

फाइल संख्या ऐरा/20010/एमवाईटीपी/एआईएसएटीएस/जीएच/हैदराबाद/सीपी-III/2021-26

File No. AERA/20010/MYTP/AISATS/GH/Hyderabad/CP-III/2021-26

आदेश संख्या 15/ 2022-23

Order No. 15/2022-23



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

एयर इंडिया सैट्स एयरपोर्ट सर्विसेज प्राइवेट लिमिटेड (एआईएसएटीएस) द्वारा राजीव गांधी अंतरराष्ट्रीय हवाई अड्डा, हैदराबाद में प्रदान की जाने वाली ग्राउंड हैंडलिंग सेवाओं के लिए तृतीय नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF TARIFF FOR GROUND HANDLING SERVICES PROVIDED BY
AIR INDIA SATS AIRPORT SERVICES PRIVATE LIMITED (AISATS) AT
RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD
FOR THE THIRD CONTROL PERIOD
(FY 2021-22 TO FY 2025-26)

जारी करने की तारीख: 27/07/2022

Date of Issue: 27/07/2022

ऐरा भवन/AERA Building
प्रशासनिक कॉम्पलेक्स/Administrative Complex
सफदरजंग हवाई अड्डा/Safdarjung Airport
नई दिल्ली/New Delhi 110003



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List of Abbreviations:

AERA / Authority	Airports Economic Regulatory Authority of India
AISATS	Air India SATS Airport Services Private Limited
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
CAPEX	Capital Expenditure
CASIPL	Celebi Airport Services India Pvt. Ltd.
COD	Commercial Operation Date
CGF	Cargo, Ground Handling & Supply of Fuel
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
GGIPL	GlobeGround India Pvt. Ltd.
GHIAL	GMR Hyderabad International Airport Limited
INR/ ₹	Indian Rupees
ISP	Independent Service Provider
LoI	Letter of Intent
MYTP	Multi-Year Tariff Proposal
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
P&L	Profit & Loss
SGHA	Standard Ground Handling Agreement
YoY	Year on Year



CHAPTER 1: INTRODUCTION

- 1.1. M/s. Air India SATS Airport Services Private Limited (AISATS) is a company incorporated in India on 20th April, 2010 with a mandate to provide ground support services at various Airports including Hyderabad Airport. AISATS provides ground handling services at the Bengaluru, Thiruvananthapuram, Delhi and Mangaluru (Karnataka) airports and cargo handling services at the Bengaluru airport. It serves over 40 international and five Indian airline customers, including Air India, Emirates, Malaysia Airlines, Singapore Airlines, Air Vistara and Thai Airways.
- 1.2. The shareholding structure of the AISATS is tabulated as below:

Table-1: Summary of Shareholding Structure of AISATS:

Name of Shareholder	Equity Holding (%)
M/s Air India Limited	50.00
M/s Singapore Airport Terminal Services Limited	50.00
Total	100.00

- 1.3. M/s Air India SATS Airport Services Private Limited (AISATS) is one of Ground Handling agencies appointed by the Airport Operator, namely GMR Hyderabad International Airport Limited (GHIAL), for carrying out Ground Handling Service (GHS) at Rajiv Gandhi International Airport, Hyderabad for duration of 10 years, effective from 06.05.2019 valid till 05.05.2029.
- 1.4. Bureau of Civil Aviation Security has granted security clearance to AISATS on 15th January 2021, which is valid for a period of five years from the date of issue of security clearance or the period of validity of contract with the airport operator, whichever is earlier.
- 1.5. The Authority, vide Order No. 18/2021-22 dated 15.09.2021 allowed AISATS to levy and collect, on ad-hoc basis, the existing Tariff applicable as on 30.09.2021 at Rajiv Gandhi International Airport, Hyderabad for a period of six months w.e.f. 01.10.2021 to 31.03.2022. The Authority, vide Order No. 46/2021-22 dated 17.03.2022 further extended the existing Tariff applicable as on 31.03.2022 at Rajiv Gandhi International Airport, Hyderabad for a further period of six months w.e.f. 01.04.2022 to 30.09.2022 or till the determination of regular Tariff, whichever is earlier.
- 1.6. As per the provisions of the AERA (CGF) Guidelines 2011, AISATS had submitted the Multi-Year Tariff Proposal ('MYTP') on 25.11.2021 for determination of Tariff for providing Ground Handling Services at Rajiv Gandhi International Airport, Hyderabad for the Third Control Period (FY 2021-22 to FY 2025-26).
- 1.7. The Authority, after initial scrutiny of the MYTP/ ATP submissions of AISATS, observed various discrepancies/ errors, over which clarifications/details were sought from AISATS, from time to time. After regular follow-up and several meetings/ discussions, AISATS submitted the revised MYTP/ ATP on 28.04.2022.



- 1.8. The Authority, carefully examined the MYTP for the Third Control Period submitted by the AISATS in respect of Ground Handling Services being provided at Hyderabad International Airport and issued its Consultation Paper (CP) No. 02/2022-23 dated 10.05.2022, inviting suggestions/comments from the Stakeholders on the various proposals of the Authority with the following timelines:
- *Date of Issue of the Consultation Paper: 10th May, 2022.*
 - *Date for submission of written comments by Stakeholders: 31st May, 2022.*
 - *Date for submission of counter comments: 07th June, 2022.*
- 1.9. The Authority received comments from M/s SpiceJet Ltd. on the various proposals of the Authority contained in the Consultation Paper No. 02/2022-23 and the same were uploaded on the AERA's website vide Public Notice no. 04/2022-23 dated 06.06.2022.
- 1.10. The Authority, in response to Public Notice no. 04/2022-23 dated 06.06.2022, received counter comments from AISATS on 07.06.2022.
- 1.11. The Authority, after examining the comments of M/s SpiceJet Limited & counter comments of AISATS and after considering all the relevant aspects of the case has finalized this Tariff Order.



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CHAPTER 2: PRINCIPLES FOR DETERMINATION OF AERONAUTICAL TARIFF

- 2.1. The Authority vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the Major Airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 ("the CGF Guidelines").

Stage I: - MATERIALITY ASSESSMENT:

- 2.2. In accordance with the above Guidelines and Directions, the following procedure is adopted for the determination of the Materiality Index of Regulated Service:

$$\text{Materiality Index (MI}_G\text{)} = \frac{\text{Int. Aircraft Movement at Hyderabad Airport}}{\text{Total Intl. Aircraft Movement at Major Airports}} \times 100$$

$$\begin{aligned}\text{The Materiality Index for Hyderabad Airport} &= 25759/420772 \\ &= 6.12\%\end{aligned}$$

- 2.3. The percentage share of Hyderabad International Airport for FY 2019-20 in respect of the International Aircraft Movements is 6.12%, which is more than 5% Materiality Index (MI_G) for the subject service. Hence, the Regulated Service is deemed to be '**Material**' for the Third Control Period.

Stage II: - COMPETITION ASSESSMENT:

- 2.4. The Authority with regard to the provisions of the National Civil Aviation Policy (NCAP 2016), vide its Order No. 15/2016-17 dated 12th January, 2017 decided to consider three (3) Ground Handling Agencies (GHA) including Air India's subsidiary/JV for competition assessment at all major airports.
- 2.5. As per the information furnished by AISATS on competition Assessment Form F1 (b), M/s GlobeGround India Private Limited (GGIPL) and M/s Celebi Airport Services India Pvt. Ltd. (CASIPL) are the other service provider rendering similar services at Rajiv Gandhi International Airport, Hyderabad. Since, there are three Ground Handling agencies including AISATS, the regulated service at Rajiv Gandhi International Airport, Hyderabad is deemed as '**Competitive**'.
- 2.6. AISATS had submitted copies of User Agreement with Sri Lankan Airlines and Thai Airways International Public Company Limited.
- 2.7. The Authority notes that AISATS has conducted Stakeholders' Consultation Meeting on 8.7.2022 and forwarded 'Minutes' of the meeting vide email dated 11.07.2022. As per 'Minutes' of the meeting, the representatives from Fly Dubai, Fly Big, Saudia Airlines, Sri Lankan Airlines, Emirates, Fly Nas, Air India Express, Scoot Air, Alliance Air and Thai Smile participated in the consultation meeting.

The Authority notes from the 'Minutes' of the meeting that few Stakeholders expressed their concern regarding likely impact of proposed Tariff increase on Airlines. In this regard, AISATS informed

the Stakeholders that since 2016 there has been no increase in Tariff. As per the ISP, the current Tariff is not a true reflection of current market prices and the same is not sustainable.

- 2.8. The Authority, as per the 'Minutes' notes the comments of Stakeholders and the response of the ISP that the Tariff was last increased in 2016 and since then there hasn't been any increase in the Tariff. The Authority notes that at Hyderabad Airport, there are three (3) ISPs providing Ground Handling Services and there is enough market competition, which helps in moderating rates of Ground Handling Services. Further, the Tariff approved by the Authority is ceiling rates, often the actual charges levied by the ISPs to the Users, based on their mutual agreement(s), are much lower than the approved Tariff.

2.9. **Stakeholders' Comments**

- 2.10. During the stakeholder consultation process, the Authority received no comments/views from any stakeholders in respect of Principles for determination of "Aeronautical Tariff" for the Third Control Period.

Authority's Decision regarding Methodology of Tariff Determination of AISATS:

- 2.11. Based on the material before it and its analysis, the Authority decides to consider the Tariff determination exercise of AISATS for providing Ground Handling Services at Rajiv Gandhi International Airport, Hyderabad under the "**Light Touch Approach**" for the Third Control Period, as the regulated service is deemed to be '**Material but Competitive**'.



CHAPTER 3: AIRCRAFT TRAFFIC (FLIGHTS TO BE HANDLED)

AISATS' Submission on Projected Aircraft Traffic (Flights to be Handled) for the Third Control Period as a part of MYTP

3.1. Actual Aircraft Traffic (nos. of landings) handled by Hyderabad Airport and percentage of flights handled by AISATS (out of total number of landings) during FY 2019-20 (pre-Covid year) and FY 2020-21 are given below:

Table 2: Aircraft Traffic handled at Hyderabad Airport and number of flights handled by AISATS during FY 2019-20 & FY 2020-21

Year	Total number of landings			Actual number of landings (flights) handled by AISATS			Percentage (%) of flights handled by AISATS		
	Domestic	Inter-national	Total	Domestic	Inter-national	Total	Domestic	Inter-national	Total
2019-20	78,846	12,880	91,725	14,280	7,595	21,875	18%	59%	24%
2020-21	39,174	3,834	43,008	5266	1,675	6,941	13%	44%	16%

3.2. Projected Aircraft Traffic (flights to be handled) for the Third Control Period (FY 2021-22 to FY 2025-26) submitted by AISATS is given below in Table 3.

Table 3: Projected Aircraft Traffic (Flights to be handled) submitted by AISATS for the Third Control Period

Year	Flights to be handled for the Third Control Period		Total (no. of Landings)	As a % of actual Flights handled by AISATS during FY 2019-20		
	Domestic (no. of Landings)	International (no. of Landings)		Domestic	International	Total
2019-20	14,280	7,595	21,875	-	-	-
2020-21	5,266	1,675	6,941	37%	22%	32%
2021-22	6,290	3,562	9,852	44%	47%	45%
2022-23	6,731	3,811	10,542	47%	50%	48%
2023-24	7,067	4,002	11,069	49%	53%	51%
2024-25	7,420	4,202	11,622	52%	55%	53%
2025-26	7,791	4,412	12,203	55%	58%	56%
TOTAL (FY 2021-22 to FY 2025-26)	35,299	19,989	55,288			

Authority's Examination regarding Aircraft Traffic (Flights to be handled) for the Third Control Period at Consultation Stage:

3.3. The Authority observed that COVID-19 had severely impacted the business in Civil Aviation Sector, including Ground Handling Service Providers during FY 2020-21 & FY 2021-22. However, the Authority noted that after the second wave of Covid-19, the Aircraft Traffic had improved gradually during FY 2021-22 and air-traffic is expected to improve further in coming months.

3.4. As per AAI statistics for the Hyderabad Airport, the total Aircraft traffic (Domestic and International) during FY 2021-22 had almost reached to 62% of the pre-Covid level (FY 2019-20).

Further, aircraft movements for the month of April, 2022 at Hyderabad Airport have almost achieved 89% of air traffic movements in the corresponding month of pre-Covid period (FY 2019-20).

- 3.5. The Authority noted that as per AISATS projection, ISP is not expected to handle more than, 56% of Traffic volume actually handled in FY 2019-20 (Pre-Covid year), during any of the Tariff Year of Third Control Period.

The Authority sought clarification from AISATS regarding the conservative Traffic Volume considered in MYTP. ISP vide email dated 29.04.2022 informed that after the exit of Menzies (Menzies Aviation Bobba), AISATS was the sole Ground Handling Service Provider at Hyderabad Airport. However, during FY 2019-20, two more Ground Handling Agencies entered at Hyderabad Airport and same had resulted in re-alignment of market share, which is now split between the three players. As per the ISP, the above factors and adverse impact of Covid-19 has resulted in lower Traffic Volume (Flights to be handled) projected for the Third Control Period.

- 3.6. The Authority, mindful of the adverse impact of the pandemic situation on Civil Aviation Sector, taking note of clarifications furnished by AISATS for considering the conservative Traffic, including increased market competition and considering other relevant aspects, proposed to adopt traffic projections submitted by AISATS for the Third Control Period as per Table 3 above.

Stakeholders' Comments

- 3.7. During the stakeholder consultation process, the Authority received no comments/ views from stakeholders in respect of Traffic Volume (flights to be handled) for the Third Control Period.

Authority's Analysis regarding Aircraft Traffic for the Third Control Period:

- 3.8. The Authority, considering the adverse impact of Covid Pandemic on the Civil Aviation Sector including Ground Handling Services and the increase in market competition faced by the ISP due to entry of two more Service Providers, feels that Aircraft Traffic projected by AISATS for the Third Control Period is reasonable. Accordingly, the Authority decides to maintain the same view on Traffic Volume as taken at Consultation Stage.

Authority's Decision regarding Traffic Volume for the Third Control Period:

- 3.9. Based on the material before it and its analysis, the Authority decides to consider the Aircraft Traffic (Flights to be handled) submitted by AISATS for the Third Control Period as per Table 3.



CHAPTER 4: CAPITAL EXPENDITURE

AISATS's Submission on Capital Expenditure for the Third Control Period as a part of MYTP

4.1. AISATS, Hyderabad had projected a total Capital Expenditure (CAPEX) of Rs. 1200.00 lakhs for the procurement of various assets for the Third Control Period (FY 2021-22 to FY 2025-26). The year wise and asset wise Capital Expenditure projected by ISP for Third Control Period is given as below:

Table 4: Projected Capital Expenditure submitted by AISATS for the Third Control Period

(₹ in Lakhs)							
S.N.	Project Type	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL
1	Ambulift	150.00	-	-	-	-	150.00
2	Computer Peripherals & Software	10.00	10.00	10.00	10.00	10.00	50.00
3	Furniture	40.00	60.00	60.00	80.00	80.00	320.00
4	Air Conditioning Unit (65 Ton)	-	130.00	-	-	-	130.00
5	Push back Small	-	-	130.00	-	-	130.00
6	Air Starter Unit	-	-	-	210.00	-	210.00
7	Air Conditioning Unit (110 Ton)	-	-	-	-	210.00	210.00
	TOTAL	200.00	200.00	200.00	300.00	300.00	1200.00

4.2. AISATS vide email dated 05.04.2022 submitted the quantity of Equipment proposed to be acquired as part of CAPEX for the Third Control Period.

Table 5: Quantity (in nos.) of Equipment proposed by AISATS for the Third Control Period

(in nos.)							
S.N.	Project Type	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1	Ambulift	2	-	-	-	-	2
2	Computer Peripherals & Software	10	10	10	10	10	50
3	Furniture	2	3	3	4	4	16
4	Air Conditioning Unit (65 Ton)	-	1	-	-	-	1
5	Push back Small	-	-	1	-	-	1
6	Air Starter Unit	-	-	-	2	-	2
7	Air Conditioning Unit (110 Ton)	-	-	-	-	1	1

Authority's Examination regarding CAPEX for the Third Control Period at Consultation Stage:

- 4.3. The Authority noted that out of total CAPEX planned for the Third Control Period, AISATS had projected CAPEX of ₹ 200 lakhs for the first tariff year of the Control Period. As the FY 2021-22 (first tariff year) is already closed, the Authority sought details of actual CAPEX incurred for FY 2021-22; In response, AISATS vide email dated 05.04.2022 confirmed that they had incurred CAPEX around ₹200.00 lakhs during FY 2021-22.
- 4.4. The Authority observed from the Table showing actual Traffic handled at Hyderabad Airport (refer Table 2) that AISATS had a market share of 24% (out of total landings) in respect of Ground Handling Business at Hyderabad Airport in FY 2019-20. Considering the level of Traffic handled by AISATS and taking into account AISATS submission that proposed CAPEX is towards replacement of assets taken on lease, the CAPEX of ₹ 1200 lakhs proposed by AISATS for the Third Control Period seems reasonable.
- 4.5. The Authority further observed that CAPEX proposed is related to equipment & machinery which is essential for the smooth conduct of business operations. The Authority, therefore, proposed to consider the CAPEX for the Third Control Period as per Table-4 above.

Stakeholders' Comments

4.6. M/s SpiceJet's Comments on Deferment of Capital Expenditure for the Third Control Period:

M/s SpiceJet submitted the following comments on the Capital Expenditure proposed for the Third Control Period:

- 4.6.1. *"As projected by IATA and CAPA it will take around two (2) - three (3) years for the flight operations to reach to its pre COVID-19 peak levels. In this situation, in order to support the airlines to continue and sustain its operations, all non-essential CAPEX proposed by AISATS should be put on hold/ deferred to the Fourth Control Period, unless deemed critical from a safety or security compliance perspective.*
- 4.6.2. *Without prejudice to the above, in case AISATS wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use.*
- 4.6.3. *In addition, we recommend that an adjustment of 1% or higher, as deemed fit, is made by AERA for capital expenditure projects of the Third Control Period that are not completed/ capitalized as per the approved capitalization schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period."*

4.7. AISATS Counter Comments on deferment of Capital Expenditure for the Third Control Period:

AISATS submitted the following counter comments in response to comments of M/s SpiceJet:

"M/s SpiceJet Ltd. has raised its concern towards procurement of CAPEX by AISATS and its subsequent impact on the tariff approval by AERA. In this connection, we would humbly submit that the procurement of CAPEX is towards replacement of leased assets. The company is badly affected by the pandemic and the management is sensitive about the measures of cost control. As is evidenced from the projection, that the company would be earning PBT below 1% margin for first 3 tariff years. The profits earned during the MYTP for 5 years is not sufficient enough to absorb the losses

of FY 2020-21. The CAPEX procurement is towards serving normal business operations and thus does not lead towards increase in the costs. The CAPEX expenditure will not lead to reducing the profit, but the portion of depreciation will lead to reduction in profit which will be offset by saving in costs of leasing assets."

4.8. Authority's Analysis on the Stakeholders' Comments regarding Capital Expenditure for the Third Control Period:

The Authority notes the comments of M/s SpiceJet and AISATS's response thereon. The Authority notes that AISATS has projected a total Capital Expenditure of ₹ 1200.00 lakhs out of which AISATS had incurred ₹ 200.00 lakhs of CAPEX during the first Tariff year of the Third Control Period.

The Authority notes that the major portion of proposed CAPEX is towards replacement of leased assets such as Ground Handling Equipment etc., which are essential for smooth operations and better passenger facilitation. The Authority feels that the procurement of new Equipment will lead to cost savings on account of Interest and finance charges (which otherwise is payable under lease financing of assets). Further, new equipment is expected to result in lower R&M Costs, as the equipment will be under warranty during the initial years. Considering the above, the Authority feels that CAPEX proposed by AISATS for the Third Control Period seems reasonable.

Authority's Decisions regarding CAPEX for the Third Control Period:

- 4.9. Based on the material before it and its analysis, the Authority decides to consider the CAPEX for the Third Control Period as per Table 4.

CHAPTER 5: OPERATING EXPENDITURE AND PROFITABILITY

AISATS's submission on Operating Expenditure for the Third Control Period as a part of MYTP

- 5.1. As provided in Clause 9.4 of the Guidelines mentioned in Direction No. 04/ 2010-11, the Operation and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service Provider(s) including expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.
- 5.2. Operation and Maintenance Expenditure submitted by AISATS has been segregated into the following categories:
- Payroll Costs;
 - Admin and General Expenses;
 - Concession Fees;
 - Repair and Maintenance.
- 5.3. As per the MYTP submission, Revenue, Operating Expenditures (OPEX) and Profitability projected by AISATS for the Third Control Period (FY 2021-22 to FY 2025-26) is as under:

Table 6: Projected Revenue and Operating Expenditure submitted by AISATS for Third Control Period

(₹ in lakhs)

Particulars	₹ in Lakhs						CAGR (%)	YoY% Change			
	2021-22	2022-23	2023-24	2024-25	2025-26	Total		2022-23	2023-24	2024-25	2025-26
Revenue (A)	5,715.01	6,415.50	7,069.63	7,790.57	8,585.15	35,575.86	10.71%	12%	10%	10%	10%
Expenditure											
Payroll Costs (a)	2,527.04	2,840.00	3,280.20	3,754.19	4,257.25	16,658.68	13.93%	12%	16%	14%	13%
Admin & General Expenses (b)	645.21	664.56	684.50	710.98	732.31	3,437.56	3.00%	3%	3%	3%	3%
Concession Fees (c)	1,123.13	1,261.83	1,391.17	1,533.77	1,690.98	7,000.88	10.77%	12%	10%	10%	10%
Repairs & Maintenance Expenditure (d)	111.45	114.80	118.24	121.79	125.44	591.72	3.00%	3%	3%	3%	3%
Total Operating Exp. (B) = Sum of (a) to (d)	4,406.83	4,881.20	5,474.11	6,120.72	6,805.98	27,688.84	11.48%	11%	12%	12%	11%
PBIDT (A-B)	1,308.18	1,534.30	1,595.52	1,669.85	1,779.17	7,887.02	7.99%	17%	4%	5%	7%
Depreciation	1,015.19	999.14	998.96	976.53	997.86	4,987.68	-	-2%	0%	-2%	2%
Interest and Finance Cost	522.93	481.09	442.61	407.20	374.62	2,228.45	-8.00%	-8%	-8%	-8%	-8%
PBT	-229.94	54.07	153.95	286.12	406.69	670.89	-	124%	185%	86%	42%
Provision for taxation*	-	-	-	-	-	-	-	-	-	-	-
PAT	-229.94	54.07	153.95	286.12	406.69	670.89	124%	185%	86%	42%	
Profit Margin (PAT / Revenue)	-4%	1%	2%	4%	5%						

* Nil Tax Liability from FY 2021-22 onwards is due to accumulated loss of ₹ 2178.20 lakhs).

Authority's Examination regarding Operating Expenditure for the Third Control Period at Consultation stage:

- 5.4. The Authority's analysis of growth rates considered by the AISATS in respect of projected OPEX from FY 2022-23 onwards is given in the following sections: -
- 5.5. **Payroll Costs:** The Authority noted that payroll cost of AISATS is projected to increase ranging from 12% to 16% from FY 2022-23 onwards. In response to query on the payroll costs, AISATS clarified vide email dated 29.04.2022 that projected increase in payroll costs is after factoring the impact of annual increments in salary, increase in number of employees and considering the increase in Traffic Volume post-Covid pandemic. In view of the above, the YoY increase in payroll costs for the Third Control Period proposed by AISATS seems reasonable.
- 5.6. **Administrative and General Costs:** The Authority noted that AISATS projected a nominal & reasonable increase of 3% YoY under Administrative & General costs from FY 2022-23 onwards.
- 5.7. **Concession Fees:** AISATS submitted that they have to share a percentage of their Gross Revenue with the Airport Operator in accordance with the Concession Agreement executed between the ISP and the Airport Operator. The YoY increase in concession fees considered by AISATS is commensurate to the projected increase in Revenue on YoY basis.
- 5.8. **Repair and Maintenance Costs:** The Authority noted that AISATS projected an increase of 3% YoY on Repairs and Maintenance Expenses from FY 2022-23 onwards. Considering that the ISP is required to undertake day-to-day maintenance of the assets and keep the equipment in the operational state so as to provide better services to the Users, the expenditure projected under the Repairs and Maintenance seems reasonable.
- 5.9. The Authority further observed from the Projected P&L Statement that AISATS is likely to incur loss in the First Tariff year. Thereafter, ISP is expected to generate profits from FY 2022-23 onward.

Stakeholders' Comments

5.10. M/s SpiceJet's Comments on Operating Expenditure for the Third Control Period:

M/s SpiceJet submitted the following comments on the Operating Expenditure proposed for the Third Control Period:

5.10.1. "Operating Expenditure (Refer 5.2 & 5.3, and Table 6 of the CP):

It may be noted that cost incurred by the service provider impacts the airlines, as almost all such cost is passed through or borne by the airlines. Further, in view of industry reports from IATA and CAPA, which foresee a minimum period of two (2) - three (3) years for air traffic and flight operations to reach pre COVID-19 levels.

With respect to the O&M expenses approved by AERA, we hereby request AERA to kindly clarify on the below points: -

a) Depreciation and Amortization (Refer 1.1, 1.2, 1.3, 5.3, Table 4 & 6 and Form F3 & F9):

As per the Consultation Paper AISATS was appointed by the Airport Operator for carrying out Ground Handling Services (GHS) at Rajiv Gandhi International Airport (RGIA) for a duration of 10 years, effective from 06th May 2019. However, Table 4 and 6 indicates that there was a Capital Expenditure of approx. 200 Lakhs for the first tariff year (FY 2021-22) but also at the same time a Depreciation of ₹ 1,015.19 lakhs is noted, which is unusual. May

we request AERA to kindly clarify/ confirm whether this ₹ 10,15,18,962 is taken against the assets held individually by M/s Air India Limited and M/s SATS Limited for the previous year, as per Form F3 and F9 attached to the CP. May we request AERA to kindly clarify/ confirm on the same, and further that this is in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets' for depreciation, as the rates of depreciation have not been mentioned.

b) Payroll, Administrative & General Expenditure, Concession Fees and Repair & Maintenance Cost (Refer 5.3, 5.5, 5.6, 5.7 and 5.8 and Table 6):-

AERA may advise AISATS to rationalize/re-negotiate all the cost/expenditure items or heads including 'Payroll Cost, as deemed fit. Further, no escalations should be permitted under these items or heads.

It is unclear as to whether AISATS has taken cost cutting measures including renegotiations of all the cost items on its profit and loss account. We submit that AERA may kindly freeze any increase in operational expenditure after the Tariff Year 1, and there should not be any increase in any expense or manpower.

5.10.2. Abolishment of Royalty Charges: (Refer 5.7 of the CP):

Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.

It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the Airport Operator.

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport Operator under various headings without any underlying services. These charges are mostly passed on to the airlines by the airport operator or other services providers.

It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items.

Notwithstanding the above, it is unclear what is the percentage of the Gross Revenue that AISATS has to share with the Airport Operator, as per their Concession Agreement. AERA is requested to please clarify on the same, especially with the background that the revenue share of AAI at major airports of Group A & B is 3% on turnover on domestic scheduled airlines and that at minor airports Group C is 5% on turnover."



5.11. AISATS response on M/s SpiceJet comments regarding Operating Expenditure for the Third Control Period:

AISATS submitted the following counter comment in response to comments of M/s SpiceJet:

- 5.11.1. "We would like to inform that ₹ 1,015.19 lakh of depreciation cost in FY 2021-22 i.e. Tariff Year-1 is towards the Opening Written Down Value of Fixed Assets and CAPEX procurement of ₹ 200 lakhs budgeted during the year. The fixed assets on which depreciation is charged is owned by M/s Air India SATS Airport Service Private Limited which has separate identity and independent from M/s Air India Ltd and M/s SATS Ltd.

Name of Assets	Depreciation Rate
Computers	33%
Furniture & Fittings	10%
Buildings	7%
Vehicle	10%
Plant & Machinery	7%

- 5.11.2. M/s SpiceJet has raised its concern over the cost cutting initiatives by the company.

The statement of operating costs from Tariff Year 1 to Tariff Year 5 and the average cost over 5 year Tariff Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Average of 5 years
Payroll Costs	25,27,03,800	28,40,00,000	32,80,20,000	37,54,18,890	42,57,25,021	33,31,73,542
Administrative & General expenses	6,45,20,787	6,64,56,411	6,84,50,103	7,10,97,887	7,32,30,823	6,87,51,202
Concession Fees	11,23,12,800	12,61,83,431	13,91,17,232	15,33,76,749	16,90,97,866	14,00,17,616
Repair & Maintenance Costs	1,11,45,311	1,14,79,671	1,18,24,061	1,21,78,783	1,25,44,146	1,18,34,394

The statement of percentage decrease of cost as compared to the cost incurred prior to Covid Period

Particulars	FY 2019-20 Actuals (Pre-Covid year)	Average of 5 years (As per above Statement)	Reduction of Costs	% Reduction in costs
Payroll Costs	48,10,00,783	33,31,73,542	14,78,27,240	31%
Administrative & General expenses	7,63,97,499	6,87,51,202	76,46,297	10%
Concession Fees	22,52,35,124	14,00,17,616	8,52,17,509	38%
Repair & Maintenance Costs	3,00,48,198	1,18,34,394	1,81,84,503	61%



Conclusion: It can be seen from the above statement that the company has taken immense cost control measures and the average cost for 5-year post Covid is substantially reduced as compared to its pre-covid levels. However, for the business to function, the company is bound to incur its fixed cost.

5.11.3. Kindly note that this is a policy related matter which needs discussion at the Ministry level. This is a contractual matter between Airport Operator and concessionaire which is prevalent at all airports and is beyond the ambit of regulatory authority. Reference to the current concession agreement, the concession fee percentages with the relevant documents have been shared with AERA."

5.12. Authority's Analysis regarding Stakeholders' comments on the Operating Expenditure for the Third Control Period:

5.12.1. As regard to M/s SpiceJet's comments on depreciation, the Authority notes that AISATS has adequately responded on the points raised by the Stakeholder (refer para 5.9.1 above) and indicated the rates of depreciation to be charged in respect of fixed assets, as sought by M/s SpiceJet. The Authority further notes that AISATS is existing Ground Handling Service Provider rendering Ground Handling Services at the at Hyderabad Airport, even before the commencement of current Control Period. Since, the ISP had an Opening RAB of ₹7041.06 lakhs (as on 01.04.2021); therefore, the depreciation charged on Opening RAB and Additions to RAB during FY 2021-22 amounting to ₹ 1015.19 lakhs is in order.

5.12.2. As regard to SpiceJet's comments on cost cutting measures by AISATS, the Authority notes the AISATS in its counter comments has given the details of cost cutting measures (refer para 5.11.2) undertaken by the ISP to reduce operating costs and to improve operating efficiency during the Third Control Period.

5.12.3. In respect of comments of M/s. SpiceJet and response of AISATS thereon regarding Royalty Charges/ Concession Fee payable by the ISP to the Airport Operator, the Authority states that the Concession Fee paid by the ISP to the Airport Operator is as per the Concession Agreement executed between the Service Provider and the Airport Operator. As per the regulatory approach, the royalty paid by the ISPs are treated as aeronautical revenues in the hands of Airport Operators; hence, such revenues directly help in subsidizing the aeronautical Tariff, levied by Airport Operators to the Airlines. Further, the Authority considers that bidding process, based on which the Royalty Charges/ Concession Fee is levied on to the ISPs as a non-regulatory issue. Such matters may be dealt among the Stakeholders at appropriate forums.

5.12.4. As regard to comments of M/s SpiceJet seeking details of percentage of Revenue shared by ISP with the Airport Operators, the ISP vide email dated 23.06.2022 informed the Authority that AISATS is paying 24% of their Revenue as a Concession Fee to the Airport Operator (GHIAL).

Authority's decision regarding Operation and Maintenance Expenses for the Third Control Period:

5.13. Based on the material before it and its analysis, the Authority decides to consider OPEX for the Third Control Period as per Table 6.



CHAPTER 6: ANNUAL TARIFF PROPOSAL

AISATS Submissions on Annual Tariff Proposal for the Third Control Period as a part of MYTP

6.1 AISATS has submitted a Tariff proposal for Ground Handling Services in respect of Scheduled Operations at Hyderabad Airport for the Third Control Period (FY 2021-22 to FY 2025-26) as given in the table below:

Table 7: Proposed Tariff Rates for Scheduled Flights submitted by AISATS for the Third Control Period

(Rates in ₹)

Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2021-22							
		Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	4,612	8,565	13,177	14,205	26,380	40,585	NA	NA
2	CODE C	6,180	11,477	17,657	37,034	68,777	105,810	59,297	144,287
3	CODE D	9,888	18,363	28,251	55,804	103,636	159,440	102,780	159,440
4	CODE E	20,754	38,543	59,297	71,023	131,901	202,924	123,863	217,419
5	CODE F	36,895	68,520	105,415	100,448	186,545	286,993	168,532	313,083

Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2022-23							
		Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	4,843	8,993	13,836	14,915	27,699	42,614	NA	NA
2	CODE C	9,579	17,789	27,368	38,885	72,216	111,101	62,262	151,501
3	CODE D	11,865	22,036	33,901	58,594	108,818	167,412	107,919	167,412
4	CODE E	24,905	46,251	71,156	74,575	138,496	213,070	130,056	228,290
5	CODE F	38,740	71,946	110,686	105,470	195,873	301,343	176,959	328,737



Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2023-24							
		Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	5,085	9,443	14,528	15,661	29,084	44,745	NA	NA
2	CODE C	10,058	18,679	28,737	40,830	75,826	116,656	65,375	159,076
3	CODE D	12,459	23,137	35,596	61,524	114,259	175,783	113,315	175,783
4	CODE E	26,150	48,564	74,714	78,303	145,421	223,724	136,559	239,704
5	CODE F	40,677	75,543	116,220	110,744	205,667	316,410	185,807	345,174

Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2024-25							
		Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	5,339	9,915	15,254	16,444	30,538	46,982	NA	NA
2	CODE C	10,561	19,613	30,174	42,871	79,617	122,488	68,644	167,030
3	CODE D	13,082	24,294	37,376	64,600	119,972	184,572	118,981	184,572
4	CODE E	27,458	50,993	78,450	82,219	152,692	234,910	143,387	251,690
5	CODE F	42,711	79,320	122,031	116,281	215,950	332,230	195,097	362,433

Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2025-26							
		Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	5,606	10,411	16,017	17,266	32,065	49,331	NA	NA
2	CODE C	11,089	20,593	31,682	45,015	83,598	128,613	72,076	175,382
3	CODE D	13,736	25,509	39,245	67,830	125,970	193,800	124,930	193,800
4	CODE E	28,830	53,542	82,372	86,329	160,326	246,655	150,556	264,274
5	CODE F	44,847	83,286	128,133	122,095	226,747	348,842	204,852	380,554

Notes:

- 1) To achieve the projected ARR only maximum ground handling rates have been suggested for Airlines as user agreements will be entered into with each Airline based on the IATA AHM 810 STANDARD GROUND HANDLING AGREEMENT 1998 or 2004 or 2008 or 2013 (SGHA).
- 2) The rates with each Airline will be negotiated based on services required from SGHA service items (usage of equipment and manpower), flight frequency, service level agreement, credit period and liability and indemnity requirement.
- 3) These rates may be revised, where external economic/financial factors warrant a review. However, any change, will be in consultation with the relevant authorities (AERA) and related stakeholders.
- 4) All charges mentioned above exclude taxes which will be charged at the prevailing rates.
- 5) Exchange rate used for contracts signed in USD: 1 USD = 75 INR.

Table 8: Percentage (%) increase in Tariff for different categories of Scheduled Flights for the Third Control Period.

Particulars	FY 2022-23			FY 2023-24			FY 2024-25			FY 2025-26		
	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full
Domestic Passenger Flights												
CODE B	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE C	50%	50%	50%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE D	20%	20%	20%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE E	20%	20%	20%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE F	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
International Passenger Flights												
CODE B	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE C	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE D	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE E	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
CODE F	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Domestic Cargo Flights												
CODE B	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE C	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE D	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE E	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE F	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
International Cargo Flights												
CODE B	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE C	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE D	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE E	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA
CODE F	NA	5%	NA	NA	5%	NA	NA	5%	NA	NA	5%	NA

6.2 AISATS also submitted a separate Tariff Rate Card for Non-Scheduled Operation(s) as per the table given below: -



Table 9: Proposed Tariff Rates for Non-Scheduled Flights submitted by AISATS for the Third Control Period

(Rates in ₹)

Sr. No.	Aircraft Types	Maximum Rates for Tariff Year FY 2021-22							
		Non-Scheduled Aircraft							
		Passenger						Freighter	
	(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	7,840	14,561	22,401	24,148	44,847	68,995	NA	NA
2	CODE C	10,506	19,511	30,017	62,957	116,920	179,877	100,805	245,288
3	CODE D	16,809	31,218	48,027	94,867	176,181	271,048	174,726	271,048
4	CODE E	35,282	65,523	100,805	120,740	224,231	344,971	210,567	369,612
5	CODE F	62,722	116,484	179,206	170,761	317,127	487,888	286,504	532,241

Sr. No.	Aircraft Types	Maximum Rates for Tariff Year FY 2022-23							
		Non-Scheduled Aircraft							
		Passenger						Freighter	
	(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	8,232	15,289	23,521	25,355	47,089	72,444	NA	NA
2	CODE C	16,284	30,242	46,526	66,105	122,767	188,872	105,845	257,552
3	CODE D	20,171	37,461	57,632	99,610	184,990	284,600	183,462	284,600
4	CODE E	42,338	78,627	120,965	126,777	235,442	362,219	221,095	388,093
5	CODE F	65,858	122,308	188,166	179,299	332,984	512,283	300,830	558,853

Sr. No.	Aircraft Types	Maximum Rates for Tariff Year FY 2023-24							
		Non-Scheduled Aircraft							
		Passenger						Freighter	
	(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	8,644	16,053	24,697	26,623	49,443	76,066	NA	NA
2	CODE C	17,098	31,754	48,852	69,410	128,905	198,315	111,138	270,429
3	CODE D	21,180	39,333	60,513	104,591	194,240	298,830	192,635	298,830
4	CODE E	44,455	82,558	127,013	133,116	247,215	380,330	232,150	407,498
5	CODE F	69,151	128,424	197,575	180,744	349,633	537,897	315,872	586,796

Sr. No	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2024-25							
		Non-Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	9,076	16,856	25,932	27,954	51,915	79,869	NA	NA
2	CODE C	17,953	33,341	51,294	72,881	135,350	208,231	116,695	283,951
3	CODE D	22,239	41,300	63,539	109,820	203,952	313,772	202,267	313,772
4	CODE E	46,677	86,687	133,364	139,771	259,575	399,346	243,757	427,873
5	CODE F	72,609	134,844	207,453	197,677	367,115	564,792	331,665	616,135

Sr. No.	Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2025-26							
		Non-Scheduled Aircraft							
		Passenger						Freighter	
		Domestic Flight			International Flight			Domestic Flight	International Flight
		Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
1	CODE B	9,530	17,699	27,229	29,352	54,511	83,863	NA	NA
2	CODE C	18,851	35,008	53,859	76,525	142,118	218,643	122,529	298,148
3	CODE D	23,351	43,365	66,716	115,311	214,150	329,461	212,381	329,461
4	CODE E	49,011	91,021	140,032	146,760	272,554	419,314	255,945	449,266
5	CODE F	76,239	141,587	217,826	207,561	385,471	593,032	348,249	646,942

Notes:

- 1) To achieve the projected ARR only maximum ground handling rates have been suggested for Airlines as user agreements will be entered into with each Airline based on the IATA AHM 810 STANDARD GROUND HANDLING AGREEMENT 1998 or 2004 or 2008 or 2013 (SGHA).
- 2) The rates with each Airline will be negotiated based on services required from SGHA service items (usage of equipment and manpower), flight frequency, service level agreement, credit period and liability and indemnity requirement.
- 3) These rates may be revised, where external economic/ financial factors warrant a review. However, any change, will be in consultation with the relevant authorities (AERA) and related stakeholders.
- 4) All charges mentioned above exclude taxes which will be charged at the prevailing rates.
- 5) Exchange rate used for contracts signed in USD: 1 USD = 75 INR

Authority's Examination regarding Annual Tariff Proposal at Consultation Stage:

- 6.3 The Authority noted that AISATS has proposed no Tariff increase for first Tariff Year (FY 2021-22) of the Third Control Period as compared to Tariff prevailing as on 31.03.21.
- 6.4 The Authority observed that in case of Domestic Passenger (Scheduled & Non-Scheduled) Flights, the ISP, for FY 2022-23 had proposed 50 to 55% increase in rates for Code C type aircrafts and 20% increase in rates for Code D & E types of aircrafts, as compared to prevailing rates (FY 2021-22).



The Authority sought clarification in respect of increase proposed in Tariff rates under aforesaid categories. AISATS vide email 29.04.2022 informed that majority of the Traffic movement at Hyderabad Airport and major portion of their operating cost is incurred for these categories of aircrafts. The ISP further stated that due to Covid-19, the operations of these categories of aircrafts were impacted the most and in order to cover up for annual inflation, increase in operating costs, a one-time annual increase in rates for these categories are proposed.

- 6.5 The Authority further observed that in case of other categories under Domestic Flights (Scheduled & Non-Scheduled) and International Flights, AISATS had proposed a uniform increase of 5% YoY from FY 2022-23 onwards.
- 6.6 The Authority noted that AISATS had proposed a separate Tariff rate card for Non-Scheduled Flights. The Authority is of the view that the Tariff for Domestic Non-Scheduled Flights should not be more than the Tariff of relevant Domestic Schedule Flights for similar class of Aircraft(s). However, the Authority proposed to consider the separate Tariff rate card in case of International Non-Scheduled Flights (Refer Table 9 given above).

Stakeholders' Comments

6.7 M/s SpiceJet's Comments on Annual Tariff Proposal (ATP) for the Third Control Period:

"The tariff as well as the rate of increase in tariff are very high, especially for the Domestic Passenger Flights that too in the backdrop of COVID-19, highlighted with an increase of 50% to 20% for Code C, D and E aircraft. It is in the interest of all the stakeholders and humbly submitted that no increase may be granted in the Third Control Period.

Without prejudice to the above, it is requested that the tariff be kept at a minimum level in order to encourage middle class people to travel by air, which will help in sharp post COVID-19 recovery of aviation sector, with increase of not more than 5% in all categories (as proposed by the AERA for recent consultation papers for similar services by AISATS at Thiruvananthapuram [Consultation Paper No. 01 of 2022 - 23] and at Mangaluru [Consultation Paper No. 34 of 2021-22]). Considering our submissions & recommendation mentioned above, we request that an appropriate reduction may kindly be applied to the proposed charges."

6.8 AISATS response on M/s SpiceJet & BAOA comments regarding Annual Tariff Proposal for the Third Control Period:

6.8.1. AISATS response to M/s SpiceJet's comments:

"The approved AERA ceiling rate has no correlation with the Handling rates charged to the airlines. Every airline has a separate handling rate depending on the services requested and the negotiation with the ISP. However, we have noted your concerns for any future approvals."

6.9 Authority's Analysis regarding Stakeholders' comments on Annual Tariff Proposal for the Third Control Period:

- 6.9.1. As regard to the comments of M/s SpiceJet on the proposed increase in Tariff rates, the Authority notes the submission of M/s AISATS that Tariffs that would be charged to airlines are different, from the ceiling Tariff approved by the Authority, as the rates are negotiable depending on the services requested.

The Authority notes that for Domestic Passenger Flights (aircraft type Code C), ISP for FY 2022-23 has proposed a Tariff increase @ 50% for Scheduled Flights and 55% for Non-Scheduled Flights & thereafter a uniform Tariff increase of 5% on YoY basis from FY 2023-24 onwards.



In respect of Domestic Passenger Flights for Code D & E (Scheduled and Non-Scheduled Flights) aircraft types, the ISP has proposed a Tariff increase of 20% for FY 2022-23 and thereafter, a uniform increase of 5% on YoY basis from FY 2023-24 onwards.

For the other aircraft types i.e. Code B & F (Domestic Passenger Flights), ISP has proposed a nominal Tariff increase of 5% YoY from FY 2022-23 onwards.

In respect of International Passenger Flights (Scheduled and Non-Scheduled) and Domestic & International Freightier Flights (Scheduled and Non-Scheduled), AISATS has proposed a uniform Tariff increase of 5% on YoY basis from FY 2022-23 onwards.

As regard to M/s SpiceJet's comments that the increase in tariff rates should not be more than 5% YoY in all categories, as proposed by AISATS at Thiruvananthapuram and Mangaluru Airports; in this regard, the Authority is of the view that same Service Provider operating at different airports may have different business model viz., Traffic volume, Investment levels and Operating Costs, accordingly, Tariff rates may differ from airport to airport.

Considering the investments made/ projected by the ISP on Ground Handling Equipment and associated facilities and factoring in periodic increase in the minimum wages rates, impact of general inflation on operating expenditure, the Authority feels that AISATS requires adequate revenues to meet the projected operating expenses. As per the profitability statement (Table 6), the ISP with the proposed Tariff increase is expected to earn a nominal profit only, ranging between 1% to 5%.

In view of the above, increase in Tariff Rates proposed by the AISATS for the Third Control period seems reasonable.

- 6.9.2. The Authority further notes that at Hyderabad Airport, there are three players (including AISATS) providing Ground Handling Services and it is expected that market competition will help in moderating Service Charges for the Users.

6.10 Authority's Decisions regarding Tariff for the Third Control Period:

Based on the material before it and its analysis, the Authority decides the following about Tariff structure and Annual Tariff Proposal for the Third Control Period:

- 6.10.1. The Authority decides to adopt the Tariff Rates for Ground Handling Services provided by AISATS in respect of Scheduled Flights, International Non-Scheduled Flights for the Third Control Period as per **Annexures (I & II)**.
- 6.10.2. The Authority decides that the Tariff Rates indicated in **Annexures (I & II)** shall be maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- 6.10.3. The Authority decides that Tariff for Domestic Non-Scheduled & General Aviation Operations shall not exceed the approved Tariffs for relevant Domestic Scheduled Flights for similar class of Aircraft(s).
- 6.10.4. The Authority decides that in case of payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15th of the month will be applicable for the second fortnight.
- 6.10.5. The Authority also decides that AISATS should ensure compliance towards Standardization of Ground Handling Equipment at Major Airports, in accordance with the directives issued by Ministry of Civil Aviation vide its letter no. AV-24014/10/2021-AAT/MOCA dated 01.11.2021.



CHAPTER 7: SUMMARY OF AUTHORITY'S DECISIONS

The Summary of Authority's decisions (given under each chapter) regarding the Tariff determination of AISATS, for the Third Control Period is as under:

Chapter	Para	Summary of Authority's Decisions	Page No.
Chapter No.2	2.11	The Authority decides to consider the Tariff determination exercise of AISATS for providing Ground Handling Services at Rajiv Gandhi International Airport, Hyderabad under the " Light Touch Approach " for the Third Control Period, as the regulated service is deemed to be ' Material but Competitive '.	8
Chapter No. 3	3.9	The Authority decides to consider the Aircraft Traffic (Flights to be handled) submitted by AISATS for the Third Control Period as per Table 3.	10
Chapter No. 4	4.9	The Authority decides to consider the CAPEX for the Third Control Period as per Table 4.	13
Chapter No. 5	5.13	The Authority decides to consider OPEX for the Third Control Period as per Table 6.	18
Chapter No. 6	6.10.1	The Authority decides to adopt the Tariff Rates for Ground Handling Services provided by AISATS in respect of Scheduled Flights, International Non-Scheduled Flights for the Third Control Period as per Annexures (I & II) .	25
	6.10.2	The Authority decides that the Tariff Rates indicated in Annexures (I & II) shall be maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.	
	6.10.3	The Authority decides that Tariff for Domestic Non-Scheduled & General Aviation Operations shall not exceed the approved Tariffs for relevant Domestic Scheduled Flights for similar class of Aircraft(s).	
	6.10.4	The Authority decides that in case of payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15 th of the month will be applicable for the second fortnight.	
	6.10.5	The Authority also decides that AISATS should ensure compliance towards Standardization of Ground Handling Equipment at Major Airports, in accordance with the directives issued by Ministry of Civil Aviation vide its letter no. AV-24011/10/2021-AAI-MOCA dated 01.11.2021.	



CHAPTER 8: ORDER

Upon careful consideration of the material available on record, as well as submission made by AISATS, the Authority, in exercise of powers conferred upon it by Section 13(1)(a) of the AERA Act, 2008, hereby orders that:

- (i) The Ground Handling services being provided by M/s Air India SATS Airport Services Private Limited (AISATS) at Rajiv Gandhi International Airport, Hyderabad is **"Material but Competitive"**. Therefore, the Authority decides to adopt **'Light Touch Approach'** for determination of Tariff for the Third Control Period (FY 2021-22 to FY 2025-26).
- (ii) The Authority decides that the Tariff Rates indicated in Annexure (I & II) shall be maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- (iii) The Authority decides that Tariff for Domestic Non-Scheduled & General Aviation Operations shall not exceed the approved Tariff for relevant Domestic Scheduled Flights for similar class of aircraft(s).
- (iv) The Authority decides that in case of payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15th of the month will be applicable for the second fortnight.
- (v) The Tariff determined herein above is excluding of applicable taxes, if any.
- (vi) The Tariff Order shall be made effective from **1st August, 2022**.
- (vii) The Airport operator shall ensure the compliance of the Order.

By the Order of and in the Name of the Authority


(Col Manu Sooden)
Secretary

To

M/s Air India SATS Airport Services Private Limited
16th Floor, Commerz II, International Business Park,
Oberoi Garden City, Off Western Express highway,
Goregaon (East), Mumbai - 400063
(Through: Shri Sanjay Gupta, Chief Executive Officer)

Copy to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003.
2. Shri Pradeep Panicker, CEO, Hyderabad International Airport Limited, GMR AERO Tower, RGIA, Shamshabad, Hyderabad, Telangana - 500409.



ANNEXURE I**APPROVED TARIFF RATE CARD FOR AISATS PROVIDING GROUND HANDLING SERVICES
AT RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD**

Maximum rates to be levied for Domestic* and International Scheduled Flights in respect of
Ground Handling Services for the Third Control Period (FY 2021-22 to FY 2025-26)

REVISED TARIFF RATES ARE EFFECTIVE FROM 1st August, 2022

(Rates in ₹)

Aircraft Types	Maximum Rates for Tariff Year FY 2022-23							
	Scheduled Aircraft							
	Passenger						Freighter	
(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
	Passenger	Ramp	Compre- hensive	Passenger	Ramp	Compre- hensive		
CODE B	4,843	8,993	13,836	14,915	27,699	42,614	NA	NA
CODE C	9,579	17,789	27,368	38,885	72,216	111,101	62,262	151,501
CODE D	11,865	22,036	33,901	58,594	108,818	167,412	107,919	167,412
CODE E	24,905	46,251	71,156	74,575	138,496	213,070	130,056	228,290
CODE F	38,740	71,946	110,686	105,470	195,873	301,343	176,959	328,737

Aircraft Types	Maximum Rates for Tariff Year FY 2023-24							
	Scheduled Aircraft							
	Passenger						Freighter	
(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
	Passenger	Ramp	Compre- hensive	Passenger	Ramp	Compre- hensive		
CODE B	5,085	9,443	14,528	15,661	29,084	44,745	NA	NA
CODE C	10,058	18,679	28,737	40,830	75,826	116,656	65,375	159,076
CODE D	12,459	23,137	35,596	61,524	114,259	175,783	113,315	175,783
CODE E	26,150	48,564	74,714	78,303	145,421	223,724	136,559	239,704
CODE F	40,677	75,543	116,220	110,744	205,667	316,410	185,807	345,174



Aircraft Types	Maximum Rates for Tariff Year FY 2024-25							
	Scheduled Aircraft							
	Passenger						Freighter	
(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
	Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
CODE B	5,339	9,915	15,254	16,444	30,538	46,982	NA	NA
CODE C	10,561	19,613	30,174	42,871	79,617	122,488	68,644	167,030
CODE D	13,082	24,294	37,376	64,600	119,972	184,572	118,981	184,572
CODE E	27,458	50,993	78,450	82,219	152,692	234,910	143,387	251,690
CODE F	42,711	79,320	122,031	116,281	215,950	332,230	195,097	362,433

Aircraft Types	Maximum Rates for Tariff Year FY 2025-26							
	Scheduled Aircraft							
	Passenger						Freighter	
(ICAO Code)	Domestic Flight			International Flight			Domestic Flight	International Flight
	Passenger	Ramp	Comprehensive	Passenger	Ramp	Comprehensive		
CODE B	5,606	10,411	16,017	17,266	32,065	49,331	NA	NA
CODE C	11,089	20,593	31,682	45,015	83,598	128,613	72,076	175,382
CODE D	13,736	25,509	39,245	67,830	125,970	193,800	124,930	193,800
CODE E	28,830	53,542	82,372	86,329	160,326	246,655	150,556	264,274
CODE F	44,847	83,286	128,133	122,095	226,747	348,842	204,852	380,554

**Tariff for Domestic Scheduled Flights are also applicable to Domestic Non-Scheduled Flights & General Aviation Operations*

Notes:

- Above Tariff Rates are excluding of all applicable taxes, if any.
- Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- For payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and the rate as on 15th of the month will be applicable for the second fortnight.



ANNEXURE II**APPROVED TARIFF RATE CARD FOR AISATS PROVIDING GROUND HANDLING SERVICES
AT RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD**

Maximum rates to be levied for International Non-Scheduled Flights in respect of
Ground Handling Services for the Third Control Period (FY 2021-22 to FY 2025-26)

REVISED TARIFF RATES ARE EFFECTIVE FROM 1st August, 2022

(Rates in ₹)

Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2022-23			
	Non-Scheduled Aircraft			
	Passenger			Freighter
	International Flight			International Flight
	Passenger	Ramp	Comprehensive	
CODE B	25,355	47,089	72,444	NA
CODE C	66,105	122,767	188,872	257,552
CODE D	99,610	184,990	284,600	284,600
CODE E	126,777	235,442	362,219	388,093
CODE F	179,299	332,984	512,283	558,853

Aircraft Types (ICAO Code)	Maximum Rates for Tariff Year FY 2023-24			
	Non-Scheduled Aircraft			
	Passenger			Freighter
	International Flight			International Flight
	Passenger	Ramp	Comprehensive	
CODE B	26,623	49,443	76,066	NA
CODE C	69,410	128,905	198,315	270,429
CODE D	104,591	194,240	298,830	298,830
CODE E	133,116	247,215	380,330	407,498
CODE F	188,264	349,633	537,897	586,796



Aircraft Types	Maximum Rates for Tariff Year FY 2024-25			
	Non-Scheduled Aircraft			
	Passenger			Freighter
(ICAO Code)	International Flight			International Flight
	Passenger	Ramp	Comprehensive	
CODE B	27,954	51,915	79,869	NA
CODE C	72,881	135,350	208,231	283,951
CODE D	109,820	203,952	313,772	313,772
CODE E	139,771	259,575	399,346	427,873
CODE F	197,677	367,115	564,792	616,135

Aircraft Types	Maximum Rates for Tariff Year FY 2025-26			
	Non-Scheduled Aircraft			
	Passenger			Freighter
(ICAO Code)	International Flight			International Flight
	Passenger	Ramp	Comprehensive	
CODE B	29,352	54,511	83,863	NA
CODE C	76,525	142,118	218,643	298,148
CODE D	115,311	214,150	329,461	329,461
CODE E	146,760	272,554	419,314	449,266
CODE F	207,561	385,471	593,032	646,942

Notes:

- Above Tariff Rates are excluding of all applicable taxes, if any.
- Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- For payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and the rate as on the 15th of the month will be applicable for the second fortnight.

