

2nd September, 2022प्राप्त
डायरी न० 16995
तारीख 14/09/2022

To

The Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA)
AERA Building, Administrative Complex,
New Delhi -110003.

Subject: - Reply to observations made by SpiceJet on the Consultation Paper No. 6/2022-23 dated 2nd August 2022 on determination of tariff for Ground Handling Services at Trichy International Airport, Tiruchirappalli, for 3rd control period for Bird Airport Services (Trichy) Private Limited (BASTPL)

File No. AERA/20010/MYTP/BASTPL/GH/TRICHY/CP-III/2021-26

Dear Sir,

We hereby submit point wise replies to the concern raised by M/s. SpiceJet Ltd. on Consultation Paper No. 6/2022-23 dated 2nd August 2022, as referred above:

1. Review of Tendering Process:

This is a Global Practice applied by the regulatory bodies in India. We need to follow the Guidelines and Instructions prescribed by these regulatory bodies.

Therefore, SpiceJet should raise this observation with appropriate forum/regulatory bodies.

2. Deferment of Capital Expenditure- Regulatory Asset Base:

We submit as under:

- BASTPL is a new service provider and hence, it needs to incur capital expenditure in the first year itself.
- BASTPL is required to induct ground handling equipment that are acceptable to its customer airlines which are audited in detail by these customers before signing SGHA.
- BASTPL is committed to provide world class ground handling services to meet service levels expected by the airlines and the airport operator, for better passenger service experience.

Hence, BASTPL need to incur capital expenditure.



3. Abolishment of Royalty Charges/ Concession fee:

Here again the observations made by SpiceJet Ltd. is nowhere close to reality on ground. It is more than 15 years that the Airports Authority of India (AAI) is continuously privatizing Indian airports. All these Airport Concessions carry revenue share. Such private appointees (as Airport Operator for a defined concession period), further issue concessions on the basic parameters of AAI. As a result, ground handling concessions also attract concession fees. This method is prevalent at all the airports in India, be it under AAI or a concessioned Airport Operator. The revenues earned by airport operators are reviewed by AERA to ascertain that the airport charges are meeting AERA guidelines.

Therefore, concession fees paid by airlines to a ground handling agency is revenue of the airport operator, contributing in lowering of other airport charges, paid by the airlines to the airport operator. In a hypothetical situation if the concession fees is nil, the airport charges will be higher than the airport charges payable by the airlines in the other situation where concession fees is applied on ground handling charges.

In nutshell, the royalty on the Ground Handling Services is considered as Aero Revenue for the Airport Operator and hence it directly helps to reduce other Aero Charges which the airport operator recovers from the airlines.

We have tried giving reasons on the observations made by SpiceJet. However, Spicejet should raise this observation at appropriate forum/ with appropriate regulatory bodies.

4. Operational Expenditure- Drastic Cost cutting:

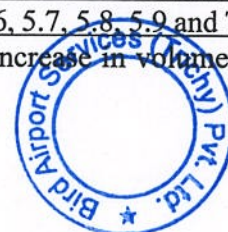
We feel that the observations made by SpiceJet Ltd are very generic in nature, lacks any substance and indicates that observer is unsure and unaware of the facts/ground realities.

Please note that we are a ground handling company of proven track record. We are providing ground handling services at major airports in India from approximately 15 years and have sufficient control over our operational expenditure.

We also want to highlight that ground handling services cannot be provided without incurring substantial investments which contribute in the total charges. Ground handling services are provided by a team of trained and qualified staff under sufficient supervisions, followed globally.

Regarding salary of the staff, please note that we pay our staff according to the "minimum wages" published by the regulator twice a year. There is no scope of material savings in the per head salary cost without compromising on quality and safety aspects of the total service package.

Observation made by SpiceJet Ltd. on the YoY increase in Administrative & General Cost, Utility & outsourcing costs and Repair & Maintenance Cost (Refer 5.6, 5.7, 5.8, 5.9 and Table 6): SpiceJet has erred in making this observation, disregarding the increase in volumes and



hence, resultant increase in the turnover. We again reiterate that such YoY increases are in line with inflation and volumes of operations.

Therefore, all our cost are justified and well controlled.

5. Tariffs:- (Refer 6.1 to 6.3 and Table 7,8 & 9 of the CP)

As per point no. 6.4 of the CP, the Authority has mentioned that BASTPL has proposed an increase of 7% YoY from FY 2022-23 onwards.

We submit that this increase is after taking effect of:

- a) Increase in the minimum wages rates;
- b) General inflation linked increase in the operational cost.
- c) Increase in Fuel, rent and other costs which impact the operational cost.

The observation made are of very generic and lacks substance to support this observation. SpiceJet has to understand that these rates are maximum rates and SpiceJet has option of discussing and negotiating. SpiceJet also has option of choosing other service provider or do self-handling in case negotiated prices are not suitable to them.

Please do let us know in case you need any information or clarification in this matter.

For and on Behalf of

Bird Airport Services (Trichy) Private Limited

Authorised Signatory

Sundeep Kr. Jain (FOR)



Vijay Singh

*Manager, M/Ls + Analyst
Bird Group.*