

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

**MINUTES OF THE STAKEHOLDERS CONSULTATION MEETING HELD
ON 18.06.2018 AT 1100 HOURS**

Venue: Taj Hotel, KIA, Bangalore.

CONSULTATION PAPER NO. 05/2018-19 DATED 17.05.2018 IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFFS IN RESPECT OF KEMPEGOWDA INTERNATIONAL AIRPORT, BANGALORE FOR THE 2ND CONTROL PERIOD (FROM 01.04.2016 TO 31.03.2021).

A Stakeholder Consultation meeting was convened by the Authority on 18.06.2018 at 1100 hrs. in the Conference Room, Taj Bangalore, Kempegowda International Airport to elicit views of the stakeholders on the Consultation Paper No. 05/2018-19 dated 17.05.2018 issued by the Authority for determination of Aeronautical Tariffs in respect of Kempegowda International Airport, Bangalore for the 2nd Control Period (from 01.04.2016 to 31.03.2021). The list of the participants is enclosed at **Annexure – I**.

2. Chairperson, AERA in his opening remarks stated that the Bangalore Airport has seen significant traffic growth in the past, far exceeding its capacity. He complimented the airport on its efficient handling of the traffic growth in the given terminal space. He also stated that it was the duty of the airport to ensure on the one hand efficient Operations and on the other timely investment in the Airport to maintain its infrastructure & services. He said that BIAL has initiated an expansion plan envisaging terminal expansion and second runway & related works. The investment proposed are to be evaluated with reference to its need and reasonableness of cost estimates and scheduling. Chairperson, AERA also stated that certain matters are before the Appellate Authority for consideration and will be dealt with after the same are reviewed and disposed off by the Appellate Authority. Chairman, AERA pointed out that the stakeholder consultation for BIAL was attended by stakeholders recognised so by AERA and also by some organisations/ individuals who were not recognised as stakeholders by AERA. He said that he would be first inviting the stakeholders to express their views and then the non-stakeholders would be given a chance to speak.

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3. BIAL gave a presentation on its tariff proposal, beginning with the general growth in the aviation sector and also the growth in traffic at KIA, Bangalore Airport. The current terminal at KIA, Bangalore is designed for 20 million passengers but handled 27 million in financial year 2017-18. BIAL has taken interim initiatives like improvements in the terminal, development of 9 stands and rapid exit taxiway and also digital initiatives to meet the above traffic growth. The airport has also started work on building alternate access road to the airport from the Southern side. Also Eastern tunnel works to give connectivity for Eastern part of the Bangalore city are scheduled from June 2018 to June 2019.

3.1 The Bangalore Airport listed the following projects to meet the capacity requirement of projected traffic-

- Building of new south parallel runway, taxiways and apron.
- Terminal building
- Landside development and related utilities and other projects and
- 220/66 KV sub-station.

3.2 The airport also presented its CAPEX requirements and its projected cash flow requirement.

3.3 BIAL requested AERA to consider its submissions made on the following issues to ensure that it had adequate fund to meet the capital investments:

- Pre control period shortfall prior to September 2009,
- 30% share revenue till for true up of pre-control period and 1st control period,
- Treatment of real estate/ property development,
- Treatment of Cargo, Ground Handling and Fuel Farm services,
- Notional revenues on security deposits,
- Lease revenues received from aeronautical service providers being treated as aeronautical revenues
- Interest income being treated as non-aeronautical revenues
- Consideration of notional income from hotel.

4. Chairperson, AERA thanked BIAL for the presentation and invited the stakeholders to express their views.



4.1 On behalf of Govt. of Karnataka, Sh. Sandeep Dave, additional chief secretary applauded the KIA, Bangalore for its efficient and excellent management for the last several years and said that BIAL was a successful PPP and Govt. of Karnataka would like it to continue to be so in future also. He requested AERA to allow the pre control period losses as proposed by BIAL. He also requested to consider the submission of BIAL on the issue of 30% SRT for true up of 1st control period, investment in the Eastern tunnel and not to include notional revenues in the calculation of ARR.

4.2 Ms. Shweta, GMR HIAL: The representative stated that the written response to Consultation Paper will be submitted and requested that for BIAL and HIAL the Pre-control period losses should be allowed in full.

To this Chairman, AERA replied that as the matter is before TDSAT for decision, we should await their Order.

4.3 Shri Ramesh Singh, Bharat Stars: He stated that they support BIAL and would send their written submission.

4.4 Mr. Satyan Nair, APAO: Mr. Nair requested AERA to consider the cash flow shortfall, reconsider the decision of AERA to exclude some of proposed capital expenditure, consider pre-control period shortfall from date of commencement of airport and 30% Shared Till instead of 40% for 1st control period true up and also not to consider notional revenues for ARR.

4.5 Shri T.S. Dupare, IOSL: He stated that IOSL has been associated with BIAL since inception and partners to BIAL in the growth of the airport and support the expansion plans of BIAL. He also stated that the expansion proposal of IOSL for its fuel farm will be submitted to the Authority shortly.

4.6 Shri K. Mohandass, Globeground India, Shri Venkata Reddy, Menzies Aviation, Shri George, Blue Dart Aviation, Shri Jayanth V Rao, AISATS stated that they support the expansion of KIA, Bangalore and will submit their formal submissions within the prescribed time line.

4.7 Shri Samuel Prabhakar, Chairman AOC: He stated that they support the expansion plan of BIAL and requested for UDF to be maintained at same levels to prevent tariff shocks. Mr. Prabhakar supported AERA's view of considering CGF as Aeronautical services. He also stated that the reduction in Landing and Parking fee was a major relief to Airlines.

4.8 Shri Ujjawal Dey, FIA stated that BIAL is relying on decisions taken by AERAAT in the case of DIAL which may not be prudent in case of BIAL. FIA also stated that the AUCC planned on 22nd June should have been held by the airport before the current stakeholder consultation. FIA also stated that it has challenged AERA's decision on adoption of Hybrid Till. He further suggested that AERA should appoint an Independent Consultant to study the traffic growth at different airports. FIA commented that UDF should be kept as low as possible. He stated that BIAL has to take measures to make the hotel profitable and the current losses are a matter of concern.

5. Chairperson, AERA thanked stakeholders and invited non-stakeholders present to express their view on the Consultation Paper.

5.1 Ms. Revathi Ashok, from BPAC stated that BPAC is a civil organisation represented by prominent well-wishers of the city. She asked for BIAL presentation to be made available in AERA website. She also stated that B.PAC heartily welcomes the expansion plan of KIA, Bangalore and commented that the land of 4008 acres should have been properly monetised by BIAL. She further stated that BIAL should be asked to submit master plan for development of the land along with timelines.

Chairman, AERA clarified that Master plan for development and use of land is being reviewed by MoCA and GoK. He also explained that the proposal of BIAL had already been given in the Consultation Paper of AERA issued on 17.05.2018 for BIAL.

5.2. Mr. Sanjeev Dyamannavar from Bangalore commented that the Airport has grown well. He raised queries on the treatment of cost of property tax & insurance and whether Government policy for RCS aircrafts will be applicable for BIAL also. He also commented that AERA should consider Metro project to airport proposed by BMRCL.

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Chairman, AERA explained that the statutory taxes/ insurance for entire land were being considered under O&M expenses. He also said that concession given for RCS flights are also applicable to Bangalore airport. Regarding metro connectivity Chairman, AERA explained that the Authority had already made its view in the matter known to BMRC.

5.3. Mr. Rajkumar commented that BIAL should publish the CSR projects undertaken by them.

5.4. Mr. Yash commented that as per Fairfax Annual Report, passenger traffic is 26 Million and asked as to why the passengers at Terminal area which can hold only 20 Million should suffer and shall pay UDF. Chairperson clarified that all Revenues earned by BIAL are being taken into consideration. Mr. Yash also enquired if there was any Public Ombudsman available for highlighting grievances.

Chairperson, AERA suggested that specific complaints can be made at Air Sewa.

6. In his concluding remarks, Chairperson, AERA stated that all the views of the stakeholders will be evaluated and given due consideration and decisions elaborated in the Order. He thanked all the stakeholders for their active participation and requested them to furnish their comments/views on the Consultation Paper within the stated timelines.

The meeting ended with a vote of thanks to the chair.


(Puja Jindal)
Secretary
23.07.2018



List of Participants

AERA

1. Shri S. Machendranathan, Chairperson - In Chair
2. Shri S. Samantha, Member
3. Shri Puja Jindal, Secretary
4. Shri Jaimon Skaria, Manager (Fin)

Bangalore International Airport Limited (BIAL)

5. Shri Hari K Marar, Executive Director & President

Govt. of Karnataka

6. Shri Sandeep Dave, Addl. Chief Secretary

Bangalore Political Action Committee (B.PAC)

7. Ms. Revathy Ashok, CEO
8. Shri Harish N, Member
9. Shri Sharath

GMR Hyderabad International Airport

10. Ms. Shweta Saini, Manager-Regulatory & Business Support

Bharat Stars Services Pvt. Ltd. (BSSPL)

11. Shri Ramesh Singh

Indian Oil Skytanking Ltd. (IOSL)

12. Shri T. S. Dupare

Globe Ground India (GGI)

13. Shri K. Mohandas
14. Ms. Kiran Prasad

Menzies Aviation Bobba Bangalore

15. Shri Venkata Reddy

Air India SATS

16. Shri Jayanth V Rao

APAO

17. Shri Satyan Nair

Blue Dart Aviation

18. Shri George

AOC

19. Shri Samuel Prabhakar, Chairman

FIA

20. Shri Ujjawal Dey

The New Indian Express

21. Shri Avinash Bhat

Passengers

22. Shri Sanjeev Dyamannavar

23. Shri Rajkumar

24. Shri Yash