

Airports Economic Regulatory Authority of India

Order No. 42 /2017-18

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

Date of Issue: 27.03.2018

Service : Ground Handling Services.

Service provider: Air India Air Transport Services Ltd.

Airport : Guwahati International Airport Guwahati.

In the matter of Multi Year Tariff Proposal(MYTP) for the second control period and Annual Tariff Proposal(ATP) (T1 to T5) for the second control period in respect of M/s Air India Air Transport Services Ltd. (AIATSL) for providing Ground Handling Services at Guwahati International Airport, Guwahati.

- सत्यमेव जयते
1. M/s AIATSL is the only Ground Handling agency appointed by Guwahati International Airport Ltd. for carrying out Ground Handling (GH) at Guwahati International Airport, Guwahati 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. The tariffs applicable as on 31.03.2015 have not been changed. The Authority vide its Order No.50/2015-16 dated 31.03.2016 allowed the AOs/ISPs to continue 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. 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. 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. 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.

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 & FY2016-17) among all its stations where AIATSL is operating on 14th Dec, 2017. 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. M/s AIATSL has submitted a copy of User Agreement for Guwahati Airport.
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 Guwahati International Airport, Guwahati is **0.14** which is lower than **5%** Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed '**Non-material**'.
- b. Competition:** AERA, in line with 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 AIATSL is only the service provider which is rendering Ground Handling service at Guwahati International Airport. Hence in the instant case, there is only one Ground Handling service provider, and therefore the service is deemed '**Non-competitive**'.
- c. Reasonableness of existing User Agreement(s):** M/s AIATSL has not submitted valid User Agreements for Guwahati Airport and stated that they handle only Air India flights at Guwahati Airport. Till date AERA has not



received any complaints from users on the existing agreements with the service provider.

4. AIATSL has not submitted the copy of Concession Agreement with Guwahati Airport Operator and not conducted the stakeholder consultation with the users on the proposed ATP submitted for the complete Second Control Period i.e. FY2016-17 to FY2020-21.

5. (i) The Authority considered the submissions made by AIATSL and issued Consultation Paper No. 44/2017-18 dated 31st January, 2018 wherein, the Authority proposed that M/s AIATSL may be allowed to continue with the existing charges for the residual period of FY 2017-18 and FY 2018-19 as the service provider's Return on Average RAB is 802.16% for FY 2015-16 and 208.05% in FY 2016-17. Further, the profit margin stands as 16% in FY 2015-16 and 27% in FY 2016-17.

(ii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 21st February 2018. In response, only Business Aircraft Operators Association (BAOA) commented and requested the Authority to consider the following points:

a) Adoption of "Light Touch Approach" in the determination of Ground Handling tariff even though "Non-Competitive". Further, not in accordance to the provisions of "Competition laws" as per the GH Policy (ref. to para 3(d) of the Gazette of India F.No. AV-24011/8/2017-AAI-MoCA dated 15.12.2017).

b) Non submission of "Concession Agreement" and non-conduct of stakeholder consultation with the Users on the proposed tariff.

(iii) Views of the Authority on Stakeholder comments:

a) **On point a) of BAOA:** (ref. to AERA CGF Guidelines 3.1. of Chapter I) the Authority determines the regulatory approach to be adopted in stage-wise manner and AIATSL, Guwahati is qualified for "Light Touch Approach" in first stage i.e. Stage 1 "Materiality" itself and therefore, the Authority has adopted the "Light Touch Approach". Further it is noted that the newly framed GH policy is published on 15th Dec, 2017 and AERA will direct all the



Airport Operators to comply/ensure that three GH agencies operate at the airports in future.

b) On point b) of BAOA: The Authority has not allowed AIATSL any increase in tariff/ATP as proposed by them and has just allowed AIATSL to continue with the existing tariff. Further AERA has intimated all the concerned stakeholders via registered email IDs to comment on the above mentioned CP/ATP. M/s AIATSL has been directed to submit the concession agreement and to conduct stakeholder consultation in future before approaching AERA for tariff revision.

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 Air India shall match the lowest royalty paid by the other ground handling agencies.

ORDER

Upon careful consideration of material available on record, as well as submissions made by the stakeholder, 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 Guwahati Airport, Guwahati 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) M/s AIATSL is allowed to continue the existing charges for the residual period of FY 2017-18 and FY 2018-19 of the second control period for Ground Handling Services provided by AIATSL at Guwahati Airport, Guwahati as in **Annexure-I**.
- iii) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.



- iv) AIATSL should not exceed the tariff charges for its Non-Schedule Operations as approved by AERA for its schedule operations for similar class of aircraft.
- v) M/s AIATSL should submit the Concession Agreement and conduct the stakeholder consultation on the proposed Annual Tariff Proposal(ATP) in future before approaching AERA for tariff revision.



By the Order of and in the
Name of the Authority

Puja Jindal

(Puja Jindal)

Secretary

To,

M/s AIATSL, Airline House, 113 Gurudwara Rakab Gunj Road, New Delhi-110001.

Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003.



ANNEXURE-I

Tariff Rates for the FY2017-18 and 2018-19 from the Date of Issue of Tariff Order to 31.03.2019.

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

Type of Aircraft	Comprehensive Handling charges in INR for Domestic & International Flights	
	Freighter	Scheduled
Embraer-145	-----	25,740
CRJ200	-----	75,075
ATR 72	-----	25,740
A319/A320/A321/B737	-----	1,63,621
A300/B767-300	-----	2,93,865
A310	-----	2,48,820
B757	-----	1,63,020
DC10	-----	2,50,793
MD11F	84,500	-----
A330	3,06,735	2,93,865
B777	84,500	3,00,300
A340	-----	4,13,127
B747	2,81,252	-----
Dash8-Q400	-----	54,569
Fokker 100	-----	90,519
Fokker F28	-----	54,569

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

