

Date : 28th July, 2022

To,
Mr. Ram Krishan,
Director (P&S),
AERA.

Sub: Response to the comments/submissions received from Stakeholders on the Consultation Paper No. 04/2022-23 dated 29.06.2022 regarding the Determination of Aeronautical Tariff of M/s Air India SATS Airport Services Private Limited at Kempegowda International Airport, Bengaluru for the Third Control Period (FY 2021-22 to FY 2025-26).

Dear Sir,

We write in response to the query received in regard to the Consultation Paper No. 04/2022-23 issued on 29th June, 2022 by Airport Economic Regulatory Authority (AERA) of India. We thank AERA for sharing the concerns by the M/s SpiceJet Limited and would like to address the same pointwise.

At the risk of highlighting the obvious and what all of us are experiencing, the prevailing situation with the Corona Virus has adversely impacted the world of aviation in ways that are unprecedented. The evolving situation continues to be grave for us and the decisive measures put in place to curb the spread of the virus had impacted us tremendously as many other airlines.

The adverse effect already being experienced for AISATS across all locations has already resulted in some significant cost-cutting measures and the reduction/cessation in airline operations as a result of the sudden sharp decline in air travel has impacted our cash flows.

As desired by AERA, please find our responses to the concerns raised:

Spicejet Ltd.

- 1) Kindly note that this is a policy related matter which needs discussion at the Ministry level and with the Airport Operator.
- 2) M/s Spicejet Ltd. has raised its concern towards procurement of CAPEX by AISATS and its subsequent impact on the tariff approval by AERA. In this connection, we would humbly submit that the procurement of CAPEX is towards replacement of leased assets. The company is badly affected by the pandemic and the management is sensitive about the cost control measures. The CAPEX procurement is towards serving normal business operations and thus does not lead towards increase in the costs. The CAPEX expenditure will not lead to reducing the profit, but the portion of depreciation will lead to reduction in profit which will be offset by saving in costs of leasing assets.

Air India SATS Airport Services Private Limited

16th Floor, Commerz II, International Business Park, Oberoi Garden City, Off Western Express Highway,
Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

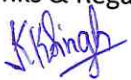
Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
(CIN): U74900DL2010PTC201763

- 3) Kindly note that this is a policy related matter which needs discussion at the Ministry level. This is a contractual matter between Airport Operator and concessionaire which is prevalent at all airports and is beyond the ambit of regulatory authority. Reference to the current concession agreement, the concession fee percentages with the relevant documents have been shared with AERA.
- 4) 4a to 4c. M/s Spicejet Ltd. has also raised its concern towards control of Operating Costs and re-negotiating the costs with the vendors and passing on the benefits to airlines. We humbly submits that AISATS has well established process of procurement of goods / services from those vendors who provide quality goods / services at the best available rates. We already have internal control mechanism in place to identify if there are any wastage or un-productive expenses. The expenses incurred by AISATS are after discussion, negotiation and removing un-productive items and wastages. The benefits of our efforts in cost control and cost reduction is already passed to the customers by way of reduction in tariff prices. Thus, we do not see any scope where the cost could significantly come down.
- 4d (i). M/s Spicejet Ltd. has submitted that in spite of the activity level has gone down, there is significant increase in proposed employee costs from 16% to 65% as per Table 6 of point no. 5.5. We would like to draw the attention on the Table on page no. 14 which reflects the year on year increase in activity level i.e. no. of flights. The no. of manpower and the payroll costs is increasing in tandem with increase in no. of flights and revenue. Also, as per Table 6 on page no. 13 of the CP, the year on year increase in payroll costs is 65% in FY 2022-23 which is reducing to 16% in FY 2025-26.
- 4d (ii). Please refer above to our reply for Point no. 4a to 4c
- 5) The approved AERA ceiling rate has no correlation with the Handling rates charged to the airlines. Every airline has a separate handling rate depending on the services requested and the negotiation with the ISP. However, we have noted your concerns for any future approvals.

The profits derived and accrued at Bangalore for the Third Control Period is after considering the ceiling tariff rates. The rates approved by AERA are ceiling tariff rates i.e. the maximum rates the Ground Handler can charged to the customers. Our Customer Airlines however are charged based upon the negotiation and discussion and considering multiple factors which are less than the ceiling rates approved by AERA. Thus, the projected revenue would decline and thus the profitability would decline.

We appreciate your kind understanding and co-operation.

Thanks & Regards,



Kalpesh Kumar Singh
Head – Commercial Business Development
Corporate Headquarters

Air India SATS Airport Services Private Limited

16th Floor, Commerz II, International Business Park, Oberoi Garden City, Off Western Express Highway,
Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
(CIN): U74900DL2010PTC201763