Kempegowda
INTERNATIONAL
AIRPORT
BENGALURU

6th August 2026

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

Ref: Consultation Paper No 03/2026-27 published by AERA on 17th July 2026

Dear Sir,

This has reference to the Consultation Paper No. 03/2026-27 issued by the Airport Economic Regulatory Authority (AERA) for the 4th Control Period for Indian Oil Sky tanking Private Limited (IOSPL) on 17th July 2026.

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

At the outset, BIAL values its long-standing relationship with IOSPL and appreciates the critical role played by IOSPL in operating and maintaining the open access common user fuel farm facility at Kempegowda International Airport Bengaluru (KIAB).

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

Issues of concern in the Consultation Paper

1. Recognition of Lease rent payable by IOSPL to BIAL

We humbly disagree with the statement made by the Authority in para 3.12.1 (f) wherein it has commented that the lease rent charged by BIAL is a case of display of monopolistic tendency and exploitation of dominant market position by BIAL. We submit that the Authority must view the contractual arrangement between BIAL and IOSPL in light of the inputs below:

a) **Comparison with earlier contractual arrangement**

The Authority is comparing the current lease rental of Rs 525 per m2 vis-à-vis Rs 1 per year in the earlier contract.

We wish to bring out the below mentioned facts to show that this comparison needs to be extended to the original terms of the contract between BIAL and IOSPL:

- The previous contractual arrangement between BIAL and IOSPL entered into in 2008 was not solely based on lease rent basis. Rather, it was a bundled commercial framework comprising of:
  - Airport Operator Fee and Fuel Infrastructure Charge payable by the fuel farm operator to BIAL, which is essentially the revenue share payable by IOSPL
  - Nominal lease rent of Rs 1 per year

AERA during its assessment for tariff of IOSPL in 2017-18 had compared the fuel related charges borne by oil companies across DIAL, MIAL and BIAL and had determined that the rates are comparable as other airports charged license fee/ land rental whereas BIAL was not charging license fee/land rental. (Refer extract of Order no 29/2017-18)

Table 16: Comparison of fuel related charges borne by oil companies at major airports during FY 2015-16 (in ₹ / KL)

Airport	Airport operator fee (AOF)	Fuel infrastructure charge (FIC)	Total (AOF + FIC)	ITP fee for aircraft fuelling (ITP)	Total (AOF + FIC + ITP)
New Delhi	688	755	**1,443**	190	**1,633**
Mumbai	804	710	**1,514**	198	**1,712**
Bengaluru	1,067	433	**1,500**	268	**1,768**

8.2 The Authority noted that no license fee/ land lease rental is payable by the fuel farm operator to the airport operator at Bengaluru Airport. Further, FIC at New Delhi and Mumbai airports are higher as compared to FIC at Bengaluru airport because it includes license fee/ land lease rental payable by the fuel farm operator to the airport operator in the respective airports.

Order No. 29/2017-18 Page 26 of 33

Through the airport operator fee mechanism, BIAL's earning from the fuel farm concessionaire was in the range of Rs 62 to 72 crores/per annum. (Refer extract below Order No 29/2017-18). As can be seen, the annual concession fee that BIAL was earning from IOSPL was significantly higher than the rentals that BIAL has proposed to charge in the new contractual arrangement.

Table 12: Operation and Maintenance Expenditure as per the Authority (in ₹ lakhs)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Payroll Costs	253	273	295	318	344
Administrative and General Costs	833	405	433	463	495
Utilities and Outsourcing costs	140	151	164	178	192
Concession Fee & Airport Operator Fees	6,230	6,542	6,869	7,212	7,573
Repair and Maintenance Costs	293	360	392	433	477
Total	**7,748**	**7,731**	**8,152**	**8,603**	**9,081**

6.8 The Authority has proposed to true up the Operating and Maintenance expenditure in the third control period based on the actual expenditure during the second control period.

Subsequently, MoCA vide letter NO.AV.13030/216/2016-ER (Pt.2) dated 8th January 2020 had directed the discontinuation the levy of FTC/Airport operator fee in any manifestation at all airports. Considering the above policy decision of MoCA, the Authority vide letter No. AERA20015/ FT/2010-11Nol.II dated 15th January 2020 advised all Major Airport Operators to implement the above said MoCA letter with immediate effect.

Following the abolition of FTC/Airport Operator Fee, BIAL was able to collect only Rs 1 / year rental. .. Hence, the comparison with Rs 1/year rental ignores the material change in circumstances and results in a distorted assessment of the consideration payable for the land.

b) Current Lease rentals are comparable to Peer Airports

The current lease rentals levied by BIAL are reasonable when benchmarked against peer airports. BIAL has reviewed comparable arrangements across major Indian airports and is satisfied that the overall consideration payable by IOSPL is reasonable and competitive.

Airport	**Land Licence Fee (₹/sq. m./month)**
Kolkata	767
Chennai	767
Pune	560
KIA (BIAL)	525

Hence, when assessed on a holistic basis and compared with charges applicable at other major airports, the current lease rentals are comparable to, and in several cases lower than, the aggregate charges payable by fuel farm operators elsewhere.

c) Lease rentals payable to BIAL has been recognized by AERA as aeronautical revenues of BIAL

It is important to note that the land lease rentals being paid by IOSPL has already been considered by AERA as part of BIAL's aeronautical revenues in its tariff determination process for the 4th control period.

Accordingly:

- Lease rental revenues are fully captured within the existing airport regulatory framework;
- Airlines and Passengers derive the benefit of such revenues through the tariff-setting mechanism; and
- there is no justification for AERA to allow a lower lease rental which is against valid contractual terms of conditions which have been approved by the Board of BIAL & IOSPL.

In effect, any downward revision of the contractual lease rentals would create an unwarranted transfer of value away from the airport despite the fact that the contractual rental revenues have already being accounted for as a part of aeronautical revenues of BIAL in the 4th control period.

d) BIAL has complied with regulatory guidance and existing contractual arrangements

In the 3rd control period Tariff order for IOSPL, AERA had emphasized adherence to contractual arrangements between IOSPL & BIAL. The present lease rentals are being charged strictly in accordance with the currently effective SPRH & Operating Agreements executed between the parties. BIAL is therefore fully adhering to the applicable contractual framework and there is no deviation whatsoever from the governing agreement. Accordingly, the Authority cannot revise a valid commercial agreement executed between independent parties.

e) No discrimination or unequal treatment has been adopted by BIAL

The methodology and rates adopted for land lease rentals are consistent with the approach followed for other aeronautical infrastructure and service providers operating at the Airport. IOSPL has not been subjected to any differential treatment from similarly placed airport service providers like Cargo operators. Accordingly, the lease rentals applicable to IOSPL is fully aligned with BIAL's broader land monetisation and airport asset management framework and reflects the principle of equitable treatment across all airport operators.

In light of the above reasons, we request the Authority to consider the entire land lease rentals payable as per the agreed contractual terms and conditions as a part of the operating costs of IOSPL.

2. Proposed Capital Expenditure

The proposed tank configuration is based on internationally recognised IATA and JIG standards, which require airport fuel facilities to provide adequate operational flexibility, redundancy, maintenance capability, and an uninterrupted fuel supply. Consequently, it is not technically feasible to develop fewer than three tanks, as the requirement is driven not only by overall storage capacity but also by the need to safely receive, settle, quality-check, isolate for maintenance, and continuously deliver aviation fuel without disrupting operations. Furthermore, maintaining sufficient fuel reserves is increasingly important given the current geopolitical uncertainties in the Middle East, ensuring resilience against potential supply disruptions and safeguarding continuity of airport operations. From a capital investment perspective, constructing the new tanks at the proposed location represents the most efficient long-term CAPEX solution. The additional capacity is also expected to be effectively utilised, with tank occupancy projected to reach nearly 80% by the fourth year of the concession period, coinciding with the commissioning of the new apron and the associated increase in fuel demand.

Thanking you,

Yours faithfully,
For **Bangalore International Airport Ltd.,**

Bhaskar Anand Rao
Chief Financial Officer