

प्राप्त
आवरी न० 1690
तारीख 23/08/2022

16th August, 2022

To

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

Handwritten notes:
23/8
AGM (P&S)
Mgt (Tariff) - TC
23/8

Subject: - Reply to observations made by Stakeholders on the Consultation Paper No. 5/2022-23 dated 12th July 2022 for determination of tariff for Ground Handling Services at Indira Gandhi International Airport, New Delhi, for 3rd control period for Bird Worldwide Flight Services (India) Private Limited (BWFS)

Dear Sir,

We are in receipt of the observations noted by three stakeholders which are

- A. AOC, Delhi,
- B. BAOA and
- C. Spice Jet

on the CP issued by the Authority on the captioned subject. Accordingly, we have prepared our response (stakeholder wise) on the observations / suggestions made by each of the above stakeholders.

A. Response on the observations made by AOC, Delhi

1. Observation on Clause 2.7: The Company initiated the Stakeholders' consultation and accordingly, an invite was initiated to conduct the same on 19 May 2022. However, some of the participants who were willing to participate, indicated inability to attend on the designated date. Therefore, the same couldn't be conducted on scheduled time. Conducting a stakeholders' consultation has been in practice since this regulation came into existence. In the paucity of time, the Authority published the CP and sought comments from the parties concerned. In addition, we conduct regular meetings with all our customers, at-least once a month and any such matters, if any, are addressed to mutual satisfaction. Since our customers (the actual stakeholders) had no observations, the AOC took the responsibility.
2. Observation on Clause 3.3 and 3.9: Our primary business is linked with foreign airlines, though a small "temporary/seasonal" portion of the total business is with domestic airlines.

Handwritten signature



The future growth at IGIA is largely estimated to be in the domestic sector who either does self-handling or are served by other GHAs at the IGIA. We have consulted our present and anticipated customers and accordingly, the future growth is considered in our business plan. If Delhi AOC has airline-wise data, most importantly related to foreign airlines, showing growth rate different from our business plan, we request them to share the same and we will be happy to include the same in our business plan.

3. Observation on Clause 4.6: With these observations, we can understand that AOC doesn't have complete facts and hence, has erred while making this observations. The GHAs are bound by the directives issued by the regulatory bodies including MoCA, Airport Operator among others. We are enclosing an order issued by MOCA (No. AV-24011/10/2021-AAI-MOCA dt. 01 November 2021) requiring standardisation of GSE/GSV. This is applicable on self-handling done by domestic airlines as well. So we expected that Delhi AOC should already be aware of the same. We have made representation to MoCA for deferment and the matter is under consideration. In addition, we are required to maintain age of the equipment as per terms applicable at IGIA. However, considering the impact of pandemic, we could defer the capex for two years. Apart from the above, there is a continuous process to replace old equipment. All customers inspect our equipment at regular intervals according to their respective SOPs and we try to meet their expectations.

Further, Delhi AOC can discuss the matter with regulatory body(ies) and Delhi airport operator about age of equipment and older equipment should be allowed if they are working fine.

4. Clause 4.6 Observation on Table 4: It is FY 2021-22 and not 2020-21. We believe that Delhi AOC is aware that all passenger movement of scheduled operations is either done through Aero-Bridges or through passenger coaches. Luxury cars are introduced on specific demands of non-scheduled operations where VVIP/UHNI passengers ply on their own/ state-owned aircrafts.
5. Observation on Table 6: Our All customer are very well aware about the Concession fees paid to the Airport operator. At the time of commercial negotiations, all these factors are discussed thread by thread with our customer airlines. This practice is being followed since introduction of Ground Handling Policy in India in 2008. Substantial time has passed since then and we believe that all actual users are well aware about this concept.

To us the observation sounded more of an accounting issue. But the practice used by us in the business model submitted along with MYTP, is in line with accounting principles, accepted world-wide. If Delhi AOC is aware of a better accounting solution, we request them to let us know.

6. Observation on Table 8: We would like to bring it to the notice of Delhi AOC that the tariffs haven't changed in last ten years. To align the tariffs with inflation over these years which is ~84%, a meagre increase is done. Delhi AOC can verify the inflation data published by Delhi Government every month.




However, increase in tariffs doesn't mean that actual rates applicable on our customers will increase unilaterally. All our contracts are long term and agreed rates will continue to be in force. At the expiry of the contract term, all airlines float RFPs and negotiate services and rates with all the GHAs as per their own expectations.

7. Remark: Delhi AOC has erred in making this observation. For information and clarity, they may note that ground handling at IGIA and GA Terminal Operations at IGIA are two separate concessions run by separate entities. Considering the fact that Delhi AOC has used the word "cross-utilization", we suggest that if the airline fraternity at IGIA can consider the same aspect while asking dedicated people who eventually spend idle time in airlines' offices, the airlines can save some cost, they have to pay to their ground handling service providing agency.

B. Response on the observations made by BAOA

As mentioned in the previous section, at the outset of this section, we would like to again clarify that BWFS is authorized to provide ground handling services at IGIA except to General Aviation Aircrafts. Therefore, the observations made by BAOA in relation to General Aviation, are answered as not applicable.

1. Observation made by BAOA on para 6.7: We request BAOA to consider two major cost components in case of Ground Handling, which are Cost of Personnel, Rent etc. Both these costs increase in the range of 8%-10% YoY. The AERA approved rates have remained same in last 9+ years. Therefore, the increase in rates, as presented in the MYTP, are justified.
2. Observation on CP 05/2022-23: Rates approved by AERA are negotiable when it comes to entering into an agreement because of competition at IGIA. So, the rates approved by AERA are like 'MRP' on which discounts are applicable based on various business nuances.
3. Observation on Annexure I of CP: Not applicable.
4. Observation on Comments on Annex II: Business volumes and cost structure prevalent at an Airport and the city concerned are primary components behind price structure. Therefore, Delhi prices are not comparable with many Indian airports.
5. Observation on CP 05/2022-23 on FROR: We request BAOA to familiarize with AERA guidelines which are the guiding force behind this exercise. We are not the deciding body / authority to provide answer on this observation. BAOA is requested to raise this observation at appropriate levels.




Response on the observations made by SpiceJet, Delhi

1. Review of Tendering Process:

This is a Global Practice. We need to follow the Guideline and instruction given by the regulatory bodies. Privatisation of all AAI Airports has also done with the same process/procedures.

2. Deferment of Capital Expenditure- Regulatory Asset Base:

There is an advisory from Ministry of civil Aviation regarding Standardization of Ground Handling Equipment at Major Airports enclosed referred document. Further, BWFS(I) should ensure compliance of Standardization of Ground Handling Equipment at Major Airports, in accordance with the directives issued by Ministry of Civil Aviation vide its letter no. AV-24011/10/2021-AAI-MOCA dated 01.11.2021 and as per guideline we already deferred capex deployment due to the Covid impact on Ground Handling Business and deferred it toward end of FY 2021-22.

If SpiceJet has objection on this, then we request SpiceJet to raise this observation at correct forum which includes Ministry of Civil Aviation.

3. Abolishment of Royalty Charges/ Concession fee:

We have answered this observation of SpiceJet earlier also, when they provided their comments on Consultation Paper issued for other airports. Further, we would like to refresh memories of SpiceJet that concession fee is nil on Domestic operations at IGIA.

4. Operational Expenditure- Drastic Cost cutting:

We feel that this observation of SpiceJet Ltd is generic and is made without considering real facts, which we believe, SpiceJet is already aware.

- a) For better clarity, we seek more details from SpiceJet about specific expense(s) is higher by what % and in their view, what should be the correct cost-level as per SpiceJet.
- b) We have highlighted this fact while replying on other MYTPs, SpiceJet has option of choosing any GHA out of 3 GHAs working at IGIA. In addition, SpiceJet has option of doing Self-Handling. However, since SpiceJet is aware of real cost levels, they have chosen to use one of the GHA to perform this function.

5. Tariffs:- (Refer 6.5,6.6,6.10,6.11 and Table 7,8 and 9 of the CP)

Please note that the rates approved in earlier MYTP for Code C was lower than Code B rates, i.e. Code C rate was 85% of Code B rate. This was an inadvertent error, corrected in current MYTP. As we all know that the Code B type aircraft has ~85 seating capacity whereas a Code C type aircraft has ~180 seating capacity. Accordingly, more manpower and equipment are





required to be deployed for handling Code C type of aircraft. In addition, the earlier rates remained unchanged for almost 10 years. During this tenure, CPI has gone up by ~84%. Considering all these facts, the increase is justified.

No domestic airlines fly Code D aircraft and therefore, these rates are practically not applicable in the current environment. They are included in the list to make it a complete list of rates. However, reasons for increase are already explained in previous paragraph.

We believe, we could provide satisfactory inputs on the observations made by multiple stakeholders.

For and on Behalf of

Bird Worldwide Flight Services (India) Private Limited

Authorised Signatory

Sundeep Kr. Jain