

Dated: 21<sup>st</sup> March 2023

Ref: AERA/Finance/2022-23/03

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

**Sub: Response to Consultation Paper No. 16/2022-23 dated 20<sup>th</sup> February 2023**

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

Dear Sir,

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

**1) Capping of R&M expenses to 6% of opening RAB**

AERA has restricted the R&M expenses to lower of 6% of opening RAB or the submissions of airport operator for the period FY2022-2024. This approach is against the provisions of AERA Act. As per section 13 of the AERA Act, Authority has to ensure economic and viable operation of the airports. By restricting these expenses, Authority is acting in contravention to the mandate of the AERA Act. Restricting the expenses will compromise the operations of the Airport, as the operator will not be able to incur more than what has been allowed by Authority.

The AERA guidelines published so far in regard to Airport operators, does not provide for any capping of R&M expenses to any value. Therefore, we do not understand the logic for the proposed capping principle. Such fundamental changes to economic regulation of airports need to have some compelling reason and the Consultation paper does not have any such analysis.

**2) Deferment of ARR to next control period**

We request Authority to consider the cash flow requirements of Lucknow Airport while making a decision on the deferment of ARR, as it might affect the capacity of the Airport Operator to raise required finances to meet the capex requirements of the Airport.

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

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

### 3) Soft Costs proposed by AERA for capital expenditure

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

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

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

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

Thanking you,

Yours faithfully,

**For Bangalore International Airport Limited**



**Bhaskar Anand Rao**  
Chief Financial Officer