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**Proposal No 13. Regarding Treatment of Cargo, Ground Handling and Fuel Revenues**

- a. While noticing with great appreciation, the decision of Authority to reallocate the revenue from Fuel farm, cargo, GHA and Into place services, we would also like to request Authority to apply same logic and accounting principles for the sources of revenues from flight catering, landside traffic, terminal entry, retail, F&B, advertisement etc. since all these revenues are purely *passenger driven*.

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- a. It is noted with great concern that while making investment decisions BIAL promises quality of services at par with best of the airports internationally whereas during actual delivery of service and evaluation process, the commitments in concession agreement are brought in. Authority may please note that the volume of capital investment largely depends on the service level for which the facilities are designed. In case of BIAL insisting to stick only to the concession agreement clauses, all future Investments and projects also need to be designed and delivered in line with the commitments of service quality in concession agreement only. This will largely bring down the project cost and thereby the burden of travelling public.
- b. The declared service levels to be shared and displayed for the knowledge of users for assessing their travel experience.
- c. The UDF charged from the passengers to be reimbursed in case of reduction in declared service levels, such as failure of air-conditioning, delayed delivery of baggage etc. are experienced.

- g. Today the non-aero revenue is too small compared to aero revenue due to the fact that the land allocated to BIAL by GoK for development of non-aero business is laying idle earning no revenue, even after 6 years. We would like to bring forward the following submissions for the review of AERA in this regard:
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  - c. If BIAL fails to develop the land and the revenue thereof generated is not contributing for the benefit of travelling public, GoK should take over the surplus land with BIAL to develop Airport City, SEZ, Aero Space Park, MRO etc. in line with the state government's activities and business plans happening at next plot of KIA and the revenue thus generated from those activities should be used for cross-subsidizing the User Fees.
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- a. We understand that UDF driven revenues is expected to contribute about 90% of the total estimated revenues for the FY 2014-2015 & 2015 – 2016. Obviously there are many other sources of aeronautical revenue. Why is UDF forming the bulk of the source of revenue generation? It must be residual. The distribution and source of aeronautical revenue should be proactively made available to the public.
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- c. We understand that the arbitration process on hotel is over now and hence the current status including the change of ownership if any need to be considered. Or else, the amount of security deposit to be transferred to an ESCROW account.



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5. It is understood from reliable sources that employees in BIAL payroll is executing projects elsewhere and also the employees actually working for the project elsewhere are charged to BIAL projects, resulting misrepresentation of the BIAL revenue. Hence it is felt necessary to undertake a thorough audit of payroll of top 20% category of employees and if found them shared resources in multiple projects, care should be taken to allocate only relevant costs to BIAL.
6. It is also understood that there is huge variation of completion cost (around 300 Cr) from the original scope. This needs proper justifications if those expenditures were actually necessary to be executed as the burden of this straight away falls on the users.
7. There was no public consultation involving the pretentious stakeholders – passengers. Why the citizen forums and industry bodies were not involved for consultation? Also, it is unclear from the consultation paper, if BIAL had made available the cost estimation of the project during the stakeholders' consultation. Any consultation without revealing the projected expenditure and its impact on stakeholders is incongruous and would allow the airport operator free to draw and deviate the lines wherever they desire during execution and by the end of the project.
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  4. The method of award of contract, the criteria adopted, transparency in dealing public money, approval process etc. need to be thoroughly investigated and audited.

- f. In terminal expansion project accounting, the allocation of expenditure between aero and non-aero is apparent not in line with the real scenario. The real footprint of non-aero commercial activities (as listed in the document) looks three times higher than what is projected. There seems to be misinterpretation of area allocation, for example the unenclosed areas allocated to concessionaries, seating area of restaurants etc, bringing under aero.
- g. Overall concerns about accounting practices can be alleviated with more transparent reporting of the aero and non-aero financials.

**Proposal No 2. Regarding Asset and Expenditure Allocation (Aeronautical / Non Aeronautical) and Proposal No 3. Regarding Future Capital Expenditure**

- a. T1 expansion cost of 1545 Cr looks extremely inflated and would add unsolicited burden to passengers. In this regard the following points need to be scrutinized, investigated and audited by third party appointed by the Authority keeping public interest in consideration:
  - 1. Expansion cost of T1 to be thoroughly audited and benchmarked in comparison with the similar airport expansion projects recently completed in Chennai and Kolkata.
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  - 4. In view of the use of common contractors, consultants, employees and suppliers by the promoters having multiple airport projects and non-airport projects across the country and abroad, the cost allocation need a thorough auditing to confirm the works/supplies billed for T1 project is actually used here or elsewhere.

To.

Shri Alok Shekhar  
Secretary, Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex,  
Safdarjung Airport, New Delhi- 110003  
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Fax: 011-24695039

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**Sub: Comments/observations to the Consultation Paper No. 22/ 2013-14 - Addendum to Consultation Paper No. 14/ 2013-14 dt. 26th June 2013 concerning BIAL**

Dear Sir,

On behalf of citizens of Bangalore, truly in perspective of the passengers using KIA, WE, Bangalore Political Action Committee (BPAC) would like to submit the following observations and comments on the consultation paper referred above for your knowledge and kind consideration while determining the User Development Fees (UDF) against the claims submitted by BIAL and under consideration by AERA.

**Proposal No 1. Regarding Pre-control period shortfall claim and**  
**Proposal No 2. Regarding Asset and Expenditure Allocation (Aeronautical / Non Aeronautical)**

- a. Overall cost bifurcation between aero and non-aero (91%-9%) is not in comparison with any of the International airports of similar capacity, worldwide. Need to be benchmark with other airports and compared with the cost allocation principles followed in aviation sector elsewhere. Proper justification for a dissimilar allocation to be sought.
- b. The allocation of expenses on aero and non-aero operations must be based on activity based costing.
- c. Employee costing need to be properly bifurcated between aero and non-aero. The engagement of common employees for various projects within BIAL and projects elsewhere need to be identified and proper cost bifurcation to be ensured.
- d. Why the passengers have to bear the lease cost of land lying idle, when BIAL failed to utilize it for commercial development?
- e. There appears to be a discrepancy in utility cost allocation. The rate paid by BIAL to the utility suppliers and the rate recovered from the consumers seems different, the second being around 50% higher side after incorporating capital investment costing and overhead charges. This leads to double recovery of capital cost, from passengers and from utility consumers, and also converting a portion of it as non-aero revenue. Also the allocation of the capital cost on utilities under aero and non-aero in line with the revenue allocation need to be ensured.





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Dear Sir,

On behalf of citizens of Bangalore, truly in perspective of the passengers using KIA, WE, Bangalore Political Action Committee (BPAC) would like to submit the following observations and comments on the consultation paper referred above for your knowledge and kind consideration while determining the User Development Fees (UDF) against the claims submitted by BIAL and under consideration by AERA.

**Proposal No 1. Regarding Pre-control period shortfall claim and Proposal No 2. Regarding Asset and Expenditure Allocation (Aeronautical / Non Aeronautical)**

- a. Overall cost bifurcation between aero and non-aero (91%-9%) is not in comparison with any of the international airports of similar capacity, worldwide. Need to be benchmark with other airports and compared with the cost allocation principles followed in aviation sector elsewhere. Proper justification for a dissimilar allocation to be sought.
- b. The allocation of expenses on aero and non-aero operations must be based on activity based costing.
- c. Employee costing need to be properly bifurcated between aero and non-aero. The engagement of common employees for various projects within BIAL and projects elsewhere need to be identified and proper cost bifurcation to be ensured.
- d. Why the passengers have to bear the lease cost of land lying idle, when BIAL failed to utilize it for commercial development?
- e. There appears to be a discrepancy in utility cost allocation. The rate paid by BIAL to the utility suppliers and the rate recovered from the consumers seems different, the second being around 50% higher side after incorporating capital investment costing and overhead charges. This leads to double recovery of capital cost, from passengers and from utility consumers, and also converting a portion of it as non-aero revenue. Also the allocation of the capital cost on utilities under aero and non-aero in line with the revenue allocation need to be ensured.