	6.00	6.24	6.49	6.75
Above 25 MT up to 50 MT	₹/ hour/ MT	150.00 + 8.00 in excess of 25 MT	156.00 + 8.32 in excess of 25 MT	162.24 + 8.65 in excess of 25 MT	168.73 + 9.00 in excess of 25 MT
Above 50 MT up to 100	₹/ hour/ MT	350.00 + 16.00 in excess of 50 MT	364.00 + 16.64 in excess of 50 MT	378.56 + 17.31 in excess of 50 MT	393.70 + 18.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ hour/ MT	1,150.00 + 20.00 in excess of 100 MT	1,196.00 + 20.80 in excess of 100 MT	1,243.84 + 21.63 in excess of 100 MT	1,293.59 + 22.50 in excess of 100 MT
Above 200 MT	₹/ hour/ MT	3,450.00 +	3,276.00 +	3,407.04 +	3,543.32 +



		22.00 in excess of 200 MT	22.88 in excess of 200 MT	23.80 in excess of 200 MT	24.75 in excess of 200 MT
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Notes-

1. To optimize the use of limited parking bays an additional charge of ₹20.00 per hour per MT beyond 24 hours is payable (applicable to general aviation)
2. 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.
3. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
4. Charges shall be calculated on the basis of nearest MT.
5. Charges for each period parking shall be rounded off to nearest rupee.
6. 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.
7. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Coimbatore Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hours to 0600 hours) will be made applicable from the date of implementation of < 5% tax on ATF by the State Government. 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.
8. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.

17.7.3. Fuel Throughput Charges **सत्यमेव जयते**

Proposed Rate	Per Kiloliter in ₹	500.00
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17.7.4. UDF Charges

Particulars	Proposed rate per embarking passenger in ₹
UDF- Domestic Passenger	350.00
UDF- International Passenger	450.00

1. Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at ₹ 5.00 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 prescribed credit period 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.

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

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

4. UDF will be applicable on tickets issued on or after 01.04.2019.

17.7.5. PSF-Security charges applicable as prescribed by MoCA

Decision No. 11 Regarding Annual Tariff Proposal

11.a. The Authority has decided to consider 01.04.2019 as the date of implementation of the proposed tariff rates.

11.b. The Authority has decided accept landing and parking charges as submitted by Coimbatore Airport.



- 11.c. The Authority has decided consider fuel throughput rate of ₹500.00 per KL w.e.f. 01.04.2019.
- 11.d. The Authority has decided reduce UDF to ₹350 and ₹450 for domestic and international embarking passengers respectively.
- 11.e. The Authority has decided that PSF-Security charges should be as prescribed by MoCA.



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18. **ANNUAL COMPLIANCE STATEMENT**

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

Decision No. 12 Regarding Annual Compliance

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



19. SUMMARY OF DECISIONS

Decision No. 1 Regarding Traffic Forecast..... 15

1.a. The Authority has decided to consider passenger traffic projections given in Table 7 and ATM traffic projections as given in Table 8. 15

1.b. The Authority has decided to true up the passenger and ATM traffic of the first Control Period based on actuals at the time of determination of tariff for the next Control Period. 15

Decision No. 2 Regarding RAB..... 37

2.a. The Authority has decided to use Average RAB as given in Table 25 for calculation of ARR. 37

2.b. The Authority has decided to true up Average RAB of the first Control Period based on actuals at the time of determination of tariff for the next Control Period. 37

Decision No. 3 Regarding FRoR..... 38

3.a. The Authority has decided to consider the FRoR at 14% for Coimbatore Airport for the first Control Period.....38

3.b. The Authority will undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole. 38

Comments from FIA42

Decision No. 4 Regarding Operation and Maintenance expenditure..... 44

4.a. The Authority has decided to consider the revised operation and maintenance expenditure for Coimbatore Airport as given in Table 28. 44

4.b. The Authority has decided to true up the operation & maintenance expenses based on the actual expenditure during the Control Period. 44

Decision No. 5 Regarding Non Aeronautical Revenues..... 49

5.a. The Authority has decided to consider the Non Aeronautical Revenues as given in Table 32 for determination of aeronautical tariffs for the first control period. 49

5.b. The Authority has decided to true-up the Non Aeronautical Revenues of the first Control Period based on actuals at the time of determination of tariff for the next Control Period. 49

Decision No. 6 Regarding Taxation..... 52

6.a. The Authority has decided to consider tax computation as given in Table 34. 52

6.b. The Authority has decided to true up tax of the first Control Period based on actuals at the time of determination of tariff for the next Control Period. 52

Decision No. 7 Regarding quality of service 54

7.a. Since the ASQ ratings of Coimbatore Airport have been below the target rating of 4.80, the Authority advises AAI to make all out efforts to improve the Service Quality at Coimbatore Airport. The Authority is of the view that it will examine ASQ ratings while trueing up in the next control period and if by then Coimbatore Airport is unable to achieve the said target, the Authority will consider imposing penalty on Coimbatore Airport as appropriate. 54

Decision No. 8 Regarding prior period shortfall..... 56



8.a. The Authority has decided to consider prior period shortfall as given in Table 39 for trueing up in the current Control Period. 56

Decision No. 9 Regarding ARR.....60

9.a. The Authority has decided to consider the ARR as provided in Table 42 for determination of aeronautical tariffs for the first Control Period. 60

9.b. The Authority decided to true up all the building blocks of ARR of the first Control Period based on actuals at the time of determination of tariff for the next Control Period. 60

Decision No. 10 Regarding Aeronautical Revenues.....68

10.a. The Authority has decided to consider UDF at ₹350 per domestic embarking passenger and at ₹450 per international embarking passenger. 68

10.b. The Authority has decided to consider Aeronautical Revenues as given in Table 53. 68

10.c. The Authority has decided to true up the Aeronautical Revenues of the first Control Period based on actual Aeronautical Revenues earned at the time of determination of tariff for the next Control Period. 68

Decision No. 11 Regarding Annual Tariff Proposal.....74

11.a. The Authority has decided to consider 01.04.2019 as the date of implementation of the proposed tariff rates.74

11.b. The Authority has decided accept landing and parking charges as submitted by Coimbatore Airport. 74

11.c. The Authority has decided consider fuel throughput rate of ₹500.00 per KL w.e.f. 01.04.2019. 75

11.d. The Authority has decided reduce UDF to ₹350 and ₹450 for domestic and international embarking passengers respectively. 75

11.e. The Authority has decided that PSF-Security charges should be as prescribed by MoCA. 75

Decision No. 12 Regarding Annual Compliance.....76

12.a. Coimbatore Airport shall submit the Annual Compliance Statements as per the Guidelines for all the tariff years from FY 2018-19 to FY 2022-23 of the first control period along with the MYTP for the next Control Period.76



20. **ORDER**

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



By the Order of and in the Name of the Authority

(Geetha Sahu)

AGM (F)

To,

सत्यमेव जयते

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

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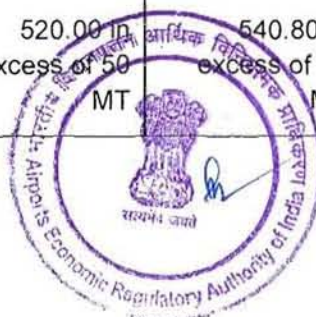
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Annexure 1 – Detailed tariff card of Coimbatore airport as per the Authority to be applicable from 01.04.2019 to 31.03.2023.

1. Landing Charges:

Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
<u>Domestic passengers</u>					
Up to 25 MT	₹/ MT	160.00	166.40	173.06	179.98
Above 25 MT up to 50 MT	₹/ MT	4,000.00 + 280.00 in excess of 25 MT	4,160.00 + 291.20 in excess of 25 MT	4,326.40 + 302.85 in excess of 25 MT	4,499.46 + 314.96 in excess of 25 MT
Above 50 MT up to 100	₹/ MT	11,000.00 + 320.00 in excess of 50 MT	11,440.00 + 332.80 in excess of 50 MT	11,897.60 + 346.11 in excess of 50 MT	12,373.50 + 359.96 in excess of 50 MT
Above 100 MT to 200 MT	₹/ MT	27,000.00 + 390.00 in excess of 100 MT	28,080.00 + 405.60 in excess of 100 MT	29,203.20 + 421.82 in excess of 100 MT	30,371.33 + 438.70 in excess of 100 MT
Above 200 MT	₹/ MT	66,000.00 + 440.00 in excess of 200 MT	68,640.00 + 457.60 in excess of 200 MT	71,385.60 + 475.90 in excess of 200 MT	74,241.02 + 494.94 in excess of 200 MT
<u>International Passengers</u>					
Up to 25 MT	₹/ MT	240.00	249.60	259.58	269.97
Above 25 MT up to 50 MT	₹/ MT	6,000.00 + 450.00 in excess of 25 MT	6,240.00 + 468.00 in excess of 25 MT	6,489.60 + 486.72 in excess of 25 MT	6,749.18 + 506.19 in excess of 25 MT
Above 50 MT up to 100	₹/ MT	17,250.00 + 520.00 in excess of 50 MT	17,940.00 + 540.80 in excess of 50 MT	18,657.60 + 562.43 in excess of 50 MT	19,403.90 + 584.93 in excess of 50 MT



Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Above 100 MT to 200 MT	₹/ MT	43,250.00 + 600.00 in excess of 100 MT	44,980.00 + 624.00 in excess of 100 MT	46,779.20 + 648.96 in excess of 100 MT	48,650.37 + 674.92 in excess of 100 MT
Above 200 MT	₹/ MT	1,03,250.00 + 720.00 in excess of 200 MT	1,07,380.00 + 748.80 in excess of 200 MT	1,11,675.20 + 778.75 in excess of 200 MT	1,16,142.21 + 809.90 in excess of 200 MT

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

2. Parking Charges

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Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Parking Charges rates per hour (first two hours after free parking period)					
Up to 25 MT	₹/ hour/ MT	3.00	3.12	3.24	3.37
Above 25 MT up to 50 MT	₹/ hour/ MT	75.00 + 4.00 in excess of 25 MT	78.00 + 4.16 in excess of 25 MT	81.12 + 4.33 in excess of 25 MT	84.36 + 4.50 in excess of 25 MT
Above 50 MT up to 100	₹/ hour/ MT	175.00 + 8.00 in excess of 50 MT	182.00 + 8.32 in excess of 50 MT	189.28 + 8.65 in excess of 50 MT	196.85 + 9.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ hour/ MT	575.00 + 10.00 in excess of 100 MT	598.00 + 10.40 in excess of 100 MT	621.92 + 10.82 in excess of 100 MT	646.80 + 11.25 in excess of 100 MT
Above 200 MT	₹/ hour/ MT	1,575.00 + 11.00 in excess of 200 MT	1,638.00 + 11.44 in excess of 200 MT	1,703.52 + 11.90 in excess of 200 MT	1,771.66 + 12.37 in excess of 200 MT



Weight of the Aircraft	Unit	FY 19-20	FY 20-21	FY 21-22	FY 22-23
<u>Parking Charges Rates per hour (beyond four hours)</u>					
Up to 25 MT	₹/ hour/ MT	6.00	6.24	6.49	6.75
Above 25 MT up to 50 MT	₹/ hour/ MT	150.00 + 8.00 in excess of 25 MT	156.00 + 8.32 in excess of 25 MT	162.24 + 8.65 in excess of 25 MT	168.73 + 9.00 in excess of 25 MT
Above 50 MT up to 100	₹/ hour/ MT	350.00 + 16.00 in excess of 50 MT	364.00 + 16.64 in excess of 50 MT	378.56 + 17.31 in excess of 50 MT	393.70 + 18.00 in excess of 50 MT
Above 100 MT to 200 MT	₹/ hour/ MT	1,150.00 + 20.00 in excess of 100 MT	1,196.00 + 20.80 in excess of 100 MT	1,243.84 + 21.63 in excess of 100 MT	1,293.59 + 22.50 in excess of 100 MT
Above 200 MT	₹/ hour/ MT	3,150.00 + 22.00 in excess of 200 MT	3,276.00 + 22.88 in excess of 200 MT	3,407.04 + 23.80 in excess of 200 MT	3,543.32 + 24.75 in excess of 200 MT

Notes-

1. To optimize the use of limited parking bays an additional charge of ₹20.00 per hour per MT beyond 24 hours is payable (applicable to general aviation)
2. 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.
3. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
4. Charges shall be calculated on the basis of nearest MT.
5. Charges for each period parking shall be rounded off to nearest rupee.
6. 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.
7. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Coimbatore Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hours to 0600 hours) will be made applicable from the date of implementation of < 5% tax on ATF by the State Government. 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.



3. Fuel Throughput Charges

Proposed Rate	Per Kilolitre in ₹	500.00
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4. UDF Charges

Particulars	Proposed rate per embarking passenger in ₹
UDF- Domestic Passenger	350.00
UDF- International Passenger	450.00
1. Collection charges: if the payment is made in accordance within period prescribed under credit policy of AAI, then collection charges at ₹ 5.00 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 prescribed credit period 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.	
2. No collection charges are payable to casual operator/non-scheduled operators.	
3. For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1 st fortnight and rate as on 15 th of the month for tickets issued in the 2 nd fortnight shall be adopted.	
4. UDF will be applicable on tickets issued on or after 01.04.2019.	

5. PSF-Security charges applicable as prescribed by MoCA

6. 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).

- Children (under age of 2 years),
- Holders of Diplomatic Passport,
- 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),
- Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- Persons traveling on official duty for United Nations Peace Keeping Missions.
- 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").
- Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

VII) GENERAL CONDITION:

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

