

Airports Economic Regulatory Authority of India

Order No. 10/ 2021-22

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Date of Issue: 27th August, 2021

Service : Ground Handling Services
Service provider : M/s Celebi Airport Services India Pvt. Ltd.,
Airport : Kempegowda International Airport, Bangalore.

In the matter of Determination of Tariff for the 3rd control period (FY 2021-22 to FY 2025-26) in respect of M/s Celebi Airport Services India Private Limited for providing Ground Handling Services at Kempegowda International Airport (KIA), Bangalore.

- 1.1 M/s Celebi Airport Services India Pvt. Ltd. (M/s Celebi) is one of the Ground Handling Agencies appointed by Bangalore International Airport Ltd. (BIAL) for carrying out Ground Handling Service (GH) at Kempegowda International Airport, Bangalore through Service Provider Right Holder Agreement (SPRHA) dated 2nd May 2018. The Agreement between M/s Celebi and BIAL is valid for 10 years, i.e. up to 1st May 2028.
- 1.2 The Authority vide Order No. 35/2018-19 dated 18th December, 2018 determined the tariffs under 'Light Touch Approach for the period of FY- 2018-19 to FY- 2020-21 of the 2nd control period for Ground handling service being provided by M/s Celebi Airport Services India Pvt. Ltd. at Kempegowda International Airport, Bangalore.
- 1.3 The Authority vide its Order No.67/2020-21 dated 25th March 2021, further extended the same tariff as applicable as on 31st March 2021 up to 30th September 2021 or till the determination of tariff for 3rd control period, whichever is earlier.
- 1.4 As per the provisions of the CGF Guidelines 2011, M/s Celebi has submitted the Multi Year Tariff Proposal ('MYTP') seeking revision of tariffs for providing Ground Handling Services at KIA, Bangalore for the 3rd control period (FY 2021-22 to FY 2025-26) on 06.04.2021.

2. PRINCIPLES FOR DETERMINATION OF AERONAUTICAL TARIFF UNDER “LIGHT TOUCH APPROACH”.

- 2.1 The Authority vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports and issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (“ the Guidelines”).
- 2.2 In accordance to above mentioned AERA Guidelines and Directions the following procedure is followed:

Stage I: MATERIALITY:

$$\text{Materiality Index (MIg)} = \frac{\text{Int. Aircraft Movement at Bangalore Airport}}{\text{Total Intl.Aircraft Movement at major airports}} \times 100$$

$$\begin{aligned} \text{The materiality index at Bangalore Airport} &= 30311/438049 \\ &= 6.92\% \end{aligned}$$

The percentage share of Ground Handling for KIA, Bangalore for the FY 2019-20 is 6.92% which is more than 5% Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed as ‘**Material**’ for the third control period.

Stage II: COMPETITION:

- 2.3 AERA with regard to the provisions of the National Civil Aviation Policy (NCAP-2016), vide Order No. 15/2016-17 dated 12th January 2017 decided to consider three (3) Ground Handling Agencies (GHA) including Air India’s subsidiary/JV for competition assessment at all major airports. As per the information furnished by M/s Celebi in Form F1(b) on competition Assessment, M/s Globe Ground India Pvt. Ltd. and M/s Air India SATS (AISATS) are other service providers rendering similar services at Bangalore International Airport. Hence, in the instant case, there are three ground handling service providers including Celebi, and therefore the service is deemed ‘**Competitive**’.

Stage III: REASONABLENESS OF EXISTING USER AGREEMENT(S):

- 2.4 M/s Celebi submitted the copy of Service Provider Right Holder Agreement (SPRHA) with BIAL which is valid upto 1st May 2028.
- 2.5 M/s Celebi also submitted the ‘Minutes’ of Meeting of the stakeholder consultation (AUCC) for ground handling services at Kempegowda International Airport, Bangalore held by Celebi Airport Services India Private Limited through video conferencing on 30th October, 2020.
- 2.6 The Authority carefully considered the Multi Year Tariff Proposal (MYTP) seeking revision of tariffs for providing Ground Handling Services at KIA, Bangalore for the 3rd control period (FY 2021-22 to FY 2025-26) and issued the Consultation Paper No. 06/2021-22 dated 31.05.2021.



2.7 The Authority has not received comments from any of the Stakeholders in respect of Consultation Paper No. 06/ 2021-22 till the last date for submission of written Comments i.e. 21.06.2021.

3. TRAFFIC (FLIGHTS HANDLING)

M/s Celebi, Bangalore's submission on Traffic (Flights to be Handled) for the 3rd Control Period as part of MYTP.

3.1 As per MYTP submitted by M/s Celebi, Bangalore, the projected Traffic (Flights to be Handled) for the 3rd control period (FY 2021-22 to FY 2025-26) is given as below:

Table 1: Projected Traffic (Flights to be Handled) (in Nos.)by M/s Celebi for the Third Control Period.

Year	Domestic (Landing)	International (Landing)	Total	YoY % Change		
				Domestic	International	Total
2021-22	6534	1019	7553	-	-	-
2022-23	10488	2524	13012	60.51	147.73	72.27
2023-24	12723	3184	15908	21.32	26.15	22.25
2024-25	12775	3493	16269	0.41	9.70	2.27
2025-26	12830	3621	16451	0.43	3.66	1.12

Authority's Examination regarding Traffic (Flights to be Handled)for the Third Control Period:

3.2 The Authority decided to consider the growth in traffic (Flights to be Handled) as submitted by M/s Celebi, Bangalore for the third control period.

Authority's Decisions regarding Traffic (Flights to be Handled) for the 3rd Control Period

Based on the material before it and its analysis, the Authority has decided the following regarding Traffic (Flights to be Handled) for M/s Celebi, Bangalore for the 3rd Control Period:

3.3 The Authority decides to consider Traffic (Flights to be Handled) for M/s Celebi, Bangalore for the 3rd Control Period as per Table 1.



4. CAPITAL EXPENDITURE

M/s Celebi, Bangalore's submission on Capital Expenditure (CAPEX) for the 3rd Control Period as part of MYTP.

- 4.1 As per MYTP submission, M/s Celebi, Bangalore has projected total capital expenditure (CAPEX) of Rs. 1800.00 Lacs for the procurement of various assets for the 3rd control period (FY 2021-22 to FY 2025-26) and Rs, 551.00 Lacs for Security deposit for FY 2023-24 to FY 2025-26. The asset wise capital expenditure projected by M/s Celebi, Bangalore for the 3rd control period is given as below:

Table 2: Projected Capital Expenditure by M/s Celebi for the 3rd control period

Amount (Rs. in Lacs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Ground Handling Equipments	0	243	615	458	148	1464
Furniture & Fixtures	0	8	1	1	1	11
Vehicles	0	0	295	0	0	295
Office Equipments	6	12	1	1	1	21
Computers	0	0	4	1	4	9
Security Deposit	0	0	228	181	142	551
TOTAL	6	263	1145	641	296	2351

Authority's Examination regarding Capital Expenditure for the Third Control Period:

- 4.2 The Authority examined the total projected capital expenditure of Rs. 2351.00 Lacs for the 3rd control period and noted that Rs 1759.00 Lacs to be incurred for procurement of Ground Handling Equipments and Vehicles (Refer Table 2 above). M/s Celebi also submitted that the capital expenditure would be required to meet the projected growth in business at KIA, Bangalore during the 3rd Control Period. Hence the Authority decided to consider the CAPEX for the 3rd Control Period as proposed by M/s Celebi.

Authority's Decisions regarding Capital Expenditure for the 3rd Control Period

Based on the material before it and its analysis, the Authority has decided the following regarding Capital Expenditure for M/s Celebi, Bangalore for the 3rd Control Period:

- 4.3 The Authority decides to consider Capital Expenditure for M/s Celebi, Bangalore for the 3rd Control Period as per Table 2.



5. OPERATING EXPENDITURE

M/s Celebi, Bangalore's submission on Operating Expenditure for the 3rd Control Period as part of MYTP.

- 5.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operation and Maintenance expenditure incurred by the Service provider(s) include expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.
- 5.2 As per the submission of M/s Celebi, Bangalore, Operation and Maintenance (O&M) expenditure has been segregated into the following categories:
- Payroll Costs;
 - Admin and general expenditure;
 - Utility & Outsourcing Costs
 - Concession fees
 - Repair and maintenance Costs;

Authority's Examination regarding Operating Expenditure for the Third Control Period:

- 5.3 As per the ACS (Annual Compliance Statement) submitted by Celebi, Bangalore, the Authority examined the Revenue and Operating Expenditure (OPEX) projected by M/s Celebi, Bangalore for the 3rd control period (FY 2021-22 to FY 2025-26) as well as Audited figures of FY 2019-20 & Unaudited figures for FY 2020-21, which are given as below:

Table 3: Actual (FY 2019-20) and Projected Revenue and Operating Expenditure by M/s Celebi for the 3rd control period (FY 2021-22 to FY 2025-26)

Amount (Rs. in Lacs)

Particulars	Amount (Rs. in Lacs)							CAGR	YoY % Change					
	2019-20*	2020-21#	2021-22	2022-23	2023-24	2024-25	2025-26		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	655	1455	2306	4959	6577	7668	8551	39%	122	59	115	33	17	12
Total Operating Expenditure	904	1562	2434	4391	5450	6234	6906	30%	73	56	80	24	14	11
Payroll Costs	333	632	1121	1904	2437	2776	3084	29%	90	77	70	28	14	11
Administrative & General Costs	109	217	344	641	789	887	977	30%	99	59	86	23	12	10
Utilities & Outsourcing Costs	147	270	422	624	628	681	727	15%	84	56	48	1	8	7
Concession fees	304	425	513	1179	1547	1840	2064	42%	40	21	130	31	19	12
Repair & Maintenance Costs	11	18	34	43	49	51	53	12%	68	89	26	13	5	5

(* 2019-20 audited figures & # 2020-21 unaudited figures)



- 5.4 The Authority analysed the Operating Expenditure as submitted by M/s Celebi for 3rd Control Period and noted that there is a sharp increase in the projected Operating Expenditures for the 3rd control period (FY 2021-22 to FY 2025-26) and sought clarification from M/s Celebi, Bangalore. In this regard, M/s Celebi informed that the increase in Traffic (Flights to be handled) will not only result in increase in operating expenses but also will increase the revenue. The Authority noted that YoY % increase in revenue is higher than YoY % increase in operating expenses.
- 5.5 M/s Celebi has also submitted the audited figures of Profit and Loss Account for the FY 2018-19 & 2019-20 and unaudited figures of Profit and Loss Account for the FY 2020-21. The Authority, based on the Profit and Loss Account Statements noted that M/s Celebi, Bangalore have incurred Losses of Rs.259.41 Lacs in FY- 2018-19 and Rs.821.36 Lacs in 2019-20 and Losses of Rs.647.41 Lacs (estimated) in 2020-21.
- 5.6 The Authority, based on the projected Financial Statements of M/s Celebi, Bangalore noted that M/s Celebi shall have losses of Rs.711.60 Lacs even in FY 2021-22.
- 5.7 The Authority observed that Revenue of FY 2019-20 (being a normal year) was very low as compared to revenue of FY 2020-21. In this regards, M/s Celebi informed that the actual revenue was low in FY 2019-20 because it was their first year of operations at KIA, Bangalore.

Authority's Decisions regarding Operating Expenditure for the 3rd Control Period

Based on the material before it and its analysis, the Authority has decided the following regarding Operating Expenditure for M/s Celebi, Bangalore for the 3rd Control Period:

- 5.8 The Authority decides to consider Operating Expenditure for M/s Celebi, Bangalore for the 3rd Control Period as per Table 3.



6. ANNUAL TARIFF PROPOSAL

M/s Celebi, Bangalore's submissions on Annual Tariff Proposal for the 3rd Control Period as part of MYTP.

- 6.1 M/s Celebi has submitted the Multi Year Tariff Proposal for the 3rd control period (FY 2021-22 to FY 2025-26) and proposed a tariff increase as per Table 4 of the Consultation paper.(Refer Annexure-I)

Authority's Examination regarding Annual Tariff Proposal for the Third Control Period:

- 6.2 The Authority analysed the Tariff Proposal submitted by M/s Celebi and noted that tariff increase proposed by the service provider for FY 2021-22 is ranging between (-) 5% to 68% for Domestic and International Passenger Flights and ranging from 20% to 25% for Domestic and International Freight Flight over the previous year and also shows an uniform 2.5% CAGR for FY 2021-22 to FY 2025-26 for different category of Passenger and Freight Flights.
- 6.3 The Authority noted that the tariff proposed by M/s Celebi for FY 2021-22 to FY 2025-26 is lower than the rates approved by AERA for AISATS and M/s Globe Ground India Pvt. Ltd. (GGI) except for Domestic Passenger Flights providing similar services at KIA, Bengaluru. It is noted now a days the number of domestic flight handled are very less by the ground handling service provider. Moreover the competition will take care of the rates to be charged by the agency.
- 6.4 The Authority also noted that M/s Celebi, Bangalore have incurred Losses of Rs.259.41 Lacs in FY- 2018-19 and Rs.821.36 Lacs in 2019-20 and Losses of Rs.647.41 Lacs (estimated) in 2020-21 and shall have losses of Rs.711.60 Lacs even in FY 2021-22.
- 6.5 The Authority after taking into consideration decided to accept tariff increase proposed by the service provider for FY 2021-22 over the previous year i.e. FY 2020-21.
- 6.6 The Authority, based on Minutes of Meeting of the stakeholder consultation (AUCC) held on 30th October 2020, observed that M/s Celebi, Bangalore did not present the Proposed Tariff rates at the stakeholders' meeting.

Authority's Decisions regarding Tariff Proposal for the 3rd Control Period

- 6.7 The services rendered by M/s Celebi for providing Ground Handling facilities at Bangalore Airport are aeronautical services in terms of section 2(a) of the Airports Economic Regulatory Authority of India Act, 2008 (Act). Therefore, the Authority under section 13 (1)(a) of the Act, is required to determine the tariffs for aeronautical services rendered by the ISPs/AOs at Major Airports.
- 6.8 The Authority, after careful consideration of the proposals submitted by M/s Celebi for the 3rd control period (FY 2021-22 to FY 2025-26), decides that the service for ground handling being provided by M/s Celebi Airport Services India Pvt. Ltd. at Kempegowda International Airport, Bangalore is "Material but Competitive". Therefore,



the Authority decides to adopt 'Light Touch Approach' for determination of tariffs for the 3rd control period (FY 2021-22 to FY 2025-26).

- 6.9 M/s Celebi has submitted the Annual Compliance Statement (ACS) for FY 2018-19 and FY 2019-20. The Authority has relied upon these documents as submitted by Celebi, Bangalore for determination of tariff for the 3rd Control Period.
- 6.10 No comments/ views have been received from any stakeholders including M/s Celebi on the proposals made in Consultation Paper No. 06/ 2021-22 dated 31.05.2021. Hence, the Authority presumes that the stakeholders have no objection to the proposal shared in the Consultation Paper.
- 6.11 The Authority, based on analysis and examination, decides that the Tariff Rates approved shall be maximum tariff to be charged. No other charge shall be levied over and above the approved Tariff.
- 6.12 M/s Celebi shall not exceed the Tariff Rates for its Non-Schedule Operations as approved by AERA for similar class of aircraft(s).



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AERA

ORDER

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

- (i) the service for Ground handling being provided by M/s Celebi Airport Services India Pvt. Ltd. at Kempegowda International Airport, Bangalore is "**Material but Competitive**". Therefore the Authority decides to adopt '**Light Touch Approach**' for determination of tariffs for the 3rd control period (FY 2021-22 to FY 2025-26).
- (ii) the Authority decided to allow M/s Celebi Airport Services India Pvt. Ltd to levy revised tariff **w.e.f. 1st September, 2021** for the 3rd control period (FY 2021-22 to FY 2025-26) as per "Annexure I".
- (iii) tariff determined shall be the maximum tariff to be charged. No other charge is to be levied over and above the approved Tariff Rates.
- (iv) M/s Celebi shall not exceed the Tariff Rates for its Non-Schedule Operations as approved by the Authority for similar class of aircraft(s).
- (v) the Airport operator shall ensure the compliance of the Order.

By the Order of and in the
Name of the Authority


(Col Manu Sooden)
Secretary

To

M/s Celebi Airport Services India Pvt. Ltd.
Room no. CE 01, Import Building 2, International Cargo Terminal,
IGI Airport, New Delhi - 110 037
(Through: Shri Murali Ramachandran, Chief Executive Officer)

Copy to:

- i. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport New Delhi-110003.
- ii. Shri Hari Marar, CEO, BIAL

ANNEXURE-I

TARIFF RATE CARD

M/S CELEBI AIRPORT SERVICES INDIA PVT. LTD. - GROUND HANDLING SERVICES AT KIA, BANGALORE.

MAXIMUM RATE TO BE PAID BY SCHEDULED/NON-SCHEDULED AIRLINES FOR GROUND HANDLING SERVICES FOR THE
THIRD CONTROL PERIOD (FY 2021-22 TO FY 2025-26). Amount (in Rs.)

Particulars	FY 2021-22			FY 2022-23			FY 2023-24			FY 2024-25			FY 2025-26		
	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full	Pax	Ramp	Full
Domestic Passenger Flight															
CODE B	3500	5600	9100	3500	5600	9100	3675	5880	9555	3675	5880	9555	3859	6174	10033
CODE C	11270	20930	32200	11270	20930	32200	11834	21977	33811	11834	21977	33811	12426	23076	35502
CODE D	29295	70525	99820	29295	70525	99820	30760	74051	104811	30760	74051	104811	32298	77754	110052
CODE E	37975	81375	119350	37975	81375	119350	39874	85444	125318	39874	85444	125318	41868	89716	131584
CODE F	42315	108500	150815	42315	108500	150815	44431	113925	158356	44431	113925	158356	46653	119621	166274
International Passenger Flight															
CODE B	4550	8450	13000	4550	8450	13000	4778	8873	13651	4778	8873	13651	5017	9317	14334
CODE C	28600	57200	85800	28600	57200	85800	30030	60060	90090	30030	60060	90090	31532	63063	94595
CODE D	41850	100750	142600	41850	100750	142600	43943	105788	149731	43943	105788	149731	46140	111077	157217
CODE E	54250	116250	170500	54250	116250	170500	56963	122063	179026	56963	122063	179026	59811	128166	187977
CODE F	60450	155000	215450	60450	155000	215450	63473	162750	226223	63473	162750	226223	66647	170888	237535
Domestic Freight Flight															
CODE C	NA	58080	NA	NA	58080	NA	NA	60984	NA	NA	60984	NA	NA	64033	NA
CODE D	NA	85800	NA	NA	85800	NA	NA	90090	NA	NA	90090	NA	NA	94595	NA
CODE E	NA	99000	NA	NA	99000	NA	NA	103950	NA	NA	103950	NA	NA	109148	NA
CODE F	NA	132000	NA	NA	132000	NA	NA	138600	NA	NA	138600	NA	NA	145530	NA
International Freight Flight															
CODE C	NA	63360	NA	NA	63360	NA	NA	66528	NA	NA	66528	NA	NA	69854	NA
CODE D	NA	93600	NA	NA	93600	NA	NA	98280	NA	NA	98280	NA	NA	103194	NA
ODE E	NA	112500	NA	NA	112500	NA	NA	118125	NA	NA	118125	NA	NA	124031	NA
CODE F	NA	144000	NA	NA	144000	NA	NA	151200	NA	NA	151200	NA	NA	158760	NA

Note: Above Tariff Rates are excluding all applicable taxes.

