

[F.No. AERA/20010/MYTP/Bhadra/GH/Chennai/2011-12]

**Airports Economic Regulatory Authority of India**

**Order No. 29/2011-12**

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

**Date of Order : 28<sup>th</sup> November, 2011**

**Date of Issue : 5<sup>th</sup> December, 2011**

**In the matter of Multi Year Tariff Proposal for 1<sup>st</sup> Control Period submitted by Bhadra International India Ltd., for providing Ground Handling Services at Chennai International Airport, Chennai.**

Bhadra International India Limited (Bhadra), have 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 Chennai International Airport, Chennai. Bhadra have 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:-

2.1 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 have further sought approval for the Annual Tariff Proposal seeking approval of the rates w.e.f. 01.04.2011 on the basis of user consultation.

2.2 As stipulated in the Guidelines, the Authority shall follow 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.



The ground handling service being provided at Chennai International Airport, Chennai has a materiality index of 11.3%, 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.

- 2.3 As per the information furnished by Bhadra in Form F1 (b) on the Competition Assessment, following service provider is rendering similar service at Chennai International Airport:  
(i) M/s Air India SATS
- 2.4 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 players being two, the service is deemed 'material but competitive.'
- 2.5 It was observed that in the instant case the ground handling services at Chennai International Airport, Chennai being provided by Bhadra is "material but competitive" and hence may be regulated under light touch approach for tariff determination.
- 2.6 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 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.
- 2.7 Further, Bhadra had also submitted the MYTP for ground handling services provided by them in respect of Chennai International Airport, Chennai as per the timelines prescribed in the Guidelines.
3. The Authority, vide Consultation Paper No. 26/2011-12, dated 24.10.2011, proposed for stakeholder Consultation that the ground handling services provided by Bhadra at Chennai International Airport, Chennai 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 is 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.

4.1 In response to the said Consultation Paper, comments were received from Bhadra vide their letter no. Bhadra/AERA.MYTP/2011-12 dated 03.11.2011 and from Deccan Charters Ltd., vide their letter no. DCL/AERA/MYTP/2011-12 dated 11.11.2011. Cambata's comments pertain to the eligibility criteria/AAI tender norms while awarding the contract to Bhadra, and are not related to the proposal in the Consultation Paper.

4.2 Deccan Charters Limited have stated that the proposed charges are exorbitant and has asked the Authority to verify the calculations given by various ground handlers. The Authority observed that as per the Guidelines, wherever the service is being provided by two or more players it is deemed "competitive" and the Authority shall adopt a light touch approach for determination of tariff for the said services. In the instant case, Bhadra has stated that Air India SATS is a competitor at Chennai Airport. In addition, Bhadra have, in their submissions, also highlighted that Cambata Aviation is a 'non-entitled' entity carrying out the ground handling services at Chennai Airport. Hence, with more than two service providers, the MYTP is being considered under light touch approach. The contention that the exorbitant charges are mainly due to the high royalties charged by AAI cannot be commented upon by the Authority as the same is outside the jurisdiction of the Authority.

5. The Authority considered the submissions made by the stakeholders and observed that:

- (i) Bhadra is providing ground handling services at Chennai airport, which is "material but competitive".
- (ii) Cambata have stated that Bhadra, apparently, does not qualify to be a ground handler in accordance with the provisions of AAI's tender for Ground Handlers at Chennai airport. However, appointment of entities for providing various aeronautical services at airports does not fall within the Authority's jurisdiction. The Authority is mandated only to determine tariff for aeronautical services provided at major airports. Hence, Cambata may take up this issue with the concerned agency, i.e., AAI.
- (iii) As regards the comments of Deccan Charters, the Authority observed that as per the Order and Guidelines issued for economic regulation of services for Cargo Facility, Ground Handling and Supply of Fuel by ISPs, a situation where such service is provided by two or more service providers, will be deemed to be competitive and the Authority will adopt a light touch approach for determination of tariffs for such services, instead of Price Cap mechanism. Thus, the Authority has correctly proposed to adopt light touch approach while determining tariff for ground handling services provided by Bhadra at Chennai



airport, since the ground handling service is being provided by more than two service providers at Chennai International Airport, Chennai.

6. **ORDER:**

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

- (i) The service for ground handling services being provided by Bhadra at Chennai International Airport is "material but competitive". Hence, the Authority will adopt a "light touch approach" for tariff determination for the 1<sup>st</sup> Control period w.e.f. 01.04.2011.
- (ii) The tariff for the ground handling services provided by Bhadra at Chennai International Airport 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, Chairman and Managing Director)



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

<b>Tariff Heading</b>	<b>Conditions of Tariff</b>
<b>A-International</b>	Maximum Tariff per Flight in (INR)
<b>a-Passenger Flights</b>	
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>b-Freighter</b>	
Freighter Lower Limit	1,55,100
Freighter Upper Limit	2,11,500
<b>B-Domestic</b>	
<b>a- Passenger Flights</b>	
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>b-Freighter</b>	
Freighter A310	74,730
Freighter ATR	21,620

