

[AERA/20010/MYTP/AISATS/GH/BIAL/CP-II /2016-17]

Airports Economic Regulatory Authority of India

Order No. 10/2018-19

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

Date of Issue: 28th May, 2018

**Service : Ground Handling Services.
Service provider: Air India SATS Airport Services Private Limited
Airport : Kempegowda International Airport, Bengaluru**

In the matter of Multi Year Tariff Proposal(MYTP) for the second control period and Annual Tariff Proposal (FY 2016-17) for the second control period in respect of M/s Air India SATS Airport Services Limited (AISATS) for providing Ground Handling Services at Kempegowda International Airport, Bengaluru

1. a) M/s Air India SATS Airport Services Limited is one of the Ground Handling agency appointed by Bangalore International Airport Limited (BIAL) for carrying out Ground Handling (GH) Services at Kempegowda International Airport, Bengaluru. The Authority vide its Multi Year Tariff Order (MYTO) No. 23/2011-12 dated 29.09.2011, decided to adopt '**Light Touch Approach**' in respect of the AISATS for Ground Handling Services at Bengaluru Airport for determination of tariffs for the First Control Period (FY2011-12 to FY2015-16). Subsequently, the Authority also determined the Annual Tariffs for FY 2012-13 vide Order no. 18/2012-13 dated 11.09.2012 and later determined Annual Tariffs for FY 2013-14, 2014-15, and 2015-16 vide Order no. 28/2013-14 dated 10.07.2013.
- 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.
- 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 AISATS submitted their Multi Year Tariff Proposal (MYTP) online on 18th March, 2016 and submitted the hardcopy of online MYTP and Annual Tariff Proposal (ATP) for FY2016-17 for second control period. AISATS has sought an increase of 10% for FY 2016-17 in the tariff of Domestic Passengers Flights and no increase is proposed for International Flights. AISATS submitted that the increase sought in tariffs, is to maintain sufficient buffer to counter unforeseen charges in future and due to steep increase in the minimum wages. AISATS has submitted the growth rates adopted in formulating the MYTP/ATP for second control period. It further stated that they are following management approved depreciation rates which are higher than the Companies Act, 2013. AISATS has submitted the Annual Compliance Statements (ACSSs) for the first control period (FY2011-12 to 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 facility at the major airports, the percentage share of Ground Handling at Bangalore Airport, is 6.31% which is more than 5% Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed '**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 12th 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 Globe Ground Industries (GGI) is the other Ground Handling Agency which is rendering similar Ground Handling Services at Bangalore Airport. As only two Ground Handling agencies are operating at Bangalore Airport, the Ground Handling Service is deemed '**Not-Competitive**'.
- c) **Reasonableness of existing User Agreement(s):** M/s AISATS has submitted the valid User Agreements for Bangalore Airport and on further examination the following points are observed:
- The User Agreements submitted by AISATS clearly indicate the tariffs agreed by both the parties.
 - Till date AERA has not received any complaints from users on the existing agreements with the service provider.



4. M/s AISATS has not conducted the stakeholder consultation with the users on the proposed ATP for FY2016-17 and vide email dated 02.10.2017 assured AERA that AISATS will comply/follow with the CGF Guidelines and Directions and submit the evidence of required stakeholder consultation in future.
5. (i) The Authority considered the submissions made by M/s AISATS and issued a Consultation paper No. 37/2017-18 dated 2nd January, 2018 wherein, the Authority proposed that the service for ground handling being provided by AISATS at Bangalore Airport, Bengaluru, is deemed “**Material but Not-Competitive**”. The Authority further examined the User Agreements as submitted by AISATS which are found to be reasonable and proposed to adopt “**Light Touch Approach**” for determination of the tariffs for the duration of the second control period.

(ii) The Authority further proposed in the Consultation Paper that AISATS may be allowed to charge as per **Annexure-VII** (of the said consultation paper), to continue the levy of tariffs as determined vide AERA Order no. 28/2013-14 dated 10.07.2013 for FY 2015-16 at the same level for the first tariff year (FY 2016-17), second tariff year (FY 2017-18) and third tariff year (FY 2018-19) of the second control period as the service provider’s return on Average RAB ranges from 110% to 1192.60% for the first control period and the turnover/profit percentage on sales ranges from 2% to 22% for the first control period. 2% turnover profit percent is earned during FY 2016-17.

(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 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.
7. In the meanwhile, M/s Bengaluru International Airport Limited, vide letter no. BIAL/CA/AERA/2018 dated 08.05.2018 has submitted the following clarifications with regard to implementation of Ministry of Civil Aviation (Ground Handling Services), Regulations 2017, as under:

“In line with the Ground Handling Services Regulations 2017 and the requirement under the National Civil Aviation Policy 2016, we would like to update that in compliance to the regulations, BIAL has successfully completed an online bidding process to select Third Party Ground Handling Services at Kempegowda International Airport, Bengaluru. We are currently undergoing final contract discussions and administrative processes which are likely to be completed in the next few weeks.”



Listed below are the Third Party Ground Handlers who have been awarded the service rights at KIAB effective 01.08.2018:

1. Celebi Airport Services India Pvt. Ltd.
2. Globe Ground India Pvt. Ltd.
3. Air India SATS Airport Services Private Limited which is a JV of Air India.

The prevailing contracts of the existing 2 ground handling service providers at Kempegowda International Airport, Bengaluru i.e. Air India SATS Airport Pvt. Ltd. and Globe Ground India Pvt. Ltd. terminates on 31.07.2018

We would send further update to the authority on the new terms & conditions once the bilateral administrative processes are completed”.

8. It is observed from above that the existing Ground Handling contract in respect of M/s Air India SATS Airport Services Private Limited, and the other Ground Handler i.e., M/s Globe Ground India Pvt. Ltd. will be terminated on 31.07.2018. This aspect has to be taken into consideration for issuing Order in respect of AISATS for its Ground Handling Services at Bengaluru Airport, Bengaluru.

ORDER

Upon careful consideration of the Material available on records, 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 AISATS at Bengaluru Airport, Bengaluru, is '**Material but Not Competitive**'. The Authority examined the user agreements which are found to be reasonable 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) M/s AISATS has asked for increase in rate by 10% in its Annual Tariff Proposal for 1st tariff year (2016-17) but the same was not agreed. Since the FY 2016-17 and FY 2017-18 are already over and the ground handling agreement is to be concluded w.e.f. 31.07.2018, hence, AISATS is allowed to charge the same existing tariffs as on 31.03.2016 which were determined by the Authority vide Order no. 28/2013-14 dated 10.07.2013 for FY 2015-16 at the same level for the First tariff year (FY 2016-17), Second tariff year (FY 2017-18) and upto 31.07.2018 or the date of termination of the Ground Handling contract whichever is earlier, during third tariff year (FY 2018-19) of the second control period for providing the Ground Handling services at Bangalore Airport, Bengaluru as at **Annexure-I**.
- (iii) As M/s BIAL has already awarded service rights for ground handling to AISATS w.e.f. 01.08.2018, AISATS is allowed to charge the same rates as applicable on 31.03.2016 w.e.f. 01.08.2018 on ad-hoc basis upto 31.03.2019 or determination




of tariffs by AERA whichever is earlier.

- (iv) However, for any increase in tariffs, M/s AISATS may approach AERA for the determination of tariffs for the new contract as per the CGF Guidelines for the balance period of the 2nd control period.
- (v) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- (vi) M/s AISATS should not exceed the tariff charges for its Non-Schedule Operations as approved by AERA for its schedule operations for similar class of aircrafts.
- (vii) M/s AISATS should conduct the stakeholder consultation with the users on the proposed Annual Tariff Proposal (ATP) 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 SATS Airport Services Limited, Airline House, 113
Gurudwara Rakab Gunj Road, New Delhi-110001. (Through Shri
Mike Chew, CEO).

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AERA



Annexure-I

Rates to be charged by M/s AISATS for Ground Handling services at Bengaluru Airport, Bengaluru.

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

S.No.	Aircraft Types (ICAO Code)	Schedule Aircraft			
		Pax+Ramp		Cargo Ramp Handling	
		Domestic Flight	International Flight	Domestic Flight	International Flight
1	Code B	13310	37268	NA	NA
2	Code C	17835	97163	59895	145745
3	Code D	28537	146410	103818	161051
4	Code E	59895	186340	125114	219615
5	Code F	106480	263538	170235	316246

Note:

- 1) All Charges mentioned above are maximum and inclusive of existing concession fee, royalty, airport levy charged by the Airport Operator.
- 2) All charges mentioned above exclude taxes which will be charged at the prevailing rates.
- 3) The above rates are valid upto 31.07.2018 or upto the date of termination of ground handling contract whichever is earlier. However in case ground handling services contract is again awarded to M/s AISATS, the same rates as above, will be allowed to continue on ad-hoc basis upto 31.03.2019 or till the determination of tariffs for second control period, whichever is earlier.

