



Airports Economic Regulatory Authority of India

सत्यमेव जयते

In the Matter of Determination of Tariff for Ground Handling Services provided by M/s Menzies Bobba Ground Handling Services Pvt. Ltd. at Rajiv Gandhi International Airport, Shamshabad, Hyderabad for 1st, 2nd & 3rd Tariff Year (FY 2016-17, 2017-18 & 2018-19)of Second Control Period.

भा वि आ वि प्रा
New Delhi: 19th NOVEMBER, 2018.

AERA

**AERA Building
Administrative Complex
Safdarjung Airport.
New Delhi.**



1. Brief Background:

- 1.1 M/s Menzies Bobba Ground Handling Services Pvt. Ltd. (MBGH) is one of the Ground Handling Agencies appointed by Hyderabad International Airport Limited (HIAL) for carrying out Ground Handling (GH) services at Rajiv Gandhi International Airport, Shamshabad, Hyderabad. The Authority vide, MYTO Order No. 15/2011-12 dated 17.10.2011, decided to adopt 'Light Touch Approach' for determination of the tariffs of MBGH for providing Ground Handling services at Rajiv Gandhi International Airport, Hyderabad for the first control period. Subsequently, the Authority also determined the tariff vide Order No.15/2012-13, dated 11.09.2012 (for tariff years FY 2011-12 & FY 2012-13), No.10/2013-14, dated 15.05.2013 (for tariff year FY 2013-14), No.28/2015-16, dated 25.08.2016 (for tariff year FY 2014-15 & FY 2015-16).

2. MYTP/ATP Submissions for 2nd Control Period:

- 2.1 MBGH, initially, submitted a copy of its online submission of MYTP / ATP for the 1st tariff year i.e FY.2016-17 of the 2nd control period in March 2016. However, during the Authority's visit to Hyderabad Airport in February 2017 to discuss their MYTP, Menzies Bobba could not justify their Tariff Proposal either for increase in tariff rates or for non-submission of the tariff rates for non-schedule operations at Hyderabad Airport. Thereafter, M/s MBGH made revised submissions on 11.12.2017 along with ACS for FY 2016-17.
- 2.2 In its revised ATP for 2016-17, M/s MBGH, once again proposed some increase in tariff for some items and introduced new elements of tariff for non-scheduled airlines (Charters). M/s MBGH, in their revised tariff card, also added by way of a footnote that "all charges mentioned exclude airport concession fee 10% and exclude taxes."
- 2.3 The tariff was not determined for FY 2016-17 of 2nd Control Period, and, the Authority, vide its Order No.50/2015-16 dated 31.03.2016, allowed M/s MBGH (among other service providers & airport operators) to continue to levy the tariffs existing as on 31.03.2016, up to the period ending 30.09.2016.
- 2.4 The Authority, subsequently, extended the continuation of the above tariff vide the following orders:
- Order No.11/2016-17 dated 29.09.2016 up to 31.03.2017;
 - Order no.19/2016-17 dated 31.03.2017 up to 30.09.2017;
 - Order no.12/2017-18 dated 29.09.2017 up to 31.03.2018;
 - Order no.43/2017-18 dated 28.03.2017 up to 30.09.2018;
 - Order no.21/2018-19 dated 28.09.2018 up to 31.03.2019;
- 2.5 Thus M/s MBGH, is presently allowed to continue to charge the tariff prevalent as on 31.03.2016 up to 31.03.2019 or till the determination of tariffs for the 2nd control period, whichever is earlier.
- 2.6 During the period of extension as detailed above, and till date, M/s MBGH has not raised any objection, regarding tariff, nor has asked the Authority for new rates for any new facility offered to users.



- 2.7 Further, MBGH vide their letter dated 25.04.2018, confirmed that they shall strictly comply with the AERA Tariff Orders which were issued as interim arrangement.
- 2.8 M/s MBGH, vide above referred letter, also informed the Authority that the Airport Operator HIAL has floated tenders for appointing 03 agencies at Hyderabad Airport as per the new GH Regulations. The Authority was also informed that their Concession Agreement with M/s HIAL which expired on 23.03.2018, was extended by the Operator up to 22nd September 2018.
- 2.9 Earlier, M/s MBGH had informed the Authority that they did not expect any further renewal of the Concession Agreement beyond 30th September, 2018, and, further, did not contemplate any increase in tariff for FY 2017-18, therefore, they did not submit any ATP for Ground Handling Services at Hyderabad Airport for rest of the Financial Years of the 2nd Control Period.
- 2.10 M/s MBGH vide mail dated 18.09.2018 confirmed that the tender is in progress, and, that the Airport Operator HIAL have extended their Concession Agreement for a further period up to 31st March 2019, and, also that they do not have any proposal to increase the tariff till 31.03.2019.

3. Principle For Determination Of Aeronautical Tariff :

- a. **Materiality:** According to the materiality index for Ground Handling, the percentage share of Aircraft Movement for Hyderabad Airport, based on AAI Statistics, as per 2014-15 stands at 5.56% and thus is “**Material.**”
- b. **Competition:** AERA on the provisions of the NCAP-2016, vide its Order No. 15/2016-17 dated 12th Jan, 2017 decided to consider three (3) Ground Handling agencies (GHA) including Air India’s Subsidiary/JV for competition assessment at all major airports. In a recent confirmation obtained from HIAL (letter dated 31.07.2018) there are two Ground handling Service Providers at Hyderabad Airport viz.
- (1) M/s MBGH
 - (2) M/s Air India SATS Airport Service Pvt. Ltd.

In view of the above the GH services provided are deemed to be “**Not-Competitive**”.

- c. **Reasonableness of User Agreement(s):** M/s MBGH submitted copies of User Agreement and also submitted evidence of stakeholder’s consultation process relevant to FY 2016-17.

4. AUTHORITY’S EXAMINATION OF THE PROPOSAL:

- 4.1 The Ground Handling Service being provided by M/s MBGH at Hyderabad Airport, is “Material” but “Not-Competitive” and hence in accordance with the provisions of Chapter V of the AERA Guidelines the Authority will conduct an intrusive determination of tariff for the 2nd Control Period.

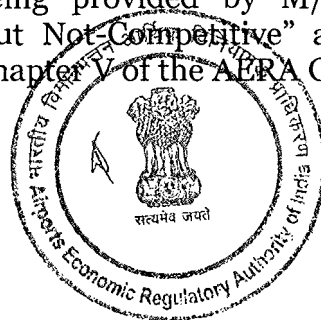


- 4.2 The Authority notes that M/s MBGH is presently operating on ad hoc extension (till 31.03.2019), pending outcome of the tender process by Airport Operator HIAL as per the new GH Regulations. Further, M/s MBGH, has been allowed by the Authority to levy the tariff as was prevailing on 31st March 2016, for a further period up to 31.03.2019 or till determination of tariff, whichever is earlier, as an interim arrangement.
- 4.3 The Authority also notes that, M/s MBGH have not raised any objections, whatsoever, against the ad hoc tariff continuing till date through the various interim orders for the 1st, 2nd, & the 3rd tariff years (from FY 2016-17 to FY 2018-19). However, in response to a confirmation sought by the Authority (vide mail dt. 15.10.18), regarding adherence to the interim orders, M/s MBGH vide their mail dated 23.10.2018 submitted that tariff allowed by AERA in Order No. 28/2015-16 dated 25.08.2015 are being followed only for the Users that existed as on the date of the said Order, and, that a different set of tariff, is being followed in respect of subsequent new Users, based on the respective User Agreements.
- 4.4 From a comparative analysis of the tariff proposed by M/s MBGH in the ATP for T₁ i.e. FY 2016-17 (ref. para 2.2) vis-à-vis the Tariffs prevailing as on 31-03-2016 (continued by AERA Orders as interim arrangement up to 31.03.2019), it is observed that M/s MBGH have sought an increase in the max. GH Rates for various categories of aircrafts.
- 4.5 However, to carry out intrusive determination, the Authority needs details of ATM movements category-wise for various aircrafts in order to analyse the changes in the revenue vis-à-vis the increase/decrease in tariff for each category. Alternately, the Revenue line items have to be made available as per aircraft categories. The above data is not made available by M/s MBGH in its submissions.
- 4.6 The Authority, therefore, is of the view that there is not sufficient time for conducting an intrusive determination, and, moreover the due process of issue of consultation paper, stakeholder consultation, etc., may not be fruitful in this case considering that, the concession period of M/s MBGH with the Airport Operator HIAL is ending on 31.03.2019.
- 4.7 Further, from the Annual compliance Statement (ACS) for FY 2015-16 & FY 2016-17, the Authority observes that the total traffic volumes/revenues show reasonable growth, and, M/s MBGH is earning sufficiently to meet the revenue requirements. The Authority also notes that M/s MBGH has not submitted the ACS for FY 2017-18.

ORDER

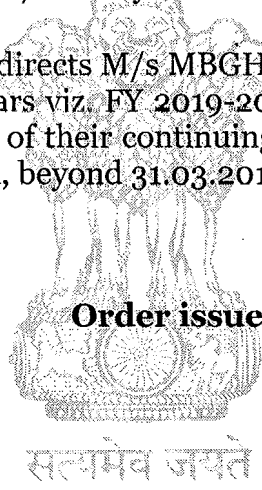
Upon careful consideration of facts available on record, as well as submissions made by M/s MBGH, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:

- a. The Ground Handling Service being provided by M/s MBGH at Hyderabad Airport, is “Material but Not-Competitive” and hence in accordance with the provisions of Chapter V of the AERA Guidelines the



Authority has to conduct an intrusive determination of tariff for the 2nd Control Period.

- b. The Authority, also notes that M/s MBGH is presently operating its Concession Agreement for providing Ground Handling Services at RGI Airport, Hyderabad, on ad hoc extension till 31.03.2019. Therefore, considering that the residual period may not be sufficient for the Authority to conduct intrusive determination of tariff, the Authority, hereby decides to allow M/s MBGH to charge the tariffs prevailing as on 31st March 2016 up to the 3rd Tariff Year FY 2018-19 (i.e. up to 31.03.2019) of the Second Control Period as per **Annexure-I**. The tariff approved by the Authority vide interim orders (ref. para 2.4) for FY 2016-17 & FY 2017-18 may be treated as regularised.
- c. The Authority also directs M/s MBGH to file their Tariff Proposal for the remaining tariff years viz. FY 2019-20 & FY 2020-21 of the 2nd Control Period in the event of their continuing the Ground Handling Services at GHIAL, Hyderabad, beyond 31.03.2019.



Order issued in the Name of the Authority


(Puja Jindal)
Secretary

To,

**M/s Menzies Bobba Ground Handling Services Pvt. Ltd.,
Passenger Terminal Building, Level - E,
Rajiv Gandhi International Airport,
Shamshabad - 500 409
Ranga Reddy District
Telangana.**

(Through: Shri Suresh Pillai, Chief Executive Officer)

**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport New Delhi-110003.**



Annexure - I

M/s MENZIES BOBBA GROUND HANDLING SERVICES PVT. LTD. FOR GROUND HANDLING SERVICES AT RAJIV GANDHI INTERNATIONAL AIRPORT, SHAMSHABAD, HYDERABAD

MAXIMUM RATES TO BE PAID BY SCHEDULED AIRLINES FOR GROUND HANDLING SERVICES

Rates prevailing as on 31.03.2016 to continue up to 31.03.2019 of 2nd Control Period

(Ref. Attachment to AERA Order No.28/2015-16)					
S.No.	Aircraft Types	Maximum Ground Handling Rate per Flight in INR			
		Scheduled Passenger Aircraft		Scheduled Freighter Aircraft	
		Domestic	International	Domestic	International
1	A319, A320, A321	6,100	77026	NA	NA
2	B 737, B732F	NA	46395	4769	NA
3	ATR 42	2,900	NA	NA	NA
4	B767, B777-200, MD 11F	NA	149361	NA	102400
5	A 330-200, A330-300	NA	157858	NA	NA
6	A 340	NA	166565	NA	NA
7	B747	NA	159385	NA	NA
8	B-777-300	NA	142541	NA	NA
9	B787	NA	138451	NA	NA
10	B 747F	NA	NA	NA	67890

Notes

- 1 The rates with each Airline will be negotiated based on services required from SGHA service itmes (usage of equipment amdnd manpower), flight frequency service level agreement, credit period and liability and indenminity requirement. Also, scope ofserices are very different fro International & Domestic.
- 2 All charges mentioned above exlucde taxes which will be charged at the prevailing rates.

