

Date : 19th May, 2022

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

Sub : Response to the comments/submissions received from Stakeholders on the Consultation Paper No. 01/2022-23 dated 21.04.2022 regarding the Determination of Aeronautical Tariff of M/s Air India SATS Airport Services Private Limited at Thiruvananthapuram International Airport, Thiruvananthapuram.

Dear Sir,

We write in response to the query received in regard to the Consultation Paper No. 01/2022-23 issued on 21st April, 2022 by Airport Economic Regulatory Authority (AERA) of India. We thank AERA for sharing the concerns by the M/s SpiceJet Limited & Business Aircraft Operators Association 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) 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. As is evidenced from the above projection, that the company would be earning P&T below 1% margin for first 3 tariff years. The profits earned during the MYTP period of 5 years is not sufficient enough to absorb the losses of FY 2020-21. 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

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

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- a. M/s Spicejet Ltd. raised its concern that the company has charged depreciation of Rs. 355.54 lakhs in the first tariff year as per Table 5 even though the Capital Expenditure is Rs. 10 lakhs in the same year as per Table 4. We would like to bring it to your notice that the audited Written Down Value of CAPEX as on 31st March, 2021 is Rs. 1917.56 lakhs. Even though Capital Expenditure of Rs. 10 lakhs is incurred by the company for the First Tariff Year i.e. FY 2021 – 22, the depreciation is bound to be charged as per accounting principles and in accordance with AERA Order No. 35 / 2017-18 on the opening written down value. Thus, the depreciation is calculated at Rs. 355.54 lakhs for the First Tariff Year i.e. FY 2021 – 22, as is evidenced from Table 5 of the Consultation Paper.
 - b. M/s Spicejet has raised its concern over the percentage increase in projection of the concession fees as per Table 5 of Consultation Paper. They have highlighted that the expense of concession fees has increased from Rs. 3.08 crores in FY 2020-21 to Rs. 6.10 crores in FY 2021-22 i.e. 98% increase and an increase upto Rs. 7.65 crores upto FY 2025-26 i.e. 148%. In this connection, we wish to bring it to your notice that the concession fees expenses accrues and arises based upon the contract and agreement of AISATS with the airport operator of Trivandrum. The concession fees is derived as a percentage of revenue from operation. The Revenue from Operation has increased from Rs. 17.40 crores in FY 2020-21 to Rs. 30.50 crores in FY 2021-22 i.e. 75% increase and upto Rs. 37.39 crores in FY 2025-26 i.e. 115%. Thus, concession fees is proportionately increasing with increase in revenue from operations.
- 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) 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.

Business Aircraft Operators Association

- 1) Kindly note that this is a policy related matter and directed towards the Airport Operator and hence AISATS will not be in a position to comment on this matter.
- 2) As per the IATA's Standard Ground Handling Agreement, 'Comprehensive handling' comprises of Management functions, Passenger handling services & Ramp handling services, Load Control and Flight Operations, Cargo & Mail services & Support Services. These services are further sub-divided into sub-categories and service items related to these sub-categories. Hence it is not feasible to assign a rate card for each and every service item. Also, having a

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rate card for additional services provided for NSOP/GA is difficult as these services are not-scheduled and the cost associated with it varies from time to time depending on the availability of resources.

We appreciate your kind understanding and co-operation.

Thanks & Regards,



Kalpesh Kumar Singh
Head – Commercial Business Development
Corporate Headquarters