

Airports Economic Regulatory Authority of India

Order No. 8/2012-13

**AERA Building,
Administrative Complex,
Safdarjung Airport ,
New Delhi - 110 003**

Date of Order: 12th June, 2012

Date of Issue: 19th June, 2012

In the matter of Multi Year Tariff Proposal for 1st Control Period submitted by Bhadra International India Ltd., for providing Ground Handling Services at Thiruananthapuram International Airport, Thiruananthapuram.

Bhadra International India Limited (Bhadra), vide their application dated 30.04.2011, and subsequent communications submitted their Multi Year Tariff Proposal (MYTP) for the first control period commencing 01.04.2011, in respect of the tariff for the services provided for ground handling facility at Thiruananthapuram International Airport, Thiruananthapuram. Bhadra also submitted the Annual Tariff Proposal (ATP) for the First Tariff year requesting for approval of the tariff to be applicable from 01.04.2011.

2. Briefly, the facts of the case are as under:-

- (i) Vide the MYTP, Bhadra have sought approval for the tariff for ground handling services for the first control period (period of 5 years commencing 01.04.2011) based on a "light touch approach" as specified in Chapter V of 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). Bhadra further sought approval for rates w.e.f. 01.04.2011, on the basis of user consultation as contained in the ATP.
- (ii) As stipulated in the Guidelines, the Authority follows a three stage process for determining its approach to the regulation of a regulated service-
 - a) Materiality Assessment;
 - b) Competition Assessment;
 - c) Assessment of reasonableness of the User Agreements between the service providers and the users of the regulated services.
- (iii) The ground handling service at Thiruananthapuram International Airport, Thiruananthapuram has a materiality index of 5.9%, which is greater than 5% materiality Index fixed for the subject service, hence the service is deemed as "material", in terms of Clause 4.3 of the Guidelines.



- (iv) As per the information furnished by Bhadra in Form F1 (b), on the Competition Assessment, following service provider is rendering similar service at Thiruananthapuram International Airport:
(i) M/s Air India SATS;
- (v) The Guidelines provide that where a regulated service is being provided at a major airport by two or more service providers(s), it shall be deemed 'competitive' at that airport. In the instant case with the total number of ground handling services providers being two, the service merits to be deemed as 'material but competitive.'
- (vi) It was observed that as the ground handling services at Thiruananthapuram International Airport, Thiruananthapuram being provided by Bhadra is "material but competitive", it may be regulated under light touch approach for tariff determination.
- (vii) The Authority, vide its Order No.17/2010-11 dated 31.03.2011, while extending the timeline for submission of MYTP by the independent service providers (ISP) upto 30.04.2011, had also decided that, in the interim, all ISP(s) may continue to charge the tariffs as prevalent on 01.09.2009 or as may have been approved/determined by the Authority thereafter with effect from 01.4.2011 and upto the date when the new tariffs as may be approved by the Authority became applicable and that this interim arrangement would be subject to the condition that the concerned independent service providers submit the MYTP latest by 30.04.2011. In case any service provider(s) fails to submit MYTP on or before 30.4.2011, the interim arrangement in respect of such service provider (s) would cease to be effective.
- (viii) Bhadra had submitted the MYTP for ground handling services provided by them in respect of Thiruananthapuram International Airport, Thiruananthapuram as per the timelines prescribed in the Guidelines.

3.1 The Authority, vide Consultation Paper No. 28/2011-12, dated 09.11.2011, proposed for stakeholder Consultation that the ground handling services provided by Bhadra at Thiruananthapuram International Airport, Thiruananthapuram is "material but competitive" and hence the Authority may adopt a, "Light Touch Approach" for determination of tariff in the first control period w.e.f. 01.04.2011. Since, the tariff was to be determined under light touch approach and keeping in view the precedents in other cases, the Authority decided to propose for stakeholder consultation that the ATP, as submitted by Bhadra, may be considered at this stage itself and that the ATP may be made effective from 1.04.2011 or such other prospective date as the Authority may finally decide.

3.2 In response to the above, comments were received from M/s Deccan Charters Limited, who, inter-alia, pointed out that the rates for certain categories of aircraft had not been indicated by Bhadra in their MYTP and the rates did not include Ground Power Unit (GPU) charges, which are extra.



4.1 The Authority, considered the MYTP, ATP and the comments of stakeholders in response to the Consultation Paper No. 28/2011-12 and observed that the Ground Handling services at Thiruananthapuram International Airport, Thiruananthapuram is "material but competitive" and hence Bhadra was not the sole Ground Handling service provider at the Airport. However, the Authority also noted that as pointed out by Deccan Charters Limited, Bhadra had not indicated rates for certain categories of aircrafts etc.

4.2 The matter was further considered by the Authority and it was observed that:-

- (a) Air India/NACIL is also providing ground handling services at the Airport hence the ground handling services provided by Bhadra is competitive and the Authority may adopt a light touch approach for determination of tariff for the 1st control period. Regarding the quantum of revenue share payable by Bhadra to AAI, the Authority observed that this issue is outside the purview of Authority and Deccan may take up with the concerned authority i.e. AAI if deemed fit.
- (b) GPU charge is a separate charge levied as and when the service is available by the Airlines as per copies of standard Ground handling agreements submitted by Bhadra and other ground handlers.
- (c) The GPU charges have not been determined separately for the other ground handlers such as AISATS, Indo Thai etc. There was no indication in their tariff proposals that these charges were included in the ground handling charges as determined by Authority as a package.
- (d) However, GPU is a service that forms part of ground handling service and Bhadra has not submitted the rates for the same, as has been pointed out by the Deccan.

5. In view of the above observations, it was decided that point wise clarification/comments and tariff for GPU service be called for from Bhadra, for inclusion in the tariff card.

6. Accordingly, the comments/clarifications and tariff rates in respect of GPU were called for from Bhadra, in response to which Bhadra submitted the following rates vide its letter dated 28.05.2012:

Equipment	Rate/hr-contracted Airline*	Rate/hr-casual Airline*
GPU -140 KVA	Rs.7,909/hr	Rs.9,490/hr
GPU-90 KVA	Rs.6,590hr	Rs.7,909/hr

*Service tax extra as applicable

The submission by Bhadra were further considered by the Authority and it was observed that the services for ground handling being material but competitive, light touch approach may be adopted for determination of tariffs for the 1st Control Period and accordingly, the tariffs for 1st tariff year as proposed by Bhadra may be approved w.e.f. 01.04.2011.



ORDER:

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008, hereby orders that:

- (i) The service for ground handling services being provided by Bhadra at Thiruananthapuram International Airport, Thiruananthapuram is "material but competitive". Hence, the Authority will adopt a "light touch approach" for tariff determination for the 1st Control period w.e.f. 01.04.2011.
- (ii) The tariff for the ground handling services provided by Bhadra at Thiruananthapuram International Airport, Thiruananthapuram is determined, as at **Annexure- I** w.e.f. 1.04.2011.

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


(Capt. Kapil Chaudhary)
Secretary

To

**M/s Bhadra International India Limited,
B-4/62, Safdarjung Enclave,
New Delhi – 110 029
(Through: Shri Prem Bajaj, Managing Director)**



Bhadra International India Limited**Station Name: Thiruananthapuram International Airport,
Thiruananthapuram**

Tariff Heading	Conditions of Tariff
A-International	Maximum Tariff per Flight in (INR)
a-Passenger Flights	
A320(Narrow Body)Upper Limit	1,25,208
A320(Narrow Body)Lower Limit	83,472
A300/310 Upper Limit	1,55,100
A300/310 Lower Limit	1,36,300
Wide Body(747/777)Lower Limit	1,73,900
Wide Body(747/777)Upper Limit	2,02,100
b-Freighter	
Freighter Lower Limit	1,55,100
Freighter Upper Limit	2,11,500
B-Domestic	
a- Passenger Flights	
Learjet, Jetstream,DH6,C560	12,600
YAK40,CL60,F50,F27,F28,C750,AN24,ATR42,ATR72,HS748,HS125,DA90,G-2 to GB,TU124,TU134,CRJ,EM4,CV580,BAC111,BE2	20,250
AN8,AN12,B737-100/200,IL18,DC9,MD82,F70,F100	36,000
A320,A321,B727,B737-500 to 800,C130,MD 83/87/88/90,TU154,TU104	45,000
B757,TU204,B707,C106	45,000
A310,A300,A330,B767,IL62,IL76,DC8,787-3	54,000
A340,B777,DC10,IL86,IL96,MD11,L1011,B747,AN124	99,000
b-Freighter	
Freighter A310	74,730
Freighter ATR	21,620

GPU Charges as and when requested by airline

Equipment	Rate/hr-contracted Airline	Rate/hr – casual Airline
Ground Power Unit – 140 KVA	Rs. 7,909/hr	Rs. 9,409/hr
Ground Power Unit – 90 KVA	Rs. 6,590/hr	Rs. 7,909/hr

