**Dated: 09 July 2026**
**REF: AOC/AERA/BLR/001-26**

Chairman,
Airport Economic Regulatory Authority of India Administrative Complex,
AERA Building Safdarjung Airport Area, Safdarjung Airport
New Delhi 110003.

**Subject:** AOC-BLR Submission on CAPEX Prioritization, Tariff Impact, and Infrastructure Development at BLR for CP-4

Respected Sir,

On behalf of the Airline Operators Committee, BLR (AOC-BLR), representing all passenger airlines operating at Kempegowda International Airport (KIA), we are submitting our consolidated observations and recommendations on CAPEX prioritization, tariff implications and infrastructure development under Control Period 4. These points reflect the concerns of the airline community, building upon deliberations at the recent AUCC meeting, earlier joint submissions with IATA and discussions during the last stakeholder consultation.

### 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.

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## 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.

## 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.

## 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.

## 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.

## 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.

## 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.

Investments in passenger experience and commercial offerings should be recognized as indirect enablers of CAPEX recovery, since higher satisfaction correlates with higher NAR per passenger. This approach will ensure that CAPEX recovery at BLR is balanced, sustainable and aligned with the best global practices, while protecting airlines and passengers from avoidable tariff escalation.

We respectfully seek AERA's guidance on the framework and timeline for re-evaluating Metro/MMTH CAPEX, mechanisms to ensure tariff-sensitive CAPEX prioritization, demand-linked validation approach for infrastructure planning, incorporation of second airport impact into BLR's CAPEX strategy and structured use of non-aeronautical revenues for CAPEX recovery. A calibrated and prudent approach to CAPEX is essential to balance infrastructure expansion with airline sustainability.

Protecting airlines from avoidable cost escalation will directly support capacity recovery, increased frequencies and restoration of network strength, thereby maximizing the long-term effectiveness of airport infrastructure. We remain committed to working collaboratively with all stakeholders towards these objectives.

Thank you for your consideration.

Yours sincerely,

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