

NOTICE INVITING QUOTATION(NIQ)

Subject: Proposal for Consultancy Services on Tariff Structure for Aeronautical Revenues- Preparation and Filing of Multi Year Tariff Proposal (MYTP) in accordance with the Regulatory Philosophy of Airports Economic Regulatory Authority of India (AERA) Act 2008, Preparation and submission of Annual Tariff Proposal to the regulatory authorities as applicable and obtaining necessary approvals from AERA/Ministry of Civil Aviation (MoCA)/ Director General of Civil Aviation (DGCA).

Dear Sir,

- 1) Sealed quotations are invited from consultants having specialized expertise in providing consultancy services in the relevant field in providing consultancy services to Kannur International Airport Limited (KIAL) in the aeronautical tariff determination process as per the regulatory philosophy of AERA.
- 2) **Eligibility and Experience:** The Consultants should have experience in the tariff determination process as per the regulatory philosophy of AERA/MoCA/DGCA and should have undertaken and completed a minimum of one such assignment either for AERA or for any of the Major Airports in India. Consultants are required to submit proof of such experience either in the form of a Client Certificate/Letter of Award containing the Scope of Services along with the quotation.
- 3) The Consultants are required to prepare, finalize and submit the tariffs for aeronautical services, development fee, passenger service fee, etc. for Kannur International Airport in accordance with the guidelines laid under Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 and other regulatory requirements and assist KIAL to obtain necessary approvals from the regulatory authorities such as Airports Economic Regulatory Authority (AERA) of India, MoCA, DGCA, etc. with respect to the Proposed Tariff to be adopted by Kannur International Airport while being operational.
- 4) The Consultants are also required to prepare the Annual Tariff Structure and the Proposed Rate Card for the Airport for approval from AERA/MoCA/DGCA prior to commissioning.
- 5) The Consultants shall also attend meetings as and when required along with KIAL with regulatory authorities and other stakeholders and assist KIAL in addressing their queries, concerns, etc. The Consultants shall be required to prepare, modify financial models, documents, etc. based on the requirements of regulatory authorities and, stakeholders as applicable to the aeronautical tariffs in the consultation process.
- 6) KIAL shall provide the Consultants with the Financial Viability Report prepared by CRISIL and Financial Appraisal Memorandum prepared by SBI CAPS, which has been approved by the Board of Directors of KIAL, to proceed with the work.
- 7) The Consultants are required to submit their proposals on or before 21 January 2015 at the close of business hours, i.e. 15.00 Hrs. The proposal shall be valid for a period of 60

days from the date of opening. The quotations will be opened on 21 January 2015 at 15.30 Hours in the presence of intending bidders.

- 8) The proposal may be addressed to 'The Managing Director, Kannur International Airport Limited, Parvathy, T.C 36/1, N H Bypass, Chacka, Thiruvananthapuram – 6950 24, Tel +471 2508668, Fax +471 2508669 and sent either by courier/speed post in a sealed envelope.
- 9) Any queries or request for additional information concerning this NIO shall be submitted by e-mail to sjayakrishnan@kannurairport.in before 19 January 2015.

TERMS AND CONDITIONS

Background

Kannur International Airport is the second Greenfield airport and has been set up by Government of Kerala through a public private participation (PPP) model in Mattanur, Kannur, Kerala. Kannur International Airport Limited, public limited company, is the special purpose vehicle to build, own and operate the Airport. The Airport is expected to have more than one and half million passengers and therefore will be designated to be a 'Major Airport' as defined by the Airports Economic Regulatory Authority (AERA) Act, 2008. As such, Kannur International Airport is also expected to comply with the various guidelines issued by AERA for determination of tariffs for its aeronautical revenue.

Scope of Services:

Scope of Service include the following but not limited to:

- 1) Review of existing development plans of KIAL for airport development as contained in the Financial Viability Report prepared by CRISIL, Financial Appraisal Memorandum prepared by SBI CAPS and other documents available with KIAL to the extent necessary for understanding the implications of price cap regulation (single till) on Return on Capital Employed (ROCE) and Return on Equity (ROE) for the purpose of determination of aeronautical tariff and updating the business and financial models.
- 2) Review of KIAL's audited financial statements and other relevant data on airport operations to the extent required as per (1) above.
- 3) Scenario analysis to understand the impact of regulatory guidelines on KIAL's financials.
- 4) Identification of key parameters required to maximise value to KIAL's investors and shareholders.
- 5) Based on the review of existing business and financial models, develop aero revenue estimates including UDF to obtain a Fair Rate of Return (FRoR) on the Regulatory Asset Base (RAB), re-align/update changes required in the financial models for compatibility with the regulatory framework on various tariffs for 'aeronautical services' as defined in Section 2 (a) of AERA Act 2008, development fees, passenger service fee and prepare a revised financial model with projected financial statements.

- 6) Assist KIAL in firming up the regulatory strategy, including providing a tenable basis for defining the current and projected regulatory asset base (RAB), Revenue forecasts, determining the Weighted Average Cost of Capital (WACC)/Fair Rate of Return (FRoR) and determine the aeronautical tariffs under single till approach and compute the total aeronautical tariffs eligible for the Airport considering the AERA's regulatory framework from the financial models.
- 7) Assessment of non-aero revenue-restricted to a review of demand assessment for commercial use of airport land based on existing and potential land-uses, review of potential revenue streams and review of growth assumptions.
- 8) Breaking up of the Aggregate Revenue Requirement into various aeronautical charges.
- 9) Preparation/submission/filing of documents and presentations to be made to AERA/MoCA/DGCA, as applicable, relating to aeronautical tariffs including Multi Year Tariff Proposal (MYTP) in AERA templates, Annual Tariff Proposal (ATP) and assisting KIAL in obtaining approval of Annual Tariff Card from the regulatory authorities.
- 10) The Consultants shall also attend meetings as and when required along with KIAL with regulatory authorities and other stakeholders and assist KIAL in addressing their queries, concerns, etc. The Consultants shall be required to prepare, modify financial models, documents, etc. based on the requirements of regulatory authorities and stakeholders as applicable to the aeronautical tariffs in the consultation process
- 11) Working with MoCA including preparation of various documents on their behalf and working our scenarios as per their directions.
- 12) Any other works which are essentially required to be carried out by the Consultant for approval of the aeronautical tariff and rate card for successful implementation.
- 13) The tariff shall be prepared separately for Domestic and International traffic.

Basis of Tariff Determination

The basis of Tariff Determination includes, inter alia, the Regulatory Framework, AERA Orders, Guidelines such as AERA (Terms and conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28 February 2011, AERA (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 dated 10 January 2011 leading to preparation of MYTP, Computation of Aggregate Revenue Requirement, Preparation of Annual Tariff Proposal for different aeronautical revenues, submission to MoCA for their approval and finalizing the tariff and obtaining the approved Annual Tariff Card from DGCA.

KIAL's Responsibilities

KIAL shall identify a suitable personnel to work in close co-ordination with the Consultant to provide the necessary resources, provide access to required information and data as required and provide timely issue resolution pertaining the Consultant engagement.

Duration and Timeline of the Project

Duration of the project is approximately three months from the date of issue of Letter of Award (LoA) to the Consultant for submitting the MYTP proposal to the Authority.

Fee and Terms of Payment

The Consultants are required to quote a lump sum fee specified in the Scope of Services. Service tax as applicable shall be paid extra. The fee shall be paid in the following manner:

- a) 10% of the fee shall be paid on signing the engagement letter
- b) 80% of the fee shall be paid in three equated monthly instalments based on the progress of work until submission of the Final MYTP proposal to AERA.
- c) 2.5% of the fee shall be paid on obtaining the MYTP Order from AERA.
- d) 2.5% of the fee shall be paid on submission of the Annual Tariff Proposal to AERA.
- e) 2.5% of the fee shall be paid after obtaining approval of Annual Tariff Proposal from AERA and on submission of all relevant documents to MoCA for its approval.
- f) 2.5% of the fee shall be paid on approval of the tariffs from MoCA.

Invoices submitted on satisfactory completion of services shall be paid within 5 working days.

In addition to the Fee quoted, consultants shall be entitled to reimbursement of Out of Pocket Expenses (OPEs) towards travel, hotel accommodation, communication and other incidental expenses as per actuals. However, this shall be limited to a certain percentage of the total fee, which the Consultant shall be required to include in the quote.

MANAGING DIRECTOR, KIAL