



Ref: AERA/Finance/2023-24/01

17<sup>th</sup> August 2023

Director (P&S)  
Airports Economic Regulatory Authority of India  
AERA Administrative Complex,  
Safdarjung Airport,  
**NEW DELHI -110 003**

**SUB: Response to Consultation Paper No. 06/2023-24 dated 28<sup>th</sup> July 2023**

**REF: Determination of tariff for Cargo Handling Services for Menzies Aviation (Bengaluru) Private Limited (MABPL) at Kempegowda International Airport (KIA), Bengaluru for the First Control Period (FY 2023-24 to FY 2027-28)**

Dear Sir,

We thank the Authority for providing an opportunity to Bangalore International Airport Limited (BIAL) for sharing its comments and suggestions on the proposed position taken by AERA in the said consultation paper.

BIAL is both the grantor of the concession for the development and operations of the cargo terminal operations to MABPL and a 26% shareholder in MABPL. Hence, BIAL is cognizant that, in its dual role of both the Grantor and a Shareholder, there is a need to strike a fine balance between ensuring development of cargo infrastructure, growth of cargo tonnages at KIAB and the economic viability of its concessionaires.

BIAL has filed Civil Appeals 1798-99 of 2021 and 1806 of 2021 before the Hon'ble Supreme Court of India challenging the decisions dated 16th December 2020 passed by the Learned Telecom Disputes Settlement and Appellate Tribunal. The matter is currently sub judice. The below response to the Consultation Paper is without prejudice to BIAL's rights, submissions and contentions made in the said Civil Appeals.

With the above background, please find below our responses on the specific proposals contained in the above-mentioned Consultation Paper for the kind consideration of the Authority.

### **1) Uniform Price increase for Airlines and Shippers/Agents**

AERA has proposed to apply a uniform tariff increase between the tariff for Agents/Freight Forwarders (FF) and Airlines. While MABPL had initially proposed the same, after considering Order No. 13/2023-24 released on 09/08/2023 in the matter of 'Determination of Tariff for WFS Private Limited providing Cargo Handling Services at Kempegowda International Airport, Bengaluru for the First Control Period, it will be difficult for MABPL to charge the proposed airline tariffs, which are significantly higher than its competitor, as the airline contracts are negotiated with the cargo operators. Thus, it would result in artificially increasing the revenue projections but one which MABPL would not be able to achieve at all, in reality. BIAL is of the view that in a competitive environment such a uniform price increase plan will destabilize MABPL's financial plan and may hurt the competitive spirit it intended to create at BIAL. BIAL, would therefore, request the Authority to allow MABPL the flexibility in the tariff structure consistent with the Authority's treatment for its competitor.

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**Bangalore International Airport Limited**

Registered Office Address:  
Administration Block  
Kempegowda International Airport  
Bengaluru - 560300  
Karnataka, India

+91 8066782050    feedback@bialairport.com  
+91 8066783366    www.bengaluruairport.com

CIN: U45203KA2001PLC028418

## **2) Estimated Loss, Risk of Exit of Global Players and Cost of Personnel**

Private Airports Operators take a lot of initiatives to introduce Global market leaders, thereby introducing best practices and improving operational efficiencies resulting in higher overall cost efficiencies in the entire life cycle / value chain. These efficiencies bring sustained savings and better quality of operations in line with the global standards. These activities undertaken by the Airport Operators are in line with the objectives of Gol's National Air Cargo policy (NACP).

"A proposition of a loss making scenario for the first Financial year and overall PAT rate of around 6.3% for the first control period, as proposed by AERA would lead to unviable operations resulting in panic of the Global leaders entering the Indian Cargo market, which will risk the fulfilment of NACP through the entry of global leaders. This also will have a serious impact on FDI flows into India."

Upon examining the cost of personnel for MABPL in the CP, BIAL believes the initial cost was already cost efficient as compared to the market standards based on the cost per MT metric. In the SPRH, BIAL has included several provisions with respect to the quality of cargo operators service offerings. Hence it is imperative for the cargo operator to invest in skilled and talented labour force to maintain and improve the level of safety, security, and service quality. It is therefore essential that MABPL be allowed its initial cost of INR 57.6 cr.

Further, BIAL would request the Authority to consider the costs for FY24 from 1 May 2023, rather than 24 May 2023. The quantum of operations - both domestic and international is large enough and a transition period of a meagre 23 days is essential for training and familiarization of the new employees and the company.

## **3) Treatment of security deposit**

MABPL is required to deposit interest-free refundable security deposit amounting to INR 50 cr. with BIAL during the concession period. The Authority has proposed 5% as the return on this Security Deposit. This is totally contrary to the Hon'ble TDSAT's decision dated 23<sup>rd</sup> April 2018 in AERA Appeal No 6 of 2012. The Hon'ble TDSAT has clearly stated in paragraph 106 of its order that "... *At the least, the cost would be the rate of return made available by the approved funds having required ratings of CRISIL.*". The Authority needs to consider the above-mentioned principles for the Security Deposit provided to BIAL by MABPL.

We request and urge the Authority to ensure consistency in its approach towards tariff flexibility for the cargo operators to ensure viability, competitiveness, and sustainability of operations of cargo operators at BIAL.

Thanking you,

Yours faithfully,  
For Bangalore International Airport Limited



**Bhaskar Anand Rao**  
Chief Financial Officer