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**Mr. Sandeep Prakash**

Secretary,

Airports Economic Regulatory Authority of India

Administrative Complex

Safdarjang Airport

New Delhi – 110 003

Dated: September 15, 2010

Sent to PWC

08/11  
16/9  
SM (ARBS)  
17/9/09

**Sub: Submission of response on Consultation paper No.5/2010-11**

Dear Sir,

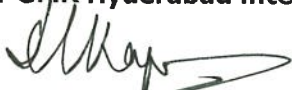
This is with reference to Consultation paper on AERA (Terms and Conditions for Determination of Tariff for Service Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2010".

We would like to place our sincere appreciation to AERA for giving us opportunity for participating in the Airport regulation framework. The response to the consultation Paper is enclosed for your kind reference.

In case, AERA may require any further clarifications, we would be glad to provide the same.

Yours Sincerely,

**For GMR Hyderabad international Airport Private Limited**



(Sidharath Kapur)

**Chief Financial Officer(Airports)**



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## 1. Introduction

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AERA has published its Regulations i.e. "AERA (Terms and Conditions for determination of Tariff for Service Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2010" on 2nd August 2010. Hyderabad International Airport Private Limited (GHIAL or Hyderabad Airport) welcomes the paper as a significant further contribution to the discussion of the ultimate form for economic regulation of Indian airports. GHIAL welcomes the opportunity to respond to the issues and proposals raised in the paper, and is pleased to put forward its comments, requests and suggestions in this document.

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## **2. Definition of Service Provider**

In terms of Section 2 sub section (n) of the AERA Act, 2008, the term "Service Provider" is defined as under:

*"means any person who provides aeronautical services and is eligible to levy and charge user development fee from the embarking passengers at any airport and includes the authority which manages it;"*

On the plain reading of the aforementioned definition, the following conditions would need to be fulfilled by any entity to qualify as a "service providers":

1. Provision of Aeronautical Services; and
2. Eligibility to levy and charge user development fee from embarking passengers at any airport.

As such, the concessionaires in respect of Fuel Farm, Cargo and Ground Handling activities do not fall within the purview of the scope of the definition of "service provider" as they do not fulfil the criterion mentioned against point no.2 above.

As such, the concessions are outside the scope of regulatory purview.

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**3. Proposed regulatory approach and existing Concession Agreement**

GHIAL would like to reiterate its principled stand on ensuring sanctity of the existing concession agreement.

It is our understanding that these services should not be part of the regulated services and should be excluded from the ambit of these regulations.

As per concession agreement of GHIAL, following are the regulated charges:

- (i) *amounts charged or imposed by GHIAL in respect of the provision or use of the facilities and services which are included within Airport Activities;*
- (ii) *amounts charged or imposed by GHIAL on or in respect of passenger and cargo movement or aircraft traffic into, on, at or from the Airport; and*
- (iii) *any other amounts deemed by this Agreement to be Airport Charges and further including any amounts to be collected by GHIAL on behalf of GoI, GoAP or AAI."*

*Further, according to Schedule 6 of the Agreement (Regulated charges section), it is clearly evident that the charges which are proposed to be regulated by AERA, viz. cargo facility, ground handling and supply of fuel do not form a part of the "Regulated Charges". Regulated Charges as defined in the Concession agreement are Landing and Parking charges, Passenger Service Fee and User Development Fee only.*

*Also, Article 10.3 of the Concession Agreement empowers GHIAL to determine "Other Charges" at the airport freely and without any restrictions for facilities other than which the Regulatory Charges are levied. Thus, Article 10.3 gives GHIAL a clear and unambiguous authority to levy and determine the charges related to cargo facility, ground handling and supply of fuel as they are not covered within the definition of "Regulated Charges".*

In lieu of above details GHIAL(Greenfield airports) requests complete adherence to its concession agreement, which clearly specifies that cargo, fuel farm and other services as non-regulated revenues.

However, GHIAL (Greenfield airports) would like to add that it has adopted checks and balances to ensure that the performance of the service provider in these entities is competitive. GHIAL is of the opinion that economic regulation is only the next best alternative to competition. It has to be understood that airport users are better serviced, if the other service providers are exposed to competition instead of being regulated.

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Keeping this in perspective, GHIAL has ensured that airlines have a choice of at least two cargo operators, two ground handlers and two fuelling agencies. The above arrangement has been worked out based on the concession agreement that these services will be treated as non-regulated. All service providers at GHIAL had established business assumptions at the time of commitment of their investments. Since, as per the concession agreement (Schedule 6), Cargo etc. do not form a part of aeronautical services, any variation with these business assumptions can work to the detriment of the service providers.

As such,

- Cargo, Ground Handling and Fuel should not be a regulated charge.
- Cargo, Ground Handling and Fuel Services (except common hydrants infrastructure for aircraft fuelling) in a brown-field airport (Delhi & Mumbai) are considered as non aeronautical and outside the regulatory purview. As such these services at GHIAL should also be non-regulated( as a Greenfield airport has higher risk compared to Brownfield airport).
- GHIAL would like to bring to the attention of AERA that the contracts signed with the service providers of Ground Handling, and Cargo have been entered into based on the Concession Agreement and derive their authority from the same. While awarding these contracts, the following considerations were taken:
  - These contracts have been entered into as a result of international competitive bidding while ensuring compliance to the good industry practices.
  - While awarding the contracts, we have followed the classification as provided in Concession Agreement wherein Cargo, Ground Handling and Fuel Suppliers are not to be regulated. Also, as per existing provisions of AERA Act at the time of signing of concession agreements, these concessionaires were not to be part of regulatory purview.

*A post-facto imposition of regulation will lead to a variation of the business assumptions of the service providers, and increase uncertainties and risks for all stakeholders.*





**5. Regulatory approach - International context**

- Internationally, there are not many material examples to cite where ground handling and Cargo services are kept out of the regulatory preview. As per the EU directive:
  - There is a transition time given to the operators to make the process smooth.
  - The stress is on increasing competition and not on controlling prices.
  - It stipulates two or more organizations constitute competition with at least one handler being independent of the airport and airlines.
  - In UK the materiality assessment of an airport services is defined based on the airport's revenue thresholds.

As per Menzies Aviation Plc, who is one of the largest global Cargo and Ground Handler having operations in 112 airports worldwide in 27 countries across 5 continents, in general, tariff control regulation mechanism does not exist in any part of the world.

There are two exceptions to the rule and these are in very small stations of Dakar (in Senegal) and Santo Domingo, Puerto Plata (in Dominican Republic) but here also it is a light touch approach!

Region	Status on Tariff Regulation	Remarks
North America	No tariff regulation	Applies to monopoly situation as well
South America	No tariff regulation except in Dominican Republic – Santo Domingo and Puerto Plata (POP)	Government of Dominican Republic has put in place a tariff but is not based on any formulas related to Fair Rate of Return
Europe (minus UK)	No tariff regulation	Applies to monopoly situation as well. In some European airports & UK, often one handler is active. E.g. in Rotterdam, less than 2 million pax, Avia Partner has a license, there is no tariff regulation and airport does not allow a second handler because of reduced volume as well.
UK	No tariff regulation	Applies to monopoly situation as well
Africa	No tariff regulation except in Senegal, Dakar(DKR)	Government of Senegal, has put in place a tariff but is not based on any formulas related to Fair Rate of return. Menzies Aviation plc. is sole supplier of handling and cargo services in Cotonou (Republic of Benin), Niamey (Republic of Niger)

		and Bangui (Central African Republic) all without price regulation or tariff.
Australia , New Zealand	No tariff regulation	Applies to monopoly situation as well.
China (minus Hong Kong and Macau)	Yes but with a different Logic	There are regulated handling charges based on Article 159 of CAAC document. The regulated tariff only restricts the handling charge of domestic flights but not international flights. Most of PRC domestic airports do not have sufficient international flights. So, government owned ground handling companies continue loosing money but then are funded by government. Here again regulated tariff is not based on any formulas related to Fair Rate of return.
Hong Kong and Macau	No tariff regulation	Macau has one exclusive single handler doing both cargo and ground handling.

*In a growth market like India, the emphasis should be on increasing the competition for these services. A price cap approach may reduce the prices in the short term but could be detrimental to encouraging market competition in the long run.*

*Authority should keep an oversight to ensure that the service providers are not abusing their market position or adopting unfair trade practices.*

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## 6. Viability

Most of the Service Providers have already laid down their capex plans based on the existing commercial arrangement with airport operator. The capex already spent is a decision which is irreversible and imposition of regulations without looking into the existing arrangements could potentially impact the very survival of these businesses.

- To illustrate, an **operator with a long-term vision would have already committed a large capex at the airport**. If his competitor has a short term vision he will have lower capex. Under the current price cap mechanism the two operators will have different caps. The operator with higher capex will have higher Price cap but due to competitive pressure, he will be able to charge only the price equal or less than that of competing operator. This in turn means that the **operator with higher capex will have perennial losses**. This will lead to sickness in the industry.
- The Cargo Operator have entered into **long term contracts with the end users** and any regulation of the same would therefore imping on the operators rights and may lead to un necessary litigation.
- **Similarly if a new operator wants to come into the fray to increase competition, he will have an artificial barrier** built by current regulations. The new operator will buy the equipment at current prices which generally are on a higher side compared to an operator who had invested in these equipment at a historical time. As such the current regulations are in a way discouraging competition.
- The kind of services provided by each operator is significantly different. It also depends on the mutual agreements signed by the operators and the users. **Having a single price cap without looking at the service requirements will lead to deterioration in quality**, and renegeing of the agreements. This overall does not augur well with a sector which is in its infancy.

### 7. Materiality and Competition

The suggested threshold for the materiality is provided but no basis has been established for the same in the draft regulations.

- Materiality of regulations should have a larger threshold in all three services – 10% instead of 2.5% for cargo and 5% each for fuel & ground handling.
- The 2.5% and 5% price band is miniscule if we compare this to other similar entities around the world.
- AERA should give credence to India's share in World Trade which currently stands around 1.65% (as explained hereunder) of the total trade value out of which the value of the air cargo movement is less than 2%. Based on above facts, the proposed threshold of 2.50% for Cargo is very low

India's share in World Trade (In Billion USD)	Export	Import	Total
Total World	12147	12385	24532
India	155	244	399
Percentage	1.28%	1.97%	1.63%

(Source WTO: 2010 PRESS RELEASES/PRESS/598/26 March 2010)

- GHIAL's share in world trade comes to 0.001141% as calculated hereunder:



Item	Percentage	Value	Source
Total World Trade		100	
India's share	1.63%	1.63	WTO report
Air cargo's share in above	Approx 2%	0.0326	Market Intelligence
GHIAL's share in above	3.5%	0.001141	AAI data

- AERA while looking at the materiality also needs to look at the fact whether compared to international players, GHIAL's operations have gathered the necessary mass before attempting the heavy handed regulation.
- World over most of the cargo operations are outside regulations which provides a free hand to cargo operator. International players looking at India as a destination for investment shall find the heavy handed regulations to be detrimental for Investment.

ACI had published the 2009 cargo volumes of the major airports of the world. The synopsis of the same is as under:

Rank	Airport	Location	Total Cargo (Metric Tonnes)
1.	 <a href="#">Memphis International Airport</a>	<a href="#">Memphis, Tennessee, United States</a>	3,697,054
2.	 <a href="#">Hong Kong International Airport</a>	<a href="#">Chek Lap Kok, Hong Kong</a>	3,385,313
3.	 <a href="#">Shanghai Pudong International Airport</a>	<a href="#">Pudong, Shanghai, People's Republic of China</a>	2,543,394
4.	 <a href="#">Incheon International Airport</a>	<a href="#">Incheon, Seoul National Capital</a>	2,313,001

		<a href="#">Area, South Korea</a>	
5.	 <a href="#">Paris-Charles de Gaulle Airport</a>	<a href="#">Seine-et-Marne/Seine-Saint-Denis/Val-d'Oise, Île-de-France, France</a>	2,054,515
6.	 <a href="#">Ted Stevens Anchorage International Airport</a>	<a href="#">Anchorage, Alaska, United States</a>	1,994,629
7.	 <a href="#">Louisville International Airport</a>	<a href="#">Louisville, Kentucky, United States</a>	1,949,528
8.	 <a href="#">Dubai International Airport</a>	<a href="#">Dubai, United Arab Emirates</a>	1,927,520
9.	 <a href="#">Frankfurt Airport</a>	<a href="#">Flughafen (Frankfurt am Main), Frankfurt, Hessen, Germany</a>	1,887,686
10.	 <a href="#">Narita International Airport</a>	<a href="#">Narita, Chiba, Kantō, Honshū, Japan</a>	1,851,972
11.	 <a href="#">Singapore Changi Airport</a>	<a href="#">Changi, East Region, Singapore</a>	1,660,724
12.	 <a href="#">Miami International Airport</a>	<a href="#">Miami, Florida, United States</a>	1,557,401
13.	 <a href="#">Los Angeles International Airport</a>	<a href="#">Los Angeles, California, United States</a>	1,509,326
14.	 <a href="#">Beijing Capital International Airport</a>	<a href="#">Chaoyang, Beijing, People's Republic of China</a>	1,475,649
15.	 <a href="#">Taiwan Taoyuan International Airport</a>	<a href="#">Dayuan, Taoyuan, Taiwan, Republic of China</a>	1,358,304
16.	 <a href="#">London Heathrow Airport</a>	<a href="#">Hayes, Hillingdon, Greater London, United Kingdom</a>	1,349,571
17.	 <a href="#">Amsterdam Airport Schiphol</a>	<a href="#">Haarlemmermeer, North Holland, Netherlands</a>	1,317,120
18.	 <a href="#">John F. Kennedy International Airport</a>	<a href="#">New York City, New York, United States</a>	1,144,894
19.	 <a href="#">O'Hare International Airport</a>	<a href="#">Chicago, Illinois, United States</a>	1,047,917
20.	 <a href="#">Suvarnabhumi Airport</a>	<a href="#">Racha Thewa, Bang Phli, Samut Prakan, Greater Bangkok, Central, Thailand</a>	1,045,194
21.	 <a href="#">Guangzhou Baiyun International Airport</a>	<a href="#">Baiyun, Guangzhou, Guangdong, People's Republic of China</a>	955,270
22.	 <a href="#">Indianapolis International Airport</a>	<a href="#">Indianapolis, Indiana, United States</a>	944,805
23.	 <a href="#">Newark Liberty International Airport</a>	<a href="#">Newark, New Jersey, United States</a>	779,642
24.	 <a href="#">Tokyo International Airport</a>	<a href="#">Ota, Tokyo, Kantō, Honshū, Japan</a>	779,118
25.	 <a href="#">Luxembourg-Findel Airport</a>	<a href="#">Findel, Sandweiler, Luxembourg (canton), Luxembourg (district), Luxembourg</a>	628,667
26.	 <a href="#">Kansai International Airport</a>	<a href="#">Izumisano/Sennan/Tajiri, Osaka, Japan</a>	608,876
27.	 <a href="#">Shenzhen Bao'an International Airport</a>	<a href="#">Bao'an District, Shenzhen, Guangdong, People's Republic of China</a>	605,469
28.	 <a href="#">Kuala Lumpur International Airport</a>	<a href="#">Sepang, Selangor, Malaysia</a>	601,620

29.	 <a href="#">Dallas-Fort Worth International Airport</a>	<a href="#">Dallas/ Fort Worth, Texas, United States</a>	578,906
30.	 <a href="#">Chhatrapati Shivaji International Airport</a>	<a href="#">Mumbai, India</a>	566,368

In comparison to above the following are the cargo data of Indian airports. As such Indian airports cargo volumes are very small compared to world standards

1	Mumbai	582,636
2	Delhi	497,386
3	Chennai	322,675
4	Bangalore	174,644
5	Kolkata	106,585
6	Hyderabad	66,459
7	Cochin	40,636
8	Trivandrum	33,150
9	Ahmedabad	22,675
10	Pune	17,845
11	Calicut	17,500
12	Jaipur	6,209
13	Guwahati	5,037
14	Goa	4,377

As such Hyderabad's cargo volumes are 1/50<sup>th</sup> compared to other larger world airports.

- As such Hyderabad airport is in its infancy. Heavy handed regulation at the initial stage will kill the initiative to invest in smaller airports as Viability will be an issue because of lack of required mass.
- Also in the fuel materiality index does not take into account the element of discretion in usage, price as it is not just the number of aircrafts that determine the fuel off take, but is also impacted by the local taxes/ state government levies.
- Competition clause should consist of more criteria instead of just numbers.

For example:

- Selection of service providers through a fair and transparent competitive bidding process
- Contractual obligation to provide services at a particular level of service quality or below a price level
- Provision to bring in additional service providers

- Regulator should have the right to intervene only in case of complaints and evidence of abuse of market power.
- The number of players constituting competition needs to be viewed from the business viability viewpoint also. **It may not be financially viable to have three or more operators for the GH, Cargo or Fuel supply services, given the current market size and volumes.** These services would still be competitive with two players operating in the market. Internationally larger airports have 2 or 3 operators when their mass is around 50 times the volume of Hyderabad Airport. **To expect 3 players with 1/50th volume of business will not be possible.**
- The current development of **cargo hub airports** across regions would bring in significant competition in the cargo sector. These cargo airports would not fall under the purview of proposed regulations and hence would provide an uneven competition for the cargo handling at major airports.
- The **airport at Vishakhapatnam** is also being readied for the international operations giving real threat to Hyderabad's cargo volumes.
- In the Consultation Paper issued by AERA on Regulatory Philosophy of Regulation in Cargo, Fuel and Ground Handling, (Clause 2.13 Pg. 142 of CP dated February 26, 2010) the Authority proposed to presume a degree of competition wherever two or more cargo facilities are operational at airport. Hence, deviation from its own accepted stand is not justified or explained.
- **Competition from other mode of transport:** In India the current development of road and rail sector also competing with air transport. The development of golden quadrilateral, the development of freight corridors are also some of the developments which is reducing the transit time thereby adding to the competition. AERA must give due credence to this competition as well.



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## 8. Ground Handling

In October 2007, the Government of India announced that effective 1 January 2009, only the following companies would be permitted to provide ground handling services at six Indian metro airports and 35 non metro airports:

- 1) Airport operator (i.e. Airports Authority of India, or the private joint venture operator in the case of Delhi, Mumbai, Cochin, new Hyderabad and new Bangalore);
- 2) Ground handling subsidiary of the national carrier i.e. Air India, or its joint ventures;
- 3) Independent ground handling company selected through a competitive bidding process, subject to security clearance.

Consequently, there were to be a maximum of three ground handling companies permitted to operate at a given airport.

The implementation of the ground handling policy has been deferred thrice since then from:

- January 1 2009 to July 1, 2009;
- Thereafter to January 1, 2010 and
- now to Jan 1 2011.

The policy was deferred in order to undertake a "thorough review" given the complexity of the issues involved, particularly competition and security. The proposed policy would no longer permit airlines to self-handle at the key airports of Mumbai, Delhi, Kolkata, Chennai, Hyderabad and Bangalore.

As such there is uncertainty on the proposed ground handling policy.

Formulation of AERA guidelines with strict timelines without clarity on final outcome of Ground Handling policy by guidelines would not be workable and needs to be kept in abeyance.

**9. Mechanism of regulations**

- In Indian context, a light touch regulation would ensure desired outcomes .AERA in its white paper had laid down a comparison of various forms of Regulations:

**Table 1 Comparison of Forms of Regulation**

Rate of Return	Price Cap	Light Handed Regulation
Provides incentives for investing in capacity expansions as focus is on setting tariffs that provide a certain rate of return	Provides incentives to increase efficiency. Price cap set in advance for x years based on forecast costs. Airport keeps the surplus until the end of the regulatory cycle so incentive is to cut costs v forecast. Ultimately regulator resets prices to take into account improvements to benefit users	Light touch regulation creates the least amount of market distortions
Cost-cutting by the airport cannot bring extra gains. No distorted incentive to compromise on service quality	Airports under price-cap regulation have incentive to postpone investments and reduce costs (at the expense of service quality)	Allows accounting for the impact of external factors in price setting, reduces the volatility of profit and the risk of failure. Incentives to reduce costs most significant in a competitive context
Does not encouraging improving efficiency since airports costs are already covered	Capital input productivity as well as total factor productivity is high	Relies on market mechanism for productivity gains by providing for commercial negotiations between airports and stakeholders. Safeguards against monopoly abuse built in through a threat of regulation.
Could involve cost and management time for on-going (annual) regulatory compliance	Involves cost and management time for tariff setting. Also requires regulators to review considerable volumes of evidence at each review	Avoids the costs and management time, at airports and the regulator, associated with carrying out detailed reviews and monitoring compliance.

Source: AERA White Paper

- AERA had cited New Zealand and Australia as examples of light touch regulation. Light touch regulation has been very successful in Australia leading to increased efficiency through greater productivity.

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- Airports in their initial development phase in developing economies are most likely to gain from a less invasive approach to regulation, providing the basis for generating gains in both profitability and efficiency. In October 2001, the Australian Government removed price cap regulation as a response to the failure of price cap regulations. The price cap regulations there had almost led the airports in Australia to brink of failure. This move provided the country's airports with the opportunity to work towards market determination of prices.
- We understand that under AERA act, the airports are to be regulated. However in the larger interest of Industry we can either use the successful Light Touch model of Australia and New Zealand or adopt the most criticized regulation of price cap regulation as practiced in UK.
- The form of Light Touch Regulation envisaged by AERA is not in line with national and international practices of light touch regulation. Annual tariff approval in light touch regulation needs be avoided and the

## 10. Other Issues

- The service providers/ operators have entered into a revenue sharing arrangement with the Airport Operator and we understand that these **commercial arrangements would be safeguarded under the regulatory regime.**
- Two service providers within the **same airport may have different service levels, cost structures, market share forecasts.** This would result in different tariffs for the two service providers and can act as barrier for competition in the long run.
- A light touch regulation on both price and service levels is possible within the ambit of the existing contracts.
- **Tariff Filing:** Sufficient time should be given for the first filing as the service provider would need to understand the regulatory framework and the expectations in details. Providing two months for the first filing is not adequate
- **Efficiency & Quality of Service:** The Authority has indicated that it would consider only efficient operation costs in its formula to calculate the Aggregate Revenue Requirement. However, it has further indicated an incentive factor "X" for efficiency improvement on an annual basis. In performing this, AERA may be looking to move beyond its own estimation of efficient costs. Further, the "X" factor is benchmarked against the performance of the same service provider, which may not be a fair approach.
- **Cross-Subsidization from non-regulated services** - Section 7.2 of the paper (page 13 of 85) states that the aggregate revenue for regulated service(s) will be calculated based on (among other things), "*Revenues from services other than Regulated Service(s) (NAR)*".  
The service providers for Cargo, Fuel Facilities and Ground Handling services would have little or no scope for generation of revenues from outside their core areas of operation. AERA should clarify as to what would be covered under these non-regulated service revenues.
- **Fair Rate of Return** – The Consultation Paper has asked for the Service Providers to provide their inputs on cost of capital in their tariff application through the Capital Asset Pricing Model (CAPM) approach. In absence of any listed entity, a presentation made by the operator can easily be overruled by regulator for want of evidence. AERA must provide necessary safeguard to the Independent service Providers on this front.
- **Asset Base Calculation** – The term "revaluation of existing assets" needs to be clarified on the extent to which such revaluation will be considered in the regulatory asset, as against the historic cost approach, that may be available based on asset investment records.

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- The following issues need to be clarified for the Cargo Services:
    - The definition of Cargo Services should clearly address the status of express cargo services under these regulations.
    - It is not clear how the price cap for sub-categories (Domestic and International) be determined for different players.
    - Demurrage charges are in the form of rental income for the warehousing services provided by the service providers. These would be non aeronautical in nature and hence should not be part of the regulations.
    - Other infrastructure requirements for cargo such as cold storage might be common to many service providers and thus needs to be clarified as to how the cost of such specialized infrastructure would flow.
  - **Limited Response:**
    - The present reply of GHIAL is limited to issues that may have a possible bearing on the determination of tariff of GHIAL and its concessionaires. It might not have dealt with some of the general issues raised in the Consultation Paper which are not likely to affect tariff determination of GHIAL and its concessionaires in view of the principles applicable to it under the concession agreements. The response being filed by GHIAL should be considered in relation to the specific issues identified by GHIAL in the response. GHIAL craves leave to file further response to the Consultation Paper if so deemed necessary, to assist the Authority on the various issues including those that have not been presently addressed by GHIAL and its concessionaires. From GHIAL no comments on any issue arose in Consultation Paper does not imply concurrence of GHIAL on such issue. Further, if the Authority decides to apply any principles of tariff to GHIAL and its concessionaires that are inconsistent with or contrary to the principles set out in the concession agreements, it is expected that GHIAL will be provided further opportunity to submit its response to such proposed change in approach.

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## 11. Conclusion

We would propose to AERA to consider following approach to regulation of Cargo Ground Handling and Fuel:

- The categorization of Cargo, Ground Handling Services and Fuel should not be altered from being non-regulated in the Concession agreement to regulated. The independent service providers also derive their right to operate from this agreement and hence should also be treated at par with Airport Operators.
- No material example World-wide were observed wherein Cargo and Ground Handling business are regulated through a heavy handed price cap approach of economic regulation. As such in order to be competitive at international level Indian operators should also be outside the price cap regulations.
- A light touch approach with a regulatory oversight rather than setting Price Cap Approach needs to be adopted and have successfully worked for matured economies like Australia etc.
- While deciding the materiality, due credence to India's share in the Global Trade and the Air Cargo Share thereafter should not be overlooked.
- Change of the ground rules in the midst of the operation would be detrimental to the industry and therefore regulation should be for future concession and not with retrospective effect.
- Competition from other Airports Domestic (for cargo) or International (for fuel) , Dedicated Freight Hub, as also other regional development should also be considered before deciding on the adequacy of competition.
- Formulation of AERA guidelines with strict timelines without clarity on final outcome of Ground Handling policy would not be workable and needs to be kept in abeyance till that time.
- AERA can lay down conditions to introduce competition whenever necessary volumes have reached to introduce new players.
- The stress should be in developing the competition and not heavy handed regulation.
- The survival of Industry and focus on attracting investment in the sector is what is required in Indian Context.