

Dated: 17th November 2022

Ref: AERA/Finance/2022-23/02

Director (P&S)
Airports Economic Regulatory Authority of India
AERA Administrative Complex,
Safdarjung Airport, New Delhi -110 003

Sub: Response to Consultation Paper No.10/2022-23 dated 20th October 2022

Ref: Determination of Aeronautical Tariff for Ahmedabad International Airport for the Third Control Period (01.04.2021-31.03.2026)

Dear Sir,

We thank the Authority for providing an opportunity to BIAL for sharing its comments and suggestions on the proposed position taken by AERA in the said consultation paper. In this regard, please find below our responses on the specific proposals contained in the above-mentioned Consultation Paper for the kind consideration of the Authority.

1) Soft Costs proposed by AERA for capital expenditure

The Authority has proposed soft costs based on the approved levels for other PPP airports such as HIAL, BIAL, DIAL etc. Every project is different in terms of size, scope, complexity, and design. We do not agree to the approach of “once size fits all” basis adopted by the Authority for all airports.

The Authority had, in the past, adopted a similar approach in the case of BIAL, wherein in the second period control period tariff order, AERA had benchmarked BIAL’s soft costs against expansion works of select AAI airports whose size, scope, complexity and design, were not comparable to that of BIAL.

For the given scope and complexity of work and stage of design (conceptual/schematic/detailed) being carried out by the airport operator, AERA can easily ask a technical consultant to provide validation on the soft costs proposed by the airport operator. Instead, the Authority is making a fundamental error in comparing various airports, well aware that such comparison is erroneous and not justifiable.

We request AERA to clearly evaluate the various components of proposed soft costs in a more scientific and logical manner and put up such findings in the consultation paper and not resort to this approach of using benchmarks which do not take into consideration, the specific factors mentioned above.

2) Threat to apply Notional increase to Non-Aeronautical Expenses

The Authority has opined that the non-aeronautical revenues projected by the airport operator for the Third Control Period are significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL). Hence, it has proposed that it will apply notional increase in the non-aeronautical revenues for the Third Control Period, based on NAR for Third Control

Period of the above referred PPP airports, while determining tariff for the Fourth Control Period, in the interest of the airport users.

This proposal of AERA is ultra vires to AERA Act. AERA Act does not permit the Authority to consider any “notional concept” to revenues from any activity - aeronautical or non-aeronautical. The Direction 5 issued by AERA itself is based on the revenues “received” by the airport operator.

If the Authority is not satisfied with the proposal of airport operator and is of the opinion that non-aeronautical revenues have not been satisfactorily developed, it can commission an independent study and come out with recommendations thereof and ask the airport operator to implement the said recommendations. This is the right way protect the interest of airport users.

Therefore, we request AERA to withdraw the above proposal to apply notional increase to non-aeronautical revenues.

3) Deferment of ARR to next control period

We do not agree with the approach adopted by AERA regarding the deferment of ARR to the next control period. Nevertheless, we request Authority to consider the cash flow requirements of the Ahmedabad Airport while making a decision on the deferment of ARR, as such deferment might affect the capacity of the Airport Operator to meet the capex requirements of the Airport.

We also request the Authority to publish the cash flow impact on the airport operator, on account of the decision to defer a portion of ARR, as an addendum to the Consultation paper along with the assumptions used therein.

Further, we request Authority to take the consent of the Airport Operator on the deferment and not proceed on the same in a unilateral manner. Deferment of ARR may not be in the interest of airport users as well as they will have to pay for the same along with carrying costs, in next Control Period.

Thanking you,

Yours faithfully,

For Bangalore International Airport Limited



Bhaskar Anand Rao
Chief Financial Officer