20th July 2026

The Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
3rd Floor, Udaan Bhawan
Safdarjung Airport
NEW DELHI – 110 003

Ref: Consultation Paper No 02/2026-27 published by AERA on 19th June 2026

Dear Sir,

This has reference to the Consultation Paper No. 02/2026-27 issued by the Airport Economic Regulatory Authority (AERA) for the 4th Control Period for Rajiv Gandhi International Airport Hyderabad (RGIA) on 19th June 2026.

BIAL would like to appreciate all the efforts put in by the Authority for the issuance of the aforesaid Consultation Paper and also thank the Authority for providing BIAL with the opportunity to submit its comments on AERA's proposals contained in Consultation Paper.

Given the above background, some of the proposals in the Consultation Paper, which if implemented in the final tariff order, are likely to impact the implementation of the expansion program that is currently underway to cater to the projected passenger traffic growth at RGIA.

Issues of concern in the Consultation Paper

1. Treatment of Revenues from MRO as Aeronautical

BIAL submits that in the case of MRO, the airport operator's involvement is limited to facilitating access to land and related infrastructure and is similar to a commercial real estate concession rather than the provision of an aeronautical service by the airport operator itself.

Schedule 6 of the Concession Agreement states that landing, parking, housing charges and UDF form a part of the Regulated Charges that are to be determined by the Authority. Notably, Schedule 6 does not include any revenue arising from MRO activities. The Concession Agreement, a pre-legislative contract, is recognized under the SOR of the AERA Act, 2008. Section 13(1)(a)(vi) mandates AERA to consider concessions granted by the Central Government while determining tariffs. The Hon'ble Supreme Court in DIAL SC Judgment has held that "*[...] legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements*".

Accordingly, BIAL requests the Authority to treat any revenue accruing to the Airport operator from MRO services as Non-Aeronautical.

It is also important to note that under the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act") and the tariff framework prescribed thereunder, it is submitted that Maintenance, Repair and Overhaul (MRO) facilities do not qualify as "aeronautical services" within the meaning of Section 2(a) of the AERA Act, which provides an exhaustive definition of such services.

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2. Minimum Threshold Non-Aeronautical Revenues for True up

BIAL submits that the proposal to establish a minimum threshold for non-aeronautical revenues, while providing true-up only where actual revenues exceed that threshold, is inconsistent with the long-standing regulatory recognition that these revenues are fundamentally linked to passenger traffic and inflation adjustments, variables that are outside the airport operator's direct control.

Neither the AERA Act nor the Tariff Guidelines nor the Concession Agreement nor the NCAP 2016 confer any power to AERA to determine a minimum threshold of Non-Aeronautical Revenues or to make true up conditional upon actuals crossing such threshold. On the contrary, as per Section 13(1)(a)(v) of the AERA Act, 2008, AERA must consider the revenues "received" instead of any minimum threshold revenues.

BIAL submits that while AERA may use projections at the tariff-setting stage, but, the final true-up must be carried out on the basis of actual non-aeronautical revenue received during the Control Period, without imposing any floor, minimum threshold or one-sided condition that the true-up will be available only if actuals exceed a notional benchmark.

3. Introduction of "Incremental ARR approach" in line with "User Pays Principle".

AERA's guidelines provide for a levelized tariff being charged over the 5 year control period. This framework helps in setting the tariffs in a way that there is a staggered, levelized increase without any significant spikes which may cause difficulties to all stakeholders. This methodology has worked well in the past control periods and has been successfully implemented across tariff determination for various airports over more than 3 control periods.

The "Incremental ARR" approach will lead to a scenario where there will be sudden spikes in tariffs on account of capitalization of a large capital asset such as a new terminal or runway. Hence, BIAL requests AERA not to apply this approach as the existing approach of levelized tariff through the control period is the most appropriate way because passengers and airlines use the airport as an integrated service.

Notwithstanding the above, if AERA decides to implement the Incremental ARR, BIAL requests that the cash flows of the Airport operator are taken into consideration while framing the incremental ARR for the selected projects.

Thanking You.

Yours faithfully,
For Bangalore International Airport Limited

Bhaskar Anand Rao
Chief Financial Officer