

2<sup>nd</sup> December, 2022

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 Stakeholders on the Consultation Paper No. 11/2022-23 dated 3<sup>rd</sup> November 2022 for determination of tariff for Ground Handling Services at Cochin International Airport, New Delhi, for 3<sup>rd</sup> control period for Bird Worldwide Flight Services (India) Private Limited (BWFS)

Dear Sir,

We are in receipt of the observations from following stakeholders, the CP as referred above:

- A. BAOA and
- B. Spice Jet

We hereby submit our response on the observations/ suggestions made by each of the above stakeholders.

**Response on the observations made by BAOA**

**(a) BAOA observation on “Need to link the GH services tariff with labour rates”:**

We believe that the Authority will agree with us that Ground Handling Services is not manpower service provisioning, as envisaged by BAOA. For us it is a very specialized service requiring very well trained teams holding skill sets to cater to the Ultra-HNIs. These people are not comparable with skilled workers as defined in minimum wage order. Therefore, considering the nature, volume, unpredictable time of flight operations etc., cost levels in this particular segment are very different from the routine ground handling for commercial airlines.

BAOA is to understand that revenue share varies at different airports. In addition, volumes of General Aviation flights at Cochin are very low as compared to volumes at Delhi. As a result, BAOA should not compare Cochin with Delhi.

The rates for additional services given in the proposal are the highest rates we can charge. However, these are negotiable since GA flights may require lesser efforts in comparison to a bigger aircraft.

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**(b) BAOA observation on “Year-on-year increase should be linked to the prevailing labour rates for semi-skilled / skilled workers being employed to do these jobs at the public airports”:**

We can agree on this point with BAOA. On an average, minimum wages increase by ~8% year on year basis. We have proposed year on year increase of 7%. We request the Authority to consider the same.

**(c) BAOA observation on “Item-wised GH services rates at Delhi, in Mar 2019, be treated as a benchmark for proposing tariff at all other public airports in India”:**

We have answered this observation in para (a) above.

### **Response on the observations made by SpiceJet, Delhi**

We humbly submit to the Authority that a request should be made to SpiceJet that they should bring fresh points so that this exercise remains useful and value adding. However, in the interest of time and to save energies of all agencies involved, we are answering to the repeated observations made by SpiceJet, as below:

#### **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:**

We submit as under the followings:

- a) BWFS 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.
- b) BWFS 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.
- c) In addition, there are regulatory requirements, in relation to equipment, which every ground handling entity has to follow.

Hence, BWFS cannot compromise on safety, security, efficiency and continuity of its operations and service delivery. BWFS is mature enough to understand that every additional spend will impact its costs. Therefore, all such decisions are taken with a balanced approach.

#### **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 concession fees 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.

We have tried giving reasons on the observations made by SpiceJet. However, Spicejet should raise this observation at appropriate forum/ with appropriate regulatory bodies.

#### **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.

Observation made by SpiceJet Ltd. on the YoY increase in Administrative & General Cost, Utility & outsourcing costs and Repair & Maintenance Cost (Refer 5.2, 5.3, 5.4, and Table 6 & 7): SpiceJet has erred in making this observation, disregarding the increase in volumes and hence, resultant increase in the turnover. We again reiterate that such YoY increases are in line with inflation and volumes of operations.

Therefore, all our cost are justified and well controlled.

#### **5. Tariffs:- (Refer 6.1,6.2,6.3,6.4,6.5 and Table 8,9 & 10 of the CP)**

As per point no. 6.4 of the CP, the Authority has mentioned that BWFS has proposed an increase of 7% YoY from FY 2022-23 onwards.



We submit that this increase is after taking effect of:

- a) Increase in the minimum wages rates;
- b) General inflation linked increase in the operational cost.
- c) Increase in Fuel, rent and other costs which impact the operational cost.

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.

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

