

3rd November, 2023

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 Stakeholders on the Consultation Paper No. 14/2023-24 dated 6th October 2023 for determination of tariff for Ground Handling Services at Chennai International Airport, Chennai, for First control period for Bird Airport Services (Chennai) Private Limited BAS(C) PL

Dear Sir,

We received the observations noted by Spice Jet on the Consultation Paper No. 14/2023-24 issued on 6th October 2023 by the Authority on the captioned subject. Accordingly, we have prepared our response on the observations/suggestions made by SpiceJet.

Response to the observations made by Spicejet

1. Review of Tendering Process:

This is a Global Practice applied by the regulatory bodies in India. We need to follow the Guidelines and Instructions prescribed by these regulatory bodies.

Therefore, SpiceJet should raise this observation with the appropriate forum/regulatory bodies.

2. Aircraft Traffic (Refer 3.1 & 3.2 of the Consultation Paper):

We have projected the traffic based on our best assessment of the situation.

3. Deferment of Capital Expenditure- Regulatory Asset Base (Refer 4.3 of the Consultation Paper):

We submit as under the following:

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

4. Abolishment of Royalty Charges/ Concession fee (Refer 5.2, 5.4 (C) and Table 5& 6 of the Consultation Paper):

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 a 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.

5. Operational Expenditure- Drastic Cost cutting (Refer 5.3, 5.5 and Table 5&6 of the consultation Paper):

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 the 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 the option of choosing any GHA out of 3 GHAs working at CIA. In addition, SpiceJet has the 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.

6. Tariffs:- (Refer 6.1,6.2,6.3 and Table 7,8 and 9 of the CP)

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

We believe we could provide satisfactory inputs on the observations made by SpiceJet.

For and on behalf of

Bird Airport Services (Chennai) Private Limited



Authorised Signatory

Sundeep Kr. Jain

