

File No. AERA/20010/MYTP /AI/C/Chennai/2011-12

Consultation Paper No. 44/2012-13



Airports Economic Regulatory Authority of India

Multi Year Tariff Proposal and Annual Tariff Proposal for the First Control Period in respect of Ground Handling Service rendered by Air India at Major Airports

New Delhi: 12th March, 2013

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

As per Section 2(a) of the “The Airport Economic Regulatory Authority of India Act, 2008” (the Act) any service provided, inter-alia, for “ground handling services relating to aircraft, passengers and cargo at an airport” are aeronautical services. Further, as per Section 13(1)(a) of the Act, the Authority is required to determine the tariff for aeronautical services.

1.2 The Authority had issued the “The Airports Economic Regulatory Authority of India (Terms and Conditions for Determining of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011” (the Guidelines) vide Direction No. 4/2010-11 dated 10.01.2011. In terms of powers conferred on section 15 of the Act, all concerned service providers were also directed to act in accordance with the aforesaid Guidelines.

1.3 In terms of clause 7.1 of the Guidelines, all services providers were required to submit the Multi Year Tariff Proposal (MYTP) for the first control period commencing on 01.04.2011 within two months of the date of issue (ie. 10.01.2011) of Guidelines. Accordingly, MYTPs were required to be submitted by all concerned service providers by 10.03.2011. Further, the Annual Tariff Proposal (ATP) for the first year of the first Control Period was required to have been submitted within 75 days of issue of MYTO and the ATPs for the 2nd and 3rd Tariff year were required to be submitted at least 75 days prior to start of the said Tariff year.

1.4 However, since most of the Independent Service Providers (ISPs) had sought extension of time for submission of the MYTP, being the 1st Control Period, the Authority, vide its Order No. 17/2010-11 dated 31.03.2011, extended the date for submission of MYTP(s) upto 30.04.2011 and also ordered that in the interim, all the ISP(s) may continue to charge the tariffs as prevalent on 01.09.2009 or as may have been approved / determined by the Authority thereafter with effect from 01.04.2011 and upto the date when the new tariffs as may be approved by the Authority became applicable.

1.5 The Authority has noted that Air India (AI) is providing ground handling at various major airports. AI, at various stages, sought extension of time for submitting the MYTP for this service. The Authority asked AI to submit the information in prescribed Forms as per the Guidelines and in view of the extensions sought by AI, extended the timeline for submission of the proposal from time to time.

1.6 AI have, vide letter dated 29.08.2012 (**Annexure-I**), inter-alia submitted that:-

“We are enclosing the rates being charged by Air India for ground handling activities including cargo handling being followed at various major airports in India This would also be the ATP for the year 2012-13. Air India has been charging the same tariff for ground handling services since 2009. The rates have not been revised and are also not planned to be revised in the near future. Whenever, a revision is to be effected the same shall be submitted to AERA for necessary approval. The list of major airports where these rates are inter-alia is applicable is placed at Annexure ‘B’.....”

In view of above stated position and filing of tariff proposal, Air India may be permitted to charge the existing rates for various services.”

1.7 In their submission, Air India enclosed the following documents in respect of Ground Handling services provided by them:-

- i. Ground Handling Charges by Air India;
- ii. Major Airport at which Ground Handling charges are applicable;

1.8 AI has indicated the rates/ tariffs for the Ground handling services. AI has submitted that its ground handling rates have not been raised since 2009 and they do not plan to revise the same in the near future.

1.9 The Authority has considered the submission made by Air India and noted that Air India has proposed to retain the existing tariffs for ground handling services at the same level for the entire control period and have stated that in case of any revision they will approach the Authority. As AI is not proposing to increase Ground Handling charges, the Authority has considered this submission of AI for determination of tariff for ground handling services provided by it.

2.1 As per para 3 of the Guidelines, the Authority shall follow a three stage process for determining its approach to the regulation of a regulated service.

- i. Materiality Assessment
- ii. Competition Assessment
- iii. Assessment of reasonableness of the user agreements between the service providers and the regulated services.

2.2 As per clause 4.4 of the Guidelines, the materiality index for ground handling shall be assessed based on International Aircraft Movement at the major airport A as a percentage of total Aircraft movements at all major airports.

2.3 As per para 5 of the Guidelines, where Regulated Service is being provided at major airport by two or more Services provider(s), it shall be deemed "competitive" at that airport.

2.4 As per AI submission, ground handling services were being carried out by them at Ahmedabad, Bengaluru, Calicut, Chennai, Cochin, Delhi, Goa, Hyderabad, Kolkata, Mumbai, Pune, Thiruvananthapuram and Guwahati. However, the Authority has noted that presently, it is Air India SATS who is rendering ground handling services at Bengaluru, Delhi, Hyderabad and Thiruvananthapuram Airports. Air India SATS, vide their letter dated 31.07.2012 informed the status of novation arrangement between Air India and AISATS for Thiruvananthapuram Airport. The Authority has determined the tariff in respect of ground handling services rendered by AISATS at Hyderabad, Bengaluru, Thiruvananthapuram and Delhi accordingly.

2.5 Hence, the present proposal is for the determination of tariff for ground handling services rendered by AI in respect of seven major airports at (i) Ahmedabad, (ii) Calicut, (iii) Chennai, (iv) Cochin, (v) Kolkata, (vi) Mumbai and (vii) Guwahati. Goa and Pune Airport are Civil Enclaves and hence the tariff for these airports would be determined separately.

2.6 Air India has stated in its letter dated 29.08.2012 that
“Air India has been charging the same tariff for ground handling services since 2009. The rates have not been revised and are also not planned to be revised in the near future. Whenever, a revision is to be effected the same shall be submitted to AERA for necessary approval.”

3.1 Based on the Guidelines, the Materiality and Competition Assessment of the ground handling services have been assessed for the above mentioned seven major airports in para 2.5 and the same are tabulated in Table 1 below. The materiality or otherwise of these airports has been assessed based on the 2010-11 AAI Traffic Statistics and the competition assessment has been made based on the details of the list of ground handling service providers at these airports, who have filed their MYTP/ ATP with this Authority.

Table 1: Materiality and Competition assessment of Airports (for Ground Handling Services by Air India)

S. No	Airports	Material /Non Material (as per 2010-11 AAI Traffic Statists)	Competitive/ Non Competitive	Competitor
1	2	3	4	5
1	Ahmedabad	Not Material	Competitive	Cambata Aviation Services (P) Ltd
2	Calicut	Not Material	Competitive	Bhadra International India (P) Ltd.
3	Chennai	Material	Competitive	Bhadra International India (P) Ltd.
4	Cochin	Material	Competitive	Bird Worldwide Flight Services (India) Pvt. Ltd.
5	Kolkata	Not Material	Competitive	Bhadra International India (P) Ltd.
6	Mumbai	Material	Competitive	Cambata Aviation Services (P) Ltd Cambata, Celebi NAS Airport Services India Pvt Ltd
7	Guwahati	Not Material	Non Competitive	

3.2 As is evident from Table 1, the services being rendered by Air India at Ahmedabad, Calicut, Kolkata and Guwahati is “not material”. Further, it is also observed, that though the services are not material, the service at most of these airports is competitive as well, except Guwahati.

3.3 In respect of Chennai, Cochin and Mumbai airports, the ground handling services being rendered by Air India is “material but completeive”.

3.4 As per the Guidelines, where such regulated services being rendered by the service provider at a major airport, it is deemed to be “material but competitive”. Further in case the service is either “not material” or “material but competitive” the Authority shall determine the tariff(s) for the first control period under “Light Touch Approach”.

3.5 Thus, as the services being rendered by AI, at all the above seven airports, are either “not material” or “material but competitive”, hence as per the Guidelines, the tariffs may be determined under “light touch approach.”

3.6 Air India has submitted the following rates for Ground Handling Services at these seven major airports. **(Annexure II).**

Table 2: Rate proposed by Air India for Ground Handling services.

Ground Handling charges by Air India			
	(Rates are in USD)*		
Aircraft- wise tariff- passenger flight Services: For Passenger handling, ramp handling, cargo handling, cabin cleaning.	Transit	Turnaround within 4 hours	Turnaround beyond 4 hours
B747/DC10/L1011/1L86/MD11/A340 /B777	3413	4665	5279
A300/A310/B767/A330	2882	3914	4432
B707/DC8/1L62/TU154/B757	1455	1999	2231
A320/B737	1310	1799	2008
Aircraft-wise tariff- Freighter flight Services: for Ramp handling and cargo handling.	Transit	Turnaround within 4 hours	Turnaround beyond 4 hours
B747F/DC10F/L1011F/1L86F/MD11F /A340F/B777F	3589	4904	5559
A300F/A310F/B767F/A330F	2979	4070	4614
B707F/DC8F/1L62F/TU154F/B757F	1824	2465	2790
A320F/B737F	1585	2217	2513

Note:- For conversion of USD into INR, RBI reference rate as on the 1st day of the month for 1st fortnightly billing period and the rate prevailing as on 16th day of the month for the next fortnightly billing period shall be adopted.

3.7 After careful consideration of the matter, the Authority makes the following proposals for stakeholder consultation:

The ground handling services rendered by Air India is:-

- (a) “not material” at Ahmedabad, Calicut, Kolkata and Guwahati airports
- (b) “material but competitive” at Chennai, Cochin and Mumbai airports

Hence, in accordance with the clause 3.2 of the Guidelines “light touch approach” may be adopted for determination of tariff for Ground Handling services provided by Air India, in respect of these airports for first control period.

The Tariff for Ground Handling Service provided by Air India at the airports mentioned in Table 1 above, for the first control period, i.e. 01.04.2011 to 31.03.2016 are tentatively decided to be as at **Annexure -II.**

4.1 In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in para 3.7 above is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary above documents are enclosed. 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 terms of the provisions of the Act.

4.2 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 3.7 above, **latest by 26.03.2013** at the following address:

Capt. Kapil Chaudhary(Retd.)
Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: kapil.chaudhary@aera.gov.in
Tel: 011-24695042
Fax: 011-24695039

Yashwant S. Bhave
Chairperson

The Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport
New Delhi – 110 003

Ref. No.RO/AERA/MYTP

Date: 29th Aug.,2012

Dear Madam,

Sub: Submission of MYTP and ATP in respect of Cargo and Ground Handling services provided at Major Airports-reg.

This is reference AERA's letter no. AERA/20010/MYTP/AI/C/Chennai/2011-12/1114 dated 9/14th Aug 2012 on the subject.

We are enclosing the rates being charged by Air India for ground handling activities including cargo handling being followed at various major airports in India at 'Annexure A'. This would also be the ATP for the year 2012-13. Air India has been charging the same tariff for ground handling services since 2009. The rates have not been revised and are also not planned to be revised in the near future. Whenever, a revision is to be effected the same shall be submitted to AERA for necessary approval. The list of major airports where these rates are interalia applicable is placed at Annexure 'B'.

Air India is providing Cargo services at Mumbai and Chennai airports. We are also enclosing the cargo tariff being charged presently at Mumbai and Chennai airports, which are enclosed at 'Annexure 'C' & 'D' respectively with the proposed marginal increase. Air India has been charging the same tariff for cargo services since 2009. These rates are proposed to be revised @ 6% over the existing rates. The ATP for 2012-13 incorporating the increase is placed at Annexure 'E' & 'F' respectively. The proposals for these airports have already been submitted earlier to AERA. As regards the Cargo facilities at Mumbai and Chennai it is to inform that apart from Air India, Airports Authority of India is also providing Cargo services.

The details of various financials, manpower parameters etc. relating to ground handling and cargo would not be possible to be provided at this stage as Air India is in the process of major corporate and financial restructuring specially related to these two functions. The turnaround plan and financial restructuring plans, as approved by the Government, for the merged company are underway and are

नेशनल एविएशन कंपनी ऑफ इण्डिया लिमिटेड National Aviation Company of India Limited
रजिस्टर्ड कार्यालय : एयरलाइन्स हाउस, 113, गुरुद्वारा रकाबगंज रोड, नई दिल्ली-110001 EPABX : 23422000
Regd. Office : Airlines House, 113 Gurudwara Rakabganj Road, New Delhi-110001 EPABX : 23422000
वेब साईट Web site : www.airindia.in



being closely monitored by the Government. On implementation of the approved financial and corporate restructuring plans that Air India is undergoing, we would be in a better position to fulfill AERA requirement/guidelines in complete detail. In the meanwhile we may be permitted to file the MYTP and ATP as per the annexure enclosed.

The copies of the approved Annual Reports of Air India till the year 2010-11 are provided in our website as below:

<http://www.airindia.com/SBCMS/Webpages/JRD.aspx?MID=196#>

In view of the above stated position and filing of tariff proposal, Air India may be permitted to charge the existing rates for various services.

Thanking you

Yours faithfully,
For Air India Limited


(Vineta Bhandari)
Executive Director

Ground Handling charges by Air India

	(Rates are in USD)		
	Transit	Turnaround within 4 hours	Turnaround beyond 4 hours
Aircraft-wise tariff-Passenger flight Services: for Passenger handling, ramp handling, cargo handling, cabin cleaning			
B747/DC10/L1011/1L86/MD11/A340/B777	3413	4665	5279
A300/A310/B767/A330	2882	3914	4432
B707/DC8/1L62/TU154/B757	1455	1999	2231
A320/B737	1310	1799	2008
Aircraft-wise tariff-Freighter flight Services: for Ramp handling and cargo handling			
	Transit	Turnaround within 4 hours	Turnaround beyond 4 hours
B747F/DC10F/L1011F/1L86F/MD11F/A340F/B777F	3589	4904	5559
A300F/A310F/B767F/A330F	2979	4070	4614
B707F/DC8F/1L62F/TU154F/B757F	1824	2465	2790
A320F/B737F	1585	2217	2513

Other conditions:

- 1 Airport Levy and Service tax will be charged additionally
- 2 Time limit for usage of equipments per flight
 - 2 hours for transit flights.
 - 2 hours 30 minutes for turnaround within 4 hours.
 - 3 hours for turnaround beyond 4 hours.
- 3 Flights handled between 000 1 hrs and 0400 hrs will be charged a 15% peak hour surcharge.
Handling in case of technical landing for other than commercial purpose will be charged 50% of the above
- 4 rates, provided there is no physical change of load.
Handling in case of return to ramp will not be charged extra, provided that a physical change of load is not
- 5 involved.
Handling in case of return to ramp involving a physical change of load will be charged as for handling in case of
- 6 a technical landing
- 7 No extra charge will be made for providing the services on Saturday, Sundays and legal Holidays.

Major airports at which Ground Handling Charges are applicable.

- (i) Sardar Vallabh Bhai Patel International Airport at Ahmedabad
- (ii) Bengaluru International Airport at Devanhalli (Benguluru)
- (iii) Kozhikode Airport at Calicut
- (iv) Chennai International Airport at Chennai
- (v) Cochin International Airport at Cochin
- (vi) Indira Gandhi International Airport at Delhi
- (vii) Goa International Airport at Dabolim
- (viii) Rajiv Gandhi International Airport at Shamshabad (Hyderabad)
- (ix) Netaji Subhash Chandra Bose International Airport at Kolkata
- (x) Chhatrapati Shivaji International Airport at Mumbai
- (xi) Pune Airport at Pune
- (xii) Thiruananthapuram International Airport at Thiruananthapuram
- (xiii) Lokpriya Gopinath Bordoloi International Airport, Guwahati

STRICTLY CONFIDENTIAL

2012/L/CHQ/MKT/0008/AERA

31 July 2012

Ms Radhika R
DGM
AERA Building
Administrative Complex
Safdarjung Airport
New Delhi

Sub: Request for date extension of submission of MYTP for TRV

Dear Madam,

This is in reference to the submission of MYTP for TRV station by 31 July 2012. Through this letter we humbly request for **Air India SATS Airport Services Private Limited ("AISATS")** to submit the required documents by **31 October 2012**, due to the reasons mentioned below:

1. AISATS is in process of taking over the full ground handling services and novating all the existing contracts from Air India to AISATS, at TRV. It may take at least 2 more months to fully novate all the contracts at TRV, as these contracts have to be approved by the respective airline headquarters. Until the contracts are novated, airlines would not agree to the proposed handling rates.
2. AISATS is currently doing only partial handling of Air India flights domestic flights at TRV. It might take 3-4 months for us to provide full handling of Air India flights, but this is contingent on AI/AISATS agreeing to the handling of AI's flights. In view of this, we are not able to submit the full revenue and cost of our ground handling operations at this point of time. Since the submission of MYTP requires clarity on financial figures, a submission from us at this point of time would be incomplete.
3. Nevertheless, AISATS can submit Form 14(b) i.e maximum rates charged to airline customers - as required for ATP submission - for now if your good office requires us to do so. However, please note we would not be in a

Air India SATS Airport Services Private Limited

Correspondence Address:

A-301, Business Square, Andheri - Kurla Road, Chakala, Andheri (East), Mumbai 400069, India.

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110001, India
Corporate Identification Number (CIN): U74900DL2010PTC201763

position to submit Form 14(a) i.e yields from the handling charges for reasons mentioned in (1) and (2).

We seek your kind consideration to grant us the extension till 31 October 2012 to submit the necessary information.

We will however endeavor to submit as soon as we have all the necessary data and documents formally approved.

Thank you for your kind understanding.

Yours Sincerely,



Nilang Shah

Manager Marketing

Air India SATS Airport Services Private Limited

E-mail: nilang.shah@aisats.in

Contact: (D) +91-22-3938 7016

(F) +91-22-3938 7001

Air India SATS Airport Services Private Limited

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A-301, Business Square, Andheri – Kurla Road, Chakala, Andheri (East), Mumbai 400069, India

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110001, India

Corporate Identification Number (CIN): U74900DL2010PTC201763

Annexure-II

Ground Handling charges by Air India			
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5. Handling in case of return to ramp will not be charged extra, provided that a physical change of load is not involved.
6. Handling in case of return to ramp involving a physical change of load will be charged as for handling in case of a technical landing.
7. No extra charge will be made for providing the services on Saturday, Sundays and legal Holidays.