

**Consultation Paper No. 23/2019-20**



**Airports Economic Regulatory Authority of India**

**TO CONSIDER THE ANNUAL TARIFF PROPOSAL FOR FY 2019-20 & FY 2020-21 FOR THE SECOND CONTROL PERIOD (FY 2016-17 to FY 2020-21) IN RESPECT OF M/s AIR INDIA SATS AIRPORT SERVICES PRIVATE LIMITED (AISATS) FOR PROVIDING GROUND HANDLING SERVICES AT KEMPEGOWDA INTERNATIONAL AIRPORT, BANGALORE.**

**New Delhi: 11.03.2020**

**AERA Building  
Administrative Complex  
Safdarjung Airport.  
New Delhi.**

## **1. Brief Background:**

- 1.1 M/s AISATS is one of the Ground Handling agencies appointed by Bangalore International Airport Limited (BIAL) for carrying out Ground Handling (GH) at Kempegowda International Airport (KIA), Bangalore. The Authority, vide its MYTO Order No. 10/2018-19 dated 28.05.2018, decided to adopt 'Light Touch Approach' in respect of the AISATS for Ground Handling services at KIA, Bangalore for determination of tariffs for the Second Control Period and allowed AISATS to levy the tariff prevailing as on 31.03.2016 for tariff years FY2016-17, FY2017-18 & FY2018-19.
- 1.2 As per MYTO for 2nd Control Period AISATS was allowed to levy the same tariff prevailing as on 31.03.2016 (Order no.28/2013-14 dated 10.07.13 for FY2016-17 to 31.07.2018 or the actual date of termination of the Ground Handling Contract, whichever is earlier, during third tariff year i.e. FY 2018-19.
- 1.3 The details of other tariff orders of the Authority, issued in the interim to avoid regulatory vacuum, i.r.o. AISATS GH Services at KIA, Bangalore for the Second Control Period are listed below for reference:
  - a. Order No. 09/2016-17 dated 19.08.2016 up to 30.09.2016;
  - b. Order No. 11/2016-17 dated 29.09.2016 up to 31.03.2017;
  - c. Order no.19/2016-17 dated 31.03.2017 up to 30.09.2017;
  - d. Order no.12/2017-18 dated 29.09.2017 up to 31.03.2018;
  - e. Order no.43/2017-18 dated 28.03.2018 up to 30.09.2018;
  - f. Order no.10/2018-19 dated 28.05.2018 up to 31.03.2019.

## **2. Principles for Determination of Aeronautical Tariff under "Light Touch Approach".**

- 2.1 The Authority vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports and issued 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").
- 2.2 As per clause 4.4. of the above said Guidelines at major airports, the percentage share of Ground Handling for KIA, Bangalore is 6.31% which is higher than the Materiality Index (MIg) of 5% for the above subject service. Hence the regulated service is deemed "**material.**"
- 2.3 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.
- 2.4 As per the information furnished by AISATS in Form F1(b) on competition Assessment, M/s Globe Ground (I) Ltd. and M/s Celebi Airport Services India Pvt. Ltd., Ground Handling Services Pvt. Ltd. are other Service Providers which is rendering similar service at KIA, Bangalore.

Hence in the instance case, there are three Ground Handling service providers including AISATS, and therefore the service is deemed “**competitive.**”

- 2.5 As per Clause 3.2 (ii) of the Guidelines, wherever the **Regulated Service** provided is ‘**material but competitive,**’ the Authority shall determine Tariff(s) for Service Provider (s) based on a ‘**Light Touch Approach**’ for the duration of the control period, according to the provisions of chapter V. However, the Authority reserves the right to review materiality assessments, competition assessments and the reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary.

**3. ATP/ACS Submissions made by AISATS for T4 (FY 2019-20) and T5 (FY 2020-21) of 2nd Control Period.**

- 3.1 As per clause 11.2 of the CGF Guidelines, the ATP is required to be submitted in the manner and form provided AI 8.1. Appendix-I to the guidelines and showed be supported by the following:

- (i) Form B -Submission of ATP.
- (ii) Form 14 (b) Proposed Tariff Card.
- (iii) Details of Consultation with Stakeholders.
- (iv) Evidence of User Agreement clearly indicating the tariff proposal by the service provider and agreed to be the users.

- 3.2 The Authority noted that AISATS did not submit its ATP for FY2019-20 & FY 2020-21 in the prescribed manner and form as per CGF Guidelines, especially considering that they are seeking an increase in the tariff in the remaining years of the 2<sup>nd</sup> control period.

AISATS has not submitted evidence of Stakeholder Consultation. Copies of User Agreements have also not been submitted by AISATS. The Authority notes that no complaints have been received from any User i.r.o. the GH services rendered by AISTAS at KIA, Bangalore.

- 3.3 M/s AISATS has submitted the Annual Compliance Statement (ACS) for FY 2016-17 vide their letter dated 08.12.2017 and for FY 2017-18 vide their letter dated 26.03.2019. AISATS also submitted copy of the new Concession Agreement (SPRH Agreement) with BIAL effective from 1<sup>st</sup> August 2018 for a period of 10 years vide their letter dated 26.03.2019. AISATS furnished the ACS details for FY 2018-19 vide letter dated 04.10.19 and the Annual Tariff Proposal (ATP) for FY 2019-20 & FY 2020-21 vide letter dated 18.11.2019.

From the copy of the Concession Agreement it is observed that a new concession fee has been introduced at Bangalore Airport w.e.f. 01.08.2018 by the Airport Operator BIAL.

- 3.4 AISATS vide their letter dated 26.03.2019 also submitted that as they are in the process of deciding the new tariff structure for the remaining term of the 2<sup>nd</sup> Control Period, therefore, they may be allowed to continue the prevailing tariff for FY 2019-20 until they file their new tariff proposal with AERA.

AISATS, later in its submissions for FY2019-20 & FY 2020-21 made in November 2019, has proposed an uniform increase of 12% approx. across all categories in the tariff card including passenger/freighter, for both domestic as well as international flights, in all Codes of aircrafts 'B' to 'F' over the rates existing at the end of the First Control Period (i.e. as on 31.03.2016).

Further, in the footnote of the proposed tariff card AISATS has mentioned that such tariff shall **exclude** prevailing third party charges such as Concession Fees, Royalty, airport levy charged by the Airport Operator at the time of submission.

The Authority noted that AISATS did not submit its ATP for FY2019-20 & FY 2020-21 in the prescribed manner and form as per CGF Guidelines, especially considering that they are seeking an increase in the tariff. Considering that their proposal was received almost at the end of the 4<sup>th</sup> tariff period (FY2019-20), the Authority advised AISATS to furnish the actual financial data for the 6 months period ending 30.09.2019 to assess the justification for the proposed increase in existing tariffs.

AISATS submitted the 6 months actuals (up to 30.09.2019) vide their mail dated 10.02.2020 (**Annexure-I**). The Authority also notes that AISATS has not submitted evidence of Stakeholder Consultation conducted with the users on the proposed 12% increase in tariffs (due to introduction of concession fee by BIAL) before approaching AERA for tariff determination.

#### **4. Authority's Examination of the Proposal.**

- 4.1 The services rendered by AISATS for providing Ground Handling facility at KIA, Bangalore are 'aeronautical services' in terms of section 2(a) of the Airports Economic Regulatory Authority of India Act, 2008 (Act) and under section 13 (1)(a) of the Act, the Authority is required to determine tariff for aeronautical services.
- 4.2 Analysis of the Audited Annual Compliance Statement (ACS) (Actuals) furnished by AISATS for FY 2016-17 to FY2018-19, and, on the basis of the 6 months actual data for period ending 30.09.2019 extrapolated for FY 2019-20, and, projected for FY 2020-21 (**Annexure-II**) of the Second Control Period, which is in progress, reveals the following:
  - (i) The Authority observes that AISATS has not provided code-wise (aircraft) data of the traffic volumes handled by AISATS at KIA, Bangalore. The Authority, therefore, finds the total traffic volumes (figures) as per ACS (actuals)/ATP (MYTP), to be an indicative number which bears no correlation to any financial parameters analyzed herein.
  - (ii) The Authority observes that the total traffic volume decreased by 0.55% from 15182 flights in FY 2015-16 to 15097 flights in FY 2016-17. Whereas, the Total Revenue shows a YoY growth of 1.09% in FY 2016-17 in comparison to FY 2015-16 i.e. from Rs.73.24 Crores to Rs. 74.04 crores.
  - (iii) Similarly, the total traffic volume was 20848 flights in FY 2017-18 showing an increase of 38.09% YoY, and, in FY 2018-19 the volumes increased further by

6.25% YoY to 22151 flights. The above numbers are the actual volumes as against the AISATS assumption of 3% to 4% YoY average growth in traffic in its MYTP projection submitted to the Authority for the 2<sup>nd</sup> Control Period.

- (iv) In contrast, the Total Revenue declines by 14.18% YoY in FY2017-18 (from Rs.74.04 Cr to Rs.84.54 Cr). During FY2018-19 the Revenue increases by 15.53% YoY (from Rs.84.54 Cr Rs.97.67 Cr).
  - (v) Similarly, The Return on Average RAB, @ 14% as considered by the Authority, works out to 7.44% in FY 2016-17, and, 52.73% in FY2017-18, and, the same is 39.04% in FY 2018-19. The Authority notes that AISATS has considered a Return on Average RAB @ 26.16% as per Form1(a) of MYTP submissions.
  - (vi) Further, it is seen that the Operating Profit decreased from Rs.6.55 crores in FY 2015-16 to Rs.1.56 Crores in FY 2016-17 showing a decrease of 76.18% YoY. Thereafter, the Operating Profit increases sharply to Rs.10.85 Crores in FY 2017-18. Further, the ACS for FY2018-19 shows an Operating Profit of Rs.8.44 crores.
  - (vii) AISATS has not made any projections for Capex while submitting the proposal for FY 2019-20 & FY2020-21. However, it is observed that a Capex of Rs.3.00 crores, each, is proposed in its MYTP submissions in both FY 2019-20 & FY2020-21. Further, as per AISATS submissions, due to the introduction of 'concession fee' by Airport Operator BIAL, there is a substantial increase in the total Operating Expenditure in FY2019-21 as compared to the earlier years.
- 4.3 AISATS has proposed an increase of 12% in the existing tariff for FY 2019-20 & FY 2020-21. However, AISATS has submitted its proposal very late i.e. almost at the end of the 4<sup>th</sup> tariff period (FY2019-20). The Authority, therefore, proposes to analyse the projections for 5<sup>th</sup> tariff year for the purpose of determination of tariff for the remaining part of the 2<sup>nd</sup> control period.
- 4.4 A comparative analysis of the projections (based on 6 months data ending 30.09.2019 furnished by AISATS) is placed at **Annexure-II**. The workings reveal that, if a 12% increase is allowed, as sought by AISATS, on the existing tariff levels in the fifth tariff year FY 2020-21 (since 4<sup>th</sup> tariff year FY 2019-20 is nearing completion), the Total Revenue which is Rs.121.33 Cr in FY 2019-20 may grow by 8% to Rs.131.05 Cr in FY2020-21. The Return on Average RAB for FY2020-21 works out to 76.86%. Here, the Authority observes that, in case of service providers in this sector, the asset base is low. Therefore, Operating Profit is a more reasonable criteria for evaluation purposes. Accordingly, based on the above assumptions, AISATS is expected to earn an Operating Profit of 12% in FY2020-21 projected at Rs. 15.73 Cr, which is reasonable.
- 4.5 The Authority also notes that AISATS has not submitted evidence of stakeholder consultation conducted with the users on the proposed ATP before approaching AERA for tariff determination. The Authority, however, observes that no complaints have been received from any user i.r.o. the GH services rendered by AISTAS at KIA, Bangalore.

- 4.6 Further, the Authority notes that all Tariff Orders / Tariff Card issued by the AERA up to FY 2018-19 are issued with the footnote that all charges mentioned in the tariff card **include** prevailing Concession Fees, Royalty, Airport levy charged by the Airport Operator, indicating that AERA determined tariff is the maximum to be charged.

## **5. Proposal**

The Authority, after careful consideration of the ATP for FY 2019-20 & FY 2020-21 of the Second Control period makes the following proposal for Stakeholder Consultation:

- 5.1 The service for Ground Handling being provided by M/s AISATS Ground Handling at Kempegowda International Airport, Bangalore is “material but competitive” on the basis of which the Authority decided to adopt ‘light touch approach’ for the 2nd Control Period from 01.04.2016 to 31.03.2021.
- 5.2 To allow M/s AISATS to increase the tariffs prevailing as on 31st March 2016 (AERA Order No. 10/2018-19 dated 28.05.2018) by 12% w.e.f. 01.04.2020 i.e. for the fifth tariff year (FY2020-21) as per **Annexure-III**.
- 5.3 Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- 5.4 The tariff charged by M/s AISATS for Non-Schedule Operations should not exceed the tariff approved by AERA for Scheduled Operations for similar class of aircraft.
6. In accordance with the provisions of Section 13(4) of the AERA Act, 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 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 here to and by making such decision fully documented and explained in terms of the provisions of the Act.

The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 5 above, latest by **31<sup>st</sup> March, 2020** at the following address:

**Director (P&S),  
Airports Economic Regulatory Authority of India,  
AERA Building, Administrative Complex,  
Safdarjung Airport,  
New Delhi- 110003  
Email: [director-ps@aera.gov.in](mailto:director-ps@aera.gov.in)  
[gita.sahu@aera.gov.in](mailto:gita.sahu@aera.gov.in)  
Tel: 011-24695048  
Fax: 011-24695039**

**(Chairperson)**

**RE: Tariff Determination for GH services of AISATS at KIA, Bangalore for 2nd Control Period**

**From :** Kalpesh Singh <Kalpesh.Singh@aisats.in> Mon, Feb 10, 2020 04:48 PM  
**Subject :** RE: Tariff Determination for GH services of AISATS at KIA, Bangalore for 2nd Control Period 1 attachment  
**To :** GEETHA SAHU <gita.sahu@aera.gov.in>  
**Cc :** Sanjay Gupta <Sanjay.Gupta@aisats.in>

Dear Mam,

As promised, please find attached the 6 months actual data for BLR GH for FY 2019-20.

We would like to highlight the following points for considerations:

1. New concession fee has adversely impacted the company financials.
2. Cost related with inflation like salary, rentals, etc. which contributes 70% of the total cost has gone up significantly by 10%.
3. Company has invested around INR 10 Cr in last two years for enhancement of infrastructure and technology.
4. This is the first time when we have asked for rate increase as the current business model is not feasible at the existing rates.

Would really appreciate your assistance in revising the approved rates for BLR GH.

Thanks for your kind understanding.

Thanks & Regards,

**Kalpesh Kumar Singh**

Head – Commercial Business Development  
Corporate Headquarters

t: +91 22 42037016 m: +91 9920986198 w: [www.aisats.in](http://www.aisats.in)

Air India SATS Airport Services Pvt. Ltd. CIN: U74900DL2010PTC201763  
Address: B1101, Lotus Corporate Park, Off Western Express Highway,  
Goregaon East, Mumbai 400 063, India

**From:** Kalpesh Singh  
**Sent:** 06 February 2020 16:34  
**To:** 'GEETHA SAHU' <gita.sahu@aera.gov.in>  
**Cc:** Sanjay Gupta <Sanjay.Gupta@aisats.in>  
**Subject:** RE: Tariff Determination for GH services of AISATS at KIA, Bangalore for 2nd Control Period

Dear Mam,



Annexure - I  
Page 2/2

BANGALORE - GH

STATEMENT OF PROFIT FOR THE PERIOD 30TH SEPTEMBER, 2019

(Rs. In Mn.)

1	Revenue	
	<i>Revenue from Regulated Services</i>	602.95
	<i>Revenue from services other than Regulated Services</i>	3.70
2	Operating expenditure	
	<i>Payroll Costs</i>	285.02
	<i>Administrative and General Costs</i>	43.58
	<i>Utilities and Outsourcing Costs</i>	82.01
	<i>Concession Fees</i>	106.40
	<i>Repair and Maintenance Cost</i>	7.60
3	Profit before Depreciation, Interest and Taxation (PBDIT)	82.04
	Depreciation and amortisation	24.53
4	Profit before Interest and Taxation (PBIT)	57.51
	Total Interest and Finance charges	-
5	Profit / (Loss) before Tax	57.51
	Provision for Taxation	-
6	Profit / (Loss) after Taxation	57.51
7	Balance carried to Balance Sheet	57.51



AERAAir India SATS Pvt. Ltd.

Ground Handling Service Provider at Kempegowda International Airport, Bengaluru.

**Annual Compliance Statement (ACS)****for FY 2016-17, 2017-18 & 2018-19**

(Station: Bangalore)

Particular	Actual (Audited) FY 2016-17	Actual (Audited) FY2017-18	Actual (Audited) FY2018-19
	(Amount in Rs.)		
Total Regulated from Regulated services (1)	73,61,36,684	83,93,41,086	95,52,51,708
Other Revenue from Services Other than Regulated Services (2)	42,89,918	61,06,229	2,14,85,326
<b>Total Revenue (1+2)</b>	<b>74,04,26,602</b>	<b>84,54,47,315</b>	<b>97,67,37,034</b>
Operating Expenditure (3)	68,01,28,052	70,87,97,095	85,39,09,197
Depreciation (4)	4,47,36,913	2,81,69,067	3,83,97,991
<b>Total Expenditure(3+4) = (5)</b>	<b>72,48,64,965</b>	<b>73,69,66,162</b>	<b>89,23,07,188</b>
<b>Regulated Operating Profit (1)+(2) –(5) = (6)</b>	<b>1,55,61,637</b>	<b>10,84,81,153</b>	<b>8,44,29,846</b>
Capital Expenditure (7)	5,34,69,396	1,27,64,105	7,73,38,505
Opening RAB (8)	20,47,10,971	21,34,43,454	19,80,38,492
Disposals/ Depreciation (9)	-	-	24,73,448
<b>Closing RAB (8)+(7)-(9)= (10)</b>	<b>21,34,43,454</b>	<b>19,80,38,492</b>	<b>23,45,05,558</b>
<b>Average RAB (8)+(10)/2 = (11)</b>	<b>209077213</b>	<b>205740973</b>	<b>216272025</b>
<b>Return On Avg. RAB (6)/(11)</b>	<b>7.44%</b>	<b>52.73%</b>	<b>39.04%</b>
<b>Total Volume (Air Traffic Movements) (in Nos.) (12)</b>	<b>15097</b>	<b>20848</b>	<b>22151</b>
<b>Actual Yield per unit/flight ( in Rs.) (1/12)</b>	<b>48,760</b>	<b>40,260</b>	<b>43,125</b>

Tariff year period is financial year i.e. 1<sup>st</sup> April to 31<sup>st</sup> March

“Actual figures given in this Annual Compliance statement for tariff years 2016-17 2017-18 and 2017-18 have been taken from the audited statements furnished by AISATS.”

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: /March/2020

**AERA/20010/MYTP/AISATS/GH/BIAL/CP-II/2016-17**  
**AISATS, Ground Handling Service, KIA, Bangalore**  
**Analysis of ACS and ATP projections for 2nd Control Period FY 2016-2021**

<b>Calculations considering 12% increase in existing tariff levels for T5 FY 2020-21 (Capex considered as per MYTP)</b>					
	<b>FY 2016-17 (Actual)</b>	<b>FY2017-18 (Actual)</b>	<b>FY2018-19 (Actual)</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
				(based on actuals up to Sept 2019)	(extrapolated based on FY 2019-20 fig.)
Regulated revenue (1)	736,136,684	839,341,086	955,251,708	1,205,900,000	1,302,372,000
other than regulated (2)	4,289,918	6,106,229	21,485,326	7,400,000	8,140,000
<b>Total Revenue (3)</b>	<b>740,426,602</b>	<b>845,447,315</b>	<b>976,737,034</b>	<b>1,213,300,000</b>	<b>1,310,512,000</b>
operating Expenditure (4)	680,128,052	708,797,095	853,909,197	1,049,220,000	1,101,681,000
Depreciation (5)	44,736,913	28,169,067	38,397,991	49,060,000	51,513,000
<b>Total Expenditure (6)</b>	<b>724,864,965</b>	<b>736,966,162</b>	<b>892,307,188</b>	<b>1,098,280,000</b>	<b>1,153,194,000</b>
<b>Total Operating Profit (7)</b>	<b>15,561,637</b>	<b>108,481,153</b>	<b>84,429,846</b>	<b>115,020,000</b>	<b>157,318,000</b>
Capital Expenditure (8)	53,469,396	12,764,105	77,338,505	30,000,000	30,000,000
Opening Rab (9)	204,710,971	213,443,454	198,038,492	234,505,558	215,445,558
Disposals (10)	-	-	2,473,448	-	-
Closing Rab (11)	213,443,454	198,038,492	234,505,558	215,445,558	193,932,558
<b>Average Rab (12)</b>	<b>209,077,213</b>	<b>205,740,973</b>	<b>216,272,025</b>	<b>224,975,558</b>	<b>204,689,058</b>
<b>Return On AVG Rab @14% (13)</b>	<b>104,538,606</b>	<b>28,803,736</b>	<b>30,278,084</b>	<b>31,496,578</b>	<b>28,656,468</b>
Corporate Tax (14)	0	0	0	0	0
<b>ARR Required (15) = (6+13+14)</b>	<b>829,403,571</b>	<b>765,769,898</b>	<b>922,585,272</b>	<b>1,129,776,578</b>	<b>1,181,850,468</b>
<b>Return on average RAB (Avg.RAB/Oprtg. Profit) (16)</b>	7.44%	52.73%	39.04%	51.13%	76.86%
<b>Surplus/ Shortfall (17) = (3-15)</b>	(88,976,969)	79,677,417	54,151,763	83,523,422	128,661,532
Operating profit/turnover ratio (18)	2.10%	12.83%	8.64%	9.48%	12.00%

**Annexure - III**

**Maximum rates proposed by AERA for AISATS for T5 FY 2020-21 of Second Control Period (01.04.2016-31.03.2021) for Scheduled Airlines for comprehensive Ground Handling at Kempegowda International Airport, Bangaluru.**

**Maximum Groung Handling Rate in INR w.e.f. 01.04.2020 to 31.03.2021**

S. No.	Aircraft types  (ICAO Code)	Existing Rates for Tariff Years FY 2016-17 to FY 19-20,				Proposed Rates for Tariffs Year FY 2020-21			
		Schedule Aircraft				Schedule Aircraft			
		Passenger		Freighter		Passenger		Freighter	
		Domestic Flight	International Flight	Domestic Flight	International Flight	Domestic Flight	International Flight	Domestic Flight	International Flight
1	Code B	13,310	37,268	NA	NA	14,907	41,740	NA	NA
2	Code C	17,835	97,163	59,895	145,745	19,975	108,823	67,082	163,234
3	Code D	28,537	146,410	103,818	161,051	31,961	163,979	116,276	180,377
4	Code E	59,895	186,340	125,114	219,615	67,082	208,701	140,128	245,969
5	Code F	106,480	263,538	170,235	316,246	119,258	295,163	190,663	354,196

**Note:**

- 1) All charges mentioned above are maximum and **inclusive** of existing concession fee, royalty, airport levy charged by the Airport Operator;
- 2) All charges metioned above exlude taxes which will be charged at the prevailing rates.