

**Airports Economic Regulatory Authority of India**

**Order No. 06/2018-19**

**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. (AIATSL).  
Airport : Cochin International Airport, Cochin.**

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

1. a) M/s AIATSL is the one of the Ground Handling agency appointed by Cochin International Airport Limited for carrying out Ground Handling (GH) at Cochin International Airport, Cochin and started their operations/ground handling services from 1<sup>st</sup> April, 2014. 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 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 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 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 24<sup>th</sup> June,2016 and submitted the consolidated Balance Sheet for FY 2014-15, FY 2015-16 and FY 2016-17. AIATSL submitted the bifurcation of financials (Balance Sheet for FY2015-16 & FY2016-17) among all its stations where AIATSL is operating. Bifurcation of Balance Sheet for FY2014-15 among its station of operation is not submitted.



AIATSL has submitted ATP for the complete Second Control period wherein, AIATSL has proposed an increase of 2% year on year in the ATP from FY 2016-17 to FY 2020-21. M/s AIATSL submitted the Annual Compliance Statement (ACS) for the 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 for Cochin International Airport, Cochin is 7.77 which is greater than 5% Materiality Index (MIG) for the above subject service. Hence the regulated service is deemed '**Material**' for the second control period.
- b) Competition:** AERA, in line with the 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 (GHA) including Air India's subsidiary/JV for competition assessment at all major airports. As per the information available, M/s Celebi Private Limited and M/s Bird Worldwide Flight Services are the other Ground Handling Agencies other than M/s AIATSL which are rendering Ground Handling Services at Cochin International Airport. As three Ground Handling agencies is operating at Cochin Airport the Ground Handling services is deemed '**Competitive**'.
- c) Reasonableness of existing User Agreement(s):** M/s AIATSL has submitted the key User Agreements for Cochin Airport and till date none of the Users has complained to AERA on the Ground Handling services of AIATSL.
4. AIATSL has not submitted the copy of Concession Agreement with Cochin Airport Operator. AIATSL has also not conducted the stakeholder consultation with the users on the proposed ATP submitted for the complete Second Control Period i.e. FY2016-17, FY2017-18, FY 2018-19, FY2019-20 and FY2020-21.
5. (i) The Authority considered the submissions by M/s AIATSL and issued a Consultation paper No. 46/2017-18 dated 21<sup>st</sup> February, 2018 wherein, the Authority proposed that the service for ground handling being provided by M/s AIATSL at Cochin Airport, Cochin is deemed "**Competitive**" 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 M/s AIATSL may be allowed to charge as per **Annexure-V** (of the said consultation paper) wherein the Authority decided to reduce the tariff by 10% (of the minimum of proposed/existing tariff) thereby reducing the profitability for FY 2018-19 as the Service Provider is earning good Return on Average RAB i.e. 534.03% for FY2015-16 and 709.89% in FY 2016-17 which is possibly due to very low asset base. Further, the profit margin stands as 54% in FY2015-16 and 61% on revenue in FY 2016-17. The tariff will be effective from the date of issue of this order to 31.03.2019 of the second control period for Ground Handling Services provided by AIATSL at Cochin Airport, Cochin.
- (iii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 13<sup>th</sup> March, 2018. Further the Authority vide email dated 22.02.2018, informed the same to all concerned stakeholders on their registered email IDs. In response, none of the stakeholder including AIATSL has offered comments on the proposal contained in the aforesaid consultation paper.
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**

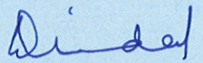
The Authority, in exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008, hereby orders that:

- (i) The service for ground handling being provided by M/s AIATSL at Cochin Airport, Cochin is "**Competitive**" 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 proposed increase of tariffs of 2% year on year from FY 2016-17 to 2020-21 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 for Ground Handling Services rendered at Cochin Airport, Cochin 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 for remaining period of second control period.

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By the Order of and in the  
Name of the Authority

AERA

  
(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 Cochin Airport,

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

Code	Type of Aircraft	Comprehensive Handling in INR
B	Single Engine Aircraft	93600
C	A319	90000
C	A320	90000
C	A321	69498
C	B737	105300
D	A330	115830
E	B747	127413
E	B777	115830
E	B787	115830

Note:

1. All charges mentioned above are maximum and excluding the applicable statutory taxes.



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AERA