

Consultation Paper No. 19/2014-15



Airports Economic Regulatory Authority of India

**Annual Tariff Proposal for the Fourth and Fifth Tariff
year in respect of Bhadra International India Ltd for
providing Ground Handling Services at Kozhizode
International Airport, Calicut.**

New Delhi:23rd March, 2015

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

The Authority had considered the Multi-Year Tariff Proposal for the first control period along with the Annual Tariff Proposal (ATP) for the first tariff year (i.e. 2011-12) of the control period, submitted by Bhadra International India Limited (Bhadra) in respect of Ground Handling Services provided at Kozhikode International Airport, Calicut. The Authority had after due stakeholder consultation, issued the Multi Year Tariff Order (MYTO) No.9/2011-12 dated 12.06.2012 ordering that the services provided for ground handling at Kozhikode International Airport, Calicut by Bhadra International India Limited, are “not material” and hence adopted ‘light touch approach’ for determination of tariff during the first control period of 5 years commencing 01.04.2011. The Authority also determined the tariff for the first tariff year (i.e. 2011-12) vide the above MYTO. The tariff for the first tariff year, i.e. 2011-12, was also determined vide this MYTO. Further, the Authority had also determined the tariff for the Second tariff year (2012-13) and Third Tariff year (2013-14) vide Order no. 17/2013-14 dated 21.06.2013.

2. Submissions of Bhadra (collectively placed at Annexure –I):

2.1 Bhadra, vide their letter dated 21.07.2014 has submitted that:

“.....and with the continuance of the non-entitled entities at all the Airports, where Bhadra has been awarded the license for providing the ground handling services, we wish to inform you that there is going to be no change in the tariff structure in respect of the 4th Tariff year, viz. 2014-15, from the already approved rates by AERA for the first tariff year of the first control period in respect of Airports at Chennai, Kolkata, Calicut and Trivandrum. For your ready reference, the tariff as approved for the 3rd Tariff year in respect of the above airports is attached herewith.

Kindly consider and approve the same rates as proposed by Bhadra for the first control period for the 4th tariff year as well, for all the four airports namely Chennai, Kolkata, Trivandrum and Calicut.”

2.1 Furthermore, Bhadra, vide their letter dated 04.09.2014 submitted that:

“.. our rates for comprehensive handling will remain the same for both 4th and 5th year and hence would request AERA to accord its approval for the 4th year (2014-15) and 5th year (2015-16) to be in sync with the period for which the cargo tariff is being approved viz. 2013-14 to 2015-16 at the rates as already approved for the 3rd tariff year in respect of the airports at Chennai, Kolkata, Trivandrum and Calicut Airport. (copy of 3rd year tariff approve by AERA enclosed).”

3. Authority’s Analysis:

3.1 As per para 7.4 of the Authority’s CGF Guidelines [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], after issuance of the Multi Year Tariff Order, the service provider is to submit the Annual Tariff Proposal at least 75 days prior to the start of tariff year.

3.2 As per clause A.I.8.2. of the Appendix to the Guidelines for Regulated Service(s) deemed either ‘not material’ or ‘material but competitive’ or ‘material and not competitive’ but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Service Providers(s) shall submit, for the consideration of the Authority, an Annual Tariff Proposal for review of Tariff(s) to be charged in the following Tariff Year for the Control Period, in the specified Form B and Form F14 (b).

The Tariff(s), as proposed by the Service Provider in the Annual Tariff Proposal, shall be on non-discriminatory basis, with reference to conditions of Tariff(s), volume of the discount, rationale behind giving the discount and such other factors as may be relevant.

3.3 It has been observed that Bhadra, in their submission, have indicated that they would be maintaining the tariff (s) for the 4th and 5th tariff years based on the tariff(s) of the 3rd tariff year for their comprehensive ground handling services at certain airports, including Kozhikode International Airport, Calicut. The tariff(s) for the third tariff year for Ground handling service provided by Bhadra at these airports were determined by this Authority after due stakeholder consultation.

4. Authority's Proposals:

4.1 The Authority has carefully considered the tariff proposal submitted by Bhadra for Ground Handling Service provided at Kozhikode International Airport, Calicut and decided to make the following proposal for stakeholder consultation:

- (i) The tariff(s) for the fourth tariff year (2014-15) and fifth tariff year (2015-16) of the first control period submitted to be charged by Bhadra International India Pvt. Ltd for providing ground handling services for ground handling services at Kozhikode International Airport, Calicut are tentatively decided to be the maximum rates as were determined vide the Authority's Order No.17/2013-14 dated 21.06.2013. **(Annexure II).**

5 In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 4.1 above is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents have been enclosed as Annexure I & II. 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.

6. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 4 above, latest by 6th April, 2015 at the following address:

**Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: alok.shekhar@gov.in
Tel: 011-24695042
Fax: 011-24695039**

Chairperson



bhadra

Bhadra International (India) Pvt. Ltd.

Bhadra /AERA-tariff/2014-15/
Dated 21st July, 2014

To,
The Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport ,
New delhi-110 003

Kind attention : C.V.deepak, OSD-II

Sub : Submission of Annual tariff proposal for the 4th Tariff year of the first control period in respect of ground Handling services at Chennai, Kolkata , Trivandrum and Calicut Airports

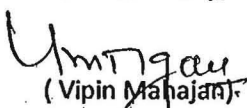
Dear Sir,

After careful consideration of the prevailing rates and with the continuance of the non entitled entities at all the Airports , where Bhadra has been awarded the licence for [providing the ground handling services, We wish to inform you that there is going to be no change in the tariff structure in respect of the 4th Tariff year, viz.2014 15, from the already approved rates by AERA for the first tariff year of the first control period in respect of the Airports at Chennai, Kolkata, Calicut and Trivandrum . For your ready reference, the tariff as approved for the 3rd Tariff year in respect of the above airports is attached herewith.

Accordingly, we therefore request you to kindly consider and approve the same rates as proposed by Bhadra for the first year of the first control period for the 4th tariff year , as well for all the four airports namely Chennai, Kolkata , Trivandrum and Calicut .

Thanking you,

Yours faithfully,


(Vipin Mahajan)
Chief Financial Officer

For Bhadra International India Pvt.Ltd

Ref. No. Bhadra/AERA/Cargo-Tariff/2014-15

Dated: 4th September, 2014

To

**The Secretary,
Airports Economic Regulatory Authority of India,
Safdarjung Airport,
New Delhi**

Subject: Approval of Tariff for the cargo handling at the cargo terminals at Chennai and Kolkata Airports and the MYTP tariff proposals for the 4th and 5th year of the control period in respect of Chennai, Kolkata, Trivandrum and Calicut Airports

Ref:- Our proposal for cargo handling tariff vide our office letter No.Bhadra/AERA/cargo tariff/2012-13 dated 25th March,2013 and our proposal for 4th & 5th year tariff year for Chennai, Kolkata, Trivandrum and Calicut vide our letter No.Bhadra/AERA-tariff/2014-15 dated 21st July,2014

Dear Sir,

Kind attention is invited to the meeting we had in your office on 13th August,2014 wherein some clarifications were sought which we explained in detail and also requested for approving our tariff pending with AERA for both cargo as well as for the passenger and freighter aircraft handling. On the basis of the discussions that we had with your goodselves, we are furnishing herewith a detailed summary in chronological order to enable you to take it forward and get the approval of the Competent Authority.

1. **AAI Ground Handling Regulations:** The Airports Authority of India Ground Handling Regulations,2007 were promulgated through an official Gazette Notification on 18th October,2007 and the scope of ground handling activities has been defined under clause 2(e) (i), (ii) and (iii) , involving the ramp handling activities as specified in the Schedule I of the regulations and the traffic handling including activities as specified in the schedule II of the Regulations and any other activity designated by the Chairperson to be a part either of ramp handling or traffic handling. (Annex 2)

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Corporate Office

CIN No: U51909DL2000PTC108262

42, Rani Jhansi Road, New Delhi-110055

F: +91 11 42534600 F: +91 11 42534603

E: info@bhadra.in W: www.bhadra.in

It may be seen under schedule I dealing with Ramp Handling – that the scope of cargo handling services has been specifically covered under point 5 (giving detailed coverage under para 5.1 to 5.7).

In this regard, a copy of the Ministry of Civil Aviation's letter dated 27th October, 2008 is enclosed for your ready reference, clearly mentioning that the scope of the activities covered by the ground handling policy inter alia includes the entire gamut of cargo handling activities and makes no distinction between passenger handling and cargo handling. (ANNEX-2)

Further, in terms of clause 3 (iii) of the AAI Ground Handling Regulations, 2007 any ground handling service provider selected through competitive bidding on revenue sharing basis subject to security clearance by the Central Government and observing performance standards may carry out ground handling services .

2. **Notice Inviting Tender (NIT) by AAI and selection of the highest Bidder:**

The Airports Authority of India, consequent to the promulgation of the AAI Ground Handling Regulations, 2007 floated the Notice Inviting Tenders (NIT) in August, 2009 clubbing together for the Chennai and Kolkata Airports and separately for the Northern Region, Western Region and Southern Region identified airports. (copies of the NIT is enclosed). (ANNEX . 3 & 4)

After due process on the globally invited competitive bids, AAI in our case selected the consortium of Bhadra-NOVIA for the Chennai and Kolkata Airports on our quote of 32.5% on the GTO and for the five Airports of the Southern Region, namely at Trivandrum, Calicut, Trichy, Coimbatore and Mangalore on our quote of 31.81% on the GTO. The award letters were issued on 9.9.2009 for the Chennai and Kolkata Airports and on 07.12.2009 for the Southern Region Airports. (Copy of award letters enclosed). (ANNEX - 5 & 6)

It may be seen that under clause 4 of the respective award letters issued by AAI, the scope of the **comprehensive ground handling services** as indicated in the Airports Authority of India (General Management, Entry for Ground Handling Services), 2007 (also forming a part of the agreement) has been incorporated.

The consortium of Bhadra-NOVIA, completed all the contractual formalities as enshrined in the respective award letters - like obtaining security clearances from the various government agencies

and submitting the requisite performance Bond guarantee and Security deposits totalling to Rs.108 crores and also sourced and positioned world class, environment friendly pollution controlled State-of-Art equipment at all the Airports where Bhadra was conferred with the responsibilities for providing Ground Handling Services.

Subsequently, in terms of the minutes of the meeting held 24.11.2010 at Chennai Airport, wherein besides the Airport Director, Chennai Airport, the Executive Director(Cargo) and Executive Director (Commercial) were also present, the consortium of Bhadra-NOVIA commenced its ground handling services to the various Airlines at the Export Cargo Terminal at Chennai Airport with effect from 1st December,2010. The consortium of Bhadra -NOVIA commenced the ground handling services at the cargo terminal at the Kolkata Airport from 19th December,2010 respectively. A flow chart of the cargo activities both in the export and import is enclosed herewith for your perusal. ^(Annex-7) The comprehensive Ground Handling Services in respect of passenger as well as freighter aircraft ground handling services to the airlines were commenced from March, 2011.

3. Reason as to why Bhadra could not get the cargo handling services rates schedule approved alongwith the rates got approved from AERA for Passenger and freighter aircraft ground handling services:

Prior to the commencement of cargo handling services by Bhadra International India Pvt. Ltd in December,2010 at Chennai and Kolkata Airports to the Airlines and cargo trade fraternity, Airports Authority of India was carrying out these activities themselves, for which the rates were negotiated by AAI with BAR-India and were finalised for a period of 3 years effective from 1st April,2010 till 31st March,2013. ^(ANNEX-8)

Inspite of clear cut instructions from the ED(Cargo) issued with the approval of the Competent Authority dated 7th April,2011 (copy enclosed) to sign the agreements and novate in favour of Bhadra, ^(ANNEX-9) AAI were not able to complete the agreement signing process with the airlines and thus no novation could take place. Had AAI novated the agreements in favour of Bhadra, we would have included the same in the tariff proposals submitted to AERA in respect of passenger, freighter and ramp handling and got the approval for Cargo handling also.

In the absence of the novation, the rates as agreed between AAI and the Airlines continued for the period of three years effective from 1.4.2010 till 31st March,2013 ,with applicable yearly escalations and the Airports Authority of India were accordingly raising bills on the respective Airline directly and collecting payments directly. Even after our taking over the entire activities in the cargo complex, in December,2010 still the billing on the airlines were continued to be made by Airports Authority of India till 31st March,2013 and after deducting the royalty at 32.5% of the gross billing by AAI, the balance payments after deducting the TDS were passed on to us.

The rates earlier agreed by AAI for three years were valid only till 31st March,2013. After discussions between AAI, Bhadra and the Airlines, AAI vide its circular letter No. AAM/CARGO/3201/2013/3912-39 dated 23.2.2013 intimated the airlines about the termination of the agreement entered between AAI and the Airlines and advised the Airlines to implement the Standard Ground Handling Agreement (SGHA) forwarded by Bhadra to the Airlines. (copy of the communication enclosed ^(ANNEX-10)). Further meetings were held between BAR-CS and AAI and Bhadra, and in the meeting held on 28th March,2013(copy of minutes circulated by AAI ^(ANNEX.11) enclosed), it was decided that Bhadra will directly enter into agreements with the Airlines for the cargo handling services rendered to the airlines at the proposed rates subject to approval of AERA and any difference between the proposed rate and the rate approved by AERA is to be adjusted accordingly by issue of credit note etc. (ref. para 1, 2 and 5 of the minutes). Keeping in view the strict tender conditions imposed by AAI and the frequent revisions taking place in the minimum wage rates of central Government, which Bhadra has been adopting to all its whole time bonafide employees in terms of the AAI Ground Handling Regulations, coupled with the state of art equipments deployed in the cargo complexes, , the rates now proposed by Bhadra are very much reasonable, and are also competitive in comparison with similar ground handling agencies providing such cargo handling services at other International Airports in India, as well.

4. Role of AAI in the cargo terminal and the charges for the services rendered by them

Consequent to the promulgation of the AAI ground handling Regulations,2007 all the ground handling services to the airlines are being rendered by the consortium of Bhadra-NOVIA. However, since the cargo infrastructure development – like the warehouse space,

creation of dangerous goods storage area, perishable cargo shed, strong room etc and its maintenance are the responsibility of AAI, it has its rate structure for collection of the Terminal Storage and Processing Charges (TSP charges) and Demurrage Charges both in respect of export and import cargo, for which AAI has got the rates approved from AERA separately. (Ref. AERA order No.38/2012-13 dated 4.2.2013)

In addition, in terms of the award and the licence agreement between Bhadra and AAI, Bhadra is paying 32.5% on its Gross Turnover from the cargo handling as well as from the passenger, freighter and charter aircraft operations.

Further, in order to maintain seamless operation in the import cargo warehouse, Bhadra in addition to its ground handling functions to the airlines is also providing free manpower to AAI for its custodian functions, free of cost. The revenue in the form of TSP and Demurrage charges is billed and received totally by AAI.

5. Competition for the Services

In terms of para 3(1) of the AAI Ground Handling Regulations, 2007, NACIL, through its subsidiaries or its joint ventures is also permitted to carry out ground handling services, which inter alia includes cargo handling as well, to its aircrafts as well as in providing third party handling. NACIL has been rendering the cargo handling services at both Chennai and Kolkata Airports respectively. Bhadra however, is not aware of the royalty, if any being shared /paid by NACIL with /to AAI as well as their tariff, if any approved by AERA.

6. Accord Of Approval by AERA:

a) Approval of cargo handling rates :

Bhadra has submitted its tariff proposal, duly endorsed by AAI vide its minutes dated 28th March, 2013 giving its go ahead to approach AERA for getting final approval as well as to approach the airlines for signing of the SGHA. As this will be a three year agreement for the period 2013- 14 to 2015-16 to be signed with the Airlines, with yearly escalations as indicated in the rate schedule, we would request AERA to accord its approval for the three years proposed.



bhadra

b) Approval of Passenger, freighter and charter flight handling rates for the 4th year and 5th year of the first control period.

We have submitted our annual tariff proposal for the 4th year of the first control period, vide our letter dated 21st July, 2014. In this regard we would like to submit that our rates for comprehensive handling will remain the same for both the 4th and 5th year and hence would request AERA to accord its approval for the 4th year (2014-15) and 5th year (2015-16) to be in sync with the period for which the cargo tariff is being approved, viz. 2013-14 to 2015-16, at the rates, as already approved for the 3rd tariff year in respect of the airports at Chennai, Kolkata, Trivandrum and Calicut Airports. (copy of 3rd year tariff approved by AERA enclosed). (Annex-12 to 15)

We also hereby confirm the comprehensive rate schedule as earlier submitted by Bhadra and approved by AERA covers the activities, as desired by the Airlines while entering into an agreement with us.

In case any Airline, wants any additional services, on need basis, to be provided and not originally covered in the comprehensive agreement, then, charges will be separately levied as per the rates given in the enclosed annexure.

In case any further clarifications are required, we will be ready to give a presentation to your esteemed members for their further satisfaction, before approving the schedule of rates.

Thanking you for your valuable support and cooperation.

Yours faithfully,
For Bhadra International (India) Pvt. Ltd.


(Prem Bajaj)
Chairman and Managing Director.

Encls: as above

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[F. No. AERA/20010/MYTP/Bhadra /GH /Calicut/2011-12]

Airports Economic Regulatory Authority of India

Order No. 17/2013-14

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

Date of Order: 24th May, 2013

Date of Issue: 21st June, 2013

In the matter of Annual Tariff Proposal submitted by Bhadra International India Ltd. for Second and Third Tariff Year (2012-13 & 2013-14) of the first control period for providing Ground Handling Services at Kozhikode International Airport, Calicut.

M/s Bhadra International India Limited (Bhadra) is providing ground handling services at Kozhikode International Airport, Calicut (Kozhikode Airport). Bhadra submitted its Multi Year Tariff Proposal (MYTP) for determination of tariffs for services provided by it at Kozhikode Airport. This MYTP was considered by the Authority. After due stakeholder consultation, the Authority issued Multi Year Tariff Order (MYTO) No. 9/2012-13 dated 12.06.2012 wherein the Authority decided to adopt "light touch approach" for determination of tariff for ground handling services provided by Bhadra at Kozhikode Airport for the first control period w.e.f. 01.04.2011. The tariffs for the first tariff year i.e. 2011-12, were also determined vide this MYTO.

2. Bhadra, vide its letter dated 19.02.2013, requested the Authority to consider and approve the same rate as were approved for the first tariff year of the first control period, for the 3rd tariff year also in respect of all the four airports namely Chennai, Kolkata, Trivandrum and Calicut Airport for the ground handling services provided at these airports.

3. The Authority observed that the tariffs in respect of ground handling services provided by Bhadra at Kozhikode International Airport are to be determined under Light Touch Approach as per the MYTO. Tariffs for the first tariff year were determined accordingly. Now, Bhadra has proposed to maintain the same rates (as were levied during 1st tariff year) during the 3rd tariff year. It was also noted that during the 2nd tariff year also, Bhadra was levying the same rates.

4. The Authority considered the proposal submitted by Bhadra in respect Kozhikode Airport and issued Consultation Paper No. 43/2012-13 on 11.03.2013. The Authority in the Consultation Paper No. 43/2012-13, proposed that the tariffs for the 2nd tariff year (2012-13) and 3rd tariff year (2013-14) for Ground Handling services provided by Bhadra at Kozhikode Airport, may be

Order No. 17/2013-14

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tentatively decided to be the maximum rates as determined vide Authority's Order no. 9/2012-13 dated 12.06.2012.

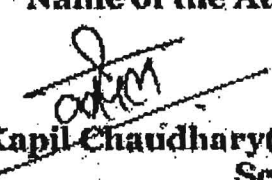
5. No comments were received from the stakeholders in response to the proposal contained in the Consultation Paper No.43/2012-13 dated 11.03.2013.

ORDER

6. Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008, hereby orders that:

- (i) The maximum tariffs, for the second tariff year w.e.f 01.04.2012 to 31.03.2013 and third tariff year w.e.f 01.04.2013 to 31.03.2014 of the First Control period, for Ground Handling Services provided by M/s Bhadra International India Ltd. at Kozhikode International Airport, Calicut are determined as were determined in the Authority's Order No.9/2012-13 dated 12.06.2012 i.e as at Annexure-I.

By the Order of and in the
Name of the Authority


[Capt. Kapil Chaudhary(Retd.)]
Secretary

To,
M/s Bhadra International India Limited,
B-4/62, Safdarjung Enclave,
New Delhi-110029
(Through : Shri Prem Bajaj, Chairman & Managing Director)

Order No. 17/2013-14

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Annexure-I**Bhadra International India Limited****TARIFF FOR SECOND & THIRD TARIFF YEAR (2012-13 & 2013-14)****Station Name: Kozhikode International Airport, Calicut**

Tariff Heading	Conditions of Tariff
A-International	Maximum Tariff per Flight in (INR)
a-Passenger Flights	
A320(Narrow Body)Upper Limit	1,25,208
A320(Narrow Body)Lower Limit	83,472
A300/310 Upper Limit	1,55,100
A300/310 Lower Limit	1,36,300
Wide Body(747/777)Lower Limit	1,73,900
Wide Body(747/777)Upper Limit	2,02,100
b-Freighter	
Freighter Lower Limit	1,55,100
Freighter Upper Limit	2,11,500
B-Domestic	
a- Passenger Flights	
Leatjet, Jetstream, DH6, C560	12,600
YAK40, CL60, F50, F27, F28, C750, AN24, ATR42, ATR72, HS748, HS125, DA90, G-2 to GB, TU124, TU134, CRJ, EM4, CV580, BAC111, BE2	20,250
AN8, AN12, B737-100/200, IL18, DC9, MD82, F70, F100	36,000
A320, A321, B727, B737-500 to 800, C130, MD 83/87/88/90, TU154, TU104	45,000
B757, TU1204, B707, C106	45,000
A310, A300, A330, B767, IL62, IL76, DC8, 787-3	54,000
A340, B777, DC10, IL86, IL96, MD11, L1011, B747, AN124	99,000
b-Freighter	
Freighter A310	74,730
Freighter ATR	21,620

GPU Charges as and when requested by airline

Equipment	Maximum Rate/hr- contracted Airline	Maximum Rate / hr - casual Airline
Ground Power Unit - 140 KVA	Rs. 7,909/hr	Rs. 9,409/hr
Ground Power Unit - 90 KVA	Rs. 6,590/hr	Rs. 7,909/hr



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