

E Mail: [ccsbng@gmail.com](mailto:ccsbng@gmail.com)

Tel: (080) 26713616

## CONSUMER CARE SOCIETY®

593, 24<sup>th</sup> Cross Banashankari II Stage, Bangalore-560070

(Regd.under Karnataka Societies Regn. Act. 1960)

Regn. No: 388/94-95

---

President:	Secretary:	Treasurer:
Ravindra Nath Guru	Gopal Ratnam V	BC Jeevandhara Kumar
M-9845683220	M- 8618226492	M-9686402524

---

### **COMMENTS**

on

**Consultation Paper no. 05/2018-19 dated 17.05.2018 in the matter of determination of tariffs for aeronautical services in respect of Kempegowda International Airport, Bengaluru, for the 2nd control period (01.04.2016-31.03.2021).**

#### **GENERAL**

1. We would have been able to appreciate the submission made by BIAL and the very comprehensive analysis made by AERAI better if there had been comparable data and industry benchmarks provided on other national and international airports. AERAI appears to have confined itself to analyzing the submission made by BIAL.

2. A detailed market survey needed to forecast the actual footfalls, user's and customers. This is a critical input on the tariffs. In fact the actual footfalls have exceeded the earlier projections. However, there has no corresponding reduction in tariffs simultaneously.
3. Capital mix for the funding of future expansion of the airport including additional runways should be more debt based.
4. To reconsider operational expenditure for CSR which is very high (Table 39).
5. Other than landing, parking, housing, PSF and UDF, for all other facilities, BIAL is free to determine charges to be imposed in respect of facilities and services provided at the Airport or on site. However, it is requested that the BIAL exercises reasonableness in determining tariff on other aspects based on the interest of the passengers.
6. To reconsider lounge and flight catering services in the light of the fact that property development activities will now fall within the ambit of non-aeronautical.

## **SPECIFIC**

**Proposal 1** – Tariff based on 30% hybrid till – but considering property development activities as non-aeronautical – Would be beneficial if this can be considered as a set off and the same reflected in reduced tariffs such as lounge services and utility services.

To consider traffic projection to bring up tariff for next control period

To reconsider allocation of fixed assets between aeronautical and non-aeronautical since KPMG is not happy with the auditing standards. It is important that BIAL reconsiders the assets prior to finalising tariffs

**Proposal 7** – TO consider recomputing of depreciation for computing Average RAB  
Safety and Security – Why is the depreciation running so low (from 18.13 to 1.36)  
IT Equipment – 14.84 to 4.47

**Proposal no 15 on Quality of Service (QoS)**. There must be a number of parameters to assess QoS. No such parameters nor any numbers associated with the parameters have been provided. AERAI have concluded that no penalty needs to be imposed on BIAL since they comply with their concession agreement (CA) and AERAI's analysis appears to have been confined to determine whether penalty is to be imposed or not. Perhaps it may not be wrong to say that in the minds of the public and customers QoS determines the reputation of a service entity such as an airport even more than cost. It is not also

not clear whether during the years that BIAL has been in operation, BIAL's QoS has shown an upwards trajectory or not and whether further improvement is possible or whether BIAL has reached the pinnacle. Here again how does the QoS of BIAL compare with other airports nationally and internationally?

**Proposal No 16 on Aggregate Revenue Requirement (ARR)**. The ARR as asked for by BIAL is Rs Cr 10675 and the corresponding per passenger yield is mentioned as Rs 582. As against this the analysis of AERAI shows that the ARR ought to be Rs Cr 4369 and the corresponding per passenger Rs 219. Two points need to be observed. The difference between the two figures is so large that AERAI needs to consider reprimanding BIAL for making such a frivolous proposal – even though it is customary for any regulated authority to pitch high. The other point is yield per passenger. Surely this is a figure that can be compared across airports. It would have been useful if AERAI had provided some data. We presume that BIAL is entitled to recover an amount equal to the yield per passenger so that they can earn their approved ARR. Noting that there are different classes of passengers and it is not possible to recover Rs 219 from each and every passenger it is not clear how this recovery will be made and whether AERAI will issue appropriate orders separately.

Gopal Ratnam

Secretary