



भारतीय विमानपत्तन प्राधिकरण  
AIRPORTS AUTHORITY OF INDIA

F/No. AAI/JVC/Trivandrum -Tariff/2023-24 /1210

Date: -22.03.2024

The Secretary,  
Airport Economic Regulatory Authority of India.  
AERA Building, Administrative Complex,  
Safdarjung Airport  
New Delhi-110003

**Subject: -Submission of True up for the 2<sup>nd</sup> control period (01.04.2016 to 13.10.2021 COD) and finalization of RAB as on COD in respect of Trivandrum International Airport.**

**Reference: -Submission of AAI's counter comments in response to stakeholders' comments in respect of Trivandrum International Airport.**

Sir,

This has reference to Stakeholders comments in the matter of True up for the 2<sup>nd</sup> control period (01.04.2016 to 13.10.2021 COD) and finalization of RAB as on COD in respect of Trivandrum International Airport.

AAI's Counter comments in response to Stakeholders is enclosed.

This issues with the approval of the Competent Authority.

Thanking You.

Yours sincerely,

(R. Prabhakar)  
General Manager (Tariff)

Encl: -1. AAI's Counter comments in response to Stakeholder comments.

AAI's response to counter comments raised by FIA on the Consultation Paper No.25/2023-24 dt 12/2/2024 in the matter of determination of Aeronautical Tariff for Thiruvananthapuram International Airport for the Second Control Period from 1/4/2016 to COD:

S. n	FIA's Comment.	AAI's Reply .
3	<p><b>Para 4.8.7</b></p> <p>It is submitted that:</p> <p>(a) Fair Rate of Return (FRoR) to airport operator should be provided only at reasonable rates as an high value of fixed /assured return favours the service provider/ airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.</p> <p>Due to such fixed /assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.</p> <p>(b) FIA observes that Fair Rate of Return of 14% provided to Airport Authority of India ("AAI") is higher than comparison to the same bearing given to the present Airport Operator i.e. TKIAL @ 13.97 (Refer 4.8.7 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison</p>	<p>True up of Trivandrum airport for the period from FY 2016-17 to COD</p> <p>Submission of AAI:</p> <ol style="list-style-type: none"> <li>(1) FROR for an Airport depends on cost of debt and cost of equity.</li> <li>(2) In the first control period of Chennai Airport, AAI has submitted a study conducted by M/s KPMG in regards to calculation of cost of equity wherein Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.</li> <li>(3) AERA has been considering cost of equity as 14% as against 15.64% as per study report submitted by M/s KPMG.</li> <li>(4) However the cost of equity submitted by AAI I/r/o Trivandrum Int'l Airport up to COD works to 14% where as AERA has considered cost of Equity as 13.97% only resulting in a FROR of 14%.</li> </ol>

<p>to TKIAL and accordingly AERA may reduce the FRoR suitably.</p>	
<p><b><u>Para 4.15.1 and Para 4.15.3</u></b></p> <p>Without prejudice to the above.</p> <ol style="list-style-type: none"> <li>1. FIA recommends that no adjustment of RAB should be provided in favour of AAI for period after the COD i.e 14<sup>th</sup> October, 2021, post which the operational control of the Thiruvananthapuram Airport is transferred to TKIAL.</li> <li>2. Further, FIA wish to draw AERA's attention to para 2.4.4 of the CP, that any delay in submitting the Multi Year Tariff plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.</li> <li>3. With regard to application of compounding factor (FRoR) to determine the future value of under recovery. We request AERA to note our comments as mentioned in S. No 02 and para (a) and (b) above.</li> </ol>	<p>As per Concession Agreement sl no 28.11.3 (a) the concessionaire shall be liable to pay AAI an amount equivalent to the investment made by AAI in the Aeronautical Assets as on the COD and considered by the regulator as part of the RAB, subject to requisite reconciliation, true up and final determination by AERA of the quantum of such investment.</p>
<p><b><u>Para 14.2.2</u></b></p> <p>We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the Under-recovery in the second first control, or due to deficiency to recover the ARR on account of higher O&amp;M expenses projected for the Second Control Period caused due to under-recovery pertaining to the First Control period.</p>	<p>- The under recovery had happened due to the reduced traffic on account of unprecedented effect of COVID during FY 2020-21 &amp; 2021-22.</p> <p>-Also AERA had conducted a detailed analysis on the operating expenses for the period up to COD. It has considered an amount of Rs 682.18 Cr. only as against Rs 767.08 Crs submitted by AAI.</p>