

Consultation Paper No. 13/2019-20



Airports Economic Regulatory Authority of India

TO CONSIDER THE ANNUAL TARIFF PROPOSAL FOR (FY2019-20 & FY2020-21) FOR THE SECOND CONTROL PERIOD (FY2016-17 TO FY2020-21) IN RESPECT OF M/S AIR INDIA SATS AIRPORT SERVICES PRIVATE LIMITED (AISATS) FOR PROVIDING GROUND HANDLING SERVICES AT TRIVANDRUM INTERNATIONAL AIRPORT.

New Delhi: 09.01.2020

**AERA Building
Administrative Complex
Safdarjung Airport.
New Delhi.**

1. Brief Background:

- 1.1 M/s AISATS is one of the Ground Handling agencies appointed by Thiruvananthapuram International Airport for carrying out Ground Handling (GH) at Thiruvananthapuram International Airport, Thiruvananthapuram. The Authority, vide its MYTO Order No. 18/2017-18 dated 21.11.2017, decided to adopt 'Light Touch Approach' in respect of the AISATS for Ground Handling services at Thiruvananthapuram Airport for determination of tariffs for the Second Control Period and allowed AISATS to levy the tariff prevailing as on 31.03.2016 for tariff years FY 2016-17, FY2017-18 & FY2018-19.
- 1.2 The details of other tariff orders of the Authority, issued in the interim to avoid regulatory vacuum, i.r.o. AISATS GH Services at Thiruvananthapuram Airport for the Second Control Period are listed below for reference:
 - a. Order No. 50/2015-16 dated 29.09.2016 upto 30.09.2016;
 - b. Order No. 11/2016-17 dated 29.09.2016 up to 31.03.2017;
 - c. Order no.19/2016-17 dated 31.03.2017 up to 30.09.2017;
 - d. Order no.12/2017-18 dated 29.09.2017 up to 31.03.2018;
 - e. Order no.18/2017-18 dated 21.11.2017 up to 31.03.2019.

2. Principles for Determination of Aeronautical Tariff under "Light Touch Approach".

- 2.1 The Authority vide its 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 and 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").
- 2.2 As per clause 4.4. of the above said Guidelines at major airports, the percentage share of Ground Handling for Thiruvananthapuram Airport is 4.48% which is lower than the Materiality Index (MIG) of 5% for the above subject service. Hence the regulated service is deemed **"not material."**
- 2.3 AERA on the provisions of the NCAP-2016, vide its 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.
- 2.4 As per the information furnished by AISATS in Form F1(b) on competition Assessment, M/s Bhadra International (I) Ltd. is other Service Provider which is rendering similar service at Thiruvananthapuram International Airport.

Hence in the instance case, there are two Ground Handling service providers including AISATS, and therefore the service is deemed **'not competitive.'**
- 2.5 As per Clause 3.2 (i) of the Guidelines, wherever the Regulated Service provided is 'not material', the Authority shall determine Tariff(s) for Service Provider (s) based on a 'Light Touch Approach' for the duration of the control period, according to the provisions of chapter V. However, the Authority reserves the right to review materiality assessments, competition assessments and the

reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary.

3. ATP/ACS Submissions made by AISATS for T4 (FY 2019-20) and T5 (FY 2020-21) of 2nd Control Period.

- 3.1 As per clause 11.2 of the CGF Guidelines, the ATP is required to be submitted in the manner and form provided AI 8.1. Appendix-I to the guidelines and showed be supported by the following:
- (i) Form B -Submission of ATP.
 - (ii) Form 14 (b) Proposed Tariff Card.
 - (iii) Details of Consultation with Stakeholders.
 - (iv) Evidence of User Agreement clearly indicating the tariff proposal by the service provider and agreed to be the users.
- 3.2 AISATS has submitted the ATP for FY 2019-20 & FY 2020-21. AISATS has not submitted the copy of Concession Agreement or evidence of Stakeholder Consultation. Copies of User Agreements have been submitted by AISATS. Further, no complaints have been received from any User i.r.o. the GH services rendered by AISATS at Thiruvananthapuram Airport.
- 3.3 M/s AISATS has submitted the Annual Compliance Statement (ACS) for FY 2016-17 vide their letter dated 12.12.2017 and for FY 2017-18 vide their letter dated 26.03.2019. AISATS furnished the ACS details for FY 2018-19 vide letter dated 22.10.19 and the Annual Tariff Proposal (ATP) for FY 2019-20 & FY 2020-21 vide letter dated 31.10.2019. Other related supporting documents were received via mail dated 27.11.2019.
- 3.4 No increase in tariff is proposed by AISATS in its ATP submissions for FY 2019-20 & FY 2020-21 (**Annexure-I**), except that AISATS has mentioned in their tariff proposal that all charges mentioned above exclude prevailing third party charges such as concession fees, royalty, airport levy charged by the Airport Authority at the time of submission.

4. Authority's Examination on the proposal.

- 4.1 The services rendered by AISATS for providing Ground Handling facility at Thiruvananthapuram Airport are 'aeronautical services' in terms of section 2(a) of the Airports Economic Regulatory Authority of India Act, 2008 (Act) and under section 13 (1)(a) of the Act, the Authority is required to determine tariff for aeronautical services.
- 4.2 Analysis of the Audited Annual Compliance Statement (ACS) (Actuals) furnished by AISATS for FY 2016-17, FY 2017-18 & FY2018-19 (**Annexure-II**) of the Second Control Period, which is in progress, reveals the following:
- (i) The Authority observes that AISATS has not provided code-wise (aircraft) data of the traffic volumes handled by AISATS at Thiruvananthapuram Airport. The Authority, therefore, finds the total traffic volumes (figures) as per ACS (actuals)/ATP (MYTP), to be an indicative number which bears no correlation to any financial parameters analyzed herein.
 - (ii) The Authority observes that the total traffic volume increased by 7% from 6832 flights in FY 2015-16 to 7296 flights in FY 2016-17. Whereas, the Total

Revenue shows a YoY growth of 28.23% in comparison to the FY 2015-16 i.e. from Rs.30.07 Crores to Rs. 38.56 crores.

- (iii) Similarly the total traffic volume was 8194 flights in FY 2017-18 showing an increase of 12.3% YoY, and, in FY 2018-19 the volumes decreased by 10% YoY to 7575 flights.
 - (iv) However, corresponding to the above flight numbers, it is observed that the Total Revenue growth declines sharply to 0.79% YoY (Rs.38.86 Crores) in FY2017-18, and, shows a further negative growth of (-)9.12% YoY in FY2018-19 (Rs.35.32 Crores).
 - (v) The Operating Profit of AISATS increased from Rs.2.13 crores in FY 2015-16 to Rs. 6.45 Crores showing an increase of 202% YoY in FY 2016-17. However, thereafter, the cumulative growth declines sharply to 1.55% YoY (Rs.6.55 Crores) in FY 2017-18, and, shows a further negative growth of (-)60% YoY in FY2018-19 (Rs. 2.62 Crores).
 - (vi) Return on Average RAB, @ 14% as considered by the Authority, works out to 25.97% in FY 2016-17 and 25.48% in FY2017-18, and it is 9.43% in FY 2018-19.
- 4.4 No increase in tariff is proposed by AISATS in its ATP submission for FY 2019-20 & FY 2020-21. The Authority, notes that AISATS has not proposed any increase in Tariff in the entire Second Control Period (FY 2016-2021) over the rates existing at the end of the First Control Period (i.e. as on 31.03.2016) at Thiruvananthapuram Airport. The Authority also observes that no complaints have been received from any user i.r.o. the GH services rendered by AISATS at Thiruvananthapuram Airport.
- 4.5 All tariff Orders / card issued by the AERA up to FY 2018-19 are issued with the footnote that all charges mentioned in the tariff card include prevailing concession fees, royalty, Airport levy charged by the Airport Authority.

5. Proposal

The Authority, after careful consideration of the ATP for FY 2019-20 & FY 2020-21 of the Second Control period makes the following proposal for Stakeholder Consultation:

- 5.1 The service for Ground Handling being provided by M/s AISATS Ground Handling Thiruvananthapuram Airport, Thiruvananthapuram is **“not material” & “not competitive”** on the basis of which the Authority decided to adopt **‘light touch approach’** for the 2nd Control Period from 01.04.2016 to 31.03.2021.
- 5.2 In line with the above approach, and, in consideration of the Proposal (ATP) of AISATS, the Authority proposes to allow M/s AISATS to charge tariffs prevailing as on 31st March 2016 (AERA Order No. 18/2017-18 dated 21.11.2017) for the remaining two tariff years viz. T4 (FY 2019-2020) & T5 (FY2020-21) as per **Annexure-III**.
- 5.3 Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.

5.4 The tariff charges for Non-Schedule Operations provided by M/s AISATS should not exceed the tariff charges approved by AERA for its Scheduled operations for similar class of aircraft.

6. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 5 above is hereby put forth for Stakeholder Consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed as annexures to the consultation paper. 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 here to and by making such decision fully documented and explained in terms of the provisions of the Act.

The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 5 above, latest by **29th Jan, 2020** at the following address:

**Director (P&S),
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: krishan.ram@aera.gov.in
Gita.sahu@aera.gov.in
Tel: 011-24695042
Fax: 011-24695039**

(Chairperson)



2019/L/CHQ/MKT/003/AERA

31 October 2019

Ms. Geetha Sahu
AGM (Fin)
Airports Economic Regulatory Authority of India
New Delhi

Sub: ATP submission for Trivandrum by Air India SATS Airport Services Private Limited.

Dear Madam,

With reference to our letter ref no : 2019/L/CHQ/MKT/002/AERA dated 22nd October, 2019 regarding our submission of Annual Tariff Proposal for Trivandrum, please find the supporting document for your perusal:

1. AERA Order no. 18/ 2017-18 dated 21st November, 2017

Kindly note that we are not seeking any increase from the last AERA order no. 18/2017-18 dated 21st November, 2017 and hence we would like to continue with the same tariff for FY 19-20 & FY 20-21.

Thank you for your kind understanding.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Kalpesh Singh".

Kalpesh Kumar Singh
Assistant Vice President - Commercial
Air India SATS Airport Services Private Limited
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Plot 53 & 54, Udyog Vihar Phase IV
Gurugram - 122001, Haryana | Tel: 0124-6616 700 | www.aisats.in
Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi 110 001
(CIN): U74900DL2010PTC201763

Form F14 (b) - Annual Tariff Proposal for Tariff Year 1 (FY 16-17), Tariff Year 2 (FY 17-18), Tariff Year 3 (FY 18-19), Tariff Year 4 (FY 19-20) & Tariff Year 5 (FY 20-21).

MAXIMUM RATES TO BE PAID BY SCHEDULED AIRLINES FOR COMPREHENSIVE GROUND HANDLING

S/N	Aircraft Types (ICAO Code)	Maximum Ground Handling Rate in INR			
		Scheduled Passenger Aircraft		Scheduled Freighter Aircraft	
		Domestic	International	Domestic	International
1	CODE B	20,670	106,795	NA	NA
2	CODE C	32,281	178,509	141,787	189,155
3	CODE D	63,477	244,179	193,685	453,510
4	CODE E	109,091	398,725	228,135	453,510
5	CODE F	-	-	-	-

Notes:

- 1) To achieve the projected ARR only maximum ground handling rates have been suggested for Airlines as user agreements will be entered into with each Airline based on the IATA AHM 810 STANDARD GROUND HANDLING AGREEMENT 1998 or 2004 or 2008 or 2013 or 2018(SGHA).
- 2) The rates with each Airline will be negotiated based on services required from SGHA service items (usage of equipment and manpower), flight frequency, service level agreement, credit period and liability and indemnity requirement.
- 3) These rates may be revised, where external economic / financial factors warrant a review. However, any change, will be in consultation with the relevant authorities (AERA) and related stakeholders.
- 4) All charges mentioned above exclude prevailing third party charges such as concession fee, royalty, airport levy charged by the Airport Authority at the time of submission.
- 5) All charges mentioned above exclude taxes which will be charged at the prevailing rates.
- 6) Exchange rate used for contracts signed in USD: 1 USD = 70 INR



AERA
Air India SATS Pvt. Ltd.
Ground Handling Service Provider at Thiruvananthapuram International Airport

**Annual Compliance Statement (ACS)
for FY 2016-17, 2017-18 & 2018-19**

(Station: Thiruvananthapuram)

Particular	Actual (Audited) FY 2016-17	Actual (Audited) FY2017-18	Actual (Audited) FY2018-19
	(Amount in Rs.)		
Total Regulated from Regulated services (1)	38,39,47,832	38,58,26,160	35,19,42,445
Other Revenue from Services Other than Regulated Services (2)	16,44,198	28,00,169	12,32,027
Total Revenue (1+2)	38,55,92,030	38,86,26,329	35,31,74,472
Operating Expenditure (3)	25,66,81,366	29,25,01,687	29,02,30,080
Depreciation (4)	6,44,41,975	3,06,69,638	3,67,87,974
Total Expenditure(3+4) = (5)	32,11,23,341	32,31,71,325	32,70,18,054
Regulated Operating Profit (1)+(2) –(5) = (6)	6,44,68,689	6,54,55,004	2,61,56,418
Capital Expenditure (7)	1,11,37,759	11,45,75,179	4,39,84,240
Opening RAB (8)	27,49,21,912	22,16,17,695	29,21,09,598
Disposals/ Depreciation (9)	-	-	3,55,23,644
Closing RAB (8)+(7)-(9)= (10)	22,16,17,695	29,21,09,598	26,28,73,124
Average RAB (8)+(10)/2 = (11)	24,82,69,804	25,68,63,647	27,74,91,361
Return On Avg. RAB (6)/(11)	25.97%	25.48%	9.43%
Total Volume (Air Traffic Movements) (in Nos.) (12)	7296	8194	7575
Actual Yield per unit/flight (in Rs.) (1/12)	52624	47086	46461

Tariff year commence on 1st April to 31st March

“Actual figures given in this Annual Compliance statement for tariff years 2016-17 2017-18 and 2017-18 have been taken from the audited statements.”

For calculating regulated Operating Profit, Finance cost and other income (interest income, Excess Provision written Back, Miscellaneous Income, Exchange Fluctuation etc.) is not considered.

Dated: /Jan/2020

Place: New Delhi

Annexure - III

**Maximum rates proposed by AERA for AISATS for FY 2019-20 & FY 2020-21 of second control period
(01.04.2016-31.03.2021) scheduled Airlines for comprehensive Ground Handling at Thiruvananthapuram**

International Airport, Thiruvananthapuram

Maximum Groung Handling Rate in INR

S. No.	Aircraft types (ICAO Code)	<u>Existing Rates</u> for Tariff Years 2016-17, 2017-18 & 2018-19				<u>Proposed Rates</u> for Tariffs Years FY 2019-20 & FY 2020-21			
		Schedule Aircraft				Schedule Aircraft			
		Passenger		Freighter		Passenger		Freighter	
		Domestic Flight	International Flight	Domestic Flight	International Flight	Domestic Flight	International Flight	Domestic Flight	International Flight
1	Code B	20,670	1,06,795	NA	NA	20,670	1,06,795	NA	NA
2	Code C	32,281	1,78,509	1,41,787	1,89,155	32,281	1,78,509	1,41,787	1,89,155
3	Code D	63,477	2,44,179	1,93,685	4,53,510	63,477	2,44,179	1,93,685	4,53,510
4	Code E	1,09,091	3,98,725	2,28,135	4,53,510	1,09,091	3,98,725	2,28,135	4,53,510
5	Code F	-	-	-	-	-	-	-	-

Note:

- 1) All charges mentioned above include prevailing concession fee, royalty, airport levy charges by the Airport Authority.
- 2) All charges metioned above exclude statutory taxes as may be applicable.