

[F. No. AERA/20010/Civil Aviation Policy /2014-15]
Airports Economic Regulatory Authority of India

Order No. 15/2016-17

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

Date of Order: 12th January, 2017

Date of Issue: 10th February, 2017

In the matter of aligning certain aspects of AERA's Regulatory Approach (Criteria for Competition Assessment for Ground Handling Service) with the provisions of the National Civil Aviation Policy-2016 (NCAP-2016) approved by the Government of India.

1.1 Government of India has recently approved the National Civil Aviation Policy-2016(NCAP-2016) with the objective of taking flying to the masses.

1.2 While the NCAP covers a large number of policy areas, one of the provisions that relate to economic regulation and therefore of relevance to AERA is "**Assessment of competition criteria for ground handlers to decide on the method of tariff regulation**".

2.1 The existing para 5.1 of the Direction No. 4 dated 10.01.2011 [Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft] Guidelines, 2011 [**CGF Guidelines, 2011**] provides that where a Regulated Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed 'competitive' at that airport. If a Regulated Service is provided by less than two Service Provider(s), it shall be deemed 'not competitive'. Further, the Authority, may in its discretion, consider such additional evidence regarding reasonableness of competition, as it may deem fit. The Authority also clarified that the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.

2.2 The NCAP-2016 provides that for "Ground Handling Services" the Airport Operator will ensure that there will be three Ground Handling Agencies (GHA) including Air India subsidiary/JV at all major airports as defined in AERA Act, 2008 to ensure fair competition.

3.1 The Authority decided to review the criteria for competition assessment of the Ground Handling service providers from two competitors to three in line with the NCAP-2016. Accordingly, the Authority issued Consultation Paper No. 01/2016-17 dated 05.10.2016.

3.2 The Authority also organised Stakeholder Consultation Meeting at AERA premises on 08.11.2016 to elicit views of the stakeholders on the subject issue.

Review of Comments of Stakeholders by the Authority.

4.1 The Authority reviewed and analysed in detail the comments of the stakeholders viz MIAL, APAO, AISATS, Bhadra etc. and deliberated as follows on the major points of concern raised by the stakeholders with reference to the subject issue.



4.2 The Authority observed that the number of passengers handled at each airport, airport security, efficient services and level playing field need to be considered while deciding the criteria for competition for ground handlers at the major airports.

4.3 At the time of finalisation of CGF guidelines, 2011 the Authority had proposed that the regulated services provided by three or more service providers at major airport shall be deemed as 'competitive'. The proposal was mooted in line with the then existing Ground Handling Policy of the Central Government wherein it was provided that *there would be at least three service providers providing third party ground handling services at each of the airports*. However, after considering the general consensus amongst the stakeholders that even two service providers can be operating in a competitive situation, the Authority modified clause 5 of the Guidelines to provide that wherever the regulated service is provided at an airport by two or more service providers, it shall be deemed as a competitive scenario at that airport. The Authority further clarified that the change in the benchmark does not, in any way, sanction or contemplate any deviation from the Government Policy, if any, on the issue.


4.4 With entry of new airline operators viz. Air Asia India, Air Carnival, Air Costa, Vistara etc. after 2011, the Authority felt that increase in competition will give way to fair competition and also provide the users with better service quality. Hence, the Authority has decided to align itself with the provision made in para 19(a) of the NCAP-2016 wherein it is stated that *"there will be three Ground Handling Agencies (GHA) including Air India's subsidiary/JV at all major airports as defined in AERA Act, 2008 to ensure fair competition"*.

ORDER :

The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008, and after careful consideration of the comments of the stakeholders on the subject issues, decides and orders that :

- (i) The Authority will adopt the criteria for competition assessment for Ground Handling Agencies (GHA) as "three Ground Handling Agencies (GHA) including Air India's subsidiary/JV at all major airports". The CGF guidelines shall be amended to that extent. However, the provision of the CGF guidelines, 2011 on 'competition assessment' for cargo and fuel service providers shall remain the same.
- (ii) The other provisions of the existing CGF guidelines, 2011 shall remain the same.

**By the Order of and in the
Name of the Authority**


(Puja Jindal)
Secretary

To

**All Airport Operators and Independent Service Providers at Major
Airports.**

Copy to:-

1. **Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, New Delhi –
110003**

