

[F.No. AERA/20010/MYTP/AIATSL/Chennai/GH/CP-II/2017-18]

Airports Economic Regulatory Authority of India

Order No. 13/2018-19

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

Date of Issue: 16.07.2018

Service : Ground Handling Services.
Service provider: Air India Air Transport Services Limited (AIATSL)
Airport : Chennai International Airport, Chennai.

In the matter of Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal(ATP) for the second control period in respect of M/s Air India Air Transport Services Limited (AIATSL) for providing Ground Handling Services at Chennai International Airport, Chennai.

1. a) M/s AIATSL is the one of the Ground Handling agency appointed by Airports Authority of India for carrying out Ground Handling services at Chennai International Airport, Chennai. The Authority, vide its MYTO Order No. 04/2015-16 dated 06.05.2015, decided to approve tariff on ad-hoc basis for the First Control Period (FY2011-12 to FY2015-16) for Air India.
- b) The Authority vide its Order No. 09/2016-17 dated 19.08.2016 further extended the levy of tariffs as on 31.03.2016 up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier. This order was in line with the extension granted to all Airport Operators/ISPs at major airports vide Order No. 50/2015-16 issued on 31.03.2016.
- c) The Authority vide its Order No. 11/2016-17 dated 29.09.2016 extended the levy of tariffs as on 31.03.2016 up to 31.03.2017 or till the determination of tariffs for the second control period, whichever is earlier.
- d) The Authority vide its Order No. 19/2016-17 dated 31.03.2017 further extended the levy of tariffs as on 31.03.2016 up to 30.09.2017 or till the determination of tariffs for the second control period, whichever is earlier.
- e) 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.
- f) The Authority further vide Order No. 43/2017-18 dated 28.03.2018, allowed to continue levy of tariffs existing as on 31.03.2018, for a further period of six months w.e.f. 01.04.2018 (upto 30.09.2018) or till determination of tariffs for the Second control Period whichever is earlier.



2. M/s AIATSL submitted their MYTP/ATP online on 24th June,2016 and submitted the consolidated Balance Sheet for FY 2014-15, FY 2015-16 and FY 2016-17. AIATSL submitted the bifurcation of financials (Balance Sheet for FY2015-16 & FY2016-17) among its stations where AIATSL is operating. Bifurcation of Balance Sheet for FY2014-15 among all its station of operation is not submitted. AIATSL has submitted ATP for the complete Second Control period wherein, AIATSL has proposed an increase of 2% year on year in the ATP from FY 2016-17 to FY 2020-21. M/s AIATSL submitted the Annual Compliance Statement (ACS) for the FY 2015-16 and FY2016-17 only.
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 Chennai International Airport, Chennai is **10.47%** which is greater than **5%** Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed '**Material**' for the second control period.
- b) **Competition:** AERA, in line with 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 available, M/s Bhadra International (India) Private Limited is the other Ground Handling Agency other than M/s AIATSL which is rendering Ground Handling Services at Chennai Airport. As only two Ground Handling agencies are operating, the Ground Handling services provided by M/s AIATSL, is deemed '**Not-Competitive**'.
- c) **Reasonableness of existing User Agreement(s):** M/s AIATSL has submitted the key User Agreements for Chennai International Airport and till date none of the Users has complained on the Ground Handling services of AIATSL. The Authority examined the user agreement submitted by AIATSL and found the rates reasonable enough.
4. AIATSL has not submitted the copy of Concession Agreement with the Airport Operator of Chennai i.e. Airports Authority of India. Further AIATSL has also not conducted the stakeholder consultation with the users on the proposed ATPs submitted for the complete Second Control Period i.e. FY2016-17, FY2017-18, FY 2018-19, FY2019-20 and FY2020-21.
5. (i) The Authority considered the submissions by M/s AIATSL and issued a Consultation paper No. 02/2018-19 dated 23rd April, 2018 wherein, the Authority proposed that the service for ground handling being provided by M/s AIATSL at Chennai Airport, is deemed "**Material and Not-Competitive**". However the Authority examined the user agreements submitted by AIATSL and found the rates reasonable enough and hence in accordance to the provisions of Chapter V of the AERA Guidelines, the tariff will be determined under "**Light Touch Approach**" for the duration of Second Control Period (01.04.2016 to 31.03.2021).



(ii) The Authority noted that M/s AIATSL is earning a reasonable Return on Average RAB i.e. 96.60% for FY 2015-16 and 42.58% for FY 2016-17. However the profit margin stands as 18% on revenue for FY 2015-16 and 8% for FY 2016-17.

(iii) The Authority proposed in the Consultation Paper that M/s AIATSL may be allowed to charge as per the existing tariff being charged by AIATSL at Chennai Airport for the residual period of Second Control Period i.e. for FY 2018-19, FY 2019-20 and 2020-21 and the tariff will be effective from the date of issue of this order to 31.03.2021 of the second control period for Ground Handling Services provided by AIATSL at Chennai Airport, Chennai as per **Annexure-V** (of the said consultation paper).

(iii) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above proposal by 14th May, 2018. Further the Authority vide email dated 24.04.2018, informed the same to all concerned stakeholders on their registered email IDs. In response, none of the stakeholder including AIATSL has offered any comments on the proposal contained in the aforesaid consultation paper.

6. In line with Government of India, MoCA notification No. F.No. AV-24011/8/2017- AAI-MoCA dated 15.12.2017; the Authority also decided that AIATSL being a JV of the Air India shall match the lowest royalty paid by other ground handling agencies.

ORDER

Upon careful consideration of the material available on record, 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 AIATSL at Chennai Airport, Chennai is **“Material and Not Competitive”**. The Authority examined the user agreement submitted by AIATSL and found the rates reasonable and hence in accordance to the provisions of Chapter V of the AERA Guidelines, the tariff will be determined under **“Light Touch Approach”** for the duration of Second Control Period (01.04.2016 to 31.03.2021).
- (ii) The Authority is of the view that ‘the Guidelines’ need not be followed in a routine manner. Further even in ‘Light Touch approach,’ the Authority examines the margins, the growth of profit and Return on RAB to ensure that extraordinary profits do not accrue to the service provider and that the ultimate customer is not burdened with higher tariffs as the latter does not have any say in the User Agreements.
- (iii) Having regard to reasonable Return on RAB, as detailed in Consultation Paper, the increase proposed by AIATSL in tariff of 2% year on year from FY 2018-19 to 2020-21 is not allowed. AIATSL is allowed to charge tariff from the date of issue of the order to 31.03.2021 of the second control period for Ground Handling Service rendered at Chennai Airport, Chennai as per **Annexure-I**.



- (iv) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- (v) M/s AIATSL should not exceed the tariff charges for its Non-Schedule Operations as approved by AERA for its schedule operations for similar class of aircrafts.
- (vi) M/s AIATSL should submit a copy of Concession Agreement, Annual Compliance Statements for previous years and conduct the stakeholders consultation with the users on the proposed Annual Tariff Proposals (ATPs) in future before approaching AERA for tariff determination.

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


(Puja Jindal)
Secretary

To,

**M/s Air India Air Transport Services Limited
Airline House, 113 Gurudwara Rakab Gunj Road,
New Delhi -110001.
(Through Capt. Ashwini Sharma, CEO)**



Annexure-I

Rates to be charged by M/s Air India Air Transport Services Limited (AIATSL) for ground handling services being rendered at Chennai Airport,

Price List (in INR)-Scheduled/Non Scheduled Aircrafts (International & Domestic)
(Rates will be effective from date of issue of Order to 31.03.2021)

(Amt. in Rs.)

ICAO Code	Type of Aircraft	Comprehensive Handling in INR	
		Freighter	Scheduled International
Code C1	ATR 72	--	7540
CodeC	B737	--	117000
Code C	A319/A320	--	117000
Code C	A321	--	81510
Code D	MD11F	84500	--
Code E	A300/A310/A330	--	188760
Code E	A340	--	253110
Code F	A380-800	--	128700
Code E	B747	275246	253110
CodeE	B777	84500	171600
CodeE	B787-9	--	171600
Code E	A300-600F	163020	--

Note: All charges mentioned above are maximum and excluding the applicable statutory taxes.

