

BANGALORE INTERNATIONAL AIRPORT LIMITED

Response to Stakeholders' comments to Airports Economic Regulatory Authority of India's (AERA) Consultation Paper No. 01/2026-27 dated 12th June 2026

Determination of Aeronautical Tariff for Kempegowda International Airport, Bengaluru (BLR) for the Fourth Control Period (01.04.2026 - 31.03.2031)

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DISCLAIMER

This document has been prepared by Bangalore International Airport Limited ('BIAL') in response to the comments made by stakeholders on the Airports Economic Regulatory Authority of India's ('AERA' or 'the Authority') Consultation Paper No. 01/2026-27 on determination of tariffs for aeronautical services in respect of Kempegowda International Airport, Bengaluru ('KIAB' or 'KIA' or 'the Airport'), for the Fourth Control Period (01.04.2026 to 31.03.2031) dated 12.06.2026 ('the Consultation Paper' or 'CP').

The purpose of this document is to provide BIAL's response to the comments provided by the Stakeholders on Authority's proposals detailed in the Consultation Paper. The submissions of BIAL may not be reproduced or disseminated in whole or in part unless clarification is obtained from or specifically confirmed by BIAL in writing and except by the Authority.

The responses, comments, and submissions made by BIAL herein are solely in the context of, and limited to, the present Consultation Paper, and are without prejudice to, and notwithstanding, the rights, entitlements, and remedies available to BIAL under its Concession Agreement (including all amendments, supplements, and related agreements thereto), applicable law, and equity.

These submissions are further made without prejudice to, and notwithstanding, the contentions and submissions made by BIAL in any pending, ongoing, or previous litigation or other proceedings before any court, tribunal, or authority (including, without limitation, proceedings before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) and the Hon'ble Supreme Court of India)

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1. Comments from Secretary, Infrastructure Development, Ports & Inland Water Transport, Government of Karnataka (GoK)

“This has reference to the Consultation Paper No. 01/2026-27 published by the Airport Economic Regulatory Authority (AERA) for the 4th Control Period for Kempegowda International Airport Bengaluru (KIAB) on 12th June 2026.

KIAB is the 3rd busiest airport in India (in terms of passengers & air freight handled) and earlier this year, KIAB has displaced Mumbai's Chatrapati Shivaji Airport as the 2nd busiest domestic airport. During FY 2025–26, KIAB handled 44.50 million passengers, and the airport is projected to cater to over 70 million passengers by FY 2031, supported by the development of Phase-2 of Terminal 2 and associated airside and landside infrastructure.

The key driver for the growth of the airport has been the city's talent, innovation and infrastructure which are attracting global business and creating jobs and real estate. Long regarded as the Silicon Valley of India, Bengaluru has been named as the highest number of Global Capability Centres (GCC) in the world in 2026 with nearly 900 GCCs as well as the Startup capital of India. These startups and GCCs not only generate thousands of high skilled jobs in the city, they also help in making Bengaluru one of the world's leading business and innovation hubs.

Given the above background, Government of Karnataka is not just a 13% shareholder but a key stakeholder in the development/expansion of the Kempegowda Airport both as the host state. The airport drives the region's economy by providing infrastructure and contributing to the growth of the region. It is our endeavour to support BIAL in creating world class infrastructure for the city of Bengaluru and the state of Karnataka. While the Government of Karnataka has initiated plans for development of a 2nd greenfield airport, the same is expected to be operational only around 2033 and hence it is essential that all decisions that impact KIAB's passenger handling capacity, should enable KIAB to handle the growth of civil aviation in the state of Karnataka.

The Government of Karnataka has and continues to undertake a series of infrastructure works that have aided and benefitted the growth of passenger and air freight traffic and also eased the passengers commute to the airport. Some of the key contributions of the State which has resulted in the growth of KIAB are enumerated below:”

1. Fiscal Support to KIAB

Government of Karnataka has provided state support of Rs 335 crs for the initial phase of the development of the airport in 2008. The said state support is in the form of an interest free loan and was repayable in 10 years from the 11th year from the date of start of airport operations. This soft loan had resulted in a lower Fair Rate of Return (FRoR) on average the RAB for the airport operator and hence had cushioned the impact of UDF on the passengers. This state support loan was tenure was extended in 2018 by another 10 years. In effect, for 20 years from the AoD, passengers will be benefitting from a lower FRoR which is used in determination of aeronautical tariffs.

2) Fiscal Support for development of Aerospace and Other industries complementary to the Growth of Civil Aviation sector : Government of Karnataka through its Infrastructure and Industrial development corporation has worked with leading Indian airline companies, global OEMs, global chip manufacturers to incentivize development of air frame MROs at KIAB, setting up of chip fabrication and iPhone manufacturing units around the airport which will all provide a direct boost to the air freight handled by the airport.

2. Connectivity Support

a. The State has undertaken and successfully completed an ambitious program to decongest Hebbal, a key junction and entry point to NH – 44, the only access road to the airport as on date. The works carried out have helped reduce traffic jams considerably. GoK is also investing in developing tunnels around Hebbal which should help keep pace with the growing passenger demand at the airport.

b. Development of State Highway (SH 104)

The State Highway 104 (SH 104) is a vital 50-kilometer corridor connecting Central Bangalore to Nandi Hills via Nagavara, Thanisandra, Bagalur, and Devanahalli. Widely known as the Thanisandra-Bagalur Road, this

toll-free route serves a vital feeder and alternate access road to the Airport from Bengaluru's eastern sectors. This road bypasses the heavy traffic of the main Hebbal/NH 44 route, making it an increasingly preferred 50-minute commute from East and North Bangalore.

c. Extending Metro Rail connectivity to Airport

As on date, Bengaluru currently does not have direct metro connectivity to Kempegowda International Airport (BLR). A 39 km metro line jointly funded by the Centre, Government of Karnataka, Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB) costing nearly Rs 10,584 crores is under construction.

As can be seen from the above, KIAB is a priority project for the state of Karnataka and the state has supported the Airport's growth by bringing the connecting infrastructure to the airport boundary so that BIAL can connect their internal roads (airside and landside) to these main arterial roads.

We are therefore concerned with certain proposals contained in the Consultation Paper 01/2026-27 published by AERA on 12th June 2026. The proposals if included in the final tariff order, could negatively impact the overall capital expansion that is crucial to address the projected traffic growth at KIAB and its impact on the region's economy.

This shall also significantly impact the confidence of the Investors who have committed to investments in Bengaluru and in the state of Karnataka.

1.1. Non consideration of Eastern Connectivity Tunnel (ECT) Project

Originally, the ECT project was recommended in the Master Plan 2019 along with projects planned for implementation in the 3rd control period (FY2022-FY2026). In line with the above, BIAL had proceeded with the implementation of the 300 m enabling tunnel works in the 2nd control period as this enabling tunnel was to be located under the Eastern Cross taxiway which was being implemented along with the New South Parallel Runway. AERA, had however, not considered the same with an observation that the enabling works will be recognized only when the entire ECT project is completed.

In the 3rd control period, BIAL, on account of Covid 19, did not pursue this project considering the uncertainty in traffic and the need to rationalize the capital expenditure for 3rd control period.

With recovery and consolidation of traffic growth, BIAL has now embarked on the implementation of its capital expenditure program aimed at increasing the airport's passenger handling capacity to 80 million passengers per annum. The Eastern Connectivity Tunnel (ECT) is an integral part of this program which aims to provide direct terminal access from State Highway 104 while reducing the dependence on the highly congested NH-44 corridor.

Passengers originating / reaching to East Bengaluru (like Whitefield) will be saving around 12-15 kms distance wise and around 30-45 minutes of travel time apart from reduction in vehicular emissions. This savings in distance will reduce the taxi charges payable by passengers to the extent of Rs 200-250 per trip at current prices. As per BIAL's estimates, around 25-30% of traffic is from East Bengaluru area and this translates to a minimum of 15 million passengers in FY2031 (based on 72.4 million total traffic as per the Consultation Paper). Based on the above, the passenger community will be saving Rs 300 crs every year on travel costs to and from the airport besides the reduced travel time and pollution levels in the city. The reduced cost of travel to the airport are direct benefits to passengers and should be considered by the Authority.

KIAB, presently depends entirely on a single arterial access route via National Highway 44 and the Hebbal trumpet interchange for the movement of passengers, airport personnel, cargo operators, and emergency services. This dependency on a single corridor poses a significant operational and systemic risk to the airport, as any disruption arising from congestion, accidents, infrastructure failures or natural events can severely impact flight operations, staff mobility, cargo logistics, and emergency response capabilities. Traffic congestion in the northern corridor of Bengaluru has been rising rapidly, with new real estate developments around NH44.

This combination of constraints leaves the airport vulnerable to delays, disruptions, and safety risks. This aspect of business continuity should be duly considered by the Authority.

From a technical feasibility perspective, the ECT is proposed to be developed under aircraft apron. Since the apron will have embedded fuel hydrants and utilities, it may not be feasible to develop ECT through tunnel boring at a later stage. Hence the window of opportunity is now failing which it will be lost forever.

In the past tariff orders, AERA has not imposed any condition for recognition of this Project into RAB barring completion. However, in the Consultation Paper for the 4th control period, AERA has stipulated a condition that the ECT Project will be considered as a part of RAB subject to Government of Karnataka providing total funding for the project. The above condition imposed by AERA is not in consonance with the provisions of the Concession Agreement (CA) executed between BIAL and Government of India and the State Support Agreement (SSA) executed between BIAL and Government of Karnataka.

The Airport Activities as detailed out in Schedule 2 Part 1 of the SSA, clearly states that landside and airside access roads are to be provided by BIAL. The proposal by the Authority in the consultation paper puts additional obligations on the state of Karnataka and revises the State Support Agreement that had been executed by the Hon'ble Governor of Karnataka acting through Infrastructure Development Department, Government of Karnataka.

Considering the essential nature of the ECT Project which will directly benefit the Passengers in the form of reduced travel cost to and from the airport with the reduction being Rs 200-250 per trip, Government of Karnataka requests AERA to consider the ECT Project as a part of RAB and not link it to any financial support from the state of Karnataka.

1.2. Airport West Metro Station

The State is investing close to 10,584 crores to extend metro connectivity to the Airport. The metro will be used by passengers as well as employees and users of cargo terminal operators, ground handling agencies, fuel farm agency, CISF and other statutory agencies, airline staff, staff working in utility infrastructure and other airport support facilities, retailers and other concessionaires at the airport.

In such circumstances, Government of Karnataka requests the Authority to treat the Airport West station as an asset integral to development of the Airport and consider 50% of the project as part of the Regulated asset base."

1.3. Determination of O&M costs for airport operations

"KIAB has consistently been rated amongst the best airports in the world and has been acknowledged by airlines, passengers and aviation agencies for its efficiency and quality of infrastructure. It is not by mere chance that key Indian carriers have consistently chosen KIAB as their first base of operations in India or that KIAB has been amongst the fastest growing airports.

In the context of how the airport has performed as well as the fact that in a regulated environment where the adherence to the highest standards of safety and security is essential, we believe that due consideration should be extended by the Authority to the submissions made by BIAL towards requirement of personnel and operations costs through the period 1st April 2027 to 31st March 2031.

With respect to the observation that the airport is a public infrastructure and cost efficiency is essential, GoK on behalf of the Board assures the Authority that your inputs will be accorded the highest consideration. However, a balance needs to be struck between the submission made by BIAL versus the present proposal."

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

"In previous control periods (for KIAB and all other major airports where AERA has determined tariff), the approved revenue requirement was recovered through a levelized tariff structure over the five-year control period.

The existing levelized tariff methodology has served the sector well over successive control periods. It enables recovery of the approved revenue requirement over the five-year control period while ensuring tariff stability and avoiding sudden tariff shocks for airlines and passengers.

The Authority's proposal to migrate to a "user pay principle" while noteworthy maybe conceptually appropriate for standalone infrastructure such as toll roads or bridges, where the user consumes a specific asset. That said, an airport is fundamentally different. It is an integrated infrastructure ecosystem where passengers and airlines simultaneously use a common pool of interconnected assets — terminals, runways, taxiways and associated landside infrastructure. Often the sizing of different elements of an airport cannot be synchronized. E.g., a runway once commissioned can handle 40- 45 million passengers and over 250,000 aircraft movements annually. It cannot be built in phases. However, the terminal infrastructure and associated aircraft apron can be developed in phases – starting with an initial phase of 12 million terminal capacity which can be expanded in 2 or 3 phases to 20/35/45 million passengers annually.

Further, the user pay principle once established could theoretically be extended further as different passengers may consume different facilities e.g., a domestic passenger may use one terminal today and another facility in a later phase. An international passenger may use common infrastructure partly built in earlier periods and partly built in the current period. Airlines use airside and terminal infrastructure in ways that are interdependent and constantly changing based on schedule, stand allocation, passenger mix, operational constraints, and traffic flows.

It is therefore neither practical to determine which passenger or airline has used which specific asset, in what proportion, and at what point in time. Even assets not directly visible to passengers, such as taxiways, aprons, baggage systems, utilities, or airfield infrastructure, generate system-wide benefits by reducing congestion, improving safety, enhancing reliability, and enabling smoother operations. The benefit of airport infrastructure is therefore holistic and system-wide, not asset-specific.

Consequently, an incremental approach may require repeated tariff revisions during the last 2 years of a control period whenever new assets are capitalised. Beyond administrative complexity, on behalf of the state and the airport, we must highlight that any downward revision is glossed over and any increase scrutinized greatly – without due consideration that often the project- whether a terminal or runway is built keeping the medium to long term growth outlook.

It is also important to recognise that airport infrastructure is capital-intensive and must be developed ahead of demand. If tariff recovery is linked narrowly to the capitalisation of individual assets, it may discourage timely capacity creation and undermine the long-term planning required for a fast-growing airport such as Bengaluru. The Government of Karnataka respectfully submits that the existing approach of levelised tariff through the control period is not just consistent with user fairness, it is the most appropriate way to apply fairness in an airport context, because passengers and airlines use the airport as an integrated service."

Conclusion:

The matters of concern mentioned above form an integral part of KIAB's tariff determination process. They not only directly impact the cash flows of the airport, these matters have a significant bearing on the passenger's ability to access the terminals, airport's ability to maintain quality of operations, ability to handle business continuity related risks and meeting financial covenants and debt obligations.

We request that our genuine and justified views expressed above be taken into kind consideration positively by the Authority at the time of issuing the final tariff order in the interest of equity and public interest.

BIAL's Comments:

BIAL acknowledges and supports the comments made by the Government of Karnataka, specifically with the need to recognize the capital expenditure towards the proposed Eastern Connectivity Tunnel as well as the Airport West Metro station. BIAL requests the Authority to consider the submissions in order to provide BIAL with a reasonable assessment of ARR by adopting a fair approach and ensuring consistency in the principles adopted by the Authority.

2. Airlines Operators Committee (AOC)

2.1. Support for Core Capacity Enhancement

“The airline community reiterates its strong support for essential infrastructure programmes, including:

- Terminal 2 expansion – to accommodate rising passenger volumes and international traffic growth.*
- Terminal 1 modification works. To modernize facilities, improve passenger experience and optimize operational efficiency.*
- Cross Taxiway (CTW) and associated airside enhancements. To reduce taxi times, improve aircraft movement efficiency and enhance overall airside capacity. These projects are critical to ensuring adequate capacity, operational efficiency and long-term growth, but their execution must be governed by transparent progress monitoring and demand linked phasing.”*

BIAL’s Comments

We thank AOC for their support for implementation of key Airside and Terminal expansion /upgradation projects.

2.2. Concern: CAPEX Escalation and Tariff Pass-Through

“AOC-BLR notes with concern the proposed ₹400 crore CAPEX allocation towards the Metro/MMTH component. While multimodal connectivity is not an essential project and it must be recognized that all CAPEX is ultimately recovered through airport tariffs, directly increasing airline operating costs. Furthermore, the proposed Airport Terminal Metro Station enhancement, though state-of-the-art, does not constitute an essential investment. Current estimates suggest that only 15–20% of airport traffic may utilize this facility, making it a desirable but non-critical CAPEX. In such circumstances, prioritizing this project risks diverting resources away from core capacity needs.

Additionally, the Metro system falls under the direct purview of state and central government infrastructure projects. It is therefore unclear why BIAL, as a private entity, should assume responsibility for funding such development. This raises fundamental questions about the appropriateness of passing these costs onto airlines and passengers through tariff recovery.

AOC-BLR submits that this component should be treated as discretionary CAPEX, deferred until utilization visibility is established and primarily funded through government channels rather than private airport operators.

In the current environment of fuel price volatility, even marginal tariff escalation compounds airline cost pressures, impacting fares, demand, and route viability. Aviation turbine fuel constitutes 30–40% of airline operating costs, and a 10% surge in ATF prices erodes margins by 2–3 percentage points, forcing airlines to impose surcharges, rationalize routes, and delay capacity restoration.”

2.3. Protecting Airline Viability

“Elevated operating costs limit airlines’ ability to increase frequencies, restore pre-disruption capacity, and open new routes, whereas a stable tariff environment enables airlines to rebuild networks, enhance connectivity and offer competitive fares. Rational CAPEX prioritization is therefore essential to safeguard airline sustainability.”

BIAL’s Comments

Airport Charges (including navigational charges payable by airlines to AAI) do not constitute more than 8-10% of total operating costs of airlines. On a standalone basis, Airport operator related charges (i.e., charges payable to airport operators located in India and outside India), is likely to be around 5-6% of the total cost of the airlines. The contribution of Indian airport operators is likely to be even lower than the above. Hence, we do not agree with the statement of AOC that Airport Charges (levied by Indian Airport operators) determine the

Airlines viability. These submissions are bald, vague and devoid of any merit as no study on airlines cost structure (specific to the Indian context) has been cited to come up with such conclusions.

2.4. Recommendation on Metro/MMTH CAPEX

“We recommend phased or deferred implementation of the Metro/MMTH CAPEX until clear utilization visibility is established a comprehensive cost-benefit reassessment aligned to direct airport operational impact, scope rationalization and cost optimization measures and ensuring only essential, demand-linked CAPEX is considered for tariff pass-through. “

BIAL’s Comments

In the Second Control Period Tariff Order, a basic Multi Level Car Parking (MLCP) was considered by BIAL & the same was approved by the Authority to support the Terminal 2 parking requirements. However, during 2017-18, based on need to provide affordable public transport options, adding airport metro connectivity was felt necessary. The Terminal station was to be strategically placed so as to provide best access from both the Terminals T1 and T2. Hence the forecourt and land side facilities at BIAL had to cater to this new requirement.

This led to the redesign of the common areas between T1 and T2 and the concept further evolved into a Multi-Modal Transport Hub (MMTH), which could accommodate private vehicles, taxis, city buses and the metro rail.

The Authority, in TCP Order had approved the capital expenditure and aeronautical allocation of 31.53% for the MMTH. By the issuance of the TCP order, the essentiality of MMTH development has already been addressed by AERA.

In the current Consultation Paper, AERA has reviewed the completed cost vis-à-vis the originally approved cost in TCP Order. BIAL has submitted its response regarding the disallowance proposed by AERA to the completed cost of MMTH and the Authority will consider the same at the time of issuance of the tariff order.

In regard to the AOC comment *“multimodal connectivity is not an essential project and it must be recognized that all CAPEX is ultimately recovered through airport tariffs, directly increasing airline operating costs”*, BIAL would like to submit that the MMTH has principally 2 parts:

1. Multi-Level Car Parking – This has been classified as non-aeronautical and hence has no impact on tariffs. However, for a passenger, the Multi-Level Car Park is an essential infrastructure. The MMTH also houses the zone where the passengers board BMTC buses. Providing bus connectivity to passengers is again essential.
2. Metro connectivity – This is an essential service for the passengers. Since the airport is located over 30 kms from the city centre, taxi fares for passengers average Rs. 1,500 one way. In such a scenario, metro connectivity will greatly benefit passengers as it allows a significantly cheaper, time effective and predictable mode of transport to/from the airport. Thus, suggesting that metro stations be treated as discretionary spend completely undermines the requirements of passengers.

It is pertinent to clarify that a significant part of tariffs are collected across Indian airports in the form of UDF which do not impact airline’s costs.

Further, regarding AOC comment *“the Metro system falls under the direct purview of state and central government infrastructure projects. It is therefore unclear why BIAL, as a private entity, should assume responsibility for funding such development. This raises fundamental questions about the appropriateness of passing these costs onto airlines and passengers through tariff recovery”*, BIAL submits that:

1. AERA, vide its letter dated 5th January 2018 to Government of Karnataka, has clearly stated that the Metro related capex located within the airport boundary which is funded by BIAL will form a part of the RAB for tariff determination purposes. Based on this, BIAL has entered into an MOU with BMRCL for construction of 2 metro stations within the Airport campus
2. Metro related capex has been approved by AERA for inclusion in RAB in other major airports like Hyderabad, Delhi and Mumbai too. Hence, this is a consistent approach adopted by AERA. This matter has been decided in TCP order wherein AERA has recognized the need for Airport Terminal Metro Station (ATMS).
3. MECON (AERA's consultant) has also reviewed the need for the Project and the capex estimates submitted by BIAL for ATMS and based on this, AERA has proposed the capital expenditure for the ATMS project in the Consultation Paper.
4. BIAL has also completed the AUCC Process (Stage 1, 2 & 3) for this Project and stakeholders have given their approval for the Project.

Considering the above, the essentiality aspect has been reviewed multiple times by AERA and AOC's comments / concerns have already been addressed by AERA.

2.5. Ensuring Long-Term Utilization

"All major capital investments should be supported by demand validation, scenario based planning and phased execution linked to traffic triggers to ensure sustained utilization over the next 5–6 years while mitigating risks of under-recovery."

BIAL's Comments

Pursuant to the upgrade of T1 and expansion of Terminal 2, the total Terminal capacity at KIAB will rise from 51.5 MPPA to 80 MPPA. It is pertinent to note that the projected traffic in FY 31 is 70 MPPA. This clearly shows the utilization levels of ~90% of the available Terminal capacity.

2.6. Impact of Second Airport Development in Bengaluru

"AOC-BLR wishes to draw attention to the ongoing evaluation by state and central authorities regarding a second airport facility in Bengaluru, with active discussions on land acquisition and location. This development has significant implications: once operational the second airport will inevitably divert passenger and cargo traffic away from KIA current traffic projections underpinning CAPEX planning at BLR may be overstated if diversion materializes, leading to underutilization of newly built infrastructure underutilization will directly affect the recovery of invested CAPEX through aeronautical charges, placing disproportionate burden on airlines and passengers and premature or excessive CAPEX at BLR without factoring in the second airport's impact risks creating stranded assets and tariff inflation. We therefore urge AERA to mandate a holistic traffic impact assessment that incorporates the second airport's timeline, capacity and diversion potential before approving large-scale CAPEX at BLR. CAPEX phasing must be calibrated to realistic demand scenarios to avoid avoidable tariff escalation."

BIAL's Comments

As per the terms of the Concession Agreement, no new or existing airport shall be permitted by GoI to be developed as or improved or upgraded into an International Airport / Domestic Airport (excluding Mysore and Hassan airports) within an aerial distance of 150 kilometers of the Airport before the 25th anniversary of the Airport Opening Date. The 25th anniversary is in May 2033. Considering the above, the traffic growth till 2033 for the city of Bengaluru has to be catered by KIAB alone.

The current capacity of KIAB is 51.5 MPPA. and based on the traffic projections submitted by BIAL the passenger traffic is expected to be around 70 million in FY 31. Therefore, it is very clear that existing Terminal

capacity cannot cater to this growth and hence the increase in Terminal capacity to 80 MPPA is essential. Bengaluru's second airport is currently in the planning stage, with Government of Karnataka yet to finalize the site. Given the above, the comments of AOC about potential diversion of traffic from KIAB to the 2nd airport are essentially premature and speculative in nature. The traffic impact of the 2nd airport on KIAB will be addressed by BIAL in the next Master plan Update (2029) when there is greater visibility at that time about the progress of the 2nd airport.

2.7. Leveraging Non-Aeronautical Revenues for CAPEX Recovery at BLR

“Historically, CAPEX recovery has relied disproportionately on aeronautical charges, placing heavy cost burdens on airlines and passengers. At BLR, however, non-aeronautical revenues (NAR) have shown strong growth, driven by retail concessions, duty-free, F&B, advertising, parking, cargo and real estate leasing. BLR's international passenger base and rising domestic traffic provide significant scope for per-passenger NAR growth, aligning with global benchmarks where non-aero contributes 35–40% of airport revenues. Under India's hybrid till model, only 30% of NAR is currently cross-subsidized to offset aeronautical charges, leaving airlines exposed to higher tariff burdens despite strong commercial revenue growth. Over dependence on aeronautical recovery has historically led to sharp tariff hikes, undermining airline viability and passenger affordability. AOC-BLR recommends that AERA consider a calibrated increase in the share of NAR earmarked for CAPEX recovery at BLR. BLR should be encouraged to expand its commercial ecosystem retail, F&B, advertising, parking, mobility services, and real estate to strengthen NAR streams. A structured mechanism should be instituted to channel a greater portion of NAR towards CAPEX recovery, thereby reducing reliance on aeronautical charges”

BIAL's Comments

The Hybrid Till Model wherein 30% of NAR is used to cross subsidize aeronautical charges is based on Government of India's NCAP 2016. AERA has also adopted the same for Tariff determination purposes. Any change to the said NCAP Policy can be done only by Government of India and only post such revisions can AERA adopt the same. Hence, this is a policy related change request made by AOC and does not involve any changes to the Tariff determination principles.

AOC's statements like “over dependence on aeronautical recovery has historically led to sharp tariff hikes, undermining airline viability and passenger affordability” are generic statements and is not backed up with any facts and hence are devoid of any merit. There is no recorded instance of an Indian Airline becoming unviable due to Airport Charges. It is most unfortunate that the bogey of Airport Charges (despite its meagre 5-6% contribution to the overall cost structure of the Airlines) is being framed as the key variable affecting the profitability and viability of airlines.

We request AOC, being an important stakeholder, to understand that Airport Operators cannot be used as cross subsidization agents to improve Airlines' viability. Instead, we would request AOC to look into the Government of India's Price Stabilization Fund initiative launched for Scheduled Indian Airlines towards ATF pricing for their domestic and international operations. The proposed mechanism will help maintain affordable air connectivity, support airline operations, and reduce the burden on passengers. With respect to passenger affordability, airport charges are predictable and do not vary and hence AOC must look at why airfares spike during different holiday seasons hurting passengers and demand.

As presented in the stakeholder presentation, 98% of the retained profits (which are shareholder funds) of BIAL (including non-aeronautical business) from the Airport Opening Date (AoD), have been reinvested in the expansion of the Airport. Hence, the concern expressed by AOC does not have any merit.

3. Interglobe Aviation Limited (IndiGo)

3.1. Incremental Aggregate Revenue Requirement (ARR) framework:

We welcome AERA's proposal to adopt an Incremental ARR framework for identified high-capex projects at BIAL. The proposed approach appropriately incorporates the user-pay principle by ensuring that airport users bear the cost of infrastructure only after such assets are commissioned and become available for operational use. The framework will help moderate tariff increases during the Fourth Control Period, incentivize timely project delivery, and safeguard airlines and passengers from premature recovery of capital costs.

BIAL's Comments:

BIAL has submitted its comments on the Incremental ARR approach as part of its response to the Consultation Paper. We request the Authority to consider the same.

3.2. User Development Fee (UDF):

i) Applicability of UDF rates:

As the airline ticket booking system allows advance reservations of up to one year, UDF is collected from passengers at the time of booking based on the prevailing UDF rates at that time. Since ticket prices and charges are fixed at the time of booking, any later change in UDF without commensurate timeline / advance notice for "coming into effect" can create a mismatch between what has been collected by the airline and what is actually payable. Any under collection owing to the above results in a direct financial loss for the airlines, as airlines are typically not in a position to recover any shortfall from passengers once tickets are issued. This imposes a substantial financial burden on airlines, especially at large airports such as Bengaluru, with this impact being further amplified at a time when airlines continue to grapple with the adverse financial effects of geopolitical tensions, elevated ATF costs, weakening of rupee etc., all of which have significantly increased operating costs.

We trust that AERA will appreciate that any changes in tariffs should be informed and implemented in a manner that allows airlines to adjust their airfare to incorporate UDF and other revised charges in their reservations systems. BIAL's recommendations at point C of Annexure 1 of the BIAL Tariff Card (to be based on date of travel for any changes from 1st April 2027 onwards) however, do not take this into account, thereby placing risk of significant financial burden on the airlines.

Accordingly, we request AERA that any revision to the UDF should be based on the booking (ticket issuance) date, not the travel date, and that too on prospective basis. Defining the booking date as the basis is essential for airlines because ticket prices, taxes, and charges are fixed at the time of booking. If changes are made later without clear rules, it creates system and accounting difficulties, as airlines cannot reprice tickets that have already been issued or recover additional amounts from passengers.

In sum, all changes to UDF and other pass-through charges should be notified as being applicable only for tickets sold from a certain future date, and the time gap between any notification and the applicable / effective date should be at least 60 days, to allow airlines sufficient time to program the changes in their systems. This lead time assumes even greater importance in view of the fact that AERA is implementing incremental ARR at BIAL, which will necessitate multiple revisions to UDF in the forthcoming control period. A long lead time is also necessary as, airlines need time to make changes and test the same; also at times, airlines systems may be undergoing changes / upgrades or an airline may be moving to a new system altogether, which may fall outside the typical 7 to 10 days window provided for such changes.

Similarly, any changes in aeronautical charges such as landing, parking, housing, etc., should also be notified well in advance to enable airlines to adjust air fares to cover the additional cost, to the extent applicable.

ii) Collection charges on UDF:

With respect to Note (2) under UDF (i.e. collection charges on UDF), BIAL has proposed that the airline operator will be entitled to Collection Charges of Rs. 5/- per embarking passenger.

AERA is requested to consider that in light of the increasing administrative expenses due to inflation and other reasons, the collection charges should be increased to keep pace with the proposed increase in UDF, as airlines currently only get a fixed rate (i.e. Rs. 5/- per embarking passenger) and this has remained unchanged for a long time, i.e. from the beginning of airport operations at BIAL.

Therefore, we would request AERA that the collection charges be specified at the rate of 2.5% on the UDF payable gross amount, in line with the existing rate of collection charges being paid to airlines by National Aviation Security Fund Trust (NASFT) as collection charges for Aviation Security Fees.

iii) With respect to Note (3) under UDF, we request AERA to clearly specify the exemption categories in strict alignment with the provisions prescribed under DGCA AIC No. 14/2019 dated 16.05.2019 and DGCA AIC No. 06/2023 dated 29.04.2023.

Any additional requirements or clarifications may be stated separately from the exemption categories. For example:

- For all UDF Exemptions, the airline is expected to submit necessary documentary proofs (eg, Passenger Transfer Message (non-Personal Identification Info only), Flight Closure Message, APIs) electronically/automated manner to substantiate the same.
- For any travel happening between 1st September 2026 and 31st March 2027, the applicable UDF will be based on the date of ticket booking. For any travel beyond 31st March 2027, the respective period UDF charges shall be applicable, based on the date of travel.

BIAL's Comments:

i) UDF

Applicability of UDF rates

AERA has adopted the approach of referencing the UDF rate to the date of travel in the recent Tariff orders issued for Noida and Navi Mumbai. BIAL's UDF Tariff card is in line with AERA approved philosophy. Hence, we do not see any need for change in this approach.

ii) Collection Charges for UDF

The Collection charges have been determined after due consideration of the limited scope of activities involved in collection process which has been largely automated and integrated within the existing airline billing and settlement system. The underlying administrative process is largely standardized and automated. Hence, we do not agree to the increase sought by Indigo. It is best to have an absolute Rs per ticket as the norm for Collection charges and not link it to the UDF rate. The effort levels incurred by Airlines for collection of UDF from passengers does not depend on the UDF rate.

iii) Exemption categories

The applicable circulars shall be as mentioned in BIAL's 3rd control period Tariff order and the recent Tariff orders for Navi Mumbai and Noida airports. These are DGCA AIC No 14/2019 dated 16.05.2016 and AIC No 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide Order no. AV 29012/39/20 18-AD dated 10.04.2019 and 30.10.2019). **DGCA AIC No 06/2023 dated 29.04.2023, as mentioned by Indigo, is applicable only to non-major airports and not to major airports like BIAL.** At present, the transfer passenger data shared by airlines is solely for claiming the exemption from UDF without any relevant details to substantiate the exemption by airlines. This affects the airport's ability to verify whether the UDF (User Development Fee) exemptions claimed by airlines for transfer passengers are accurate and genuine.

To address this, BIAL has is requesting airlines to submit proper supporting documents, such as:

- **Passenger Transfer Messages for arrival and departure flight** (which do not include personal identification details) provide details like the total number of passengers, date of travel, origin and destination, origin and connecting and other relevant information
- **Flight closure messages**

- **API integration for automatic flow of messages between the airport and airline systems**

As Bangalore's Kempegowda International Airport (BLR) grows into a major transfer hub details of transfer passengers are essential both for operational planning and financial prudence.

3.3. Landing Charges:

It is requested that Landing charges be calculated on the basis of the nearest rounded off MT.

BIAL's Comments:

In line with the provisions of BIAL's Schedule of Charges approved by AERA for the Third Control Period, Landing Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg). The same approach has also been followed by AERA in tariff orders issued for other major airports.

3.4. Parking Charges:

i) With respect to Note (2) under proposed Parking Charges, the following sentence should be added as per industry practice and for sake of clarity.

"While calculating the free parking time, standard time of 15 minutes is added on account of time taken between touchdown and actual parking time on the parking stand, Another standard time of 15 minutes is added on account of taxiing time of aircraft from parking stand to take off point and collectively referred as free parking."

ii) With respect to Note (3) under proposed Parking Charges, it is requested that the Note be revised as follows:

"The charges set for the herein shall be calculated based on the nearest rounded off MT. For calculating chargeable parking & housing time, part of an hour shall be rounded off to the nearest 15-min interval and charges shall be applied on a pro-rata basis."

iii) With respect to Note (4) under proposed Parking Charges, it is requested that clarification be provided on the following:

- *We request AERA to kindly clarify if "housing charges" as mentioned, refer to the parking charges specified for more than 4 hours in the relevant table.*
- *It is requested to define nature and/or circumstances which constitute unauthorized overstay.*
- *We also request AERA to kindly waive off the overstay charges, considering that the parking rates beyond four hours is already levied at higher than the normal rate (about 1.6-1.7 times). Since the increased rate inherently covers the intent of discouraging prolonged parking, the additional overstay penalty becomes duplicative and should be reconsidered.*

BIAL's Comments:

- Note 2
 - We are fine to add the sentence mentioned in Indigo's comments (Point 4(i)) regarding standard industry practice
- Note 3
 - The point mentioned in ATP is in line with the provisions of BIAL's Schedule of Charges approved by AERA for Third Control Period and the Schedule of Rates approved by AERA in the recent Tariff orders for Noida and Navi Mumbai Airport.
 - Hence this is an AERA approved methodology and there is no case to change it.
- Note 4
 - We wish to clarify that the term "Housing Charges" refers to Parking charges specified for more than 4 hours in the relevant table.
 - Definition of Overstay: Any parking stand occupied by an aircraft beyond the duration approved by BIAL will be treated as unauthorised overstay.

- BIAL submits that the proposed Overstay charges are intended solely as deterrent mechanism to discourage unauthorized or inefficient occupation of parking stands beyond the approved duration and are not envisaged as a revenue generating measure. Further, the capital expenditure towards addition of parking stands is based on airline requests and hence BIAL expects the utilization of these stands to be at optimum levels. BIAL also submits that scheduled airline operations are generally slot driven and tightly regulated and therefore instances of unauthorized parking are expected to remain exceptional in nature.

3.5. CUSS/CUTE/BRS Charge:

- i) *“CUSS/CUTE/BRS charges are being levied in USD. In our opinion, these charges should be in INR, as an Indian carrier within an Indian airport should not bear the burden of foreign exchange risk....”.*
- ii) *With reference to Note (2) under the proposed CUSS/CUTE/BRS charges, we recommend that CUSS/CUTE/BRS charges be applicable on UDF paying passengers only.*
- iii) *We also note that BIAL proposes to charge airlines for consumables for CUSS / CUTE kiosks, which, as per our understanding, is an unprecedented charge. While we presume that BIAL would have reduced their operational costs to the extent of revenues earned from this proposed charge, in the instant case, not only are Indian carriers, who form the bulk of operations and passenger carriage from Indian airports, being asked to bear the foreign exchange risk, but are also being burdened with a new charge category which, in our opinion, is unwarranted. Furthermore, this requirement will impose additional administrative burden and cost on airlines and will also set a precedent for creation of newer categories in the future.*

BIAL's Comments:

- USD denominated vs INR: The CUTE service is provided by SITA and BIAL already has an ongoing contract till 2029 with charges specified in USD., Further, SITA is a global aviation company providing similar service to airlines across the world in multiple airports and USD denominated charge helps in maintaining international standardization, which helps in streamlining billing.
- CUTE charge only for UDF pax (not transfers): Even transfer passengers use CUTE equipment, like Baggage Reconciliation System (BRS), Boarding Gate Reader (BGR), DCS and other systems like E-gates and Digi Yatra related systems at transfer counters, BHS & boarding gate at the airport. Hence, this category cannot be exempted from payment of these charges, and we do not agree with the view of Indigo in this regard. There are specific counters set up for transfer passengers where services like documentation checks and printing of boarding passes are being provided for. Further, Baggage Service Message, a standardized teletype or digital message sent between an airline's Departure Control System (DCS) and an airport's Baggage Handling System (BHS), is being provided to transfer passengers also. The recent tariff order issued for Navi Mumbai also does not exempt transfer passengers from payment of this fee as the above-mentioned services are provided to such passengers.
- Consumables are the responsibility of the user and are always procured by the airlines themselves at all CUTE counters allotted to them. Only at self-service kiosks, does the airport provide consumables as common-use stationery on pay-per use concept (since kiosks are not dedicated to any one airline). This helps airlines not to use their own stationery on the self-service kiosks. This is not a new charge and has been in existence for the last 3-4 years. CUTE charges only cover the hardware and the software, not the consumables.

3.6. Bridge Mounted Equipment (BME) Charges:

“..., BME charges have also not been included in BIAL's ATP/Consultation Paper currently under consultation. Accordingly, IndiGo understands that BME charges are outside the scope of the present consultation exercise....”.

BIAL's Comments:

BME activity has been concessioned out by BIAL and hence this does not form a part of this Consultation Paper and the ATP submitted by BIAL.

3.7. Lead time for implementation of revised tariff card:

We would request AERA to provide a lead time of at least 60 days for implementation of tariff card by airlines into their systems from the date of issuance of final AERA order. Adequate advance notice is essential to allow airlines to adjust pricing structures and commercial planning accordingly.

BIAL's Comments:

For the UDF rates pertaining to the base ARR to be decided by AERA, we proposed 1st September 2026 as the effective date for implementation of the new rates. We feel that this is reasonable time, assuming that the Tariff order will be issued at the latest by 1st week of August 2026.

4. International Air Transport Association (IATA)

4.1. Support for AERA's Approach on Sub-judice Matters

IATA strongly supports the Authority's position that, in public interest, the tariff determination exercise for BLR should continue based on the decisions taken in the Tariff Order for the Third Control Period, pending finality of the issues before the Ld. TDSAT and the Hon'ble Supreme Court.

The Consultation Paper records the Authority's view that public interest would be better served if decisions are taken on the basis of the final decision of the Hon'ble Supreme Court of India, and that presently the tariff determination exercise should continue consistent with the decisions taken in the Third Control Period Tariff Order.

IATA considers this approach prudent, balanced and necessary, and in line with the mandate of AERA. Inclusion of disputed values in the tariff base before legal finality would expose users to an asymmetric and potentially irreversible risk. Once tariffs are recovered from airlines and passengers, particularly through passenger-facing charges such as UDF, refunding excess collections later would be practically difficult, if not impossible. This is especially relevant where charges have been collected from a dispersed passenger base over multiple years.

IATA therefore requests the Authority to maintain its proposed approach and exclude all amounts that are presently sub-judice from the tariff base until the relevant legal proceedings attain finality. Any subsequent adjustment, if required after final judicial determination, should be considered transparently and only after stakeholders have had an opportunity to review its implications.

BIAL's Comments:

BIAL has factored the principles laid down in various judgments of the Learned TDSAT applicable to major airports, which are equally applicable in the present case. However, the Authority has not considered the same on the grounds that these judgments have been challenged before the Hon'ble Supreme Court and are pending final adjudication. IATA has expressed support for the Authority's approach.

In this regard, BIAL respectfully draws attention to the observations of the Learned TDSAT in Appeal No. 2/2025 (MIAL vs. AERA) dated 29.05.2026, wherein the Tribunal has categorically held that filing of an appeal before the Hon'ble Supreme Court does not dilute or suspend the precedential value of its judgments unless such judgments are stayed or set aside by the Hon'ble Supreme Court.

BIAL further submits that Section 32 of the AERA Act provides that the orders of the Learned TDSAT are executable as a decree of a civil court, underscoring their finality and binding nature unless stayed or overturned by a superior court.

Accordingly, BIAL disagrees with IATA's stance and respectfully submits the Authority to consider and apply the judicial precedents laid down by the Learned TDSAT while determining the tariff for the Fourth Control Period.

4.2. True-up of the Second Control Period

IATA supports the Authority's proposal to retain the true-up of the Second Control Period as previously determined in the Third Control Period Tariff Order. The Consultation Paper notes that, consistent with the approach adopted in Tariff Order No. 11/2021-22 for the Third Control Period, the Authority proposes to retain the true-up of the Second Control Period as previously determined, and that the true-up considered by the Authority in the Third Control Period Tariff Order continues to represent the Authority's position.

IATA therefore requests AERA to:

- retain the Second Control Period true-up treatment as determined in the Third Control Period Tariff Order;
- not admit additional disputed under-recovery claims before legal finality; and
- revisit the treatment only after final decisions have been made with all legal appeals and challenges exhausted.

BIAL's Comments:

BIAL submits that the true-up for the Second Control Period has been computed in accordance with the principles laid down in various judgments of the Learned TDSAT issued for other major airports.

4.3. True-up of the Third Control Period

IATA similarly supports the Authority maintaining the Third Control Period treatment for issues that remain under appeal. The same public interest rationale applies. Where matters are sub-judice, cost recovery should not be permitted on a provisional basis from airlines and passengers.

The fundamental concern is one of regulatory fairness. If disputed amounts are permitted into ARR now, users would bear the cost immediately. If those claims are later rejected or modified by the courts, reversal would be difficult in practice. Therefore, exclusion until legal finality is the more equitable and prudent regulatory approach. IATA requests AERA to maintain the proposed approach for the Third Control Period true-up and ensure that disputed amounts do not enter the tariff base until the relevant appeals are finally resolved.

4.3.1. Traffic true-up and implications for risk allocation:

IATA notes that the Authority proposes to adopt actual traffic submitted by BIAL, validated against available sources such as AAI and other traffic data. Based on information presently available, IATA does not object to the use of actual traffic for true-up purposes, subject to the Authority's validation. However, this treatment has a broader regulatory implication. Adoption of actual traffic for true-up confirms that traffic risk is materially mitigated through the regulatory framework. This should inform AERA's assessment of other building blocks, including fair rate of return, capex recovery and treatment of under-recoveries.

IATA therefore submits that while actual traffic may be used for true-up, the reduced risk profile arising from true-up mechanisms must also be reflected consistently in the Authority's broader assessment of BIAL's return and recovery claims.

BIAL's Comments:

BIAL submits that the Cost of Equity of 15.05%, as determined by IIM Bangalore (AERA's Consultant) for the Third Control Period, has been estimated after duly considering the regulatory framework applicable to Indian airports, including the availability of the true-up mechanism. Accordingly, the regulatory true-up mechanism has already been reflected in the determination of the Fair Rate of Return.

4.3.2. CAPEX true-up:

IATA considers capex true-up to be one of the most important areas in this consultation. While aggregate capex appears broadly within the approved envelope, project-level overspends remain material and require careful regulatory scrutiny.

Based on our review, the following values require close attention:

- actual capex is understood to be approximately ₹8,524.81 crore against approved capex of approximately ₹8,883.44 crore, i.e. around 4% lower at an aggregate level;
- aero allocation for T2 and T1 is understood to be approximately 85.34%;
- T2 allocation is understood to be approximately 87.1%;
- MMTH Phase 1 allocation is understood to be approximately 34.49%;
- aero capex true-up is understood to be approximately ₹7,098.63 crore; and

- *BIAL appears to have submitted approximately ₹7,905.82 crore, while AERA has approved / proposed approximately ₹7,458.57 crore, around 6% lower than BIAL's submission.*

IATA appreciates that AERA has undertaken a detailed review and has not accepted BIAL's submission at face value. We further submit that while independent consultant review can support the assessment process, such evaluation does not substitute the Authority's responsibility to apply its own independent prudence and efficiency tests. The final determination of admissibility of costs rests with AERA and should be based on a rigorous assessment of necessity, efficiency and alignment with approved scope, beyond reliance on consultant validation alone.

Moreover, aggregate underspend should not obscure material project-level overspends. Even where total capex is lower than the approved envelope, inefficient or unjustified costs under individual projects should not be cross-subsidized or masked by savings elsewhere. Each project must be tested on its own merits, with reference to approved scope, cost reasonableness, change control, user consultation and actual benefit delivered.

Based on our review, material overspends appear under the following heads:

- *Terminal – Phase 1: approximately 5.54% overspend claimed; corrected by the authority to 4.15%*
- *South Runway – Phase 2: approximately 85.04% overspend claimed; corrected by authority to 77.55%*
- *MMHT Phase 1: 45.48% overspend claimed, AERA ultimately allowed 0% increase and capped recognition at the originally approved amount*
- *Unplanned existing runway / taxiway improvements: approximately ₹71.92 crore.*

IATA requests AERA to continue applying a project-by-project prudence test and to ensure that only efficiently incurred and properly justified costs are admitted for recovery.

BIAL's Comments:

BIAL submits that the Authority has already undertaken a detailed project-wise review of the capital expenditure proposed by BIAL, including the reasons for increase in cost and the supporting justifications submitted by BIAL. Specific to the South Runway Phase 2 Project, we request IATA to refer to para 3.4.81 of the Consultation Paper and in regard to MMTH Phase 1 Project, BIAL's responses are captured under para 3.2.3 of its Response to the CP.

4.3.3. COVID-related contractor claims and force majeure costs:

IATA notes, based on our review, that BIAL has referred to COVID-19-related escalation and contractor claims, including a contractor claim of approximately ₹180 crore, negotiated down to approximately ₹85.94 crore. While IATA appreciates that BIAL may have negotiated down the claim, this in itself cannot establish tariff admissibility.

The relevant regulatory question is not whether the original contractor claim was reduced. The relevant question is whether the residual cost is efficient, unavoidable, properly allocated under the contract and directly required for provision of aeronautical services.

Where a force majeure clause was triggered, AERA should examine whether the contract already allocated such risks, whether escalation risk was built into the contract price, whether BIAL had mitigation options, and whether admitting the residual claim would transfer procurement and execution risk from BIAL to users.

IATA respectfully submits that negotiated contractor claims should not be automatically passed through to users. Only costs that are demonstrably efficient, unavoidable and directly linked to aeronautical service delivery should be allowed. IATA requests AERA to:

- *examine whether the force majeure clause already allocated the relevant cost risk;*
- *review whether BIAL's contract terms adequately protected users;*
- *disallow any portion of the claim attributable to contractor risk, procurement inefficiency, avoidable delay or weak contract management; and*

- ensure that users do not bear costs that should properly remain with BIAL or its contractors.

BIAL's Comments:

The EPC contract for Terminal 2 Phase 1 entered into in FY2018-19, was on a Fixed Price and Fixed Time (31st March 2021) basis. However, the Project execution was affected by Covid-19. Despite the 18-month extension in completion times, BIAL has been able to limit the EPC cost increase to 3% of the originally approved AERA figure for Terminal 2 Phase 1.

BIAL would like to inform IATA that the claim value was negotiated down ensuring that only items that were demonstrably efficient and unavoidable due to the pandemic were provided for.

A detailed note on cost increases in various projects and the reasons thereof has been submitted to AERA and based on its review of the same, AERA has proposed the costs be included in RAB.

4.3.4. Disallowance of unrelated costs and expenditures:

IATA supports AERA's disallowance of welfare-related expenses where these are not mandatory or directly linked to the provision of aeronautical services. Based on our review, the amount appears to be approximately ₹1.78 crore. While employee welfare may be appropriate as part of BIAL's internal corporate policy, non-mandatory welfare expenditure should not automatically be passed through to airlines and passengers.

IATA also supports AERA's disallowance of approximately ₹50 crore in PMC-related costs where justification is insufficient or where such costs appear excessive. Users should not bear duplicated, inefficient or inadequately justified project management costs, particularly where substantial capex claims are already being made.

With respect to one-time royalty of approximately ₹7.57 crore payable to the Department of Mines & Geology, IATA does not object in principle if the amount is statutory, unavoidable and necessary for project execution. However, AERA should ensure that this does not include penalties, fines or avoidable compliance-related costs. Any fine or penalty arising from non-compliance should not be passed through to users.

BIAL's Comments:

In this regard, the Authority is requested to consider BIAL's detailed submissions made in response to the Consultation Paper.

4.4. MMTH / Multimodal Connectivity

IATA supports improvement of multimodal connectivity to Bangalore airport in principle. Efficient public transport access can improve passenger convenience, support sustainability and reduce road congestion. However, the regulatory treatment of MMTH / metro-related infrastructure must remain firmly anchored in cost relatedness and user-pay principles. These assets do not serve only aeronautical users and will ultimately generate new non-aeronautical revenue streams either for the airport operator or transport operators. They may also benefit airport employees, visitors, cargo operators, MRO users, concessionaires, commercial tenants and wider city-side users.

Unlike core terminal or airside infrastructure, MMTH and metro-related infrastructure serves a significantly broader user base and is not exclusively linked to aeronautical activity. While terminal infrastructure principally supports airline and passenger operations, MMTH facilities may provide benefits to airport employees, commercial establishments, public transport users, visitors and other non-aeronautical stakeholders. The resulting allocation question is therefore materially different from traditional airport infrastructure and requires careful consideration of both the beneficiary groups and the appropriate allocation of associated costs.

Based on airline feedback during AUCC deliberations, the MMTH / metro component, including the approximately ₹400 crore cost highlighted by airline stakeholders, has been one of the most contentious issues.

Airline Operators Committee at BLR expressed concern that the cost of Metro / MMTH infrastructure would materially affect tariffs and ultimately be borne by airlines and passengers. IATA and airline members also raised concerns around the need for cost rationalisation, demand validation and appropriate allocation. The November 2025 AUCC summary records that stakeholders raised consistent concerns around the scale, timing and cost efficiency of capex, particularly the MMTH / metro component and the overall tariff impact.

The position here should not be understood as opposition to metro connectivity. Rather, the concern is that aeronautical users should not cross-subsidise public transport, city-side mobility or non-aeronautical revenue generating assets, particularly for activities generating revenues that fall outside the regulatory purview of AERA.

This is consistent with IATA's position in Navi Mumbai, where IATA argued that site-wide enabling works and infrastructure supporting both aeronautical and non-aeronautical activities should not be disproportionately loaded onto aeronautical users, particularly where benefits extend beyond current users or future phases. IATA further submits that the assessment should not be limited solely to cost allocation. The Authority should also consider whether MMTH and metro-related infrastructure may generate direct or indirect non-aeronautical value, including through commercial development opportunities, concession activities, retail operations, access-related arrangements, parking substitution effects and any revenue-sharing arrangements associated with metro operations. To the extent airport-funded infrastructure supports such revenues or commercial benefits, those benefits should be appropriately recognised within the regulatory framework and reflected in the assessment of both cost allocation and non-aeronautical revenue assumptions.

IATA further submits that MMTH and metro-related infrastructure should be assessed on a net-benefit basis, taking into account both the costs proposed to be recovered from users and the direct and indirect commercial benefits that such infrastructure may generate. As these facilities serve a wider group of beneficiaries than traditional aeronautical infrastructure and may support additional non-aeronautical revenue streams, the Authority should ensure that both costs and benefits are appropriately recognised within the regulatory framework. Future metro connectivity should also be reflected in the demand assumptions supporting associated landside infrastructure. The availability of a direct metro connection may affect future demand for parking, kerbside and surface access facilities. Accordingly, investment decisions and asset sizing assumptions should reflect the impact that metro connectivity may have on future utilisation levels. To the extent that metro services reduce future demand for parking, surface access and related infrastructure, such impacts should be reflected in project sizing, investment decisions and future capital expenditure requirements.

Consistent with the principles discussed elsewhere in this submission regarding asset availability and recovery timing, airport users should not be required to fund MMTH or metro-related infrastructure before the relevant facilities are operational and capable of delivering demonstrable aeronautical benefit.

IATA therefore requests AERA to ensure that:

- only clearly identifiable aeronautical components of MMTH / metro integration are admitted into the aeronautical RAB*
- non-aeronautical and city-side components are excluded or appropriately allocated;*
- car parking, commercial, retail or independent revenue-generating components are not loaded onto aeronautical users;*
- any revenues or commercial benefits supported by MMTH and metro-related infrastructure are appropriately recognised within the regulatory framework and reflected in non-aeronautical revenue assessments, so that airport users receive the benefit of such revenues through the operation of the hybrid till framework;*
- baggage-related or passenger-processing components are capitalised only when the metro is operational and the relevant facility is available for actual aeronautical use; and*
- costs relating to the enablement of metro services are not allocated to aeronautical users unless a clear, direct and proportionate aeronautical benefit can be demonstrated.*

In this context, and in specific regard to KIA West, we agree with the Authority's proposal not to consider the capital expenditure associated with the KIA West Metro Station for the purpose of tariff determination for the 4th Control Period. Other options to fund the same through non-aeronautical / commercial arrangements can be considered; or through recovery from the specific users; or through government funding – as has been done for the overall Metro Project and for other Metro Stations in different parts of the city.

BIAL's Comments:

BIAL wishes to clarify that the AUCC discussions held in November 2025 pertained to the Metro Stations project and not the MMTH. The MMTH project was approved by the Authority in the Third Control Period Tariff Order, and has since been commissioned and put to use, and its aeronautical allocation has already been determined by the Authority. Based on a detailed floor-wise assessment of the facility, the Authority approved an aeronautical allocation of 31.53% for the MMTH. Accordingly, the concerns raised by IATA regarding the allocation of MMTH costs have already been addressed by the Authority.

Regarding Metro capex, BIAL submits that:

- 1) AERA, vide its letter dated 5th January 2018 to Government of Karnataka, has clearly stated that the Metro related capex located within the airport boundary which is funded by BIAL will form a part of the RAB for tariff determination purposes. Based on this, BIAL has entered into an MOU with BMRCL for construction of 2 metro stations within the Airport campus
- 2) Metro related capex has been approved by AERA for inclusion in RAB in other major airports like Hyderabad, Delhi and Mumbai too. Hence, this is a consistent approach adopted by AERA. This matter has been decided in TCP order wherein AERA has recognized the need for Airport Terminal Metro Station (ATMS).
- 3) MECON (AERA's consultant) has also reviewed the need for the Project and the capex estimates submitted by BIAL for ATMS and based on this, AERA has proposed the capital expenditure for the ATMS project in the Consultation Paper.
- 4) BIAL has also completed the AUCC Process (Stage1,2&3) for this Project and stakeholders have given their approval for the Project.

Metro connectivity has been a long pending demand from the passengers travelling from the city and is intended to improve passenger convenience and alleviate landside congestion as passenger traffic continues to grow. Accordingly, both the necessity of the project and the associated capital expenditure have been subject to detailed review by the Authority, and the concerns raised by IATA have already been addressed through the regulatory review process.

With regard to IATA's observations on non-aeronautical benefits, BIAL submits that car parking revenues have already been considered as part of the projected non-aeronautical revenues in MYTP. Accordingly, the commercial benefits arising from airport-funded landside infrastructure have been appropriately recognised within the regulatory framework.

As regards the inclusion of the KIA West Metro Station in the RAB, the matter is presently sub judice, and BIAL has submitted its detailed response under the relevant section of the Consultation Paper. The same may be considered while addressing the issues raised by IATA.

4.5. Fourth Control Period

4.5.1. Traffic Forecast and Demand Assumptions:

IATA welcomes the reassessment of the traffic forecast by CAPA for the Fourth Control Period, with traffic projections revised downwards from the previous forecast prepared by NACO. However, the revised forecast does not appear to fully take into consideration recent developments affecting the aviation sector, including

disruptions arising from the Middle East regional conflict, ongoing aircraft supply chain constraints and the resulting cost pressures on airlines and passengers. These developments may affect both the timing and scale of traffic recovery, particularly during FY2027 and FY2028, and warrant further consideration in the final determination.

This is especially relevant for international traffic, given Bangalore Airport's significant connectivity through Middle East hubs. The growth projections for both domestic and international traffic in FY2028 appear relatively strong and could be impacted by current market conditions, both in terms of the quantum of traffic ultimately materialising and the timing of that growth. In this regard, IATA would encourage the Authority to consider the use of a scenario-based forecasting approach (Baseline, Upper and Lower scenarios), which is widely regarded as industry best practice for accounting for macroeconomic uncertainty, supply-side constraints and external shock events.

In relation to transfer traffic, IATA welcomes the Government's designation of Bangalore as one of India's transfer airports and supports efforts to strengthen hub connectivity. However, airport infrastructure alone is unlikely to be sufficient to deliver the transfer traffic growth assumed in the forecast. Efficient transfer operations are also dependent on supporting facilitation measures, including streamlined security processes, immigration arrangements and transfer passenger handling procedures. The pace at which these enabling measures are implemented should therefore be reflected in the transfer traffic assumptions adopted for the Fourth Control Period.

IATA also notes that some of the projected traffic growth appears difficult to reconcile with the infrastructure being delivered during the period. For example, while 13 additional Code C stands are expected to be delivered in 2028, these are understood to replace 12 existing stands that will be removed to facilitate taxiway development. This results in a net gain of only one stand during that period. Unless significant growth occurs outside peak periods, or stand utilisation improves materially, this may constrain the airport's ability to accommodate the level of traffic growth currently forecast.

Accordingly, IATA encourages the Authority to continue testing the forecast against evolving market conditions, infrastructure delivery timelines and operational constraints to ensure that the traffic assumptions adopted for the Fourth Control Period remain prudent, realistic and aligned with likely demand outcomes.

BIAL's Comments:

BIAL's first submission for traffic was developed by NACO and included Low, base and high scenarios. The same were updated in December 2025 in light of the development through CY2025.

The geopolitical situation in the Middle East is an unforeseen situation. We have therefore further refined our projected passenger and ATM forecast taking into consideration the latest situation in Middle East and have submitted these to AERA as part of response to CP for consideration

BIAL appreciates the views expressed by IATA that growth of transfer passenger traffic requires streamlined security processes, immigration arrangements and transfer passenger handling procedures. While APAO is already working on this, BIAL looks forward to collaborating with IATA in the form of policy representations and other steps.

Specific to development of aircraft stands, BIAL welcomes suggestions of IATA and airlines (which are not limited to tariff consultation but as an ongoing process) to phase the increase in stands so that user requirements are better served.

4.5.2. Capital Expenditure Review:

IATA notes that a number of projects proposed within the Fourth Control Period have already progressed into detailed design and construction prior to completion of the regulatory review process. While the Authority's independent review provides an important safeguard, once major projects have commenced the regulator's ability to assess the need, scale and timing of an investment becomes significantly reduced. In many cases, the assessment is limited to reviewing the efficiency of capital expenditure already incurred rather than whether the underlying project remains justified. Ideally, major investments should be subject to regulatory scrutiny before contracts are awarded and substantial expenditure is committed.

IATA also notes that several projects involve significant increases in stand, terminal and supporting infrastructure capacity being delivered in single steps. While capacity expansion may be necessary to support long-term growth, the scale, timing and sequencing of these investments should remain aligned with forecast demand. Infrastructure should be delivered progressively where practical and projects that are operationally dependent upon related infrastructure should only be considered available when airport users can derive meaningful benefit from the complete infrastructure solution.

Furthermore, the Authority should continue to ensure that only efficient expenditure providing a direct and demonstrable benefit to airport users is admitted into the RAB. This is particularly important where infrastructure serves broader commercial, surface access, campus development or other non-aeronautical purposes. Equally, asset lives, depreciation assumptions and treatment of replaced assets should remain consistent with actual engineering standards and user benefit. In this context, IATA offers the following observations.

4.5.2.1. Need, Timing and Phasing of Capacity

IATA supports investment in infrastructure required to meet forecast demand. However, capacity additions should remain aligned with demonstrated demand growth and operational readiness.

Reference	IATA Comments
Clause 5.3.125	IATA supports only those components necessary for operational continuity, passenger facilitation, safety, compliance and transfer efficiency being included within the project scope.
Table 139	IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL. As this project is currently under construction, the Authority and its independent consultant should continue to assess whether the proposed operational date remains achievable and adjust delivery assumptions where necessary.
Table 149	In relation to the area per PHP of 37 sqm/PHP being considered, IATA submits that this should ideally be lower and aligned with IATA norms. Table 146 indicates an area per PHP of 34.08 sqm/PHP for Terminal 2 Phase 1 Expansion, which appears to represent a more efficient benchmark that could be replicated in future terminal developments.
Table 150	IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL. However, similar considerations apply regarding terminal planning efficiency and the assumed sqm/PHP ratio.
Table 153	While this project is proposed to be delivered in March 2027, Taxiway B9 and associated enabling works required for access will not be completed until September 2027. The project is therefore unlikely to provide meaningful operational benefit until the supporting taxiway infrastructure is available and the delivery date should be assessed accordingly.
Table 160	IATA supports the Authority's approach of allowing only those project elements required to serve users during the Fourth Control Period, with remaining elements deferred until justified by demand.

Clause 5.3.261	IATA supports exclusion where there has been insufficient demonstration of need to serve projected demand.
Table 182	IATA requests the Authority to verify the placement of T2 Phase 2 expenditure, as there appears to be a possible inconsistency between FY2030 and FY2031 allocations.

4.5.2.2. ***RAB Discipline and User Benefit –***

<i>Reference</i>	<i>IATA Comments</i>
Tables 135 & 136	IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL.
Tables 141 & 142	IATA supports the Authority's proposed reductions. In particular, IATA supports exclusion of the perimeter road and fence under Table 141.
Table 143	IATA supports the Authority's proposed reduction and supports removal of duct cleaning from CAPEX and its treatment as OPEX, given its operational nature.
Table 145	IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL.
Clause 5.3.162	IATA supports GA terminal infrastructure being funded outside the aeronautical RAB and cautions against funding utilities, aprons and taxiways associated with GA activities through aeronautical charges.
Table 152	In assessing the scale of parking facilities, the Authority should consider the impact of future metro connectivity. If metro access reduces parking demand, this should be reflected in facility sizing.
Clause 5.3.203	IATA supports the Authority's efforts to protect airport users from funding projects that primarily support regional road connectivity rather than airport users.
Clause 5.3.217	IATA supports exclusion of projects that principally serve commercial and wider campus activities rather than airport-user needs.
Clause 5.3.230	Should this project be reconsidered in future determinations, only those elements directly benefiting airport users should be permitted to enter the RAB.
Clause 5.3.240	In addition to supporting exclusion of the temporary parking facility, IATA submits that metro impacts should be reflected in future parking and kerbside demand assessments.
Clause 5.3.266	Future project consideration should remain subject to a clear airport-user benefit test.
Tables 157, 158, 162, 163 & 164	IATA supports the Authority's proposed reductions. In the case of Table 162, IATA also supports exclusion of elements that do not have sufficient supporting information.
Table 173	IATA supports the Authority's assessment of sustaining CAPEX against historical delivery and expenditure levels.

4.5.2.3. Asset Replacement and Stranded Assets

Reference	IATA Comments
Clause 5.3.61	The replacement of existing stands to facilitate taxiway development raises the question of how any remaining value associated with the retired stands will be treated. Users should not continue to remunerate assets that are no longer usable.
Table 154	Similar considerations apply to the existing control tower if it is replaced and no longer operational. Any remaining capital value should be reviewed before continuing to attract recovery through the RAB.

4.5.2.4. Cost Escalation, Capital Efficiency and Aeronautical Allocation

Reference	IATA Comments
Clause 5.3.306	It is generally accepted practice to apply construction cost indexation to the midpoint of construction, reflecting the stage at which most major contracts have been finalised. IATA suggests that indexation should follow this approach to better reflect actual construction cost exposure.
Table 181	In relation to the proposed aeronautical allocation percentages for T2 Enhancement, T2 Phase 2 and T1/T2 Connectivity, IATA notes that these projects have a greater area per PHP than the T1 Upgrade project. This suggests a potentially higher proportion of commercial space and may justify a lower aeronautical allocation, at least aligned with the T1 Upgrade benchmark of 85.38%.

BIAL's Comments:

BIAL submits that the capital expenditure proposed for the Fourth Control Period is based on the recommendations of the Master Plan Update 2024. The Master Plan Update was presented to all stakeholders, including IATA, on 18 March 2025. Further, AUCC consultations have been completed for key projects including the West Crossfield Taxiway (WCT), Terminal 2 Phase 2 and associated apron, East Crossfield Taxiway (ECT), Metro Stations, Terminal 1 Upgrade and development of 13 aircraft stands. IATA has actively participated in these consultations. Accordingly, the issues relating to the need, timing and phasing of these investments have already been discussed with airport stakeholders, including IATA, and have been considered while finalising the proposed capital expenditure programme.

BIAL finds IATA's submission a bit contradictory. IATA states "*major investments should be subject to regulatory scrutiny before contracts are awarded and substantial expenditure is committed.*"

It then mentions that "*IATA also notes that several projects involve significant increases in stand, terminal and supporting infrastructure capacity being delivered in single steps..... Infrastructure should be delivered progressively where practical*"

Since tariff determination happens once in 5 years while traffic growth is never linear, infrastructure development has to be initiated in the middle of a control period. It is not practical to suggest that all projects start after a sign off from AERA every 5 years but be progressively delivered in line with growth. The purpose of the AUCC is to ensure that need and requirement is assessed by users and not regulator alone. If this is the case, then Indian airport infrastructure will find itself in a situation where capacity always lags demands.

Further, the Authority, through its Independent Consultant, MECON, has undertaken a detailed technical review of every capital project proposed by BIAL. The Consultant has assessed the operational necessity, scope, timing and cost estimates of each project and has recommended appropriate disallowances wherever considered necessary. Accordingly, IATA's concerns regarding the prudence of capital expenditure and the need for regulatory scrutiny have already been addressed through the Authority's independent review process.

With regard to the sizing of Terminal 2 Phase 2, BIAL has submitted a detailed technical justification demonstrating the operational requirements and passenger demand projections supporting the proposed development, which is presently under consideration by the Authority. While IATA has suggested adopting lower area benchmarks, Exhibit 2.3.8.6.3f of the IATA ADRM (12th Edition) itself indicates a median terminal area benchmark of 42 sqm/PHP for terminals handling more than 20 MPPA. The proposed terminal planning parameters for BIAL are therefore consistent with internationally accepted benchmarks and are also appropriate considering the long-term growth trajectory of Indian aviation and Bengaluru Airport's role as a major international hub.

Airport Terminal	Mppa	Floor Area	Sqm/mppa	Assumed PHP	Floor area based on PHP (DOM/DOM+INT/INT)			Sqm/PHP
					25 sqm	30 sqm	35 sqm	
Design Index to obtain PHP as% of annual passenger volumes 0.03%								
>20 mppa	Changi T3	22	380,000	17,273	6,600		231,000	58
	Berlin Brandenburg	27	280,000	10,370	8,100		283,500	35
	Heathrow T5	30	353,020	11,767	9,000		315,000	39
	Jeddah Hajj Terminal	30	465,000	15,500	9,000		315,000	52
	Miami North Terminal	30	330,000	11,000	9,000		315,000	37
	Madrid Barajas T4	35	470,000	13,429	10,500	315,000		45
	Dubai T3	60	1,713,000	39,837	12,900		451,500	133
	Seoul Incheon	44	496,000	11,273	13,200		462,000	38
	Beijing Capital T3	60	986,000	16,433	18,000	540,000		55
Hongkong	60	710,000	11,833	18,000		630,000	39	
Median								42

Source: Exhibit 2.3.8.6.3f of IATA ADRM 12th edition

Source: Exhibit 2.3.8.6.3f of IATA ADRM 12th edition

With respect to Taxiway B9, BIAL submits that while the MYTP envisaged commissioning in March 2027, the completion schedule has subsequently been revised to September 2027, which has already been reflected in the Consultation Paper. Accordingly, the concern raised by IATA has already been addressed by the Authority.

In regard to the date of completion of B7 project (Contingency Facility) location is adjacent to an existing air side perimeter road and passengers would be transported in buses to the aircraft till the B9 Taxiway becomes operational.

Asset Replacement & Asset Allocation

With regard to the replacement of aircraft stands, the 12 existing stands were developed as temporary facilities and are located on the alignment of the proposed Taxiway Bravo extension. Consequently, there is no residual value associated with these temporary assets.

Similarly, the cost of the existing Air Traffic Control Tower and Alpha-1 Building has already been substantially recovered under the lease arrangement with AAI, with the residual value amounting to only ₹0.86 crore as on 31 March 2026.

In relation to the observations regarding aeronautical allocation, BIAL submits that the aeronautical allocation of project assets will be trued-up based on the line-item-wise Fixed Asset Register available after project commissioning. Further, the T1–T2 Connector Project is intended solely to facilitate passenger transfers between the two terminals and does not include any commercial area.

Likewise, the T2 Phase 1 Enhancement Project comprises operational enhancements, passenger flow optimisation and experience related improvements without any increase in terminal area or passenger handling capacity. Accordingly, comparison of these projects with the T1 Upgrade Project on the basis of area per PHP is not appropriate.

Cost Escalation

With regard to capital cost indexation, BIAL submits that industry practice is to apply indexation up to the project completion date, reflecting the actual period over which construction costs are incurred. This approach is also followed by the Authority and is consistent with the methodology adopted under public infrastructure contracts awarded by NHAI and the Government of Karnataka. Accordingly, the suggestion to restrict indexation to the midpoint of construction does not appropriately reflect the actual cost escalation experienced during project execution.

Finally, the responses to the remaining project-specific observations made by IATA have been addressed in the relevant sections of BIAL's response to the Consultation Paper and may be read in conjunction with the above submissions.

4.5.3. Depreciation and Useful Life:

IATA submits that depreciation assumptions should reflect the actual useful life of airport infrastructure and the period over which users derive benefit from the asset. Asset lives that are materially shorter than recognised engineering standards accelerate cost recovery and may result in airport users funding investments more rapidly than justified by the underlying utilisation of those assets. Given the significant impact depreciation has on the Aggregate Revenue Requirement and aeronautical tariffs, depreciation periods should remain aligned with engineering design standards, operational experience and the expected service life of the infrastructure concerned. In this regard:

<i>Reference</i>	<i>IATA Comments</i>
Clause 5.3.50	The Consultation Paper states that the pavement has been designed for a 40-year design life in line with FAA standards. It would therefore follow that the asset life adopted for depreciation should similarly be 40 years, rather than the 30 years currently reflected in Table 185.
Clause 5.3.62	As this project also relates to a major concrete pavement area designed in accordance with FAA standards, IATA submits that the associated depreciation life should similarly be aligned with the underlying 40-year design life.
Table 183	The proposed asset life of five years for roads, boundary walls and security fencing appears materially shorter than normal engineering practice. Roads should have a significantly longer useful life, and boundary walls and similar civil assets should be depreciated over a period that more accurately reflects their operational life. Similarly, road pavement civil works should be depreciated consistent with their underlying design standard and expected useful life.

By aligning depreciation assumptions with actual asset life and engineering standards, the Authority can help ensure that users pay for infrastructure over the period in which benefits are received, while avoiding unnecessary acceleration of cost recovery through tariffs.

BIAL's Comments:

BIAL submits that, for the purpose of regulatory tariff determination, the useful life of pavements has consistently been considered as 30 years in accordance with AERA Order No. 35/2017-18, and the same approach has been adopted by the Authority in the Consultation Paper. The regulatory useful life prescribed by the Authority is applicable uniformly across airport operators and is distinct from the engineering design life of the asset.

The **technical useful life** of an asset is distinct from its **regulatory recovery period**. Depreciation is intended to allocate the depreciable value of an asset over its prescribed useful life for regulatory and accounting purposes, and not necessarily over its actual technical life.

It is pertinent to note that the Authority has consistently adopted this approach. For example, the North Runway, although designed for a 20-year design life under the Concession Agreement, has also been assigned a 30-year regulatory useful life for depreciation purposes.

Accordingly, BIAL submits that the regulatory useful life of 30 years prescribed by the Authority is appropriate and consistent with the established regulatory framework and does not warrant any revision solely because the engineering design life of the pavement assets is longer.

4.6. Incremental ARR, Asset Availability and User-Pay Principles

IATA supports the Authority's approach of aligning tariff recovery with the commissioning, capitalisation and availability of airport infrastructure. As airports undertake increasingly large and complex capital investment programmes, it is important that the timing of cost recovery remains linked to the point at which users are able to derive actual benefit from the infrastructure being funded.

BIAL comments: BIAL has submitted our detailed views on the Incremental ARR approach to the Authority. We request the Authority to consider the same.

4.7. WACC

IATA appreciates AERA's approach to determining the Weighted Average Cost of Capital (WACC) for the Fourth Control Period and its continued reliance on a structured regulatory framework supported by

independent validation. However, IATA considers that the proposed WACC of approximately 12% remains above efficient market levels, particularly in view of BLR's established and mature traffic base, strong credit profile (including its AAA rating), and significant diversification through non-aeronautical revenues.

In this context, IATA is concerned that the cost of equity of 15.05% does not adequately reflect current market conditions or the reduced risk profile of the airport. The cost of equity should be recalibrated using an updated CAPM approach, with inputs reflecting prevailing market evidence. Specifically, the risk-free rate should be based on current Government of India bond yields, the asset beta should be derived from a relevant peer group of mature airports and comparable regulated infrastructure and further adjusted downward given the application of the true up mechanism, and the equity risk premium should reflect current forward-looking market benchmarks.

Similarly, risks arising from demand uncertainty, traffic variability, or operational factors are routinely addressed through forecasting assumptions, pricing frameworks, regulatory consultation processes, and capital structure decisions. More extreme or tail risks may also be managed through balance sheet resilience, insurance, or staged investment planning. These mechanisms are more appropriate tools for addressing such risks than embedding them directly into the asset beta.

Accordingly, IATA submits that a lower, forward-looking cost of equity, aligned with that applied to comparable regulated infrastructure assets, would more accurately reflect efficient financing costs. This would be consistent with AERA's statutory mandate to ensure economically efficient and viable airport operations, safeguard user interests, and allow investors a fair, but not excessive, return.

BIAL's Comments:

The proposed cost of equity is based on the independent study undertaken by the Indian Institute of Management Bangalore (IIM Bangalore), on behalf of the Authority, which applies the Capital Asset Pricing Model (CAPM) for estimating the cost of equity. The study considers the Equity Risk Premium (ERP) as a key input and recommends the use of historical market risk premium as the most appropriate proxy for estimating the forward-looking ERP. It further notes that longer historical time series reduce estimation errors. Similarly, for the risk-free rate, the study relies on yields on 10-year Government of India securities over an extended historical period, recognizing that long-term averages are more appropriate for asset pricing studies than prevailing spot yields. Accordingly, BIAL submits that the methodology adopted by IIM Bangalore is robust, objective and does not warrant any modification.

With regard to IATA's contention that the proposed FRoR of approximately 12% is above efficient market levels, BIAL submits that the proposed return is consistent with the returns permitted in comparable regulated infrastructure sectors in India. For instance, the Central Electricity Regulatory Commission (CERC) allows a base Return on Equity (RoE) of 15.5% for generation and transmission projects, while the regulatory framework in the ports sector permits operators to earn a Return on Capital Employed (ROCE) or WACC broadly ranging between 12% and 16%. The proposed FRoR is therefore neither excessive nor inconsistent with prevailing regulatory practice.

BIAL further submits that the issue relating to the determination of the cost of equity is presently sub judice before the Hon'ble Supreme Court.

While IATA has referred to balance sheet strength, t BIAL wishes to highlight that improvement in our credit rating has enabled it to progressively reduce its borrowing costs, resulting in one of the lowest borrowing costs amongst major airports in India. These financing efficiencies have directly benefited airport users by reducing the debt servicing costs recoverable through airport tariffs. Accordingly, BIAL submits that its prudent financial management and efficient capital structuring have already translated into tangible benefits for airport users and should be duly recognized by the Authority.

4.8. Inflation Indexation

IATA acknowledges AERA's proposal to adopt inflation assumptions based on independent and forward-looking macroeconomic indicators. The use of an objective forecasting framework provides an appropriate starting point for projecting future costs and supports greater transparency in the regulatory process.

However, IATA submits that inflation should not be applied mechanistically across broad categories of expenditure without regard to the underlying cost drivers. Not all airport costs are equally exposed to inflationary pressures and airports retain both the ability and the obligation to improve productivity, enhance procurement practices and achieve operational efficiencies over time. Applying a uniform inflation uplift across major expenditure categories risks overstating future costs and weakening incentives for efficiency improvement.

This concern is particularly relevant where inflation may already be reflected elsewhere within the regulatory framework. Capital expenditure projections typically incorporate inflation through procurement pricing, escalation provisions and contingency allowances. Similarly, returns calculated using a nominal WACC inherently include assumptions relating to inflation and market expectations. Applying additional inflation uplifts across multiple regulatory building blocks may therefore result in the same inflationary effect being recognised more than once.

In addition, many operating cost categories already incorporate expected inflation within contractual arrangements, labour agreements and financial forecasts. Applying a further regulatory inflation adjustment on top of these assumptions may create a risk of over-indexation and automatic cost pass-through irrespective of actual efficiency outcomes achieved by the airport operator.

Taken together, these effects risk increasing the Aggregate Revenue Requirement beyond what is necessary to recover efficient costs and may ultimately result in higher tariffs for airport users. Inflation assumptions should therefore be applied in a targeted and proportionate manner that reflects the actual exposure of individual cost categories rather than through broad aggregate escalation.

Accordingly, IATA submits that AERA should adopt a more disaggregated approach to inflation indexation, whereby:

- inflation adjustments are limited to clearly identifiable uncontrollable cost elements;*
- indexation is linked, where appropriate, to specific external cost drivers and verifiable indices;*
- controllable costs remain subject to efficiency expectations and productivity improvements rather than automatic escalation; and*
- forecast assumptions are supported by robust true-up mechanisms to ensure alignment between projected and actual outcomes.*

Such an approach would better balance the need to recognise genuine inflationary pressures while preserving incentives for efficiency, avoiding over-recovery from users and ensuring that tariffs remain cost-reflective and consistent with regulatory best practice.

BIAL's Comments:

BIAL submits that the Authority has adopted a conservative approach for projecting O&M expenditure on existing assets by considering the FY 2025-26 actual costs as the base and applying WPI-based indexation for subsequent years. In practice, a significant portion of airport operating and maintenance costs including spares, consumables and service contracts—is more closely aligned with CPI or sector-specific cost escalations rather than WPI. Accordingly, the Authority's approach is likely to understate, rather than overstate, the actual operating costs that may be incurred during the Control Period.

BIAL further submits that the inflation applied to O&M expenditure and the inflation embedded in capital expenditure projections relates to distinct cost components and should not be viewed as resulting in double

counting. Capital expenditure escalation reflects changes in asset procurement and construction costs, whereas O&M expenditure indexation captures the increase in costs associated with operating and maintaining commissioned assets. Accordingly, the two are independent and serve different regulatory purposes.

Further, as demonstrated in Table 149 of BIAL's MYTP submission, BIAL's O&M costs compare favorably with those of peer airports, evidencing that the projected expenditure is efficient and prudent. In view of the above, BIAL submits that the concern regarding over-indexation is misplaced and not true.

4.9. Operating Expenditure (OPEX)

IATA acknowledges the Authority's efforts to review BIAL's operating expenditure forecasts and appreciates the application of regulatory scrutiny to the proposed expenditure base. However, given the direct impact of OPEX on aeronautical tariffs, it is important that future allowances reflect efficient and necessary costs rather than a simple extrapolation of historical expenditure trends.

.....Accordingly, IATA submits that AERA should continue to apply a targeted and evidence-based approach to operating expenditure determination, including:

- applying explicit efficiency expectations to controllable cost categories;*
- distinguishing between controllable and uncontrollable expenditure drivers;*
- limiting automatic escalation mechanisms to costs demonstrably exposed to external price pressures; and*
- strengthening the use of benchmarking and efficiency assessments in determining future allowances.*

Such an approach would help ensure that OPEX allowances remain cost-reflective, efficient and consistent with regulatory best practice, while maintaining appropriate incentives for productivity improvement and protecting airport users from unnecessary cost escalation.

BIAL's Comments:

BIAL submits that the Authority has carried out a detailed review of the projected operating expenditure, based on which the Authority has set out its proposals in the Consultation Paper. BIAL has submitted its detailed responses to the Authority's proposals, and the same may be considered while addressing the issues raised by IATA.

4.10. Non-Aeronautical Revenue (NAR)

Non-aeronautical revenue represents a critical offset to the Aggregate Revenue Requirement (ARR) and plays an important role in moderating the level of aeronautical charges borne by airlines and passengers. Given the hybrid till framework applicable in India, it is important that the Authority ensures that non-aeronautical revenue projections appropriately reflect the commercial potential of the airport over the Fourth Control Period. BLR has developed a diversified non-aeronautical revenue base supported by commercial concessions, retail activities, food and beverage outlets, advertising, real estate and other passenger-driven revenue streams. These revenue sources have historically benefited from continued traffic growth, increasing passenger spend and contractual arrangements that incorporate periodic escalations. As a result, non-aeronautical revenue forecasts should remain robust, evidence-based and reflective of the airport's full commercial potential.

IATA also notes that several infrastructure investments proposed for the Fourth Control Period, including landside developments, commercial facilities and multimodal connectivity initiatives, may generate or support additional non-aeronautical revenue streams over time. Where airport users are being asked to fund infrastructure through the RAB, it is important that any associated non-aeronautical benefits are appropriately recognised within the regulatory framework and reflected in revenue projections.

At the same time, IATA supports the Authority's proposed treatment of revenues derived from cargo, ground handling, fuel and ICT-related services as aeronautical in nature. These services are directly linked to the

provision of aviation services and their classification should remain consistent with established regulatory principles.

Accordingly, IATA submits that the Authority should ensure that:

- non-aeronautical revenue forecasts fully reflect the airport's commercial opportunities and expected growth over the Fourth Control Period;*
- revenues associated with airport-funded commercial and landside infrastructure are appropriately recognised within the regulatory model;*
- assumptions remain evidence-based and supported by historical performance and contractual arrangements; and*
- aeronautical and non-aeronautical activities continue to be classified consistently with established regulatory principles.*

A robust assessment of non-aeronautical revenue is essential to preserving the integrity of the hybrid till approach and ensuring that airport users receive the full benefit of the airport's commercial success through lower aeronautical charges.

BIAL's Comments:

BIAL submits that the Authority has carried out a detailed review of the projected Non-Aeronautical Revenue, based on which the Authority has set out its proposals in the Consultation Paper. BIAL has submitted its detailed responses to the Authority's proposals, and the same may be considered while addressing the issues raised by IATA.

4.11.Taxes

.. IATA supports the Authority's proposed approach and requests AERA to ensure that:

- tax costs recovered from airport users are directly attributable to aeronautical activities;*
- tax treatment remains fully consistent with the hybrid till framework and the classification of underlying revenues;*
- non-aeronautical tax liabilities are not transferred to aeronautical users through the ARR; and*
- penalties, fines, non-compliance costs or other avoidable tax-related expenses are excluded from recovery through airport charges.*

Such an approach would help preserve the integrity of the regulatory framework, ensure fair cost allocation between aeronautical and non-aeronautical activities and protect users from bearing costs that are not directly related to the provision of airport services.

BIAL's Comments:

BIAL notes IATA's support for the Authority's proposal to exclude non-aeronautical revenues from the aeronautical base for the purpose of tax calculations. BIAL submits that the issue is presently sub judice before the Ld. TDSAT and is pending adjudication for BIAL. Further, Ld. TDSAT has, in respect of other major airports, already held that non-aeronautical revenues are to be considered as part of the aeronautical base for the purpose of computing tax allowances under the hybrid till framework. Accordingly, BIAL respectfully submits that the Authority may consider the judicial precedents while arriving at its final determination.

4.12.Tariff Structure and Allocation of Risk

Accordingly, IATA requests AERA to ensure that the final tariff structure:

- remains transparent, predictable and easily understood by users;*
- reflects efficient costs and assets that are commissioned and available for use;*
- avoids unnecessary inter-temporal shifting of recovery between control period years;*

- *does not transfer disproportionate business or forecasting risk to airport users;*
- *avoids cross-subsidisation between user groups and between aeronautical and non-aeronautical activities; and*
- *remains consistent with the broader principles of affordability, cost-relatedness and regulatory predictability.*

By maintaining these principles, the Authority can help ensure that tariff outcomes remain balanced, support sustainable airport development and protect the long-term interests of both airport users and passengers.

BIAL's Comments:

BIAL notes that IATA has acknowledged the Authority's proposal to introduce the concept of incremental ARR. However, IATA has also emphasized that the tariff structure should remain predictable and avoid unnecessary inter-temporal shifting of cost recovery between control period years.

In this regard, BIAL submits that the existing approach of recovering the Aggregate Revenue Requirement (ARR) by spreading over the five-year Control Period has served the Indian aviation sector well by providing tariff stability, predictability and smooth recovery of costs, thereby avoiding significant year-on-year fluctuations in tariffs.

Accordingly, BIAL respectfully submits that the Authority may continue with the existing tariff determination approach based on recovery of the ARR over the entire Control Period, as it better aligns with the principles of predictability, transparency and regulatory certainty highlighted by IATA while ensuring timely recovery of efficient costs.

Notwithstanding the above, if the Authority implements the Incremental ARR, BIAL requests that the cash flow requirements are adequately addressed.

5. Responses from other Stakeholders

BIAL acknowledges and notes the comments made by the following stakeholders and thanks them for their views on the various proposals.

- a) Adani Airport Holdings Limited
- b) Air India Limited
- c) Air Passenger Association of India (APAI)
- d) Association of Private Airport Operators (APAO)
- e) Bangalore Chamber of Industry and Commerce
- f) Confederation of Indian Industry (CII)
- g) Construction Federation of India
- h) Fairfax India Holdings Limited (Mauritius)
- i) GMR Aero
- j) Menzies Aviation Private Limited
- k) Millennium Reddot Private Limited
- l) Millennium Aerodynamics Private Limited
- m) Yamuna International Airport Limited

With reference to the views expressed by Business Aircraft Operators Association (BAOA) and Lufthansa Group, BIAL has submitted its views on the issues raised by the above stakeholders, as part of its response to the Consultation Paper submitted on 13th July 2026 and requests the Authority to consider the same.