

**Airports Economic Regulatory Authority of India**

**Order No. 05/2018-19**

**AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi - 110003**

**Date of Issue: 14.05.2018**

**Service : Ground Handling Services.  
Service provider: Air India Air Transport Services Ltd.  
Airport : Ahmedabad Airport**

**In the matter of Multi Year Tariff Proposal(MYTP) for the second control period and Annual Tariff Proposals(ATPs) for the second control period in respect of M/s Air India Air Transport Services Ltd. (AIATSL) for providing Ground Handling Services at Ahmedabad International Airport, Ahmedabad.**

1. a) AIATSL is one of the Ground Handling agencies appointed by Airports Authority of India of Ahmedabad International Airport for carrying out Ground Handling (GH) at Ahmedabad Airport. The Authority, vide its MYTO Order No. 04/2015-16 dated 06.05.2015, decided to approve tariff on ad-hoc basis for the First Control Period (FY2011-12 to FY2015-16) for Air India.  
b) The Authority vide its Order No. 09/2016-17 dated 19.08.2016 further extended the levy of tariffs existing as on 31.03.2016, up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier. This order was in line with the extension granted to all Airport Operators/ISPs at major airports vide Order No. 50/2015-16 issued on 31.03.2016. The tariffs applicable on 31.03.2015 are continuing till date.  
c) The Authority vide its Order No. 11/2016-17 dated 29.09.2016 extended the levy of tariffs existing as on 31.03.2016 up to 31.03.2017 or till the determination of tariffs for the second control period, whichever is earlier.  
d) The Authority vide its Order No. 19/2016-17 dated 31.03.2017 further extended the levy of tariffs existing as on 31.03.2016, up to 30.09.2017 or till the determination of tariffs for the second control period, whichever is earlier.  
e) The Authority vide its Order No. 12/2017-18 dated 29.09.2017 further extended the tariffs existing as on 31.03.2016, for a period of six months w.e.f. 01.10.2017 or till determination of tariffs for the Second Control Period whichever is earlier.  
f) The Authority further vide Order No. 43/2017-18 dated 28.03.2018, allowed to continue levy of tariffs existing as on 31.03.2018, for a further period of six months w.e.f. 01.04.2018 or till determination of tariffs for the Second control Period whichever is earlier.
- 2 M/s AIATSL submitted their MYTP/ATP online on 23<sup>rd</sup> June, 2016 and submitted the consolidated Balance Sheet for FY 2014-15, 2015-16 and FY 2016-



17. AIATSL has submitted the bifurcation of financials (Balance sheet for FY 2015-16 and FY 2016-17) among all stations where AIATSL is operating. Bifurcation of Balance sheet for FY 2014-15 among its station of operation is not submitted. AIATSL has submitted the Annual Tariff Proposals (ATPs) for the complete Second Control period wherein, AIATSL has proposed an increase of 2% year on year in the ATPs from FY 2016-17 to FY 2020-21. M/s AIATSL has submitted the Annual Compliance Statements (ACSSs) for FY 2015-16 and FY2016-17 only.

- 3 a) **Materiality:** As per Clause 4.4 of the CGF Guidelines, 2011 for the regulated service(s) provided for Ground Handling facility at the major airports, the percentage share of Ground Handling at Ahmedabad Airport, is 2.47% which is less than 5% Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed "**Non-Material**" for the Second Control Period. (01.04.2016 to 31.03.2021)

b) **Competition:** AERA, in line with the provisions of National Civil Aviation Policy (NCAP-2016), vide Order No. 15/2016-17 dated 12<sup>th</sup> Jan, 2017 decided to consider three (3) Ground Handling Agencies (GHAs) including Air India's subsidiary/JV for competition assessment at all major airports. As per the information available, M/s Celebi Ground Handling Private Limited is the other Ground Handling Agency which is rendering similar Ground Handling Services at Ahmedabad Airport. As only two Ground Handling agencies are operating at Ahmedabad Airport, the Ground Handling service is deemed "**non-competitive**".

c) **Reasonableness of existing User Agreement(s):** M/s AIATSL has not submitted any user agreement for Ahmedabad Airport stating that they handle Air India flights only at Ahmedabad Airport.

4. M/s AIATSL has not submitted the copy of Concession Agreement with Ahmedabad Airport Operator and also has not conducted the stakeholder consultation with the users on the proposed ATPs submitted for complete second control period i.e. FY2016-17 to FY2020-21.

5. i) The Authority considered the submissions made by AIATSL and issued a Consultation paper No. 41/2017-18 dated 24<sup>th</sup> January, 2018 wherein, the Authority proposed that the service for ground handling being provided by M/s AIATSL at Ahmedabad Airport, Ahmedabad, is deemed "**Non-Material**" and hence in accordance to the provisions of Chapter V of the AERA Guidelines the tariff will be determined under "**Light Touch Approach**" for the duration of Second Control Period (01.04.2016 to 31.03.2021).

ii) The Authority further proposed in the Consultation Paper that AIATSL may be allowed to charge as per **Annexure-V** (of the said consultation paper) as per the proposed tariff for FY 2016-17 which is lower than the existing tariff as the service provider is earning a good return on Average RAB i.e. 321.38% for FY 2015-16 and 296.44% in FY2016-17. Further, the profit margin stands as 63% in FY2015-16 and 53% in FY 2016-17. The tariff will be effective from the date of issue of order to 31.03.2019 of the second control period for Ground Handling Services provided by AIATSL at Ahmedabad Airport, Ahmedabad.

iii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 13<sup>th</sup> February, 2018. Further the Authority vide email dated 25.01.2018 informed the same to all concerned stakeholders on their registered email IDs. In response, only one comment has been received i.e. from M/s **Business Aircraft Operators Association (BAOA)**. The details of the comments received from BAOA,



clarifications received from AIATSL and the Authority's views are detailed as under:

**M/s Business Aircraft Operators Association (BAOA):**

M/s BAOA vide letter No. BAOA/AERA/12/2017-18 dated 13.02.2018, had offered comments on the aforesaid consultation paper which were uploaded on AERA's website vide Public Notice No. 48/2017-18 dated 26.03.2018. The Authority vide letter no. AERA/20010/MYTP/AIATSL/GH/AMD/CP-II/16-17/3877-78 dated 26.03.2018, requested the Airport Operator and AIATSL to give their clarifications/justifications on the comments given by the above stakeholder. Details are given below:

**Comment (i):** AERA has adopted 'light touch approach' for deciding the aeronautical tariff for AIATSL at Ahmedabad due to service deemed as 'non-material'. However, there is a lack of competition at the airport due to only two GHA operating there. This situation doesn't conform to provision of competition law's and the latest GH Policy of the GOI (Please refer para 3(d) the Gazette of India F.No. AV-24011/8/2017-AAI-MoCA dated 15 December 2017). Further, there is no Concession Agreement' in place with the Airport Operator.

**Reply by AIATSL:** Matter does not pertain to AIATSL; hence the clarification with regard to Point No. 1 may be obtained from the concerned agency.

**Authority's views:** The Authority has issued its 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 Guidelines") vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 dated 10.01.2011 wherein its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of these services are finalized. AERA has complied with the provisions of the latest GH policy as mentioned above. This has already been indicated at **para 3.2 b)** of the aforesaid consultation paper. However the Authority is considering and processing the proposals keeping in view all the other relevant provisions of its CGF Guidelines.

**Comment (ii):** The 'service provider' has also not conducted any stakeholder's consultation, which is critically important for deciding tariff in 'light touch approach'.

**Reply by AIATSL:** AIATSL is not providing services to other third party airlines/operators at AMD presently, hence consultation with other stakeholders is not applicable.

**Authority's views:** AIATSL has clarified that they are not providing services to other third party airlines/operators. Further the Authority has adopted light touch approach while considering the ATPs of the AIATSL keeping in view that its ground handling service at Ahmedabad airport, is deemed "**Non-Material**" as per its CGF Guidelines.

**Comment (iii):** The profit margins for the previous FYs being 63% and 53% in 2015-16 and 2016-17 respectively, there appears no justification in AIATSL asking for any increase in tariff even marginally by 2% year on year basis. There is, in fact, need to rationalize the GH charges through a transparent process involving all the stakeholders before AERA approves the charges for FY 2018-19 even at FY 2016-17 level.

**Reply by AIATSL:** Presently there is no third party handling being provided at AMD as stated above. Also 2% increase in ground handling rates is as per the



estimated escalation cost. Normally Airlines float Request for Proposal or bid and upon qualifying for the bid, airline further approaches for finalizing the commercial terms.

**Authority's Views:** The Authority has already proposed at para 5.2 of the aforesaid consultation paper that AIATSL will be allowed to charge as per proposed tariff for FY2016-17 which is lower than the existing tariff, keeping in view the good return on average RAB and good profit margins.

**Comment (iv):** The airport operator at Ahmadabad public airport is levying unauthorized royalty of 36.3% on all GH services. This has to be aligned with GH policy of GOI, as defined in para 2(h) of the GH policy of GOI. In this regard, please refer to BAOA letter Ref. No. BAOA/AERA/10/2017-18 DT, 10 January 2018 (copy attached).

**Reply by AIATSL:** Matter does not pertain to AIATSL hence the clarification with regard to Point No. 5 may be obtained from the concerned agency.

**Authority's views:** The Authority 'in the matter of capping the amount of Royalty/License fee/revenue share payable to Airport Operator as a "pass through" Expenditure for the Independent Service Providers providing Cargo Facility, Ground Handling and Supply of Fuel to the Aircrafts at Major Airports', has issued an Order No. 01/2018-19 dated 05.04.2018, capping on the amount allowable as pass through expenditure out of royalty/revenue share payable by Independent Service Provider has been done. Details are available in the said order.

**Comment (v):** Finally, is the time AERA disallows levying of royalty at all public airports. In this regard please refer BAOA letter Ref. No. BAOA/AERA/01/2017-18 dt. May 2017 sent in response to AERA CP 08/2016-17 (Copy attached).

**Reply by AIATSL:** Matter does not pertain to AIATSL: hence the clarification with regard to Point No.5 may be obtained from the concerned agency.

**Authority's views:** AERA has no role in determination/economic regulation of royalty component as per AERA' Act, 2008.

6. In line with Government of India, MoCA notification No. F.No. AV-24011/8/2017- AAI-MoCA dated 15.12.2017; the Authority also decides that AIATSL being a JV of the Air India shall match the lowest royalty paid by other ground handling agencies.

### **ORDER**

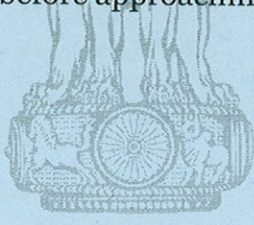
The Authority, in exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008, hereby orders that:

- (i) The service for ground handling being provided by M/s AIATSL at Ahmedabad Airport, Ahmedabad, is "**Non-Material**" and hence in accordance to the provisions of Chapter V of the AERA Guidelines the tariff will be determined under "**Light Touch Approach**" for the duration of Second Control Period (01.04.2016 to 31.03.2021).
- (ii) The Authority is of the view that 'the Guidelines' need not be followed in a routine manner. Further even in 'Light Touch approach,' the Authority examines the margins, the growth of profit and return on RAB to ensure that extraordinary profits do not accrue to the service provider and that the



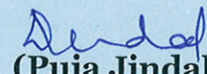
ultimate customer is not burdened with higher tariffs as the latter does not have any say in the User Agreements.

- (iii) Having regard to the high profit margins earned by AIATSL, the increase of tariffs of 2% year on year from FY 2016-17 to 2020-21 proposed by AIATSL is not allowed. AIATSL is allowed to charge the tariff(s) from the date of issue of order to 31.03.2019 of the second control period (01.04.2016 to 31.03.2021) for Ground Handling Service rendered at Ahmedabad Airport, Ahmedabad as per **Annexure-I**. The tariff for FY2019-20, FY2020-21, will be considered based on the actual situation and implementation of the new ground handling policy as approved by Government of India.
- (iv) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- (v) M/s AIATSL should not exceed the tariff charges for its Non-Schedule Operations as approved by AERA for its schedule operations for similar class of aircrafts.
- (vi) M/s AIATSL should submit a copy of Concession Agreement and conduct the stakeholders consultation with the users on the proposed Annual Tariff Proposals (ATPs) in future before approaching AERA for tariff determination.



सत्यमेव जयते

By the Order of and in the  
Name of the Authority

  
(Puja Jindal)  
Secretary

To,

M/s Air India Air Transport Services Limited,  
Airline House, 113 Gurudwara Rakab Gunj Road,  
New Delhi-110001.  
(Through Capt. Ashwini Sharma, CEO)



## ANNEXURE-I

Rates from the Date of Issue of Tariff Order to 31.03.2019.to be charged by M/s AIATSL for ground handling services being rendered at Ahmedabad Airport Ahmedabad.

### Price List (in INR)-Scheduled / Non- scheduled Aircrafts (International & Domestic)

Code	Type of Aircraft	Type of Carrier	Ramp Handling	Traffic Handling	Comprehensive
Code B	Single Engine Aircraft	PAX Non Schedule Domestic	0	0	48,000
Code B	Single Engine Aircraft	PAX Non Schedule International	0	0	1,04,000
Code C1	ATR-72	PAX Schedule International	10,000	0	14,000
Code C	A-319	PAX Schedule International	0	0	66,000
Code C	A-320	PAX Schedule International	0	0	66,000
Code C	A-321	PAX Schedule International	0	0	66,000
Code C	B-737	PAX Schedule International	0	0	66,000
Code C	ATR-72	PAX Schedule International	10,000	0	14,000
Code D	A-300-600	PAX Schedule International	0	0	1,65,000
Code E	A-330-200	PAX Schedule International	0	0	1,65,000
Code E	A-340	PAX Schedule International	0	0	1,85,500
Code E	B-747	PAX Non Schedule International	0	0	1,85,500
Code E	B-777	PAX Schedule International	0	0	1,85,500
Code C1	ATR-72	PAX Schedule Domestic	10,000	0	14,000
Code C	ATR-72	PAX Schedule Domestic	10,000	0	14,000

