

ऐरा/20010/एमवाईटीपी/बीडब्ल्यूएफएसएमपीएल/जीएच/मुम्बई/सीपी-III/2021-26/
AERA/20010/MYTP/BWFSMPL/GH/Mum/CP-III/2021-26

परामर्श पत्र संख्या 09/2022-23/Consultation Paper No 09/2022-23



सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

मैसर्स बर्ड वर्ल्डवाइड फ्लाइट सर्विसेज मुम्बई प्राइवेट लिमिटेड (बीडब्ल्यूएफएसएमपीएल) द्वारा छत्रपति शिवाजी महाराज अंतरराष्ट्रीय हवाईअड्डा (सीएसएमआईए), मुम्बई में प्रदान की जाने वाली ग्राउंड हैंडलिंग सेवाओं के लिए तृतीय नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF TARIFF FOR GROUND HANDLING SERVICES PROVIDED BY
M/S BIRD WORLDWIDE FLIGHT SERVICES MUMBAI PRIVATE LIMITED (BWFSMPL)
AT CHHATRAPATI SHIVAJI MAHARAJ INTERNATIONAL AIRPORT (CSMIA),
MUMBAI FOR THE THIRD CONTROL PERIOD
(FY 2021-22 TO FY 2025-26)

जारी करने की तारीख : 17/08/2022/

Date of Issue: 17/08/2022

ऐरा भवन/AERA Building

प्रशासनिक कॉम्प्लेक्स/Administrative Complex

सफदरजंग हवाईअड्डा/Safdarjung Airport

नई दिल्ली/New Delhi – 110003

STAKEHOLDERS' COMMENTS

The Authority is aware of the fact that the Aviation Sector is recovering after undergoing turbulence & uncertainty on account of the COVID 19 PANDEMIC around the world. The pandemic had resulted in restrictions on air travel, both domestic and international. Now, with the decline in Covid cases and after easing of restrictions relating to air travel (w.e.f. 28.03.2022), the Aircraft Traffic has started improving. The Authority has released this Consultation Paper, after examining the impact of COVID 19 PANDEMIC on the various assumptions stipulated in the Multi-Year Tariff Proposal ('MYTP') submitted by the BWFSMPL. Accordingly, the Authority's proposals on the various aspects of the Tariff determination process have been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 09/2022-23 dated 17/08/2022 are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airport, New Delhi – 110003, India
Email: trilok.aera.gov.in; satish.kr@aera.gov.in
Copy to: director-ps@aera.gov.in ; secretary@aera.gov.in

Last Date for submission of Stakeholders' comments	09/09/2022
Last Date for submission of counter comments	16/09/2022

Comments will be posted on AERA's website: www.aera.gov.in

For any clarification/information, Director (P&S, Tariff) may be contacted at
Telephone No. +91-11-24695048

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List of Abbreviations:

AERA (AUTHORITY)	Airports Economic Regulatory Authority of India
ATM	Air Traffic Movement
ATP	Annual Tariff Proposal
BWFSMPL	Bird Worldwide Flight Services Mumbai Private Limited
CAPEX	Capital Expenditure
CGF	Cargo, Ground Handling & Fuel Throughput
CSMIA	Chhatrapati Shivaji Maharaj International Airport
GHA	Ground Handling Agencies
GHS	Ground Handling Services
GPU	Ground Power Unit
INR	Indian Rupees
ISP	Independent Service Provider
LoI	Letter of Intent
MIAL	Mumbai International Airport Limited
MYTP	Multi-Year Tariff Proposal
NCAP	National Civil Aviation Policy
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
PBIDT	Profit Before Interest, Depreciation and Tax
P&L	Profit & Loss
RFP	Request for Proposal
SPV	Special Purpose Vehicle
YoY	Year on Year

CHAPTER 1: BRIEF BACKGROUND:

- 1.1 M/s Bird Worldwide Flight Services Mumbai Private Limited (BWFSMPL) is one of the Ground Handling agencies appointed by Mumbai International Airport Ltd (MIAL) for carrying out Ground Handling (GH) Services at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai. M/s Mumbai International Airport Limited (MIAL) through a competitive bidding process selected the Consortium of Bird Worldwide Flight Service (India) Pvt. Ltd. and Globe Ground India Pvt. Ltd. as the successful bidder to undertake Ground Handling Operations at CSMIA, Mumbai.
- 1.2 In accordance with the requirement of RFP, a Special Purpose Vehicle (SPV) named “M/s Bird Worldwide Flight Services Mumbai Private Limited” (BWFSMPL) was incorporated for the purpose of performing, implementing and executing the Ground Handling Services at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai for a period of around ten years effective from 11.02.2016 and valid till 31.03.2026. BWFSMPL commenced their commercial operation from 15th July, 2016 at CSMIA, Mumbai.

The shareholding structure of the ISP is given as below:

Table-1: Summary of Shareholding Structure of BWFSMPL at CSMIA, Mumbai:

Name of Shareholder	No. of Equity Shares	Equity Holding (%)
Bird Worldwide Flight Services (India) Private Limited	7,60,000	76%
Globe Ground India Private Limited	2,40,000	24%
TOTAL	10,00,000	100%

- 1.3 The Authority, vide Order No. 16/2018-19 dated 27.08.2018 determined the Tariff for the Ground Handling Services provided by M/s BWFSMPL at Mumbai airport under “Light Touch Approach” for the Third, Fourth & Fifth Tariff years of the Second Control Period (FY 2016-17 to FY 2020-21).
- 1.4 Further, the Authority issued the following interim orders in respect of BWFSMPL for providing Ground Handling Services at CSMIA, Mumbai:
- Order No. 67/2020-21 dated 25.03.2021 valid up to 30.09.2021;
 - Order No. 18/2021-22 dated 15.09.2021 valid up to 31.03.2022;
 - Order No. 46/2021-22 dated 15.03.2022 valid up to 30.09.2022;
- 1.5 As per the provisions of the CGF Guidelines 2011, BWFSMPL has submitted the Multi Year Tariff Proposal (‘MYTP’) vide letter dated 08.03.2022 for determination of Tariff for the Third Control Period (FY 2021-22 to FY 2025-26) in respect of Ground Handling Services providing by them at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai.
- 1.6 The Authority, after initial scrutiny of the MYTP/ ATP submission of BWFSMPL observed some shortcomings/information gaps. The matter was discussed & clarifications sought from ISP. Subsequently, in light of AERA’s observation/queries, BWFSMPL submitted updated MYTP. However, as there were few deficiencies in the updated submission also which required clarifications; accordingly, BWFSMPL was asked to reply on the observations of AERA. BWFSMPL after addressing AERA’s observations submitted the revised MYTP for the Third Control Period on 04.08.2022.
- 1.7 Bureau of Civil Aviation Security has granted the security clearance to BWFSMPL on 27.07.2021, which shall be valid for a period of five years from the date of issue of security clearance or the period of validity of contract with the Airport Operator, whichever is earlier.

CHAPTER 2: PRINCIPLES FOR DETERMINATION OF “AERONAUTICAL TARIFF”

2.1 The Authority vide Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (“the Guidelines”).

Stage I:- MATERIALITY ASSESSMENT:

2.2 In accordance with the above mentioned AERA Guidelines and Directions, the following procedure is adopted for determination of Materiality Index of regulated Service:

$$\text{Materiality Index (MI}_G\text{)} = \frac{\text{Int. Aircraft Movements at Mumbai Airport}}{\text{Total Intl.Aircraft Movements at Major Airports}} \times 100$$

$$\begin{aligned}\text{The Materiality Index for Mumbai Airport} &= 75994/420772 \\ &= 18.06\%\end{aligned}$$

The percentage share of Ground Handling for Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai for FY 2019-20 is 18.06%, which is more than 5% Materiality Index (MI_G) for the subject service. Hence, the regulated service is deemed as ‘**Material**’ for the Third Control Period.

Stage II:- COMPETITION ASSESSMENT:

2.3 The Authority, with regard to the provisions of the National Civil Aviation Policy (NCAP 2016), vide its Order No. 15/2016-17 dated 12th January 2017 decided to adopt the criteria for competition assessment for Ground Handling Agencies (GHA) as “three (3) Ground Handling Agencies (GHAs) including Air India’s subsidiary/JV”.

2.4 As per the information furnished by BWFSMPL in Competition Assessment Form F1(b), M/s AI Airports Service Limited (AIASL) and M/s Celebi NAS Airport Services India Pvt. Ltd. (Celebi NAS) are the other service providers rendering similar services at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai. Since, there are three Ground Handling agencies, including BWFSMPL at Mumbai Airport, the regulated service is deemed as “**Competitive**”.

2.5 As per Clause 3.2 (ii) of the Guidelines, wherever the Regulated Service provided is ‘Material but Competitive’, the Authority shall determine Tariff(s) for Service Provider(s) based on a ‘**Light Touch Approach**’ for the duration of the Control Period, as per the provisions of chapter V of the Guidelines.

2.6 As per clause 11.2 of the CGF Guidelines, the ATP is required to be submitted in the manner and form provided in AI 8.2 of Appendix-I to the guidelines and should be supported by the following:

- a) Form B and Form 14 (b) (Proposed Tariff Card);
- b) Details of Consultation with Stakeholders;
- c) Evidence of User Agreement(s), if any, between the Service Provider(s) and the User(s) of Regulated Service(s) clearly indicating the Tariff(s) that are proposed by the Service Provider and agreed to by User(s).

2.7 The Authority notes that BWFSMPL has submitted the required documents as stated in Para 2.6 above, except minutes of Stakeholders’ meeting, as the Stakeholders’ Consultation is yet to be conducted by the ISP. The Authority advises BWFSMPL to comply with the AERA (CGF)

Guidelines, 2011 and conduct Stakeholders' Consultation Meeting at the earliest and submit the Minutes of Meeting before finalization of Tariff Order.

Authority's Proposal regarding principles for Tariff determination of BWFSMPL:

- 2.8 Based on the material before it and its analysis, the Authority proposes to consider Tariff determination exercise of BWFSMPL for providing Ground Handling Services at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai under "**Light Touch Approach**" for the Third Control Period, as the regulated service is deemed '**Material but Competitive**'.

CHAPTER 3: AIRCRAFT TRAFFIC (FLIGHTS TO BE HANDLED)

BWFSMPL submission on Aircraft Traffic (Flights to be Handled) for the Third Control Period as part of MYTP.

3.1 Aircraft Traffic (nos. of landings) handled by Mumbai Airport and percentage of flights handled by BWFSMPL (out of total number of landings) during FY 2019-20 (Pre-Covid year), FY 2020-21 and FY 2021-22 are given below:

Table 2: Aircraft Traffic handled by Mumbai Airport and number of Flights handled by BWFSMPL from FY 2019-20 to FY 2021-22.

Year	Total number of Landings at CSMIA, Mumbai			Actual number of Landings (Flights) handled by BWFSMPL at CSMIA, Mumbai			Percentage (%) of Flights handled by BWFSMPL		
	Domestic	Int.	Total	Domestic	Int.	Total	Domestic	Int.	Total
2019-20	1,14,341	37,997	1,52,338	12,945	8,473	21,418	11.32%	22.30%	14.06%
2020-21	46,099	11,833	57,932	4,676	2,834	7,510	10.14%	23.95%	12.96%
2021-22	75,641	17,452	93,093	8,219	3,663	11882	10.87%	20.99%	12.76%

3.2 As per the MYTP submitted by the BWFSMPL projected Aircraft Traffic (Flights to be Handled) for the Third Control Period is given below:

Table 3: Projected Traffic (Flights to be handled) submitted BWFSMPL for the Third Control Period at CSMIA, Mumbai.

Year	Domestic (No. of Landings)	International (No. of Landings)	Total	YoY % increase in Total nos. of Landings	As a % of FY 2019-20		
					Domestic	International	Total
2019-20	12,945	8,473	21,418	--	--	--	--
2020-21	4,676	2,834	7,510	-65%	36%	33%	35%
2021-22	8,219	3,663	11,882	58%	63%	43%	55%
2022-23	8,900	4,968	13,868	17%	69%	59%	65%
2023-24	11,294	7,400	18,694	35%	87%	87%	87%
2024-25	12,394	8,211	20,605	10%	96%	97%	96%
2025-26	13,502	9,102	22,604	10%	104%	107%	106%
TOTAL	54,309	33,344	87,923				

Authority's Examination and Analysis:

3.3 The Authority notes that Covid-19 had impacted the Civil Aviation Sector, including Ground Handling Service Providers, during FY 2020-21 & FY 2021-22. As per the statistics available at AAI website, the total Aircraft Traffic (Domestic and International) at Mumbai Airport during FY 2021-22 had reached to 61% of the pre-Covid level (FY 2019-20). Further, the total Aircraft Traffic for the month of June, 2022 has reached to 89% Aircraft Traffic of corresponding month of pre-Covid period (FY 2019-20) at CSMIA, Mumbai.

3.4 The Authority observes that as per the ISP submission, actual Aircraft Traffic handled by them during FY 2021-22 was 55% of Aircraft Traffic handled in FY 2019-20 (Pre Covid).

After the improvement in pandemic situation and easing of travel restrictions, the ISP has estimated gradual recovery in the Aircraft Traffic and projected to achieve 65% Aircraft Traffic in FY 2022-23 & 87% in FY 2023-24 of FY 2019-20 (pre Covid). From FY 2024-25 onward, ISP has projected a growth rate around 10% in Aircraft Traffic Volume.

- 3.5 The Authority notes that BWFSMPL has projected Aircraft Traffic projection for FY 2022-23 on conservative basis, wherein Aircraft Traffic volume is projected to reach 65% of pre-Covid level. In this regard the Authority sought clarification from ISP. BWFSMPL, in its response, vide email dated 03.08.2022, submitted that one of their clients for Domestic Flights has stopped taking Ground Handling Services from them. However, ISP further informed that they expect to add new clients in near future.
- 3.6 As per ISP projection, total Flight to be handled by them at CSMIA, Mumbai will reach pre-Covid level during FY 2025-26.
- 3.7 BWFSMPL has submitted that Aircraft movements projected by them are as per the business estimates made by their management and forecasted numbers are arrived at after considering the developments in the aviation industry, market share & other ground realities etc.
- 3.8 The Authority, mindful of the impact caused by Covid-19 pandemic on Civil Aviation Sector, market competition and taking note of clarifications/justification in respect of Aircraft Traffic submitted by the ISP, feels that the Aircraft Traffic projected by BWFSMPL for the Third Control Period seems reasonable.

Authority's Proposal regarding Traffic Volume for the Third Control Period:

- 3.9 Based on the material before it and its analysis, the Authority proposes to consider the Aircraft Traffic (Flights to be handled) for the Third Control Period as per **Table 3**.

CHAPTER 4: CAPITAL EXPENDITURE

BWFSMPL submission on Capital Expenditure for the Third Control Period as part of MYTP

4.1. As per the MYTP, BWFSMPL has projected a total Capital Expenditure (CAPEX) of ₹ 986.78 Lakhs for the procurement of Ground Handling Equipment & other assets during the Third Control Period (FY 2021-22 to FY 2025-26). The asset wise Capital Expenditure projected by ISP for Third Control Period is given as below:

Table 4: Capital Expenditure projected by BWFSMPL for the Third Control Period.

(₹ in lakhs)

Particulars	2021-22*	2022-23	2023-24	2024-25	2025-26	TOTAL
Plant & Machinery	46.72	336.06	215.99	125.65	96.80	821.23
Office Equipment	0.35	0.00	0.00	0.00	0.00	0.35
Vehicles	0.00	0.00	7.55	150.10	7.55	165.20
TOTAL	47.07	336.06	223.54	275.75	104.35	986.78

*Actual CAPEX incurred in FY 2021-22

4.2. BWFSMPL has submitted detailed breakup of the Capital Expenditure of ₹ 986.78 lakhs for the Third Control Period as given below:

Table 5: Breakup of Capital Expenditure as submitted by BWFSMPL for the Third Control Period.

(₹ in lakhs)

Year	Particulars	Qty	Rate (₹) per Qty	Amount (₹)	Asset Class
2021-22	Push Back Tractor - Draw Pull Bar of 12000 DaN	1	37.53	37.53	Ground Handling Equipment
	Towbar Universal	1	3.99	3.99	
	Chocks (12), Marshalling torches (10 pairs*5), Head set (2), By Pass pin for A320/B737 (2), Safety cones (12), Vacuum cleaners (3), Firex (2)	1	5.20	5.20	
	Mobile Phone	11	0.03	0.35	Office Equipment
TOTAL FOR FY 2021-22				47.07	

2022-23	Diesel Baggage TUG - 25T Tow Capacity	3	35.15	105.45	Ground Handling Equipment
	Towbar Universal	2	4.04	8.08	
	Passenger Step - 2200-5300mm height	2	9.73	19.47	
	Baggage Conveyor Belt - 5 M Boom Length	2	5.78	11.56	
	Push Back Tractor - Draw Pull Bar of 21000 DaN	1	119.22	119.22	
	Baggage trolleys	20	1.80	36.00	
	Container Dollies	20	1.81	36.27	
TOTAL FOR FY 2022-23				336.06	

2023-24	Diesel Baggage TUG - 25T Tow Capacity	2	35.15	70.30	Ground Handling Equipment
	Towbar Universal	2	4.94	9.88	
	Baggage Conveyor Belt - 5 M Boom Length	2	5.78	11.56	
	GPU-60 KVA Single cable	1	33.90	33.90	
	Baggage trolleys	25	1.80	45.00	
	Container Dollies	25	1.81	45.33	
	Vehicle ramp	1	7.55	7.55	Vehicles
TOTAL FOR FY 2023-24				223.54	

2024-25	Diesel Baggage TUG - 25T Tow Capacity	2	35.15	70.30	Ground Handling Equipment
	Towbar Universal	2	4.94	9.88	
	Baggage Conveyor Belt - 5 M Boom Length	2	5.78	11.56	
	GPU-60 KVA Single cable	1	33.90	33.90	
	Coaches	2	75.05	150.10	Vehicles
TOTAL FOR FY 2024-25				275.75	

2025-26	Diesel Baggage TUG - 25T Tow Capacity	2	35.15	70.30	Ground Handling Equipment
	Towbar Universal	2	4.94	9.88	
	Baggage Conveyor Belt - 5 M Boom Length	2	5.78	11.56	
	Vehicle GSE Maintenance	1	7.55	7.55	Vehicles
	Chocks (12), Marshalling torches (10 pairs*5), Head set (2), By Pass pin for A320/B737 (2), Safety cones (12), Vacuum cleaners (3), Firex (2)	1	5.05	5.05	Ground Handling Equipment
TOTAL FOR FY 2025-26				104.35	
GRAND TOTAL				986.78	

Authority's Examination and Analysis:

- 4.3. The Authority notes that BWFSMPL has projected a total of ₹ 986.78 lakhs for the Third Control Period. Out of total projected CAPEX of ₹ 986.78 lakhs for the Third Control Period, ISP has proposed to incur ₹ 821.23 lakhs on Ground Handling Equipment, ₹165.20 lakhs on vehicles, and ₹ 0.35 lakhs on Office Equipment.
- 4.4. BWFSMPL has submitted that they have incurred ₹ 47.07 lakhs in FY 2021-22 on purchase of Ground Handling Equipment. Further, ISP vide mail dated 14.07.2022 has provided the copies of the invoices regarding actual CAPEX incurred in FY 2021-22 and stated that the CAPEX projected for the remaining period of Third Control Period will be incurred as per the proposed schedule.

4.5. Based on the information/clarifications submitted by BWFSMPL, the Authority notes that the most of the proposed CAPEX is towards purchase of Equipment & Machinery which is essential for smooth Ground Handling operations and better passenger facilitation at the Airport. Therefore, the Authority proposes to consider the CAPEX as submitted by BWFSMPL for Third Control Period (as per Table 4).

Authority's Proposal regarding CAPEX for the Third Control Period:

4.6. Based on the material before it and its analysis, the Authority proposes to consider the CAPEX for the Third Control Period submitted by BWFSMPL as per **Table 4**.

CHAPTER 5: OPERATING EXPENDITURE AND PROFITABILITY

BWFSMPL submission on Operating Expenditure for the Third Control Period as part of MYTP

5.1. As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operational and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service provider(s), including expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.

5.2. Operation and Maintenance Expenditure submitted by BWFSMPL has been segregated into the following categories:

- a) Payroll Costs.
- b) Administrative and General Expenses.
- c) Utility and Outsourcing Costs.
- d) Repair and Maintenance Expenditure.
- e) Concession Fees.

5.3. As per the MYTP submitted by BWFSMPL Revenue and Operating Expenditure (OPEX) projected by ISP, for the Third Control Period (FY 2021-22 to FY 2025-26) is as under:

Table 6: Revenue and Operating Expenditure submitted by BWFSMPL for Third Control Period.

Particulars	₹ in Lakhs							CAGR (%)	YoY% Change			
	2019-20	Third Control Period					Total*		2022-23	2023-24	2024-25	2025 -26
		2021-22	2022-23	2023-24	2024-25	2025-26						
Revenue (A)	13746.80	7964.29	8972.43	12498.66	13479.26	14676.77	57591.41	17%	13%	39%	8%	9%
Payroll Costs (i)	6375.65	3724.26	4250.07	5945.50	6532.21	7212.16	27664.20	18%	14%	40%	10%	10%
Administrative and General Costs (ii)	1783.43	1293.67	1394.96	1637.45	1746.11	1866.28	7938.47	10%	8%	17%	7%	7%
Utilities and Outsourcing costs (iii)	382.42	275.23	313.76	435.38	471.12	513.85	2009.35	17%	14%	39%	8%	9%
Repair and Maintenance Costs (iv)	256.21	264.04	280.50	296.97	316.04	336.32	1493.87	6%	6%	6%	6%	6%
Concession Fees (v)	2025.67	2100.00	2100.00	2188.03	2337.79	2509.44	11235.26	5%	0%	4%	7%	7%
Total OPEX (B) = (i+ii+iii+iv+v)	10823.38	7657.21	8339.29	10503.33	11403.27	12438.05	50341.14	13%	9%	26%	9%	9%
PBIDT (A-B)	2923.42	307.08	633.14	1995.33	2075.99	2238.72	-	-	-	-	-	-
Interest & Finance Cost	315.09	250.24	280.32	298.30	281.70	249.22	-	-	-	-	-	-
Depreciation	571.90	580.83	582.20	596.51	569.67	574.01	-	-	-	-	-	-
Profit Before Tax (PBT)	2036.43	-523.99	-229.38	1100.52	1224.62	1415.50	-	-	-	-	-	-
Taxation	58.85	0.00	0.00	65.38	308.22	356.28	-	-	-	-	-	-
Profit After Tax (PAT) (C)	1977.58	-523.99	-229.38	1035.14	916.40	1059.22	-	-	-	-	-	-
Net Profit Margin (C/A)	14.38%	-6.58%	-2.56%	8.28%	6.80%	7.22%	-	-	-	-	-	-

*Total FY 2021-22 to FY 2025-26.

Authority's Examination and Analysis:

5.4. The Authority has examined the Operating Expenditure for the Third Control Period as submitted in Form F3 (P&L) and noted that the total Operating Expenditure for FY 2021-22 (₹ 7657.21 lakhs) is lower by 29% & for FY 2022-23 (₹8339.29 lakhs) is lower by 23% over the actual Operating Expenditure incurred by BWFSMPL in FY 2019-20 (₹10823.38 lakhs). The Authority observes that total Operating Expenditures is projected to increase by 9% on YoY basis, except for FY 2023-24.

The Authority notes that for FY 2023-24, the Aircraft tariff is projected to increase by 35% & Revenue by 39%. Considering the significant increase in Aircraft Traffic & Revenue figures, the Authority feels that 26% increase projected in total Operating Expenditure for FY 2023-24 seems reasonable.

The Authority, has examined the category-wise operating expenditure as under:

i. **Payroll Costs:** The Authority notes that the payroll cost projected for FY 2021-22 (₹ 3724.26 lakhs), FY 2022-23 (₹ 4250.07 lakhs) and FY 2023-24 (₹ 5945.50 lakhs) are lower by 42%, 33% & 7% respectively over the actual payroll cost incurred in FY 2019-20 (₹ 6375.65 lakhs).

The Authority observes that YoY increase in the payroll cost projected by the ISP from FY 2022-23 onwards ranges between 10% to 14%, except for FY 2023-24, wherein 40% increase is projected over preceding year. The Authority notes that 40% increase projected in pay roll cost for FY 2023-24 is commensurate with the 39% increase projected in revenues. Further, considering the increase in Aircraft traffic by 35% in FY 2023-24 and taking into account the impact of annual increase in salaries and minimum wages, the 40% increase in payroll costs seems reasonable.

In context of projected increase in payroll costs, the ISP vide mail dated 05.08.2022 submitted that for FY 2021-22, FY 2022-23 and FY 2023-24, the pay roll expenses are lower, as against actual payroll expenses incurred in FY 2019-20 due to Covid/post Covid impact on Aircraft Traffic. Further, ISP expects payroll cost to reach normal levels (pre Covid) from FY 2024-25 onward.

ii. **Administrative and General Costs:** The Authority notes that the Administrative & General Costs projected for FY 2021-22 (₹ 1293.67 lakhs), FY 2022-23 (₹ 1394.96 lakhs) and FY 2023-24 (₹ 1637.45) are lower by 27%, 22% & 8% respectively over the actual Administrative & General Costs incurred by the ISP in FY 2019-20 (₹ 1783.43 lakhs).

The Authority observes that the ISP has projected YoY increase in the Administrative & General Costs by 7% to 8% from FY 2022-23 onward, except for FY 2023-24, wherein 17% increase over preceding year is projected. Considering the increase in Aircraft traffic by 35% & 39% increase in Revenue in FY 2023-24 and taking into account the impact of annual inflation, the 17% increase in Administrative & General Costs seems reasonable.

Further, BWFSMPL vide mail dated 04.08.2022 has submitted that YoY increase in Administration & General Costs are projected after factoring the increase in communication, travelling, marketing and others Administration expenses, due to the annual inflation and YoY increase in the number of Flights projected to be handled during the Third Control Period.

iii. **Utility and Outsourcing Costs:** The Authority notes that the Utility and Outsourcing cost projected for FY 2021-22 (₹ 275.23 lakhs) and FY 2022-23 (₹ 313.76 lakhs) are lower by 28% & 18% respectively over the actual Utility and Outsourcing cost for FY 2019-20 (₹ 382.42 lakhs).

The Authority observes that the ISP has projected YoY increase in the Utility and Outsourcing Costs in the range of 8% to 14% from FY 2022-23 onward, except for FY 2023-24, wherein 39% increase is projected over preceding year. Considering the increase in Aircraft traffic by 35% & 39% increase in Revenue in FY 2023-24 and taking into account annual inflation, the Authority feels that increase

of 39% in Utility and Outsourcing Costs is reasonable.

Further, BWFSMPL vide mail dated 04.08.2022 submitted that Utility and Outsourcing cost is projected after factoring the increase in Fuel, water & electricity charges due to annual inflation. ISP also submitted that Utility and Outsourcing costs are directly linked with the nos. of flights projected to be handled; therefore, the Utility and Outsourcing cost will increase in proportion to the number of flights to be handled during the Third Control Period.

- iv. **Repair and Maintenance Costs:** The Authority notes that ISP has projected 6% YoY increase in Repair and Maintenance Costs during the Third Control Period.

In this regard, the ISP vide mail dated 04.08.2022 submitted that R&M costs include expenses related to Spares, Consumables & Lubes/Oil etc. and the R& M expenses have been projected after considering the regular maintenance of equipment, to keep it in proper operational state.

- v. **Concession Fees/Revenue sharing:** BWFSMPL has submitted that they have to share a percentage of their gross revenues with the Airport Operator in accordance with the Concession Agreement executed between the ISP and the Airport Operator. As per concession agreement, ISP, has to pay Airport Operator, a higher of following two amounts:

- Revenue Share Percentage of Actual Gross Revenue from International & Domestic Flight Handling.
- Minimum Annual Guarantee Amount (MGA) as per the Concession Agreement.

BWFSMPL has clarified that the concession fees payable by them to the Airport Operator would be as per the Concession Agreement between them.

The Authority further observes from the Projected P&L Statement (Table 6) that BWFSMPL is projected to incur loss of 229.38 lakhs in FY 2022-23. Thereafter, ISP is expected to earn normal profit after tax (PAT) in the range of 6.80% to 8.28% from FY 2023-24 onward during Third Control Period.

Authority's Proposal regarding OPEX for the Third Control Period:

- 5.5. Based on the material before it and its analysis, the Authority, proposes to consider the OPEX for the Third Control Period as per **Table 6**.

CHAPTER 6: ANNUAL TARIFF PROPOSAL

BWFSMPL submissions on Annual Tariff Proposal for the Third Control Period as part of MYTP.

6.1 BWFSMPL has submitted Tariff proposals for Ground Handling Services at CSMIA, Mumbai for FY 2022-23 to FY 2025-26 of the Third Control Period as given in Table below:

Table 7: Proposed Tariff Rates for Schedule Flights submitted by BWFSMPL for FY 2022-23 to FY 2025-26 of the Third Control Period.

(Rates in ₹)

A/C	2022-23			2023-24			2024-25			2025-26		
	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full
Domestic Passenger Flight												
Code B	4100	12400	16500	4500	13400	17800	4900	14400	19100	5300	15500	20500
Code C	8500	25500	34000	9200	27500	36600	9900	29500	39200	10600	31600	42000
Code D	13700	41300	55000	14800	44400	59200	15900	47600	63400	17100	51000	67900
International Passenger Flight												
Code C	36000	88000	124000	38700	94600	133300	41500	101300	142700	44500	108400	152700
Code D	51200	153800	205000	55100	165400	220400	59000	177000	235900	63200	189400	252500
Code E	60500	181500	242000	65100	195200	260200	69700	208900	278500	74600	223600	298000
Code F	84500	253500	338000	90900	272600	363400	97300	291700	388900	104200	312200	416200
Domestic Cargo Flight												
Code C	N/A	63300	N/A	N/A	68100	N/A	N/A	73300	N/A	N/A	78800	N/A
Code D	N/A	111600	N/A	N/A	120000	N/A	N/A	129000	N/A	N/A	138700	N/A
Code E	N/A	131500	N/A	N/A	141400	N/A	N/A	152100	N/A	N/A	163600	N/A
Code F	N/A	178800	N/A	N/A	192300	N/A	N/A	206800	N/A	N/A	222400	N/A
International Cargo Flight												
Code C	N/A	103200	N/A	N/A	111000	N/A	N/A	119400	N/A	N/A	128400	N/A
Code D	N/A	181200	N/A	N/A	194800	N/A	N/A	209500	N/A	N/A	225300	N/A
Code E	N/A	212300	N/A	N/A	228300	N/A	N/A	245500	N/A	N/A	264000	N/A
Code F	N/A	290600	N/A	N/A	312400	N/A	N/A	335900	N/A	N/A	361100	N/A

Notes:

- Any flight where either its arrival or departure are international, will also be considered as an International Flight for the purposes of applying above rates.
- The above rates are for basic Handling Services.
- The above rates are exclusive of GST and any other applicable Government taxes.

6.2 BWFSMPL has proposed the following % increase in the Tariff for Schedule Flights at CSMIA, Mumbai. as given in Table below:

Table 8: Statement of YoY Percentage (%) Change in the Tariff Rates for Schedule Flights for the Third Control Period.

A/C	2022-23			2023-24			2024-25			2025-26		
	Tariff Year 2			Tariff Year 3			Tariff Year 4			Tariff Year 5		
	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full
Domestic Passenger Flight												
Code B	N/A	N/A	N/A	9%	8%	7%	8%	7%	7%	8%	7%	7%
Code C	N/A	17%	7%	8%	8%	7%	7%	7%	7%	7%	7%	7%
Code D	N/A	8%	7%	8%	8%	7%	7%	7%	7%	7%	7%	7%
International Passenger Flight												
Code C	N/A	2%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Code D	N/A	1%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Code E	N/A	1%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Code F	N/A	2%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Domestic Cargo Flight												
Code C	N/A	N/A	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code D	N/A	N/A	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code E	N/A	N/A	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code F	N/A	N/A	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
International Cargo Flight												
Code C	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code D	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code E	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A
Code F	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A	N/A	7%	N/A

6.3 BWFSMPL has also submitted separate Tariff Rate Card for Non-Schedule and General Aviation Operation(s) as per table given below: -

Table 9: Proposed Tariff rates submitted by BWFSMPL for Non-Schedule and General Aviation Operations - Domestic and International Flights

(Rates in ₹)

Financial Year	2022-23		2023-24		2024-25		2025-26	
A/C Category	Domestic	Intl.	Domestic	Intl.	Domestic	Intl.	Domestic	Intl.
MTOW								
0-5000	23500	45000	25145	48150	26905	51521	28788	55127
5001-10000	30000	82500	32100	88275	34347	94454	36751	101066
10001- 20000	36500	131250	39055	140438	41789	150269	44714	160788
20001- 35000	61500	150000	65805	160500	70411	171735	75340	183756
35001- 40000	63000	168750	67410	180563	72129	193202	77178	206726
40001- 50000	63000	187500	67410	200625	72129	214669	77178	229696
50001- 100000	85000	243750	90950	260813	97317	279070	104129	298605
100001 –200000	225335	461250	241108	493538	257986	528086	276045	565052
200001- 300000	515052	543750	551106	581813	589683	622540	630961	666118
300001 and above	618062	656250	661326	702188	707619	751341	757152	803935

Notes:

- The above rates are for basic Handling Services.
- The above rates are exclusive of GST and any other applicable Government taxes.

Authority's Examination and Analysis:

6.4 BWFSMPL has proposed 7% YoY Tariff increase (comprehensive services) for Schedule Flights from FY 2022-23 to FY 2025-26 of the Third Control Period.

6.5 The Authority further notes that BWFSMPL has proposed a separate Tariff for Non-Schedule and General Aviation Flights. In this regard, the Authority is of the view that the Tariff for Domestic Non-Schedule and General Aviation Operations should not be more than the Tariff of relevant Domestic Schedule Flights for similar class of Aircraft(s). However, the Authority proposes to consider the separate Tariff in case of International Non-Schedule & General Aviation Operations only (Refer Table 9).

6.6 The Authority notes that in case of Non-Schedule Flights and General Aviation Operations, BWFSMPL has proposed 7% YoY increase in Tariff for FY 2023-24 to FY 2025-26 of the Third Control Period.

6.7 Further, BWFSMPL should ensure compliance of Standardization of Ground Handling Equipment at

CSMIA, Mumbai, in accordance with the directives issued by Ministry of Civil Aviation vide its letter no. AV-24011/10/2021-AAI-MOCA dated 01.11.2021.

Authority's Proposal regarding Tariff Proposals for the Third Control Period:

Based on the available facts and analysis, the Authority proposes the following with regard to Tariff structure and Annual Tariff Proposal for the Third Control Period:

- 6.8 The Authority, in case of Schedule Flights proposes to consider the Tariff Rates as per **Annexure-I** for the Third Control Period.
- 6.9 The Authority proposes that the Tariff Rates for Domestic Non-Schedule and General Aviation Operations should not exceed the Tariff of relevant Domestic Schedule Flights for similar class of Aircraft(s).
- 6.10 The Authority, in case of International Non-Schedule and General Aviation Flights, proposes to consider Tariff as mentioned in **Annexure-II**.
- 6.11 The Authority proposes that in case of payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15th of the month will be applicable for the second fortnight.
- 6.12 The Authority also proposes that the Tariff Rates proposed as per **Annexure – I & II** shall be maximum Tariff to be charged. No other charge is to be levied over and above the proposed Tariff Rates.

CHAPTER 7: SUMMARY OF AUTHORITY’S PROPOSALS

The below mentioned summary provides the Authority's proposals relating to relevant chapters regarding the tariff determination of BWFSMPL providing Ground Handling Services at CSMIA, Mumbai for Stakeholders’ Consultation purpose:

Chapter	Para	Summary of Authority’s Proposals	Pg. no.
Chapter No.2	2.8	The Authority proposes to consider Tariff determination exercise of BWFSMPL for providing Ground Handling Services at Chhatrapati Shivaji Maharaj International Airport (CSMIA), Mumbai under “ Light Touch Approach ” for the Third Control Period, as the regulated service is deemed ‘ Material but Competitive ’.	8
Chapter No. 3	3.9	The Authority proposes to consider the Aircraft Traffic (Flights to be handled) for the Third Control Period as per Table 3.	10
Chapter No. 4	4.6	The Authority proposes to consider the CAPEX for the Third Control Period as per Table 4.	13
Chapter No. 5	5.5	The Authority, proposes to consider the OPEX for the Third Control Period as per Table 6.	16
Chapter No. 6	6.8	The Authority, in case of Schedule Flights proposes to consider the Tariff Rates as per Annexure-I for the Third Control Period.	19
	6.9	The Authority proposes that the Tariff Rates for Domestic Non-Schedule and General Aviation Operations should not be exceed the Tariff of relevant Domestic Schedule Flights for similar class of Aircraft(s).	
	6.10	The Authority, in case of International Non-Schedule and General Aviation Flights, proposes to consider Tariff as per Annexure-II.	
	6.11	The Authority proposes that in case of payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15 th of the month will be applicable for the second fortnight.	
	6.12	The Authority also proposes that the Tariff Rates proposed as per Annexure – I, II shall be maximum Tariff to be charged. No other charge is to be levied over and above the proposed Tariff Rates.	

CHAPTER 8: STAKEHOLDERS' CONSULTATION

- 8.1 In accordance with the provisions of Section 13(4) of the AERA Act, the Authority's proposals contained in Chapter 7 are hereby put forth for Stakeholders' consultation. To assist the Stakeholders in making their submissions in a meaningful and constructive manner, necessary annexures are enclosed to the consultation paper (**Annexures-I & II**).
- 8.2 For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the Stakeholders in response hereto and by making such decision fully documented and explained in the tariff order in terms of the provisions of the Act.
- 8.3 The Authority welcomes written evidence-based feedback, comments and suggestions from Stakeholders on the proposals made in Chapter 7 above, latest by **09/09/2022**.

Secretary,
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi -110003
Tel: 011-24695044-47, Fax: 011-24695048

(Chairperson)

**PROPOSED TARIFF RATES FOR BWFSMPL MUMBAI FOR GROUND HANDLING SERVICES
IN RESPECT OF DOMESTIC* & INTERNATIONAL SCHEDULE FLIGHTS
FOR THE THIRD CONTROL PERIOD (FY 2021-22 to FY 2025-26)
FOR STAKEHOLDERS' CONSULTATION.**

(Rates in ₹)

A/C	2022-23			2023-24			2024-25			2025-26		
	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full
Domestic Passenger Flight												
Code B	4100	12400	16500	4500	13400	17800	4900	14400	19100	5300	15500	20500
Code C	8500	25500	34000	9200	27500	36600	9900	29500	39200	10600	31600	42000
Code D	13700	41300	55000	14800	44400	59200	15900	47600	63400	17100	51000	67900
International Passenger Flight												
Code C	36000	88000	124000	38700	94600	133300	41500	101300	142700	44500	108400	152700
Code D	51200	153800	205000	55100	165400	220400	59000	177000	235900	63200	189400	252500
Code E	60500	181500	242000	65100	195200	260200	69700	208900	278500	74600	223600	298000
Code F	84500	253500	338000	90900	272600	363400	97300	291700	388900	104200	312200	416200
Domestic Cargo Flight												
Code C	N/A	63300	N/A	N/A	68100	N/A	N/A	73300	N/A	N/A	78800	N/A
Code D	N/A	111600	N/A	N/A	120000	N/A	N/A	129000	N/A	N/A	138700	N/A
Code E	N/A	131500	N/A	N/A	141400	N/A	N/A	152100	N/A	N/A	163600	N/A
Code F	N/A	178800	N/A	N/A	192300	N/A	N/A	206800	N/A	N/A	222400	N/A
International Cargo Flight												
Code C	N/A	103200	N/A	N/A	111000	N/A	N/A	119400	N/A	N/A	128400	N/A
Code D	N/A	181200	N/A	N/A	194800	N/A	N/A	209500	N/A	N/A	225300	N/A
Code E	N/A	212300	N/A	N/A	228300	N/A	N/A	245500	N/A	N/A	264000	N/A
Code F	N/A	290600	N/A	N/A	312400	N/A	N/A	335900	N/A	N/A	361100	N/A

* Tariff for Domestic Schedule Flights is also applicable to Domestic Non-Schedule flights and General Aviation Operations also.

Notes:

- Above Tariff Rates are excluding of all applicable taxes.
- Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- For payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15th of the month will be applicable for the second fortnight.
- Any flight where either its arrival or departure are international, will also be considered as an International Flight for the purposes of applying above rates.

**PROPOSED TARIFF RATES FOR BWFSMPL MUMBAI FOR GROUND HANDLING SERVICES
IN RESPECT OF INTERNATIONAL NON-SCHEDULE & GENERAL AVIATION FLIGHTS
FOR THE THIRD CONTROL PERIOD (FY 2021-22 to FY 2025-26)
FOR STAKEHOLDERS' CONSULTATION**

(Rates in ₹)

Financial Year	2022-23	2023-24	2024-25	2025-26
A/C Category	International	International	International	International
MTOW				
0-5000	45000	48150	51521	55127
5001-10000	82500	88275	94454	101066
10001- 20000	131250	140438	150269	160788
20001- 35000	150000	160500	171735	183756
35001- 40000	168750	180563	193202	206726
40001- 50000	187500	200625	214669	229696
50001- 100000	243750	260813	279070	298605
100001 –200000	461250	493538	528086	565052
200001- 300000	543750	581813	622540	666118
300001 and above	656250	702188	751341	803935

Notes:

- Above Tariff Rates are excluding of all applicable taxes, if any.
- Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- For payment in foreign currency, the RBI conversion rate as on the last day of the previous month will be applicable for the first fortnight and rate as on 15th of the month will be applicable for the second fortnight.