

Consultation Paper No. 22/2011-12



Airports Economic Regulatory Authority of India

**Multi Year Tariff Proposal submitted by
Celebi Nas Airport Services India Private
Limited for providing Ground Handling Services
at CSI Airport, Mumbai**

New Delhi: 26th September, 2011

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

M/s Celebi Nas Airport Services India Private Limited (hereinafter referred to as Celebi Nas) have submitted their Multi Year Tariff Proposal (MYTP), for the first control period of 5 years w.e.f. 1st April, 2011, for providing Ground Handling Services at CSI Airport, Mumbai vide their proposal dated 29.04.2011 and subsequent submission made on 30.06.2011.

2.1 As per clause 4.4 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], in respect of ground handling services, the materiality shall be assessed based on international aircraft movements at the major airport as a percentage of total international aircraft movements at all major airports. The percentage share of international aircraft movements for CSI Airport, Mumbai, as per April-2010 to **March'2011 AAI statistics, is 24.2% which is greater than the 5% Materiality Index fixed for the subject service. Hence the regulated service is deemed 'material'.**

2.2 As per the information furnished by Celebi Nas in Form F 1(b) on the Competition Assessment, following service providers are rendering similar services at Mumbai airport:

- a) Cambatta Aviation Pvt. Ltd.
- b) NACIL (Air India)

2.3 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 more than two the service is deemed 'material' but 'competitive'.**

3. As per Clause 3.2 (ii) of the Guidelines, wherever the regulated service **provided are deemed "material but competitive" the Authority shall determine** tariff(s) for service providers(s) based on a light touch approach for the duration of the control period.

4. Celebi Nas had vide their letters dated 29.04.2011 and 30.06.2011, requested to ensure confidentiality of certain financial information provided by them being sensitive to their business. Further, vide e-mails dated 07.09.2011 and 16.09.2011 Celebi Nas have furnished the information/documents which may be uploaded in Public Domain for Stakeholder consultation. Details of information/documents are hereunder:

- a. Form 1(b): Competition Assessment
- b. Form F(7): Format for identifying Initial Regulatory Asset Base
- c. Form F8(a): Format for providing asset-wise information of stakeholder contributions
- d. Form F8(b): Format for providing proposed exclusions form RAB
- e. Form F(9): Format for Forecast and Actual Roll-forward RAB
- f. Form 10(a): Capital Projects completed before current review for Roll-forward for RAB
- g. Form 10(b): Capital Expenditure Projected Plan-10 Year master
- h. Form 10(c): Year-wise Capital Expenditure Financing Plans for next 10 years

- i. Form 10(d): Summary Statement of Expenses Capitalised
- j. Form 10(e): Additional Capital Projects Summary
- k. Form 12(a): Historical and Projected Cargo Volumes in tones
- l. Form 12(b): Historical Aircraft Movements
- m. Form 12(c): Projected Aircraft Movements
- n. Form 12(d): Historical and Projected fuel throughput in kilolitres

5. The proposal was considered by the Authority, in its 53rd Meeting held on 21.09.2011 and after careful consideration of the submissions made by Celebi Nas, the assessment of the materiality and competition of the subject service, the Authority has decided to make the following proposal for stake holder consultation:

- (i) The service for ground handling being provided by Celebi at CSI Airport, Mumbai is **“material but competitive”**. Therefore, the Authority may tentatively decide to adopt a **“Light Touch Approach”** for determination of tariff for the 1st Control period w.e.f 01.04.2011.

6. In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in para 5 above, is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed **(Annexure-I)**. For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decision fully documented and explained in terms of the provisions of the Act.

7. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 5 above, latest by **10.10.2011** at the following address:

Capt. Kapil Chaudhary,
Secretary
Airports Economic Regulatory Authority of India
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email:kapil.chaudhary@aera.gov.in
Tel: 011-24695042
Fax: 011-24695039

Yashwant S. Bhawe
Chairperson

29th April, 2011

To,
Mr. Sandeep Prakash
Secretary,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi 110003.

Dear Sir,

Ref: D. O. No. AERA/20019/CGF-G/2010-11/Vol. II dated 21st February, 2011.

Sub: Submission of the **Multi Year Tariff Proposal** for Ground Handling Services

First of all we would like to thank you for your consideration in granting the extension for submission of the Multi Year Tariff Proposal (MYTP). We hereby, submit MYTP for our ground handling services as required in the aforesaid mentioned letter. Kindly find attached the following documents/information as per the requirements and in order with the AERA Guidelines:

1. Form A (**Exhibit 1**)
2. Checklist for verifying completeness of Multi Year Tariff Proposal (**Exhibit 2**)
3. Multi Year Tariff Proposal (**Exhibit 3**)

Provided that the rate remains below ceiling rates it varies based on couple of factors mentioned below;

- Handling requirements of the airlines
- Service Level Agreement (SLA)
- Airline's standard
- Frequency and schedule of the airlines
- Negotiation components
- Market Competition
- Aircraft type
- Equipment requirements
- Peak or off-peak operation
- Day or night operation
- Wide body/ narrow body
- Man power requirements



4. Audited Financial Statements for the financial year ending 31st March 2009 and 31st March,2010 **(Exhibits 4 and 5 respectively)**
5. Agreement with Mumbai International Airport Pvt Ltd. **(Exhibits 6 to 11)**

We also request you to kindly ensure confidentiality of our financial information which is sensitive to our business.

We would like to take this opportunity in requesting you to define the ambit of ramp service for ground handling in Airports. This will help ground handling company like us and the Airlines to understand the coverage of services clearly which is very critical particularly for domestic operation. As per international practice ramp service includes following;

- I. Off loading arrival baggage and cargo.
- II. Baggage delivery from aircraft to baggage claim area.
- III. Providing baggage delivery from baggage make-up area to aircraft.
- IV. Loading departure baggage and cargo.
- V. Aircraft Parking.
- VI. Chocking of aircraft wheels.
- VII. Providing safety cones.
- VIII. FOD check.

Thanking You,
Yours faithfully,
For **Celebinas Airport Services Pvt Ltd**


Cem Sensoz
Chief Executive Officer



Encl: As above

June 30, 2011

Mr. A. B. Saxena, AGM
Airport Economic Regulatory Authority of India
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi.

Dear Sir,

REF: File No. AERA/20010/MYTP/Celebi/GH/CSIA/MUM/2011-12/611
SUB: Submission of the requisite information/clarifications vide your Letter dated 14th June 2011.

This is with reference to your letter dated 14th June 2011, giving below point to point response to your query;

• **Point No.ii**

With regards to the working/ assumptions/ justification/ rationale for arriving at the figures, projections, forecasts required for supporting the MYTP, we would like to state that the company is just about two and half years old as at today, incorporated on 12th December, 2008. It is a new company trying to tap the Indian markets and establish itself in India and hence the projected financial performance of the company cannot be based on its historical financial data. Financial year 2011-12 being the first fully operational year for the company, the projected performance for the same is not based on the previous years but is worked out on the Zero based Budgeting concept and from the financial year 2012-13 onwards, the projected performance are based on the financial year immediately preceding the respective year. The rationales for projecting various operational parameters are as per the Revised Sheet 'Explanation for Accounting of various items in the financial statements' attached herewith **(Exhibit 1)**.

• **Point No.iii**

With respect to your observation and further requirements as mentioned in point no. (iii), we would like to state as under:

1. Form F10(e): Additional Capital Projects summary
Revised Form 10(e) is attached herewith. **(Exhibit 2)**
2. Form F11(a): Employee Strength
Revised Form 11(a) is attached herewith. **(Exhibit 3)**



3. Form F11(b): Payroll Related Expenditure and Payments

Details of Payroll related expenditure and provisions in the requisite Form 11(b) has already been provided as part of the MYTP submitted to you on 29th April, 2011. A copy of Form 11(b) of the MYTP is again attached herewith for your reference (**Exhibit 4**).

4. Form F11(c): Administrative and General Expenditure

Details of Administration and General expenditure in the requisite Form 11(c) has already been provided as part of the MYTP submitted to you on 29th April, 2011. A copy of Form 11(c) of the MYTP is again attached herewith for your reference (**Exhibit 5**).

• **Point No iv**

Copies of existing user agreements entered into with agencies availing the regulated services are attached herewith for your reference (**Exhibit 6**). These agreements are confidential and critical for our business; hence we would request you to kindly do not put any part of these agreements on public domain.

• **Point No v**

Apart from the confidentiality of the agreements to be maintained as requested above, we also request you to kindly maintain confidentiality with respect to the financial information provided in the Balance Sheet, Profit and Loss Statement and its related Annexure, the same being sensitive to business of the company.

We hope we have provided all the requisite Information/clarifications at your satisfactory.

Thanking you,
Yours faithfully,

For **CELEBI NAS AIRPORT SERVICES INDIA (PRIVATE) LTD.**



Cem Sensoz,
Chief Executive Officer



Form 1b Competition Assessment (Sec AL3)

SI No.	Details of Competitive Facilities
1	Cambata Aviation Pvt Ltd
2	National Aviation Company of India Ltd.



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Form F 7 Format for Identifying Initial Regulatory Asset Base

Fixed Asset already commissioned as on 1st April, 2009

S. NO.	Asset Name	Asset Type	Description of the Asset	Commission Date	Useful Life	Original Cost of the Asset	Depreciation rate	Accumulated Depreciation
1	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
2	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
3	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
4	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
5	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
6	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
7	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
8	TATA Coach	Vehicles		3/31/2009	5 years	3,997,507	20%	2,190
9	Furniture	Furniture		1/10/2009	5 years	181,940	20%	58,570
10	Furniture	Furniture		1/15/2009	5 years	44,000	20%	1,832
11	Furniture	Furniture		1/16/2009	5 years	238,975	20%	9,821
12	Furniture	Furniture		1/21/2009	5 years	58,185	20%	2,232
13	Furniture	Furniture		2/1/2009	5 years	140,625	20%	4,546
14	Computer Hardware	Computer		FY 2008-09	5 years	402,910	20%	16,603
15	Computer Peripherals	Computer		FY 2008-09	5 years	15,750	100%	15,750
16	Office Equipments	Office Equipments		FY 2008-09	5 years	4,500	20%	4,500
17	Communication Systems	Office Equipments		FY 2008-09	5 years	194,400	20%	8,585
18	Computer Software	Intangible Assets		3/24/2009	5 years	43,160	20%	189
						33,304,503		140,152



Form F 8 a	Format for providing asset wise information of stakeholders contributions
	NIL



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Form F 8 b	Format for providing proposed exclusions from RAB
	NIL



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		Depreciation Rates	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
A	Opening RAB		230,804,503	821,755,953	807,094,555	874,111,394	830,924,158	683,706,669	583,010,703
	Ground Handling Equipments		-	589,760,895	587,761,887	635,281,640	618,730,376	500,474,113	382,217,850
	Plant & Machinery		-	1,356,086	2,323,693	1,704,185	1,084,677	465,168	2,519,529
	Furniture & Fixtures		663,725	7,285,884	6,056,456	4,154,444	2,252,432	350,420	8,096,217
	Vehicles		31,980,058	29,945,618	25,963,780	44,127,213	29,590,646	15,054,079	36,986,269
	Office Equipments		198,900	1,135,550	1,432,341	794,059	155,776	2,219,276	1,664,457
	Computers		418,660	2,047,598	2,473,355	1,558,640	168,367	2,526,057	1,599,876
	Intangible Assets - Computer Software		43,160	2,724,322	3,583,042	18,991,213	21,441,885	15,117,556	12,426,504
	Interest Free Security Deposit with MIAL		197,500,000	187,500,000	177,500,000	167,500,000	157,500,000	147,500,000	137,500,000
	B	Additions - WIP Capitalisation		667,150,960	77,559,694	191,695,915	110,480,000	6,562,915	54,556,026
Ground Handling Equipments			644,579,507	68,153,709	141,065,915	101,705,000	-	-	80,000,000
Plant & Machinery			1,540,691	1,651,783	-	-	-	3,139,474	53,000
Furniture & Fixtures			8,838,528	618,020	-	-	-	10,120,273	-
Vehicles			4,902,778	3,600,000	32,200,000	-	-	36,882,836	3,600,000
Office Equipments			1,539,585	1,035,610	-	-	2,774,095	-	-
Computers			2,564,958	805,202	505,000	-	3,788,820	505,000	-
Intangible Assets - Computer Software			3,184,913	1,695,370	17,925,000	8,775,000	-	3,908,443	-
Interest Free Security Deposit with MIAL			-	-	-	-	-	-	-
C		Disposals/ Transfers		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	Ground Handling Equipments		-	-	-	-	-	-	-
	Plant & Machinery		-	-	-	-	-	-	-
	Furniture & Fixtures		-	-	-	-	-	-	-
	Vehicles		-	-	-	-	-	-	-
	Office Equipments		-	-	-	-	-	-	-
	Computers		-	-	-	-	-	-	-
	Intangible Assets - Computer Software		-	-	-	-	-	-	-
	Interest Free Security Deposit with MIAL		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	D	Depreciation Charge		66,199,510	82,221,092	114,679,076	143,667,235	143,780,404	145,251,992
Ground Handling Equipments		11.31%	54,818,612	70,152,717	93,546,163	118,256,263	118,256,263	118,256,263	126,927,463
Plant & Machinery		20%	184,605	684,176	619,508	619,508	619,508	1,085,113	646,445
Furniture & Fixtures		20%	2,216,369	1,847,447	1,902,012	1,902,012	1,902,012	2,374,476	2,024,055
Vehicles		20%	6,937,218	7,581,838	14,036,567	14,536,567	14,536,567	14,950,646	15,076,567
Office Equipments		20% - 50%	602,935	738,818	638,283	638,283	710,595	554,819	554,819
Computers		20% - 33.33%	936,020	379,445	1,419,714	1,390,273	1,431,130	1,431,181	1,431,130
Intangible Assets - Computer Software		20%	503,751	836,650	2,516,829	6,324,329	6,324,329	6,599,495	6,273,939
Interest Free Security Deposit with MIAL			-	-	-	-	-	-	-
E		Closing RAB (A+B-C-D)		821,755,953	807,094,555	874,111,394	830,924,158	683,706,669	583,010,703
	Ground Handling Equipments		589,760,895	587,761,887	635,281,640	618,730,376	500,474,113	382,217,850	335,290,387
	Plant & Machinery		1,356,086	2,323,693	1,704,185	1,084,677	465,168	2,519,529	1,926,085
	Furniture & Fixtures		7,285,884	6,056,456	4,154,444	2,252,432	350,420	8,096,217	6,072,163
	Vehicles		29,945,618	25,963,780	44,127,213	29,590,646	15,054,079	36,986,269	25,509,702
	Office Equipments		1,135,550	1,432,341	794,059	155,776	2,219,276	1,664,457	1,109,638
	Computers		2,047,598	2,473,355	1,558,640	168,367	2,526,057	1,599,876	1,68,746
	Intangible Assets - Computer Software		2,724,322	3,583,042	18,991,213	21,441,885	15,117,556	12,426,504	6,152,566
	Interest Free Security Deposit with MIAL		187,500,000	177,500,000	167,500,000	157,500,000	147,500,000	137,500,000	127,500,000
	F	Average RAB		526,280,228	814,425,254	840,602,974	852,517,776	757,315,414	633,358,686



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Form F 10 a	Capital projects completed before current review for Roll - Forward of RAB
	Same as in Form F7



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Form F 10 b Capital Expenditure projected plan - 10 year Master

SR. NO.	PROJECT NAME	PROJECT TYPE	F.Y. before Tariff Year 1	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5	Tariff Year 6	Tariff Year 7	Tariff Year 8	Tariff Year 9	Tariff Year 10
			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	N.A.	Ground Handling Equipments	68,153,709	141,065,915	101,705,000	-	-	80,000,000	-	-	2,000,000	Concession agreement expires on 31.12.2019.	
2	N.A.	Plant & Machinery	1,651,783	-	-	-	3,139,474	53,000	-	-	-		
3	N.A.	Furniture & Fixtures	618,020	-	-	-	10,120,273	-	-	-	-		
4	N.A.	Vehicles	3,600,000	32,200,000	-	-	36,882,836	3,600,000	32,200,000	-	-		
5	N.A.	Office Equipments	1,035,610	-	-	2,774,095	-	-	-	-	2,774,095		
6	N.A.	Computers	805,202	505,000	-	3,788,820	505,000	-	-	505,000	-		
7	N.A.	Intangible Assets - Computer Software	1,695,370	17,925,000	8,775,000	-	3,908,443	-	-	-	-		
TOTAL			77,559,694	191,695,915	110,480,000	6,562,915	54,556,026	83,653,000	32,200,000	505,000	4,774,095	-	-



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PROJECT DETAILS	Tariff Year 1		Tariff Year 2		Tariff Year 3		Tariff Year 4		Tariff Year 5	
	2011-12	AMOUNT	2012-13	AMOUNT	2013-14	AMOUNT	2014-15	AMOUNT	2015-16	AMOUNT
TOTAL CAPEX PLANNED		191,695,915		110,480,000		6,562,915		54,556,026		83,653,000
	INTERNAL ACCRUAL	31,695,915	INTERNAL ACCRUAL	55,480,000	INTERNAL ACCRUAL	6,562,915	INTERNAL ACCRUAL	54,556,026	INTERNAL ACCRUAL	83,653,000
	EQUITY INFUSED	30,000,000	EQUITY INFUSED	55,000,000	EQUITY INFUSED	-	EQUITY INFUSED	-	EQUITY INFUSED	-
	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-
	TOTAL DEBT	130,000,000	TOTAL DEBT	-	TOTAL DEBT	-	TOTAL DEBT	-	TOTAL DEBT	-
	191,695,915		110,480,000		6,562,915		54,556,026		83,653,000	

PROJECT DETAILS	Tariff Year 6		Tariff Year 7		Tariff Year 8		Tariff Year 9		Tariff Year 10	
	1016-17	AMOUNT	1017-18	AMOUNT	2018-19	AMOUNT	2019-20	AMOUNT	2020-21	AMOUNT
TOTAL CAPEX PLANNED		32,200,000		505,000		4,774,095		-		-
	INTERNAL ACCRUAL	32,200,000	INTERNAL ACCRUAL	505,000	INTERNAL ACCRUAL	4,774,095	INTERNAL ACCRUAL	-	INTERNAL ACCRUAL	-
	EQUITY INFUSED	-	EQUITY INFUSED	-	EQUITY INFUSED	-	EQUITY INFUSED	-	EQUITY INFUSED	-
	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-	USER CONTRIBUTION	-
	TOTAL DEBT	-	TOTAL DEBT	-	TOTAL DEBT	-	TOTAL DEBT	-	TOTAL DEBT	-
	32,200,000		505,000		4,774,095		-		-	



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Form F 10 d	Summary Statement of Expenses Capitalised
	NIL



Revised Form F 10 e
 Additional Capital Projects Summary (ref: Section A1.5 of Appendix I)

Forecast WIP Assets						
		Tariff year 1 2011-12	Tariff year 2 2012-13	Tariff year 3 2013-14	Tariff year 4 2014-15	Tariff year 5 2015-16
E	Opening WIP Assets Building Plant & Machinery Electrical Installation Furniture and Fittings					
F	Additions -New 'NIP' Building Plant & Machinery Electrical Installation Furniture and Fittings					
G	WIP Capitalization Building Plant & Machinery Electrical Installation Furniture and Fittings					
H	Closing WIP Assets Building Plant & Machinery Electrical Installation Furniture and Fittings					

NIL

**Note: The company do not have any Capital WIP.*



Form F 12 b Historical Aircraft Movements

Year	Domestic (Landing)	International (Landing)	General Aviation (Landing)
2009-10	4,155	2,618	640
2010-11	15,275	7,006	4,224



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Form F 12 c Projected Aircraft Movements

Year	Domestic (Landing)			International (Landing)			General Aviation (Landing)			Forecast Error Correction Band
	Optimistic	Most Likely	Conservative	Optimistic	Most Likely	Conservative	Optimistic	Most Likely	Conservative	
2011-12	20,798	18,907	17,016	19,809	9,433	8,489	4,698	4,271	3,843	
2012-13	20,798	18,907	17,016	25,013	11,911	10,720	4,698	4,271	3,843	
2013-14	20,798	18,907	17,016	28,516	13,579	12,221	4,698	4,271	3,843	
2014-15	20,798	18,907	17,016	28,516	13,579	12,221	4,698	4,271	3,843	
2015-16	20,798	18,907	17,016	28,516	13,579	12,221	4,698	4,271	3,843	
2016-17	21,142	19,220	17,298	28,516	13,579	12,221	4,698	4,271	3,844	
2017-18	21,142	19,220	17,298	28,516	13,579	12,221	4,698	4,271	3,844	
2018-19	21,142	19,220	17,298	28,516	13,579	12,221	4,698	4,271	3,844	
2019-20	21,142	19,220	17,298	28,516	13,579	12,221	4,698	4,271	3,844	
2020-21	21,142	19,220	17,298	28,516	13,579	12,221	4,698	4,271	3,844	



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