

**File No. AERA/20010/MYTP-AIS/GH/TVM/2012-13**  
**Consultation Paper No. 33/2012-13**



**Airports Economic Regulatory Authority of India**

**Multi Year Tariff Proposal and Annual Tariff  
Proposal for 2<sup>nd</sup> Tariff Year for first control period  
submitted by Air India SATS for Ground Handling  
Services provided at Thiruvananthapuram  
International Airport, Thiruvananthapuram.**

**New Delhi: 27<sup>th</sup> December, 2012**

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

Air India SATS (AISATS) informed the Authority regarding their taking over of ground handling operations at Thiruvananthapuram Airport. In view of this, they were advised by the Authority to submit the Multi Year Tariff Proposal (MYTP) for this service at Thiruvananthapuram Airport, along with the Annual Tariff Proposal (ATP) for First and Second Tariff Year.

2. AISATS have submitted their MYTP and ATP for the Second tariff year.

3.1 As per the Guidelines [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 Authority shall follow a three stage process for determining its approach to the regulation of a regulated service.

- (i) Materiality Assessment;
- (ii) Competition Assessment;
- (iii) Assessment of reasonableness of the User Agreements between the service providers and the users of the regulated services.

3.2 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 Thiruvananthapuram International Airport, as per April-2010 to March'2011 AAI statistics, is 2.3% which is lesser than the 5% Materiality Index fixed for the subject service. Hence the **regulated service is deemed 'not material'**.

3.3 As per the information furnished by AISATS in Form F 1(b) on the Competition Assessment, M/s Bhadra International India Limited is also rendering similar service at Thiruvananthapuram International Airport.

3.4 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 'not material' but 'competitive'**.

3.5 As per Clause 3.2 (ii) of the Guidelines, wherever the regulated service provided are **deemed "not material" the Authority shall determine tariff(s) for service providers(s) based** on a light touch approach for the duration of the control period.

3.6 In terms of Clause 7.3 & 7.4 of the Guidelines, the Authority shall upon due consideration of the MYTP and stakeholder consultations thereon make a Multi Year Tariff Order (MYTO) for a Control Period. After issuance of the MYTO, the service provider shall submit its Annual Tariff Proposal (ATP). The ATP for the first tariff year of the first control period is required to be submitted within 75 days of the issue of MYTO. As per Clause 11.2, the ATP is required to be submitted in the manner and form provided in A1.8.1 of Appendix I and the proposal is required to be of Annual tariff Proposal , supported by the following: -

- (i) Form B and Form F14 (b),
- (ii) Details of consultations with stakeholders
- (iii) Evidence of User Agreements clearly indicating the Tariff proposal by the service provider and agreed to by the User.

4. In support of the ATP and documented evidence of stakeholder consultation AISATS have submitted evidence/ information regarding User Agreements between the service provider and the user of the regulated services.

5. AISATS, in its executive summary has informed that they started Ground Handling at Thiruvananthapuram Airport in October 2011. Further, vide their email dated 23.11.2012, it was informed that they officially took over Ground Handling Activity at Thiruvananthapuram Airport w.e.f. 01.04.2012. Hence effective date for commencement of tariff year may be reckoned as 1<sup>st</sup> April 2012.

6. The Authority, after careful consideration of the MYTP for the first control period and ATP for second tariff year 2012-13, makes the following proposal for stakeholder consultation:

- (i) The service for ground handling, being provided by AISATS at Thiruvananthapuram International Airport, Thiruvananthapuram, is “not material” but “competitive”. Therefore, the Authority tentatively decided to adopt “**Light Touch Approach**” for determination of tariff for the 1<sup>st</sup> Control period.
- (ii) Tariff for ground handling services provided by AISATS, for the second tariff year (w.e.f. 01.04.2012 to 31.03.2013) of the first control period for Ground Handling Services provided at Thiruvananthapuram International Airport, Thiruvananthapuram is tentatively decided to be as placed at **Annexure – I**.

7. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 6 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 at **Annexure-II**. 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.

8. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 6 above, **latest by 09.01.2013** 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**

**MAXIMUM RATES TO BE PAID BY SCHEDULED AIRLINES FOR COMPREHENSIVE GROUND HANDLING**

Form F14 (b) - Annual Tariff Proposal For Tariff Year 1 at TRV

S/N	Aircraft Types (ICAO Code)	Maximum Ground Handling Rate in INR			
		Scheduled Passenger Aircraft		Scheduled Freighter Aircraft	
		Domestic Flight	International Flight	Domestic Flight	International Flight
1	CODE B	12,960	66,960	NA	NA
2	CODE C	20,240	111,925	88,900	118,600
3	CODE D	39,800	153,100	121,440	162,000
4	CODE E	68,400	211,750	143,040	284,350

Notes:

- 1) To achieve the projected ARR only maximum ground handling rates have been suggested for Airlines as user agreements will be entered into with each Airline based on the IATA AHM 810 STANDARD GROUND HANDLING AGREEMENT 1998 or 2004 or 2008 (SGHA).
- 2) The rates with each Airline will be negotiated based on services required from SGHA service items (usage of equipment and manpower), flight frequency, service level agreement, credit period and liability and indemnity requirement.
- 3) These rates may be revised, where external economic / financial factors warrant a review. However, any change, will be in consultation with the relevant authorities (AERA) and related stakeholders.
- 4) All charges mentioned above exclude concession fees and taxes which will be charged at the prevailing rates.
- 5) Exchange rate used for contracts signed in USD: 1 USD = 55 INR



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Kindly refer to the discussion we had regarding Multi Year Tariff Plan (MYTP) submission for Trivandrum (TRV).

Please note, point No 1 in the Executive Summary of the MYTP for TRV, April 2012 was inadvertently mentioned in the Executive Summary as October 2011. The correct sentence should be:

1. Ground Handling at Trivandrum International Airport Started in April 2012.

For avoidance of the doubt, we have officially taken over Ground Handling activity at TRV from 1 April 2012. This fact is also reflected in the 2 sample documents (Deed of Novation) submitted by SilkAir (Singapore) Pte Ltd.

I hope to have your kind understanding on this. Please accept my apologies for any inconvenience caused.

Thank you.

Best Regards,

Nilang Shah  
Manager Marketing

**Air India SATS Airport Services Private Limited**

Correspondence Address: A-301 Business Square, Andheri-Kurla Road, Chakala, Andheri - E, Mumbai 400 069  
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**BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

**AT NEW DELHI**

**SUBMISSION OF MULTI YEAR TARIFF PROPOSAL FOR AND ON BEHALF OF:**

**M/S AIR INDIA SATS AIRPORT SERVICES PRIVATE LIMITED**

I, Sanjay Gupta, aged 40 years resident of Republic of India acting in my official capacity as Chief Financial Officer in M/S Air India SATS Airport Services Private Limited having its registered office at Airlines House, 113 Guru Rakabganj Road, New Delhi 110001 do hereby state and affirm as under that:

1. That I am duly authorized to act for and on behalf of M/S Air India SATS Airport Services Private Limited in the matter of making this submission before the Airports Economic Regulatory Authority of India, New Delhi ('the Authority')
2. I am competent to make this submission before the Authority;
3. I am making this submission in my official capacity and the facts stated herein are based on official records;
4. The contents of this submission which include inter alia (i) Business Plan; (ii) Information relating to the Regulatory Building Blocks; (iii) Competition Assessment; (iv) Historical and Forecasted Volumes; and (v) Historical Revenues, are correct and true to my knowledge and belief and nothing material has been concealed there from.



for Sanjay Gupta

Chief Financial Officer



Place: Mumbai

Date: 29 October 2012

# Historic ARR and ARR for each Tariff Year

Form F1 (a): Historical and Proposed Aggregate Revenue Requirement:

S.N.		FY 2010-11	FY 2011-12	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2015-16 Tariff Year 5
1	Aggregate Revenue Requirement	15,168,849	107,351,449	403,630,169	456,019,602	489,804,181	514,377,170	540,409,536

## Regulatory Building Blocks

Aggregate Revenue Requirement:

		FY 2010-11	FY 2011-12	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
RAB for calculating ARR	RAB	1,408,745	10,024,257	96,568,677	176,918,693	177,893,763	178,844,194	179,291,378
Fair rate of return applied to the RAB	FRoR	26.16%	26.16%	26.16%	26.16%	26.16%	26.16%	26.16%
Depreciation	D	32,800	2,508,317	44,174,984	55,124,984	65,924,877	61,324,260	73,388,872
Operational and maintenance expenditure	O	14,767,549	102,741,686	324,910,246	340,520,319	366,780,190	396,122,606	408,006,284
Tax	T	-	-	9,807,808	14,621,828	11,094,213	10,679,432	12,649,190
Revenues from services other than regulated	NAR	-	520,700	523,304	525,920	528,550	531,192	533,848
Aggregate Revenue Requirement	ARR=RAB*FRoR+O+D+T-NAR	15,168,849	107,351,449	403,630,169	456,019,602	489,804,181	514,377,170	540,409,536



**Form F7: Initial Fixed Assets Register FY 2011-12:**

**Fixed assets data from fixed assets register**

Asset	Useful Economic Life	Original Cost of Fixed Assets	Capital Receipt	Depreciation Rate	Year in Operations	Accumulated Depreciation
Building	15.0		0	7%	0	-
Office equipments	5.0		0	20%	0	-
Electrical equipments	4.0	118,080	0	25%	0	-
Computers	3.0	1,165,815	0	33%	0	-
Furniture and fitting	5.0	141,250	0	20%	0	-
Plant and machinery	6.0		0	17%	0	-
Ground Support Equipment	6.0		0	17%	0	-
Vehicle	7.0			14%		
<b>Total</b>		<b>1,425,145</b>	<b>-</b>			<b>-</b>



**Initial RAB Valuation:**

Original cost of fixed assets	1,425,145
Accumulated depreciation	-
Capital receipt	-
<b>Initial RAB</b>	<b>1,425,145</b>

Note:

- 1) Please note, AISATS TRV is using GSEs from AI worth approximately INR 20 crore, which will be converted to equity in the year 2012-13 hence the RAB base is low.



# Details of Competitors Facility

Form F1 (b) - Competition Assessment:

S.N.	Details of Competitor Facility
1	Ground Handling at <u>Trivandrum</u> by: Bhadra International India Limited.



Form F8 (a) - Format for providing asset wise information of stakeholder contribution

S.N.	Contribution Name	Asset Name	Extent of User Contribution Approved for the Project	Year of Approval	Tenure fro User Contribution Collection	Actual Accumulated Collection till Beginning of Previous Year	Total Collection for Tariff Year 1	Total Collection for Tariff Year 2	Total Collection for Tariff Year 3	Total Collection for Tariff Year 4	Total Collection for Tariff Year 5
1	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Form F8 (b) - Format for providing proposed exclusions from RAB

Details of Proposed Excluded Assets from RAB						
S.N.	Asset Name	Book Value	Accumulated Depreciation	Justification for Exclusion	Any Land Associated with Asset	If yes, Details of Land
1	NIL	NIL	NIL	NIL	NIL	NIL
2	NIL	NIL	NIL	NIL	NIL	NIL
3	NIL	NIL	NIL	NIL	NIL	NIL
4	NIL	NIL	NIL	NIL	NIL	NIL



Form F10 (c) - Year Wise Capital Expenditure Financing Plans

S.N.	Project Type	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2015-16 Tariff Year 5
1	Project CAPEX (Internal Accruals)	200,000,000	60,000,000	63,000,000	66,150,000	69,457,500

Form F10 (d) - Summary Statement of Expenses

S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
1	Interest & Finance Charges Capitalised					
2	Cost of raising Finance & Bank Charges	7,700,000	-	-	-	-
3	Other Expenses Capitalised					
4	<b>Total Expenses Being</b>	<b>7,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Form F10 (e) - Additional Capital Projects Summary

Forecast WIP Assets						
S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
1	Opening WIP Assets					
2	Additions - New WIP					
3	WIP Capitalized					
4	Closing WIP Assets	NIL	NIL	NIL	NIL	NIL



Form F11 (a) - Employee Strength

S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
1	Full Time Employees	2,091	2,091	2,132	2,173	2,200
2	Contractual Employees	70	50	50	50	50
	<b>Total (1+2)</b>	<b>2,161</b>	<b>2,141</b>	<b>2,182</b>	<b>2,223</b>	<b>2,250</b>

Form F11 (b) - Payroll Related Expenditure and Provisions

S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
1	Payroll cost	293,138,282	307,795,196	332,418,812	359,012,317	369,782,686
2	Employee Expenses Capitalised	-	-	-	-	-
	<b>Total (1-2)</b>	<b>293,138,282</b>	<b>307,795,196</b>	<b>332,418,812</b>	<b>359,012,317</b>	<b>369,782,686</b>



**Form F11 (e) - Utilities & Outsourcing Expenditure**

S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
1	Asset usage charges	-	-	-	-	-
2	Freight and transportation charges	1,158,793	1,193,557	1,253,235	1,353,494	1,394,098
3	Legal and professional fees	24,001	24,721	25,957	28,033	28,874
4	Auditor's remuneration	-	-	-	-	-
5	Power and fuel	70,224	72,330	75,947	82,023	84,483
6	Communication	1,011,881	1,042,237	1,094,349	1,181,897	1,217,354
7	Miscellaneous expenses	483,459	497,963	522,861	564,690	581,631
	<b>Total</b>	<b>2,748,358</b>	<b>2,830,808</b>	<b>2,972,349</b>	<b>3,210,137</b>	<b>3,306,441</b>

**Form F11 (f) - Other Outflows**

S.N.	Particulars	FY 2012-13 Tariff Year 1	FY 2013-14 Tariff Year 2	FY 2014-15 Tariff Year 3	FY 2015-16 Tariff Year 4	FY 2016-17 Tariff Year 5
A						
B						
C						
	<b>Grand Total</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>



# Historical and Forecasted Volume

## Form F12 (a)-Historical and Projected Aircraft Movements:

Year	Domestic (Landing)			International (Landing)		
	Optimistic	Most Likely	Conservative	Optimistic	Most Likely	Conservative
2011 - 2012	1,393	1,266	1,177	5,616	5,105	4,748
2012 - 2013	1,462	1,329	1,236	5,896	5,360	4,985
2013 - 2014	1,535	1,396	1,298	6,191	5,628	5,234
2014 - 2015	1,581	1,438	1,337	6,377	5,797	5,391
2015 - 2016	1,613	1,466	1,364	6,504	5,913	5,499
2016 - 2017	1,661	1,510	1,405	6,699	6,090	5,664
2017 - 2018	1,744	1,586	1,475	7,034	6,395	5,947
2018 - 2019	1,832	1,665	1,549	7,386	6,715	6,245
2019 - 2020	1,923	1,748	1,626	7,755	7,050	6,557
2020 - 2021	2,019	1,836	1,707	8,143	7,403	6,885
2020 - 2021	2,120	1,928	1,793	8,550	7,773	7,229

Note:

- 1) We predict an average growth rate of 5% over the next 5 years.

