

Airports Economic Regulatory Authority of India

Order No. 19 /2017-18

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

Date of Issue: 21.11.2017

Service : Ground Handling Services.
Service provider: Air India SATS Airport Services Pvt. Ltd.
Airport : Hyderabad Intl. Airport Ltd. (HIAL).

In the matter of Multi Year Tariff Proposal(MYTP) for the second control period and Annual Tariff Proposal(ATP) (T1 to T5) for the second control period in respect of M/s Air India SATS Airport Services Pvt. Ltd. (AISATS) for providing Ground Handling Services at Rajiv Gandhi International Airport, Hyderabad (HIAL).

1. M/s AISATS is one of the Ground Handling agencies appointed by Hyderabad Intl. Airport Ltd. (HIAL) for carrying out Ground Handling (GH) services at Rajiv Gandhi International Airport, Hyderabad(HIAL). The Authority, vide its MYTO Order No. 12/2011-12 dated 04.10.2011, decided to adopt '**Light Touch Approach**' in respect of the AISATS for Ground Handling services at Rajiv Gandhi International Airport, Hyderabad for determination of tariffs for the first control period. The Authority in line with the above mentioned MYTO order determined the Annual Tariff Proposal (ATP) for FY 2011-12. Subsequently, Authority's also determined the Annual tariff for FY 2012-13 vide its Order No.22/2012-13 dated 06.11.2012 and later determined Annual tariff FY 2013-14, 2014-15 & 2015-16 vide its Order No. 27/2013-14, dated 23.07.2013. The Authority vide its Order No. 50/2015-16 dated 31.03.2016 allowed the Service providers to continue with the same tariff as existing on 31.03.2016 for a period of 6 months w.e.f. 01.04.2016 or till determination of tariffs for the Second control period, whichever is earlier. Subsequently, the Authority vide its Order No. 19/2016-17 dated 31.03.2017 extended the levy of tariff as on 31.03.2016 up to 30.09.2017 or till the determination of tariffs for the second control period, whichever is earlier. The Authority vide its Order No. 12/2017-18 dated 29.09.2017 further extended the tariffs existing as on 31.03.2016, for a period of six months w.e.f. 01.10.2017 or till determination of tariffs for the Second Control Period whichever is earlier.
2. M/s AISATS submitted their MYTP online on 18th March,2016 and submitted the hardcopy of online Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) for FY 2016-17 for second control period. M/s AISATS has resubmitted the revised ATP wherein, AISATS has reduced their rates in proposed tariff card for FY 2016-17 by 10% from the existing rates of FY2015-16 on the observation made by the Authority during visit of Hyderabad Airport in February 2017. M/s AISATS has submitted the required Annual



Compliance Statements (ACS) for the first control period (FY 2011-12 to FY2015-16).

3. **a. Materiality:** As per Clause 4.4 of the CGF Guidelines, 2011 for the regulated service(s) provided for Ground Handling facility at the major airports, the percentage share of Ground Handling for Hyderabad International Airport, Hyderabad is **5.56** which is greater than **5%** Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed '**material**'.

b. Competition: AERA on provisions of the National Civil Aviation Policy (NCAP- 2016), vide 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. As per the information furnished by AISATS in Form F1(b) on competition Assessment, M/s Menzies Aviation Bobba is other service provider which is rendering similar service at Hyderabad International Airport. Hence in the instance case, there are two Ground Handling service providers including AISATS, and therefore the service is deemed '**Non-competitive**'.

c. Reasonableness of existing User Agreement(s): M/s AISATS has submitted the valid User Agreements for Hyderabad Airport and on examination the following points are observed:

- i) The User Agreements submitted by AISATS clearly indicate the tariffs agreed by both the parties.
- ii) Till date AERA has not received any complaints from users on the existing agreements with the service provider.

4. (i) The Authority considered the submissions made by AISATS and issued the Consultation Paper No. 25/2017-18 dated 13th Sep, 2017 wherein, the Authority proposed that the service provider may continue/maintain tariff for the first tariff year (FY 2016-17) and Second tariff year (FY2017-18) at the same level as approved by AERA order No. 34/2015-16 dated 21.09.2015 since, the service provider's Return on Average RAB is high as per the ACS submitted by AISATS vide their email dated 18th April, 2017 and the observations of the Authority is as follows:

- a) High return on RAB: 278.79% in FY 2015-16.
- b) High Regulatory Operating Profit growth of 19% in FY 2015-16 compared to FY 2014-15.
- c) 28% increase in volume for FY 2015-16 when compared to FY 2014-15.

Further, the Authority proposed that the tariff charges for Non-Schedule Operations provided by the service provider should not exceed the ceiling rates approved by AERA for its scheduled operations for its similar class of aircraft.

4(ii) The Authority requested written feedback, comments and suggestions from stakeholders on the above Consultation Paper by 03.10.2017. No comments have been received from stakeholders.

4(iii) Further the Authority observed that the tariff proposed by AISATS for FY2016-17 is excluding the taxes applicable at the prevailing rates.



- 4(iv) As there are only four (4) months left in the current financial Year, the Authority has decided to continue the rate being fixed for FY 2016-17 for the FY2017-18 and FY 2018-19 also.

ORDER

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

- (i) The service for Ground handling being provided by M/s AISATS Ground Handling Hyderabad Pvt. Ltd. at Hyderabad Airport, Hyderabad is **“Material and Non-Competitive”**. Therefore the Authority examined the reasonableness of User Agreements as submitted by AISATS which are found to be reasonable and proposes to adopt **‘Light Touch Approach’** and not to adopt the Price Cap/Cost Plus approach for determination of tariffs for the 2nd control period from 01.04.2016 to 31.03.2021.
- (ii) M/s AISATS is directed to continue the levy of tariffs determined vide AERA Order no 27/2013-14 dated 10.07.2013 for FY 2015-16 at same level for the First Tariff Year (FY 2016-17) and Second Tariff Year (FY2017-18) till the issue of Multi Year Tariff Order for Second Control Period.
- (iii) M/s AISATS is directed to charge as per the revised ATP submitted by AISATS as in **Annexure-I** for the residual period of FY2017-18 and for FY2018-19 i.e. from the issue of this order to 31.03.2019 for Ground Handling Services provided by AISATS at Hyderabad International Airport, Hyderabad.
- (iv) As regards to the Non-Scheduled operations of scheduled operators, the tariff charged by M/s AISATS should not exceed the tariff charges as approved by AERA for its scheduled operations for similar class of aircraft.
- (v) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied by M/s AISATS over and above the approved tariff.

**By the Order of and in the
Name of the Authority**


(Puja Jindal)
Secretary

To
M/s Air India SATS Airport Services Pvt. Ltd, Corporate Office Address:
B-1101 & 1102, Lotus Corporate Park, Goregaon (E), Mumbai-400063.
(Through: Shri Mike Chew, Sr.Vice President (Delhi)).

Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport, New Delhi-110002.

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Annexure-I

AISATS , GROUND HANDLING, HYDERABAD.

Maximum rate to be paid by Scheduled/Non-Scheduled Airlines (excluding General Aviation) for ground handling services for the FY 2017-18 & 2018-19) w.e.f. the date of issue of this order.

Maximum Ground Handling Rate in INR					
S/N	Aircraft Types (ICAO Code)	Scheduled Passenger Aircraft		Schedule Freighter Aircraft	
		Domestic	International	Domestic	International
1	CODE B	13,177	40,585	NA	NA
2	CODE C	17,657	1,05,810	59,297	1,44,287
3	CODE D	28,251	1,59,440	1,02,780	1,59,440
4	CODE E	59,297	2,02,924	1,23,863	2,17,419
5	CODE F	1,05,415	2,86,993	1,68,532	3,13,083

Notes:

- 1) All charges mentioned above include prevailing third party charges such as concession fee, royalty, airport levy charged by the Airport Authority at the time of submission.
- 2) All charges mentioned above are maximum and excluding the applicable statutory taxes.

