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IMPLEMENTATION OF GROUND HANDLING SERVICES AT INDIAN AIRPORTS

(Presented by India)

EXECUTIVE SUMMARY

Ground handling is a critical activity at an airport and acts as an interface between the airport and the airlines. Ground handling plays an important role in improving efficiency at the airport and is being increasingly seen as a key part of airport operations than just a profit stream. As such, it is prudent to view ground handling from a strategic perspective than just from a financial perspective.

In National Civil Aviation Policy 2016, Government of India has developed the framework for implementation of Ground Handling Services with an aim to enhance safety, security and sustainability of aviation sector through the use of technology and effective monitoring. This paper focuses on the implementation of Ground Handling Services at Indian Airports.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objectives — <i>Economic Development of Air Transport</i>
<i>Financial implications:</i>	Nil
<i>References:</i>	Nil

1. INTRODUCTION

1.1 India has the potential to be amongst the top three nations globally in terms of domestic and international passenger traffic. It has an ideal geographical location between the eastern and western hemisphere, a strong middle class population of about 300 million Indians and a rapidly growing economy.

1.2 Under Government of India, the Ministry of Civil Aviation is responsible for formulation of national policies and programmes for the development and regulation of the Civil Aviation sector in the country. It is responsible for the administration of the Aircraft Act 1934, Aircraft Rules 1937 and various other legislations pertaining to the aviation sector in the country.

1.3 At present, 98 Airports are served by scheduled airlines. Out of these, 87 Airports are managed by the Airports Authority of India (AAI) and 11 Airports are operated by private airport operators and State Governments.

1.4 The first Ground Handling Regulations (GHR) was notified on 1 February 2000. Based on this regulation, tenders were called for appointment of Ground Handling Agencies (GHAs) in 2001. However, due to security concerns related to one of the selected agencies, the contracts were cancelled. At the time, all the airports were managed and operated by the AAI.

1.5 In the year 2004, the process of leasing of Delhi and Mumbai International Airport was started. At present, 11 Indian airports are operated by private airport operators/Joint Ventures (JVs) and the process for leasing of 6 more airports of AAI are under progress.

1.6 The GHR 2007 was re-notified on 18 October 2007. Accordingly, AAI invited four tenders to appoint ground handlers in 15 major airports. Similarly, the Joint Venture/ Private run airports appointed their own ground handlers.

1.7 In the year 2016, National Civil Aviation Policy 2016 (NCAP) was introduced with the objective to establish an integrated eco-system which will lead to significant growth of civil aviation sector, which in turn would promote tourism, increase employment and lead to a balanced regional growth.

1.8 The key provisions in NCAP 2016 for Ground Handling Services are:

- a) The airport operator will ensure that there will be three GHAs including Air India's subsidiary/JV at all major airports as defined in AERA Act 2008 to ensure fair competition;
- b) Non-major airports are exempted from a minimum number of ground handlers. Airport operators will decide on the numbers, based on the traffic output, airside and terminal building capacity;
- c) In case of third party ground handling, Air India's subsidiary/JV will match the royalty/revenue share offered by the other GHA;
- d) All domestic scheduled airline operators, including helicopter operators will be free to carry out self-handling at all airports; and

- e) Hiring of employees through manpower supplier will not be permitted. However, if equipment is taken on hire from outside agencies without manpower, it will be permitted.

1.9 On 15 December 2017, the Ministry of Civil Aviation, Government of India notified GHR 2017. The key provisions of GHR 2017 are:

- a) All domestic scheduled airline operators and scheduled helicopter operators will be free to carry out self-handling at all airports including civil enclaves;
- b) A foreign airline may undertake self-handling in respect of passenger and baggage handling activities excluding security functions at the airport terminals restricted to the passenger check-in at pre security hold area, at all the airports except civil enclaves;
- c) At the airport having annual passenger throughput of ten million passengers per annum or above, the airport operator shall ensure that there will be three ground handling agencies including that of, the airport operator or its joint venture or its hundred percent owned subsidiary; a joint venture or a subsidiary of the Air India; and any other ground handling agencies appointed by the airport operator through a transparent bidding process;
- d) At the airport having an annual passenger throughput of less than ten million passengers per annum, based on the traffic output and airside and terminal building capacity, the airport operator may decide on the number of ground handling agencies, not exceeding three;
- e) A ground handling agency, with foreign ownership of 50 per cent or more of its paid-up capital shall not be allowed to undertake ground handling activities at Civil Enclaves or Joint-use Defence airfields;
- f) At all airports, the joint venture or the subsidiary of Air India shall match the lowest royalty paid by the other ground handling agencies, as long as the majority share in such entity is with the Government;
- g) No royalty is payable in case of self-handling; and
- h) All airlines, joint ventures, subsidiaries, ground handling agencies shall enter into an agreement with the airport operator for the satisfactory observance of performance standards as may be mutually acceptable.

1.10 On 26 October 2018 AAI notified the Ground handling services regulations 2018 to strengthen the implementation process of Ground Handling Services at Indian Airports which was also promulgated through AIC (Aeronautical Information Circular) for JVs/Private/State Airports for compliance.

2. **CONSIDERATIONS FOR CONCESSION MODEL WHILE IMPLEMENTATION**

2.1 The concession model will be designed to address following key considerations of tender philosophy:

- a) Design of concession structure from strategic, financial and operational perspective;
- b) Keeping a level playing field between self-handling airlines and GHAs; and
- c) Focus on efficiency, safety and service quality levels at the airports.

2.2 Ground handling plays an important role in improving efficiency at the airport. It is prudent to view ground handling from a strategic perspective than just operational and financial. Two important factors to consider while evaluating ground handling from a strategic perspective are:

- a) Self-handling by domestic airlines: Current GH regulations permit domestic airlines to undertake self-handling at an airport. Self-handling prevents the need for dealing with a third-party GHA, additional record keeping, and paying GST for ground handling. GHAs therefore have to keep costs significantly lower than domestic airlines to prevent them from opting for self-handling; and
- b) Treatment of revenue from GH to airports: For major airport, revenue from GHAs is treated as aeronautical revenue by the Regulator. An increase in revenue from GHA leads to a reduction in aeronautical tariffs by Regulator for the airport. Hence, high revenue to a major airport from GHAs does not enhance the aeronautical revenue and profitability of the airport.

2.3 Viability of operations of a GHA is dependent on the following factors:

- a) International flights: Typically, higher margin for GHAs than domestic flights, though with lower volume as compared to domestic flights;
- b) Domestic flights: Lower margin, but the high volume of operations, the reduction in royalty will discourage self-handling by the airlines;
- c) Investments required in ground handling: Depends on number and type of flights and required service quality levels;
- d) Cost of operations including cost of concession: Higher cost passed to airlines can result in lower attractiveness as compared to self-handling (by domestic airlines); and
- e) The viability of operations of GHA also impacts the availability of GHA at the airport.

2.4 The increase in cost for GHA impacts the airport in two important ways:

- a) Non-viability of GHA can result in a situation where there is no operational GHA at the airport (especially for airports with no international flights); and

- b) Increases cost for new and smaller domestic airlines as compared to an airline with a larger presence which is carrying out self-handling.

2.5 A key factor which impacts cost for GHA is the royalty. This is critical for domestic operations where a GHA is also competing with an airline which can undertake self-handling either by itself or through its subsidiaries. While the reduction in royalty for domestic flights will help in improving level playing field between self-handlers and GHAs, a concern expressed is the potential reduction in revenue of the airport.

3. **IMPLEMENTATION STATUS:**

At Airports operated by Airports Authority of India

3.1 The Airports operated by Airports Authority of India are diverse in terms for passenger and aircraft traffic. The airports will be categorized into groups with respect to passenger traffic in million passengers per annum (MPPA).

3.2 Airports having low passenger traffic and some of these airports can be unviable for GHAs. To ensure availability of GHAs at all operational airports, airports having low passenger traffic which does not receive bids can be clubbed with other airports group suitably.

At Airports operated by Private Operators/Joint Ventures

3.3 Hyderabad International Airport floated RFP for selection of Ground Handlers to provide ground handling services at RGIA. GHIAL appointed three ground handlers as its accredited common ground handlers to provide GH services to all the airlines operating at Hyderabad Airport.

3.4 At Delhi International Airport, there are three (3) nos. of Registered Ground Handlers which have been appointed through the process of competitive bidding, while Air India SATS is operating as a JV between Air India and SATS Singapore as per the policy guidelines.

3.5 Bangalore International Airport also appointed multiple GHAs (3 agencies) through a competitive bidding process to undertake the ground handling function for various airlines operating at Bangalore Airport.

4. **EXPECTED OUTCOMES**

- 4.1 Ensuring sustainability in a growing Indian aviation industry.
- 4.2 Overcoming the challenges of increasing air traffic.
- 4.3 Reducing aircraft damage and ground handling incidents.