

26.07.2018

To,  
Mr. Vijaya Bhaskar T M  
Chief Secretary  
Govt of Karnataka  
Vidhana Soudha  
Bengaluru 560001

**Subject: Tariff determination of Kempegowda International Airport for second control period**

Dear Sir,

Greeting from B.PAC !

As you are aware AERA had released Consultation Paper No. 05/ 2018-19 in respect of Determination of tariffs for Aeronautical Services Kempegowda International Airport Limited, Bengaluru for the second control period (01.04.2016 to 31.03.2021) dt 17th May 2018 seeking stakeholders comments. A stakeholder meet was held on 18 June 2018 in Bengaluru by AERA.

B.PAC has submitted a detailed petition to AERA on the consultation paper. Below is our prayer to AERA:

- a. We request AERA to disallow the request by KIAL to recover the pre-control period losses.
- b. We request AERA to direct KIAL to make it mandatory for KIAL to undertake a passenger survey by a third party for each control period with annual figures for five years and publish the same before the beginning of each control period.
- c. We request AERA to direct KIAL to put on public domain all contracts with related parties since inception and also conduct an independent verification of the arms length nature of these transactions.
- d. We urge AERA to bring in transparency in the calculation of UDF and the formula to calculate UDF should be made available in public.
- e. We request AERA to direct KIAL to immediately draw up a Master Plan indicating phase wise development of aero and non-aero activities, along with the timeline and the cost for the entire land parcel of 4008 acres clearly demarcating aero and non-aero portions currently developed and yet to be developed.
- f. We request AERA to direct KIAL to furnish a breakup of the estimated cost of the proposed eastern tunnel which should be validated for design and cost by an independent organization like RITES

- g. Our request to AERA is to direct KIAL is that, the positive cash flow generated from higher UDF collections to be kept aside as a separate fund and utilized for additional scope, such as, cost of Metro connectivity and Eastern tunnel connectivity and other such other of scope works
- h. We request AERA to guide KIAL to submit the Aeronautical revenue in a similar manner which has components of UDF and PSF among others.
- i. We request AERA to continue considering CGF charges under Aeronautical revenue.
- j. All developments within the 4008 acres to be classified as aero or non-aero activities only and used for determining tariff charges
- k. We request AERA to appoint an independent Consumer Ombudsman to improve the quality of service and provide a platform for consumer grievances redressal

The cost of the expansion has been inflated which has been pointed out by the Rites report. We request you for an independent examination of the design and cost of the expansion. The delay in expansion has jeopardised public safety and public service. Today the airport is very crowded, passengers suffer from lack of adequate space and facilities, and at current 26m passengers it is working beyond capacity.

As the expansion is expected only by 2021, by which time the passenger traffic is expected to reach 40m, we need GOK to compel KIAL to provide extra facilities till then

Karnataka Cabinet took decision on June 22, 2018 to put off the loan repayment of interest-free loan of INR 333.50 cr which was given by GoK to the BIAL as part of SSA by another 10 years and We are **surprised by the Govt of Karnataka's submission to AERA urging to continue existing tariffs for the balance period of second control period also indicating to AERA that excessive revenue collected can be trued up in the next control period.**

Sir, we would like to bring it to your attention that **KIAL has been operating with unchanged tariffs even after the completion of the first control period (2011-2016). AERA has been passing interim orders allowing KIAL to continue to levy the tariffs existing as on 31st March 2016 for the past 27 months into the Second Control period (FY 2016-17 to FY 2020-21) which were based on air traffic projections made in 2010. This has led to a huge accumulation of additional revenue through UDF in the tune of INR.500 Cr. During FY 2016-17 KIAL has PAT Margin of 42%. This kind of profitability is unheard of in any industry within the country or globally and clearly establishes that excessive UDF charges have fully contributed to KIAL's higher profit margin.**

We urge you to direct **KIA to immediately draw up a Master Plan indicating phase wise development of aero and non aero activities, along with the timeline and the**

**cost for the entire land parcel of 4008 acres clearly demarcating aero and non aero portions currently developed and yet to be developed. The same should be made available on their website and the information should be disseminated widely via English and vernacular dailies inviting citizen comments. KIAL should further hold a public consultation with citizens.**

Govt of Karnataka being a stakeholder in KIA should protect the passenger interest through reducing the UDF charges being collected when there is excessive UDF being collected during this control period

We look forward for a judicious decision from your good office, resulting in passenger protection while determining KIA's tariffs.

Thanking You

Warm Regards,

-Sd-

Revathy Ashok

Hon Managing Trustee & CEO

B.PAC

CC:

ISN Prasad, Addnl Chief Secretary, Finance Dept, GoK

Dr. Sandeep Dave, Addnl Chief Secretary, Infrastructure Development Dept, GoK

Encl:

[Link](#) to Observations and comments from B.PAC to AERA on the Consultation Paper No. 05/ 2018-19 in respect of Determination of tariffs for Aeronautical Services Kempegowda International Airport Limited, Bengaluru