

Airports Economic Regulatory Authority of India

Order No. 07/2018-19

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

Date of Issue: 14.05.2018

Service : Ground Handling Services
Service provider : M/s Air India Air Transport Services Limited (AIATSL)
**Airport : Netaji Subhash Chandra Bose International Airport,
Kolkata.**

In the matter of Multi Year Tariff Proposal for the second control period (01.04.2016 to 31.03.2021) and Annual Tariff Proposals for the complete second control period submitted by Air India Air Transport Services Limited (AIATSL) for providing ground handling services at Netaji Subhash Chandra Bose International Airport, Kolkata.

1. a) M/s AIATSL is one of the Ground Handling agencies appointed by Airports Authority of India of Netaji Subhash Chandra Bose International Airport (NSCBIA) for carrying out Ground Handling (GH) at Kolkata International Airport, Kolkata and started their operations/ground handling services from 1st 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 24th June, 2016 and submitted the consolidated Balance Sheet for FY 2014-15, FY 2015-16 and FY2016-17. AIATSL submitted the bifurcation of financials (Balance Sheet for FY2015-16) 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 has submitted the Annual Compliance Statement (ACS) for the FY 2015-16 and FY2016-17.

3. **a)Materiality :** As per clause 4.4 of the CGF Guidelines, 2011 for the regulated service(s) provided for Ground Handling Services at the major airport, the percentage share of Ground Handling Services for Kolkata International Airport, Kolkata is 4.92% which is lower than 5% Materiality The percentage share of Ground Handling for Kolkata Airport, Kolkata for the FY 2014-15 is 4.92% which is less than 5% Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed as '**Non-material**' for the second control period.

b)Competition: AERA on provisions of the National Civil Aviation Policy (NCAP- 2016), vide Order No. 15/2016-17 dated 12th 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 furnished by AIATSL in Form F1(b) on competition Assessment, M/s Bhadra Ground Handling Agency is other service provider which is rendering similar service at Kolkata International Airport. Hence in the instant case, there are two Ground Handling service providers including AIATSL, and therefore the service is deemed '**Non-competitive**'.

c)Reasonableness of existing User Agreement(s): M/s AIATSL has submitted the copies of User Agreements for Kolkata Airport.

- 4) M/s AIATSL has not submitted the copy of Concession Agreement with Kolkata Airport and has 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 made by M/s AIATSL and issued a Consultation paper No. 36/2017-18 dated 2nd January, 2018 wherein, the Authority proposed that the service for ground handling being provided by M/s AIATSL at Kolkata Airport, Kolkata 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 submitted for FY 2016-17, as the service provider's return on Average RAB for FY2015-16 is 283.86% and for FY 2016-17 is 299.88% and the turnover/profit percentage earned in FY 2015-16 is 51% and for FY2016-17 is 54%. 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 Kolkata Airport, Kolkata.

(iii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 22nd January, 2018. Further the Authority vide email dated 03.01.2018 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 of the above mentioned 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 Kolkata Airport, Kolkata 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 for Ground Handling Service rendered at Kolkata Airport, Kolkata 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 schedule operations for similar class of aircraft.
- vi) M/s AIATSL should submit the Concession Agreement and conduct the stakeholders consultation on the proposed Annual Tariff Proposals (ATPs) in future before approaching AERA for tariff determination.

By the Order of and in the
Name of the Authority

भा.वि.आ.वि.प्रा.
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 Kolkata Airport, Kolkata.

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 C	A-320	PAX Schedule International	43,000	0	1,32,000
Code C	A-320	PAX 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 Domestic	10,000	0	14,000
Code C	A319	PAX Schedule International	43,000	0	1,32,000
CodeC	A-321	PAX Schedule International	43,000	0	1,32,000
Code C	B-737	PAX Schedule International	43,000	0	1,32,000
Code C	ATR-72	PAX Schedule Domestic	10,000	0	14,000
Code D	A-300-600	PAX Schedule International	0	0	2,83,000
Code D	A-310-F	Freight Schedule International	0	0	2,06,000
Code D	B757	PAX Schedule International	0	0	1,56,000
Code D	DC10	PAX Schedule International	0	0	2,40,000
Code F	A380	PAX Schedule International	0	0	2,60,000
Code E	A330-309	PAX Schedule International	0	0	1,75,000
Code E	A-330-200	PAX Schedule International	0	0	2,83,000
Code E	A-340	PAX Schedule International	0	0	3,97,000
Code E	B-747	PAX Schedule International	0	0	1,90,000
CodeE	B-777	PAX Schedule International	0	0	2,02,000
CodeE	B-787-800	PAX Schedule International	0	0	2,20,000
CodeE	B-787-900	PAX Schedule International	0	0	2,25,000
CodeE	B777-200F	Freight Schedule International	0	0	2,47,000
CodeE	B-747	PAX Non Schedule International	0	0	1,90,000

