M. V. SATISH
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CONSTRUCTION FEDERATION OF INDIA

July 13, 2026

Shri S.K.G. Rahate
Chairperson
Airports Economic Regulatory Authority of India (AERA)
AERA Building, Safdarjung Airport
New Delhi – 110003

Dear Sir,

Sub: Observation on Cost pertaining to recent AERA Consultation Papers of HIAL & BIAL

The Construction Federation of India (CFI) is the apex industry body representing the country's leading engineering and construction companies engaged in building infrastructure of critical national importance, including airports, highways, bridges, tunnels, metros, seaports, dams and power projects. Established in the year 2000, CFI works closely with industry, government ministries, regulatory authorities and multilateral institutions to bring about all-round improvements in the construction sector through policy advocacy, regulatory reform and the promotion of fair and transparent contracting practices. Its member companies have been an integral part of the nation-building process over several decades and continue to play a critical role in achieving India's ambitious infrastructure creation targets.

In line with its commitment to promoting industry competitiveness and supporting the development of robust infrastructure frameworks, CFI has been closely examining developments in the construction sector.

In this regard, we note that the Airports Economic Regulatory Authority (AERA) has recently published the Consultation Papers for Rajiv Gandhi International Airport, Hyderabad (4th Control Period – HIAL) and Kempegowda International Airport, Bengaluru (4th Control Period – BIAL). We understand that the cost escalation methodology for construction costs in both cases has been based on the Wholesale Price Index (WPI). The inflation factor considered is 19.1% for HIAL (for the period 2022–2025, as referenced on Pages 64 and 65 of the RITES Report) and 29.2% for BIAL (for the period 2020–2025, as referenced on Pages 111 and 112 of the MECON Report). This is not in sync with the market as has been observed by the members of CFI.

Key cost drivers including aluminum, copper, steel, labour wages, and foreign exchange rates, have witnessed a significant escalation during the period, directly impacting overall construction costs. Moreover, these costs have increased sharply over the past year, while the impact of labour law revisions is yet to be ascertained.

Whilst this may serve as a placeholder to arrive at benchmark numbers, the construction costs do not follow the WPI Index as has been noticed and monitored by us. Factors that influence actual cost of construction such as logistics, opportunity cost for suppliers, raw material supply chain, risks and geopolitics do not figure in the WPI index. Dynamics of site-specific challenges/opportunities, local issues and logistic and contractual nuances/policies governing at the time influence the pricing.

It is our humble request to your good selves that construction costs are considered as per the market.

We are happy to clarify or provide further information that you may wish to seek.

With sincere regards,

(M.V. Satish)
President