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February 24, 2023

To,
The Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.

Kind Attention – Shri. Balwinder Singh Bhullar Ji

Sub. : Response to the AERA Consultation Paper No. 14/2022-23 issued on February 6, 2023 on determination of tariff for Ground Handling Services for M/s Celebi Ground Handling India Private Limited at Sardar Vallabhbhai Patel International Airport, Ahmedabad, for the Third Control Period (FY 2021-22 to FY 2025-26)

Dear Sir,

We write in response to the Consultation Paper No. 14/2022-23 issued on February 6, 2023 by the Airports Economic Regulatory Authority of India ("AERA" or "Authority") in the matter of determination of tariff for Ground Handling Services for M/s Celebi Ground Handling India Private Limited ('CGHIPL') at Sardar Vallabhbhai Patel International Airport, Ahmedabad ('SVPIA') for the Third Control Period (FY 2021-22 to FY 2025-26) ('Consultation Paper' or 'CP').

At the outset, we would like to express our sincere gratitude to AERA for inviting stakeholder comments on the Consultation Paper, and further acknowledging the impact of COVID-19 on the aviation sector.

Sir, you will appreciate that airlines which are the 'catalyst' for the global economy have also been adversely impacted due to significant headwinds, including increase in prices of Aviation Turbine Fuel (ATF) and the geo-political instability caused due to the Russian – Ukrainian conflict. In addition, there are recessionary fears and job cuts. All these factors have resulted in adverse impact on global supply-chains, increase in inflation and interest rates, devaluation of Rupee and decrease in consumer spending, thus impacting the operations to a certain extent and resultantly prolonged the process of financial recovery.

Thus, we request AERA to kindly consider the following recommendations/ comments on the Consultation Paper prior to deciding the tariff rates:

1. Capital Expenditure:

(Refer 4.3 of the CP):

While it is mentioned that CGHIPL proposes to take the requisite Ground Handling Equipment on rental basis, we request AERA that in case the renting entity is within the purview of AERA, the Authority may please make a note that any revenues accruing to such renting entity by virtue of rentals from CGHIPL may kindly be trued up and taken into consideration while determining the tariff of such renting entity in this/subsequent control

period (as applicable). This would not only bring transparency in the airport's eco-system but also reflect a fairer picture of revenue generation of all concerned entities, and thus lead to a better tariff determination process for the renting entity.

2. Operating Expenditure and Profitability:

(Refer 5.5. (C) – of the CP):

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the service provider under various headings without any underlying services. These charges are mostly passed on to the airlines by the service provider. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc.

Awarding the contracts to the service provider on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as some of such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear some of these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

In view of the above, we urge Authority to abolish such royalty/concession fee which may be included in any of the cost items.

3. Tariff:

(Refer 6.11 and Annexure I & II of the CP)

We humbly request AERA to kindly consider our submission as mentioned above, and review the proposed tariffs in light of the same, as the proposed rates of tariff are very high, especially for the scheduled passenger flights in the back drop of COVID-19. It is in the interest of all the stakeholders not to implement such high tariffs in order to encourage middle class people to travel by air, which will help in sharp post COVID-19 recovery of aviation sector. Customers of airlines have limited capacity to pay for the Air Fares, and when the cost of travel goes up (caused in part due to high service provider charges), the air traffic goes down, leading to further losses and financial crisis for airlines.

(Refer 6.11 and Annexure III of the CP)

While it is mentioned that the rates proposed by CGHIPL in case of Scheduled Flights and Non- Scheduled Flights are lower than the rates approved by the Authority for other ground Handling Service providers at the same airport, may we draw the attention of AERA, that on comparing the proposed Tariff for Item-wise charges mentioned in Annexure III to the rates that have been approved by AERA for M/s GSEC Bird Airport Services Pvt. Ltd. (GBASPL) for the same airport (SVPiA) for the Third Control period vide the Tariff Order No. 36/2021-22 dated 28th January 2022, it was noted that certain charges proposed for CGHIPL appear to be significantly higher than those approved for GBASPL, for e.g.:

- i. Air Cooling Unit: Rs. 25,478 vs Rs. 18,479 - Domestic - for CGHIPL and GBASPL respectively in FY 22-23;
- ii. Air Start Unit: Rs. 15,844 vs Rs. 13,533 – Domestic - for CGHIPL and GBASPL respectively in FY 22-23;

- iii. Pushback for narrow body aircraft: Rs. 13,619 vs Rs. 11,200 – Domestic - for CGHIPL and GBASPL respectively in FY 22-23);
- iv. Towbar: Rs. 4,911 vs Rs. 3,733 – Domestic - for CGHIPL and GBASPL respectively in FY 22-23. Please also clarify whether it is for narrow body or wide body aircraft or for ATR/Dash.
- v. Excess baggage Fee (% of collection): 15% vs 0% – Domestic & 15% vs 7% - International - for CGHIPL and GBASPL respectively in FY 22-23;
- vi. Authority may also please review the Items "White collar staff" and "Blue collar" staff, as:
 - a. the "Unit" mentioned against these items may not be "per staff per hour" as currently mentioned, and it may have been intended to be "per person per 8 Hours". Kindy review.
 - b. the rates appear to be excessive: Rs. 3,382 vs Rs. 2,800 for white collar staff – Domestic & Rs. 2,375 vs Rs. 1,867 for Blue collar staff – Domestic for CGHIPL and GBASPL respectively in FY 22-23;

Thus, in view of the above mentioned examples, we request that:

1. AERA may please not approve any rates for CGHIPL that may be proposed to be higher for either GBASPL or AIASL for any of the Items under Annexure III.
2. For those services which are charged on a "Per Hour" basis, the charges may kindly be applied on a pro-rata basis, or on the nearest whole number basis.

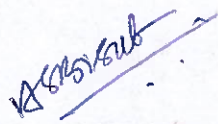
We hope that your good self will positively consider the above recommendations/ comments as it will help in achieving the affordability and sustainability of the aviation sector including airlines, which is also outlined as a key objective in the National Civil Aviation Policy, 2016.

We look forward to your continued support in these challenging times.

Thanking you in advance,

Yours Truly,

For SpiceJet Limited


Suryavir Singh Bisht
Sr. General Manager – Regulatory Affairs

Copy to: Director (P&S Tariff), Airports Economic Regulatory Authority of India