

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

Airports Economic Regulatory Authority of India

Order No. 11/2018-19

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

Date of Issue: 28th May, 2018

Service : Ground Handling Services.
Service provider: Globe Ground India 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 Globe Ground India Private Limited (GGI) for providing Ground Handling Services at Kempegowda International Airport, Bengaluru

1. a) M/s Globe Ground India Private 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. 24/2011-12 dated 25.10.2011, decided to adopt 'Light Touch Approach' in respect of the GGI for its Ground Handling Services at Bengaluru Airport for determination of tariffs for the First Control Period (FY2011-12 to FY2015-16). Subsequently, the Authority determined the Annual Tariffs for Tariff Year-1 (2011-12), Tariff Year-2 (2012-13) and Tariff year-3 (2013-14) for the first control period vide Order no. 24/2012-13 dated 19.11.2012 and later decided to continue the same tariff of FY 2013-14 for the remaining period of first control period i.e. Tariff Year 4 (2014-15) and Tariff Tear 5 (2015-16) vide Order no. 37/2015-16 dated 29.10.2015.

b) The Authority vide its Order No. 09/2016-17 dated 19.08.2016 further extended 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) 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 GGI submitted their Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) for FY 2016-17 on 24th March, 2016 for Second Control Period. GGI has sought an increase of 10% for FY 2016-17 on the previous year tariff (FY 2015-16) approved by AERA. 10% increase has been requested by GGI stating reasons viz. inflation in costs and a steep increase in minimum wages of unskilled/semi-skilled/skilled manpower. GGI further mentioned that the increase in minimum wages in all the categories is approximately 43.36% and ground handling services are manpower intensive hence such increase in cost, will increase the cost of ground handling services. GGI has submitted Annual Compliance statements.

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 Air India SATS Airport Services Limited is the other Ground Handling Agency 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 GGI has submitted some User Agreements for Bangalore Airport and GGI has provided some documents consisting of appreciation mails/certificates from the users of the services towards their satisfactory performance at airport. Users have not raised any reasonable objections on the existing user



- agreements with the service provider.
4. M/s GGI has conducted stakeholder consultation with the users on the proposed ATP for FY2016-17 but the information furnished in support, is insufficient. GGI should conduct stakeholder consultation as per the CGF Guidelines and submit sufficient evidences of the required stakeholder consultation in future.
5. (i) The Authority considered the submissions made by M/s GGI and issued a Consultation paper No. 38/2017-18 dated 2nd January, 2018 wherein, the Authority proposed that the service for ground handling being provided by GGI at Bangalore Airport, Bengaluru, is deemed "Material but Not-Competitive". The Authority further examined the User Agreements as submitted by GGI wherein it is observed that the users have not raised any reasonable objections or concern on the existing user agreements and it is 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 GGI may be allowed to continue to charge the same tariffs existing as on 31.03.2016 for FY 2016-17, FY 2017-18 and for FY 2018-19 of the second control period.
- (iii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 23rd 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 the meanwhile, M/s Bengaluru International Airport Limited (BIAL), 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 Handers 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”.

7. It is observed from above that the existing Ground Handling contract in respect of M/s Globe Ground India Private Limited and the other Ground Handler i.e., M/s Air India SATS Airport Services Private Limited, will be terminated on 31.07.2018. This aspect has to be taken into consideration for issuing Order in respect of GGI 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 GGI at Bengaluru Airport, Bengaluru, is '**Material but Not Competitive**'. The Authority further examined the user agreements wherein it is observed that the users have not raised any reasonable objections or concern. Hence in accordance to the provisions of chapter V of 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 GGI has asked for 10% increase in the rate in the Annual Tariff Proposal for first tariff year (2016-17). But the same is 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. Further their operating profit almost doubled from 9.8 cr. in 2011-12 to Rs. 19.16 cr. in 2015-16 and return on average RAB has also been increased significantly i.e. from 26% in 2011-12 to 132% in 2015-16. Keeping in view these facts, M/s GGI is allowed to charge the existing tariffs as on 31.03.2016 which were determined by the Authority vide Order no. 37/2015-16 dated 20.10.2015, 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 GGI w.e.f. 01.08.2018, GGI 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 GGI 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 GGI 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 GGI should conduct stakeholder consultation with the users on the proposed Annual Tariff Proposal (ATP) in future before approaching AERA for tariff determination.

**By the Order of and in the
Name of the Authority**


**(Puja Jindal)
Secretary**

To,

**M/s Globe Ground India Private Limited
E-9, Connaught House,
Connaught Place, सत्यमेव जयते
New Delhi – 110001
(Through: Shri Sanjay Savant, CFO)**



Annexure-I

Rates to be charged by M/s Globe Ground India Pvt. Ltd. for Ground Handling Services at Bengaluru Airport, Bengaluru.

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

S.No.	ICAO Code	Aircraft Type	Scheduled Passenger Aircraft		Scheduled Freighter Aircraft	
			Domestic	International	Domestic	International
1	Code B	Single Engine aircraft	12,100	33,880	N/A	N/A
2	Code C	A318, A319, A320, A321, B717, B727, B737, BBJ, MD81, to MD90, DC9, TUI34, TUI34A, AN24, AN26, AN26, ATR42, ATR72, F27, F28, F50, F70, F100, YAK40, YAK42	16,214	88,330	54,450	1,32,495
3	Code D	A300-600, A310,, B707, B727-100, B757, B767, B787-300, DC8, DC10, MD11	25,942	1,33,100	94,380	1,46,410
4	Code E	A330-200, A330-309, A340, B747SP, B747, B777, B787-800, B787-900, IL96	54,450	1,69,400	1,13,740	1,99,650
5	Code F	A380	96,800	2,39,580	1,54,759	2,87,496

Note:

- 1) The above rates are excluding all taxes such as Service Tax as may be applicable.
- 2) 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 service contract is again awarded to M/s GGI, 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.

