

**To,**

Ms.Puja Jindal  
Secretary  
Airport Economic Regulatory Authority of India (AERA)  
AERA Building, Administrative Block  
Safdarjung Airport  
New Delhi 110003

**Date : 05.07.2018**

**Subject :** Comments / Inputs from Sanjeev V Dyamannavar to AERA on the Consultation Paper No. 05/ 2018-19 in respect of Determination of tariffs for Aeronautical Services Kempegowda International Airport Limited, Bengaluru

**Reference :**

1. Consultation Paper No. 05/ 2018-19 - Determination of tariffs for Aeronautical Services in respect of Kempegowda International Airport, Bengaluru, for the Second Control Period (01.04.2016 to 31.03.2021) dt 17th May 2018
2. Addendum: Consultation Paper No. 05/ 2018-19 dated 17.05.2018 Issued on 07th June 2018
3. AERA Order No. 08/2014-15 Determination of Aeronautical Tariffs in respect of Kempegowda International Airport (Earlier Bengaluru International Airport), Bengaluru, for the first Control Period (01.04.2011 to 31.03.2016) issued on 10th June 2014

**Dear Madam,**

We as citizens are continuously following on the developments on the proposal of UDF by KILA and consultation process by AERA. Process of preparing the Consultation paper and putting that to all stakeholders is an excellent work done by AERA. You have looked into major aspects of Airport operations for long term.

Looking back since 2004, how GOK and GOI have given concessions in terms of Land, Interest free Loan, Waiver of All Taxes during construction, Airport Connectivity by burdening Air Passengers thru UDF, its very clear that both Govts GOK and GOI would like KIAL management to develop Airport efficiently and operate it efficiently with self sustainable without burdening to either Govts. or either Passengers.

New UDF charges for the Airport were due since Apr 2016. Already KIAL has collected excess UDF for the past 27 months, which itself should be sufficient for the 2<sup>nd</sup> Control period, in view of this we request AERA authority to bring down UDF requirement to Nil for the balance Control period. Explanations are provided further.

After going thru' your consultation paper on KIAL, it comes out very clear that Promoters of the BIAL airport have shown least interest in over all Developing economic activities around Airport Terminal to generate sufficient revenues which intern could have taken the Airport expansion and sustenance without burdening to Govts and Passengers. Instead Private investor in the Airport were busy in buying and selling stake during last 12 Years , how to make profit in exchanging the ownership.

I would like to submit the following observations and comments on the consultation paper for 2<sup>nd</sup> Control Period referred above for AERA's kind consideration while determining the User Development Fee (UDF) against the claims submitted by KIAL.

**1. Commercial Activities Development at Airport :** Its also heartening to know from the BIAL management that, even after getting sufficient land ( 4000 Acres) which was given way back in 2005 when Airport construction started, they have not come out with any real estate plans to generate sufficient income as non-aeronautical. This is sufficient period of Twelve years where any big players in this business will have good strategy how to develop the land around airport and generate income out of it which is close to the Airport Terminal

**2. Interest Free loan from GOK :** We would like to bring to AERA's attention that Karnataka Cabinet took decision on June 22, 2018 to put off the loan repayment of interest-free loan of INR 333.50 Crore which was given by GoK to the BIAL as part of SSA during 2005. The repayment of this loan was supposed to start during 2018 and the same has been put off by another 10 years. Effectively GoK has given interest free loan of INR 333.50 Crore for 20 Years period. We request AERA to consider this while truing up of funds requirement for the current fiscal year and for subsequent periods totaling to next 10 years while fixing the tariff for second and third control periods.

**3. Passenger Traffic Growth :** Going by the increasing traffic numbers during last 8 years, FY 2018-19 numbers are likely to be even higher and it would completely wrong calculations on the part of AERA in determining UDF requirement. I n view of this, AERA should reconsider passenger volume and Cargo, re-arrive at UDF requirement for 2<sup>nd</sup> Control period.

**4. Cost of Connectivity to Airport from City :** As KIAL was planned for handling 40 – 50 Million Passengers during 2005 itself, either GoK or KIAL Management gave serious thought and moved on Mass Public Transport to ensure no congestion happens at the Airport Terminal. This is been followed in all Major international Airports.

**A. Metro Connectivity from City :** Connectivity by METRO by BMRCL with additional funds requirement of INR 1000 Crore. This will further burden the Airport passengers thru additional UDF.

Further, after the metro line is operational, all passengers travelling to and from the airport metro line should be charged a premium service charge by way of higher ticket fares which will keep less UDF burden on passengers.

**B. Suburban Rail :** As Indian Railway track exists before Airport construction next to Airport Boundary, no concrete plans to utilize and provide mass transport facility to 24 /7 work force at the airport by GoK, KIAL Management and Ministry of Railways. This has forced people travelling to airport pay the Toll Charges till Mar 2018 for 6 Years period.

**C. Trumpet Flyover as 100% Aeronautical Assets by KIAL :** Already KIAL had claimed with cost of building the same Trumpet Flyover at Rs 137.83 Crore and also BIAL has further treated Asset allocation basis as Aeronautical Assets

Basis for allocation : Movement of Passengers and staff.

Already Airport passengers are forced to pay the Trumpet flyover cost thru UDF during 1<sup>st</sup> Control Period which was unfair and now further recovery from passengers for Metro & Tunnel.

**D. Eastern Tunnel Connectivity :** The KIAL in its submission to AERA has estimated cost of the Eastern Tunnel work connectivity at INR 1121 cr. This estimated cost appears to be on Higher side. We request AERA to direct KIAL to re-design the Tunnel keeping cost low and even maintenance cost should be furnished in the AERA proposal.

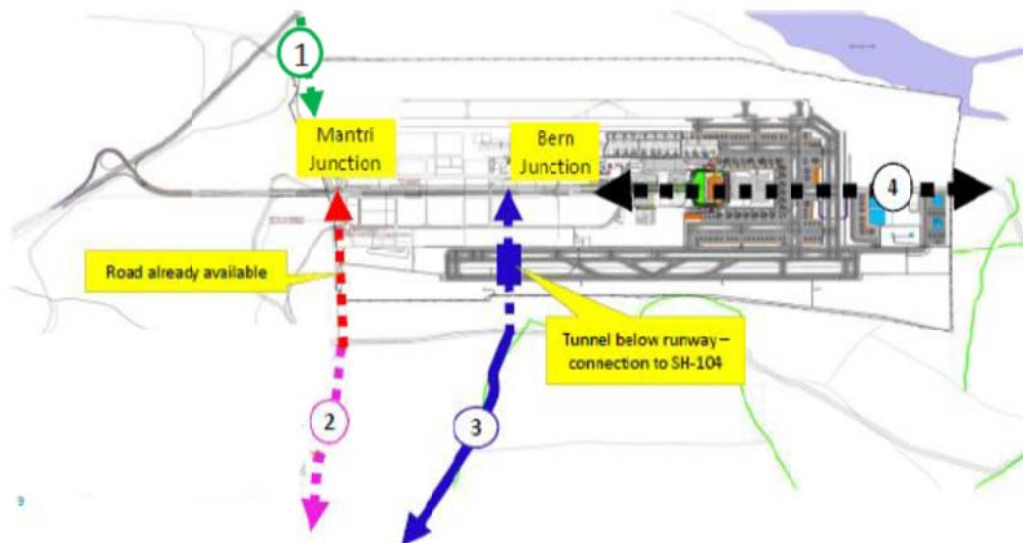
**Also these higher cost of Tunnel will impact UDF in Control Period -3** for which AERA should be sensitive.

**E. Other Options in Airport Connectivity :**

Options explored by KIAL Management has left connectivity from Devanahalli Town as shown below

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## Stage II - Option Development Strategy



Based on identified need, BIAL has identified four alternate connectivity routes to the terminals;  
Route 1 - North connectivity from Devanahalli side

Route 2 - Access through Doddajala and South West Connectivity Road from NH 44 (Developed and operational from Mar'18 onwards)

Route 1 and 2 are not feasible options to access the airport terminals as both of these roads ultimately connect to the MAR and do not serve the need of alternate access to the terminals and are hence eliminated.

As GoK thru KIDB has 400 acres of land adjacent to KIAL towards Devanahalli for building International Conference Facility or Signature park. So connectivity from Devanahalli is very much required considering future growth of Airport in terms of Cargo & IT region being developed by GoK also. KIAL Management should exercise the option 1 as indicated above before heavily investing in Tunnel

### 5. Regarding Non Aeronautical Revenue :

- a) **Details of Aeronautical Revenue** : KIAL has not furnished the Aeronautical revenue in the Consultation paper. Request AERA to provide the same.
- b) **Aeronautical revenue** : Cargo, Ground Handling and Fuel Throughput (CGF) services should be considered under Aeronautical revenue and AERA should not entertain the KIAL request
- c) **Hotel BAHL at Airport Losses should not be considered by AERA** : KIAL management has not made any serious efforts from the time agreement signed for the Hotel. Dispute started because AAI has not approved the height of Hotel as KIAL Management did not take permission on height of the Hotel building before the agreement signed. Even though KIAL had an option to give extra land of 4/5 acres from 4000 Acres to solve the dispute. In fact

KIAL management acted irresponsibly by refusing to allocate the additional land and kept 400 Acres of land at Airport non utilized for 10 years and also no plans for next 10 years. On these, facts, AERA should not consider the losses from the Hotel. In fact AERA should consider 10% from the Hotel Turnover as income to be added into Non Aeronautical revenue.

**6. Pre Control Period Losses** : We request AERA to not to entertain the request by KIAL to recover the pre-control period losses.

**7. Corporate Social Responsibility ( CSR )** :We request AERA to direct KIAL to put on public domain all Corporate Social Responsibility ( CSR ) activities under taken with funds spent. As these CSR activities cost is funded from UDF only.

**8. Payment of Dividend** : Already AERA has made provisions for return on Capital and Equity investment, AERA should allow Dividend payment to share holders after ensuring UDF is ZERO so that passengers are not burdened.

**9. Projections of Aeronautical Expenditure and Revenue of Non Aeronautical Income** : From the Consultation paper, Expenditure like Lease Rent, Utility Cost, Property Tax and others are loaded as 100% Aeronautical Expenditure but these can be directly linked to Non Aeronautical activities also. Hence proportionate cost should be allocated.

Similarly, Non-Aeronautical Income projects are almost flat like Flight Catering, Terminal Entry, Food & Beverages, Rents & Land Lease. Request AERA to relook into the projections.

**10. Depreciation amount** : As depreciation is been provided as per norms for Airport Assets, there need clarity on how these Depreciation funds are managed by KIAL. **Depreciation amount is quite high ( 2017 YR : INR 188 Cr, YR 2018 : 215 Cr, YR 2019 : INR 417 Cr, YR 2020 : INR 323 Cr YR 2021 : INR 358 Cr )**

Looking forward for your good efforts in taking care of the Airport regulations and interests of the Passengers.

Kind Regards

Sanjeev V Dyarnannavar

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