

13<sup>th</sup> September, 2022

To

The Director (P&S, Tariff)  
Airports Economic Regulatory Authority of India (AERA)  
AERA Building, Administrative Complex,  
New Delhi - 110003.

**Subject:** - Reply to observations made by SpiceJet on the Consultation Paper No. 08/2022-23 dated 16<sup>th</sup> August 2022 on determination of tariff for Ground Handling Services at Thiruvananthapuram International Airport, Thiruvananthapuram, for 3<sup>rd</sup> control period for GSEC Bird Airport Services Private Limited (GBASPL)

**File No.** AERA/20010/MYTP/GSEC-BAS/GH/TVM/CP-III/2021-26

Dear Sir,

We hereby submit point wise replies to the concern raised by M/s. SpiceJet Ltd. on Consultation Paper No. 08/2022-23 dated 16<sup>th</sup> August 2022, as referred above:

1. Review of Tendering Process:

Here we submit that there is an approved mechanism set up by AERA for determination of tariff and we are following that mechanism/guidelines.

We request authority to intimate SpiceJet Ltd. about the tariff determination guidelines for the ground handling industry and for others so that their concern is resolved.

2. Deferment of Capital Expenditure- Regulatory Asset Base:

Here we submit the followings:

- a) GBASPL is a new service provider and hence, it needs to incur capital expenditure in the first year itself.
- b) GBASPL is required to induct ground handling equipment that are acceptable to its customer airlines which are audited in detail by these customers before signing SGHA.
- c) GBASPL is committed to provide world class ground handling services, to meet service levels expected by the airlines and the airport operator for better passenger service experience.

Hence GBASPL need to incur capital expenditure.

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3. Abolishment of Royalty Charges/ Concession fee:

Here again the observations made by SpiceJet Ltd. is nowhere close to reality on ground. It is more than 15 years that the Airports Authority of India (AAI) is continuously privatizing Indian airports. All these Airport Concessions carry revenue share. Such private appointees (as Airport Operator for a defined concession period), further issue concessions on the basic parameters of AAI. As a result, ground handling concessions also attract concession fees. This method is prevalent at all the airports in India, be it under AAI or a concessioned Airport Operator. The revenues earned by airport operators are reviewed by AERA to ascertain that the airport charges are meeting AERA guidelines.

Therefore, concession fees paid by airlines to a ground handling agency is revenue of the airport operator, contributing in lowering of other airport charges, paid by the airlines to the airport operator. In a hypothetical situation if the concession fees is nil, the airport charges will be higher than the airport charges payable by the airlines in the other situation where concession fees is applied on ground handling charges.

In nutshell, the royalty on the Ground Handling Services is considered as Aero Revenue for the Airport Operator and hence it directly helps to reduce other Aero Charges which the airport operator recovers from the airlines.

4. Operational Expenditure- Drastic Cost cutting:

We feel that the observations made by SpiceJet Ltd are very generic in nature, lacks any substance and indicates that observer is unsure and unaware of the facts/ground realities.

Please note that we are a ground handling company of proven track record. We are providing ground handling services at major airports in India from approximately 15 years and have sufficient control over our operational expenditure.

We also want to highlight that ground handling services cannot be provided without incurring substantial investments which contribute in the total charges. Ground handling services are provided by a team of trained and qualified staff under sufficient supervisions, followed globally.

Regarding salary of the staff, please note that we pay our staff according to the "minimum wages" published by the regulator twice a year. There is no scope of material savings in the per head salary cost without compromising on quality and safety aspects of the total service package.

The observation made by SpiceJet Ltd. on Administrative & General Cost, Utility & outsourcing costs and Repair & Maintenance Cost ( Refer 5, Table 6 and 5.5 (i), (ii), (iii) & (iv) of CP). Please note that the operating expenses are increasing in line with inflation and volumes.

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "GSEC BIRD AIRPORT SERVICES" around the perimeter and "D. STAR" at the bottom.

Further, we have continued to maintain our quality and safety certifications to ensure compliances with the regulations and to meet the required service standards by the airline customers.

Therefore, all our cost are justified and well controlled.


5. Tariffs:- (Refer 6.1 to 6.3, 6.8 and 6.10 Table 7,8 & 9 of the CP)

The observation made are of very generic and lacks substance to support this observation. SpiceJet has to understand that these rates are maximum rates and SpiceJet has option of discussing and negotiating. SpiceJet also has option of choosing other service provider or do self-handling in case negotiated prices are not suitable to them.

Let us know in case you need any information or clarification in this matter

For and on Behalf of

**GSEC Bird Airport Services Private Limited**

  
Authorised Signatory

Sundeep Kr. Jain

