



Airports Economic Regulatory Authority of India

TO CONSIDER THE MULTI YEAR TARIFF PROPOSAL FOR THE 2nd CONTROL PERIOD (01.04.2016 TO 31.03.2021) OF M/S BIRD WORLDWIDE FLIGHT SERVICES (INDIA) PVT. LTD., (BWFS) FOR PROVIDING GROUND HANDLING SERVICES AT COCHIN INTERNATIONAL AIRPORT, COCHIN

New Delhi: 09th, OCTOBER, 2018

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

1. BRIEF BACKGROUND:

M/s Bird Worldwide Flight Services (India) Private Limited (BWFS) is one of the ground handling agencies appointed by Cochin International Airport Limited (CIAL) for carrying out Ground Handling (GH) services at Cochin International Airport, Cochin. The Authority, vide its Multi Year Tariff Order (MYTO) No. 39/2011-12 dated 19.03.2012 decided that the ground handling service provided by M/s BWFS is "material but competitive", hence "**light touch approach**" be adopted for determination of tariff for the **1st Control period**. Pursuant to issue of above, the Authority considered the Annual Tariff Proposal (ATP) for the first and second tariff year vide Order no. 34/2012-13 dated 21.01.2013, third tariff year vide Order No. 33/2013-14 dated 27.08.2013, fourth tariff year vide Order No. 14/2014-15 dated 10.11.2014, and, fifth tariff year vide Order No. 44/2015-16 dated 07.01.2016.

2. MYTP/ATP SUBMISSIONS MADE FOR SECOND CONTROL PERIOD:

2.1 BWFS submitted the MYTP for the 2nd control period (01.04.2016 to 31.03.2021) online in March 2016. Subsequently, M/s BWFS, vide their letter dated 02/02/2018 submitted the ACS for FY 2015-16 & FY2016-17 enclosing the Consolidated Audited Annual Accounts for FY 2016-17. Thereafter, on 14/Dec/17, BWFS submitted the Annual Compliance Statement (ACS) for FY 2012-13 to FY 2015-16. Further, on 31/July/18, M/s BWFS submitted their ATP for the 3rd, 4th & 5th tariff years of the 2nd control period (**Annexure-I**) along with the ACS for FY 2015-16 & FY 2016-17 (**Annexure-II**), and, provisional/ un-audited financial statements for FY 2017-18.

3. PRINCIPLE FOR DETERMINATION OF AERONAUTICAL TARIFF :

- a. **Materiality:** According to the materiality index the materiality of Cochin Airport for ground handling stands at 7.77% and thus is "**Material**".
- b. **Competition:** AERA on the provisions of the NCAP-2016, vide its 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. At Cochin Airport there are three Ground handling Service Providers viz.
 - (1) BWFS
 - (2) Celebi Airport Services India P. Ltd.
 - (3) AIATSLIn view of the above the GH services provided are deemed to be "**Competitive**".
- c. **Reasonableness of User Agreement(s):** BWFS has submitted copies of User Agreements.

M/s BWFS has submitted copy of the Concession Agreement with Airport Operator Cochin, M/s CIAL. However, M/s BWFS has not submitted any evidence of stakeholder consultation and have requested the Authority to waive off this requirement for the present MYTP.

4. AUTHORITY'S EXAMINATION OF THE PROPOSAL

- 4.1** The Ground Handling Service being provided by M/s BWFS at Cochin Airport, is “Material but Competitive” and hence in accordance with the provisions of Chapter V of the AERA Guidelines the tariff will be determined under “**Light Touch Approach**” for FY 2018-19 to FY 2020-21 of the 2nd Second Control Period.
- 4.2** The Authority also proposes to allow M/s BWFS to charge tariffs prevailing as on 31st March 2016 for FY 2016-17 & FY 2017-18.
- 4.3** From a comparison of the Annual compliance Statement (ACS) for FY 2015-16, FY 2016-17, the Authority observes that, the Total Traffic Volumes, have increased by 50.47% in FY 2016-17 over FY 2015-16 i.e. from 10547 flights to 15870 flights. The Total Revenues have also grown up by 20% over the same period.
- 4.4** From the Consolidated Audited Financial Statements for FY 2015-16 & FY 2016-17 submitted by M/s BWFS, the Authority observes that, the consolidated profits in FY 2016-17 shows an increase of approx. 108.26% over FY 2015-16, although the same figure for Cochin individually shows a decline of 10% over the same period. Therefore, the Return on Average RAB for Cochin Airport, also shows a decline from 4.12 in FY 2015-16 to 2.12 in FY 2016-17. M/s BWFS has not submitted the ACS for FY 2017-18.
- 4.5** The Authority also observes that M/s BWFS has incurred a Capital Expenditure of Rs.2.52 crores in FY 2016-17, and, further, proposes a total capex of Rs.14.60 crores in the years FY 2017-18 to FY 2020-21.
- 4.6** The comparison of GH tariffs in the proposed ATP of M/s BWFS with that of its Competitors is not possible since the Categorization of Aircrafts in their respective Tariff Rate Cards are different.
- 4.7** M/s BWFS has not proposed any increase in Tariff for Passenger Flights/ Cargo Freighters in the entire 2nd Control Period over the rates existing at the end of the First Control Period.
- 4.8** However, M/s BWFS in its MYTP/ATP from 3rd to 5th Tariff Year i.e. from FY2018-19 to FY 2020-21 has proposed to include a new category for ‘International Flights of Indian Registered Carriers.’ This new category appears to be discriminatory. The Authority is of the view that for similar services the charges cannot be different for domestic and international carriers. The Authority solicits the views of Airport Operator CIAL as well as M/s BWFS, and, other stakeholders.
- 4.9** The Authority also notes that BWFS, in their MYTP/ATP for the 2nd Control Period, has adopted the rate of 1US\$=INR63 for conversion of USD charges proposed for International Scheduled “freighter” flights. The Authority, feels that the same conversion rate be adopted in case of International Scheduled “passenger” flights also, so as to ensure uniformity.

5. PROPOSAL

The Authority, after consideration of the Multi Year Tariff Proposal (MYTP)/Annual Tariff proposal (ATP) from FY 2016-17 to FY 2020-21 of the 2nd Control Period, makes the following proposal for stakeholder consultation:

- a. The Ground Handling Service being provided by M/s BWFS at Cochin Airport, is “Material but Competitive” and hence in accordance with the provisions of Chapter V of the AERA Guidelines the tariff shall be determined under “**Light Touch Approach**” for FY 2018-19 to FY 2020-21 of the 2nd Second Control Period.
 - b. The Authority also proposes to allow M/s BWFS to charge the Ground Handling Tariffs prevailing as on 31st March 2016 for Tariff Years FY 2016-17 & FY 2017-18.
 - c. The Authority proposes the tariff for providing Ground Handling Services at Cochin Airport, Cochin, for FY 2018-19 to FY 2020-21 of the 2nd Second Control Period as per **Annexure III (also refer para 4.9)**.
 - d. The tariff charges for Non-Schedule operations provided by M/s BWFS should not exceed the tariff charges approved by AERA for its scheduled operations for similar class of aircraft.
 - e. M/s BWFS should not exceed the tariff charges for its international carriers as approved by AERA for its domestic carriers for similar services.
6. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 7 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 as annexures to the consultation paper. 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 7 above, latest by **30.10.2018** at the following address:

**Secretary,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi- 110003
Email: puja.jindal@nic.in
Tel: 011-24695042
Fax: 011-24695039**

**(S. Machendranathan)
Chairperson**

Annual Tariff Proposal

Bird Worldwide Flight Services (India) Pvt. Ltd. (Operations at Cochin International Airport)

Maximum Rate to be paid by Scheduled Airlines for comprehensive Ground Handling

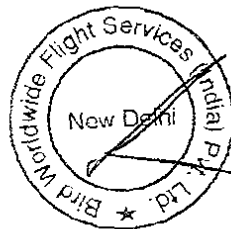
Tariff Year 3 to 5 (01.04.2018 to 31.03.2021) of Second Control Period

Newly
introduced
category

Maximum Ground Handling Rates in INR for Tariff Year 3 to 5 (FY 2018-19, FY 2019-20 & FY 2020-21)								
S.No.	ICAO Code	Aircraft Type	Scheduled Passenger Aircraft		Scheduled Freighter Aircraft			International Flights of Indian Registered Carriers
			Domestic	International	Domestic	International		International
			Amt in INR	Amt in USD	Amt in INR	Amt in USD	Amt in INR	Amt in INR
1	Code B 1	Dornier	5,000	NA	NA	NA	NA	10,000
2	Code B	CRJ, ATR 42	15,000	1,500	NA	NA	NA	NA
3	Code C 1	ATR-72, EMB 135	20,000	1,500	45,000	NA	NA	NA
4	Code C 1	EMB 170	25,000	1,500	45,000	NA	NA	NA
5	Code C	A 319, A320, A321, B717, B737	35,000	2,500	75,000	1,800	113,400	30,000
6	Code D	A300, A310	56,300	4,100	90,000	3,200	201,600	40,000
7	Code E	A330/ B772	105,000	4,800	NA	NA	NA	50,000
8	Code E	B747/ B773/ B 77W/ A340	105,000	4,800	110,000	3,800	239,400	60,000

Notes:

- 1) All charges mentioned above excludes all taxes such as Goods and Service Tax , as may be applicable.



Bird Worldwide Flight Services (India) Pvt. Ltd.
Ground Handling Service Provider at Cochin International Airport

**Annual Compliance Statement (ACS)
for FY 2016-17 and 2015-16**

(Station: Cochin)

Particular	Actual (Audited) FY 2015-16	Actual (Audited) FY2016-17
	(Rs.in lakhs)	
Total Regulated from Regulated services (1)	7894.16	9440.02
Other Revenue from Services Other than Regulated Services (2)	21.40	0
Total Revenue (1+2)	7915.56	9440.02
Operating Expenditure (3)	6279.02	8400.05
Depreciation (4)	41.54	76.75
Total Expenditure(3+4) = (5)	6320.56	8476.80
Regulated Operating Profit (1)+(2) –(5) = (6)	1595.00	963.22
Capital Expenditure (7)	1.23	251.91
Opening RAB (8)	406.97	366.66
Disposals/ Depreciation(9)	41.54	76.75
Closing RAB (8)+(7)-(9)= (10)	366.66	541.82
Average RAB (8)+(10)/2 = (11)	386.82	454.24
Return On Avg. RAB (6)/(11)	4.12	2.12
Total Volume (Air Traffic Movements) (in Nos.) (12)	10547	15870
Actual Yield per unit/flight (in Rs.) (12/1)	74847.00	59485.00

Tariff year commence on 1st April to 31st March

“Actual figures given in this Annual Compliance statement for tariff years 2016-17 and 2015-16 have been taken from the audited statements.”

For calculating regulated Operating Profit, Finance cost and other income (interest income, Excess Provision written Back, Miscellaneous Income, Exchange Fluctuation etc.) is not considered.

Dated: 29/Jan/2018

Place: New Delhi

Annexure -III

Annual Tariff Proposal
Bird Worldwide Flight Services (India) Pvt. Ltd. (Operations at Cochin International Airport)|
Maximum Rate to be paid by Scheduled Airlines for comprehensive Ground Handling
Tariff year 3 to 5 (01.04.2018 to 31.03.2021) of Second Control period

			Maximum Ground Handling Rates in INR for Tariff Year 3 to 5 (FY 2018-19, FY 2019-20 & FY 2020-21)					
S.No	ICAO Code	Aircraft Type	Scheduled Passenger Aircraft			Scheduled Freighter Aircraft		
			Domestic	International		Domestic	International	
			Amt in INR	Amt in USD	Amt in INR	Amt in INR	Amt in USD	Amt in INR
1	Code B 1	Dornier	5,000	NA	NA	NA	NA	NA
2	Code B	CRJ, ATR 42	15000	1500	94500	NA	NA	NA
3	Code C 1	ATR-72, EMB 135	20000	1500	94500	45000	NA	NA
4	Code C 1	EMB 170	25000	1500	94500	45000	NA	NA
5	Code C	A 319, A320, A321, B717, B737	35000	2500	157500	75000	1800	1,13,400
6	Code D	A300, A310	56300	4100	258300	90000	3200	2,01,600
7	Code E	A330/B772	105000	4800	302400	NA	NA	NA
8	Code E	B747/B773/B 77W/A340	105000	4800	302400	110000	3800	2,39,400

Notes:

- 1) All charges mentioned above excludes all taxes such as Goods and Service Tax, as may be applicable.
- 2) Conversion Rate Adopted: 1USD = INR 63;
The Authority proposes to adopt the Same conversion rate as in the ATP for 2nd Control Period submitted by M/s BWFS;