फाइल संख्या ऐरा/20010/एमवाईटीपी/एमसीएससी/सीएच/मुम्बई/सीपी-III/2021-26
File No. AERA/20010/MYTP/MCSC/CH/MUMBAI/CP-III/2021-26

आदेश संख्या 20/ 2022-23

Order No. 20/2022-23

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India

मैसर्स मुम्बई कार्गो सर्विस सेन्टर एयरपोर्ट प्राइवेट लिमिटेड (एमसीएससीएपीएल) के संबंध में छत्रपति शिवाजी महाराज अंतरराष्ट्रीय हवाईअड्डा (सीएसएमआईए), मुम्बई में तृतीय नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए कार्गो हैंडलिंग प्रभार निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF CARGO HANDLING CHARGES
FOR M/s MUMBAI CARGO SERVICE CENTER AIRPORT PVT. LTD. (MCSCAPL) AT
CHHATRAPATI SHIVAJI MAHARAJ INTL. AIRPORT (CSMIA), MUMBAI
FOR THE THIRD CONTROL PERIOD
(FY 2021-22 to FY 2025-26)

जारी करने की तारीख: 30.08.2022
Date of Issue: 30.08.2022

ऐरा भवन/AERA Building
प्रशासनिक कॉम्पलेक्स/Administrative Complex
सफदरजंग हवाईअड्डा/Safdarjung Airport
नई दिल्ली/New Delhi – 110003

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List of Abbreviations

AERA/ AUTHORITY	Airports Economic Regulatory Authority of India
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
ACS	Annual Compliance Statement
BCBA	Brihanmumbai Custom Brokers Association
CAPEX	Capital Expenditure
CSC	Cargo Service Centre
CAGR	Compounded Annual Growth Rate
CGF	Cargo, Ground Handling & Fuel Throughput
CPI	Consumer Price Index
CP	Consultation Paper
CHQ	Central Headquarter
CSMIA	Chhatrapati Shivaji Maharaj International Airport
IDC	Interest During Construction
ISP	Independent Service Provider
MIAL	Mumbai International Airport Pvt. Limited
MCSCAPL	M/s Mumbai Cargo Service Center Airport Pvt. Limited
MYTP	Multi-Year Tariff Proposal
MT	Metric Ton
NCAP	National Civil Aviation Policy
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
RAB	Regulatory Asset Base
SATS	Singapore Airport Terminal Services
YoY	Year on Year

CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Mumbai Cargo Service Center Airport Pvt. Ltd. (MCSCAPL) is a company registered under the Companies Act, 2013 vide Certificate of Incorporation dated 17.03.2017 issued by Ministry of Corporate Affairs, having its registered office at Andheri East, Mumbai (herein under referred to as "MCSC") with a mandate to provide the following cargo services at CSMIA, Mumbai:

i. The acceptance & weighing of General Cargo,
ii. Carting, unitization, packing & labeling, and releasing of general cargo,
iii. Supervision of third party-built cargo including import cargo, documentation,
iv. Delivery order services to airlines customer
v. Handling of international cargo (general, special, valuable, and perishable) for both import and export.
vi. In relation to exports: admittance, storage, documentation, facilitating customs examination, x-ray screening and certification, carting, unitization and making it ready for movement to aircraft.
vii. In relation to imports: receiving loaded pallets, de-stuffing, binning/storage, documentation, facilitating customs examination and delivery.
viii. Other: disposal and auction of long-standing cargo.

1.1.2 MCSC was awarded the Concession by Mumbai International Airport Limited (herein under referred to as "MIAL") on 23.11.2017 to Operate, Maintain and Manage the existing International Cargo Facilities. The concession agreement is valid for 18 years effective from 16.04.2018 to 02.05.2036.

1.1.3 In accordance with the terms of Concession, MCSC is also responsible to undertake the work of Design, Develop, Finance, Construct, Operate, Maintain and Manage the new facilities comprised in the International Cargo Facilities and to provide the services to the Users and collect from such Users the Cargo Handling Charges at the facilities at Chhatrapati Shivaji Maharaj International Airport, Mumbai.

1.1.4 Bureau of Civil Aviation Security has granted security clearance to MCSC on 09.10.2020.

1.1.5 The shareholding structure of the MCSC is given as below:

Table-1: Summary of Shareholding Structure of MCSC

Name of Shareholder	Equity Holding (%)
M/s Cargo Service Center India Pvt. Ltd.	51.00
M/s SATS Investment (II) Pte. Ltd.	49.00
TOTAL	**100.00**

1.1.6 Brief of past Tariff approvals:

i. MCSC commenced its commercial operations at International Cargo Terminal w.e.f. 16th April 2018 after obtaining due permissions from concerned authorities.

ii. The Authority vide letter no. AERA/20010/MYTP-MCSAPL/CSIA-MUM/C/CP-II/2016-17 dated 11.04.2018 approved the then prevailing Tariff as applicable to M/s Concor Air Limited in favor of M/s Mumbai Cargo Service Center Airport Private Limited (MCSC), for its International Cargo Operations at Mumbai International Airport, for the period from 01.04.2018 to 31.03.2019.

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iii. The Authority, vide Order No.19/ 2019-20 dated 18.12.2019 allowed MCSC to continue to levy the Tariff prevailing as on 31.03.2019 for the further period up to 31.3.2021.

iv. The Authority, vide Order no. 67/2020-21 dated 25.03.2021 further extended the prevailing Tariff Rates as on 31.3.2021 for the period up to 30.09.2021.

v. The Authority, vide Order no. 18/2021-22 dated 15.09.2021 further extended the Tariff prevailing as on 30.9.2021 for the period up to 31.03.2022.

vi. Thereafter, the Authority, vide Order no. 46/2021-22 dated 17.03.2021 further extended the Tariff prevailing as on 31.03.2022 for the period up to 30.09.2022, or, determination of regular Tariff, whichever is earlier.

1.1.7 As per the provisions of the Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF) Guidelines, 2011, MCSC has submitted the Multi Year Tariff Proposal ('MYTP') on 04.01.2022 for the Third Control Period (FY 2021-22 to FY 2025-26) for determination of Tariff in respect of Cargo Handling Services being provided at Chhatrapati Shivaji Maharaj International Airport, Mumbai.

1.1.8 As per the MYTP submission for the 3rd Control Period, MCSC requires following % Tariff increase to achieve 15% Return on Revenue:

- 65.87% increase in Tariff for FY2021-22
- 14.21% increase in Tariff for FY 2022-23
- 15.87% increase in Tariff for FY 2023-24
- 14.68% increase in Tariff for FY 2024-25
- 12.26% increase in Tariff for FY 2025-26

1.1.9 The Authority notes that MCSC has conducted the Stakeholder's Consultation Meeting on 05.04.2021 and submitted a copy of the 'Minutes of Meeting' along with its MYTP submission. As per Minutes of Meeting, representatives from 24x7 logistics, Express Kargo Forwarders Private Limited, Ryal Logistics, Delta Air Freight Pvt. Ltd., Ship Air Forwarders Pvt. Ltd., Federation of Freight Forwarders' Associations in India etc. participated in the Stakeholder Consultation Meeting.

1.1.10 The Authority, carefully examined the MYTP for the Third Control Period submitted by the MCSC in respect of Cargo Handling Services being provided at Chhatrapati Shivaji Maharaj International Airport, Mumbai and issued its Consultation Paper (CP) No. 03/2022-23 dated 24.05.2022, inviting suggestions/comments from the Stakeholders on the various proposals of the Authority with the following timelines:

- Date for submission of written comments by Stakeholders: 17th June, 2022.
- Date for submission of counter comments: 24th June, 2022.

1.1.11 The Authority received stakeholders' comments from M/s SpiceJet Ltd., M/s Emirates and Brihanmumbai Custom Brokers Association (BCBA) within the prescribed timelines on the various proposals of the Authority contained in the Consultation Paper No. 03/2022-23, the same are also available on the AERA's website along with Public Notice no. 06/2022-23 dated 22.06.2022.

1.1.12 The Authority, in response to Public Notice no. 06/2022-23 dated 22.06.2022, received counter comments from the service provider i.e. MCSC on 22.06.2022.

1.1.13 The Authority has noted that the language used by the ISP in their counter comments to the issues raised by various stakeholders as part of the Consultation Process leaves much to be desired and AERA does not accept this kind of language for any stakeholder. It seems that the senior management of the ISP has not bothered to check the comments at their level before forwarding to AERA. AERA would like to advise the ISP to be careful in future. Further, AERA has removed such portions of the counter comments in the Tariff Order.

1.1.14 The Authority, after examining the comments of aforesaid Stakeholders & counter comments of M/s MCSC and after considering all the relevant aspects has finalized this Tariff Order.

CHAPTER 2: PRINCIPLES FOR DETERMINATION OF "AERONAUTICAL TARIFF"

2.1 Tariff Determination Principle

2.1.1 The Authority vide Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 ("the Guidelines").

2.1.2 **Stage I: Materiality Assessment:**

In accordance with the above-mentioned AERA Guidelines and Directions, the following procedure is adopted for the determination of Materiality Index of Regulated Service:

$$Materiality\ Index\ (MI_c) = \frac{Cargo\ Volume\ at\ Mumbai\ Airport}{Total\ Cargo\ Volume\ at\ all\ Major\ Airports} \times 100$$

The Materiality Index for Mumbai Airport = *8,63,782 / 32,28,862 x 100*

= ***26.75%***

The percentage share of Cargo Handling for Chhatrapati Shivaji Maharaj International Airport, Mumbai for the FY 2019-20 is 26.75%, which is higher than the Materiality Index (MI_C) of 2.5% for the above subject service. Hence, the regulated service is deemed **"Material"** for the Third Control Period.

2.1.3 **Stage II: Competition Assessment:**

As per clause 5.1 of the above said Guidelines, if Cargo Service is being provided at a Major Airport by two or more Service Provider's, it shall be deemed "Competitive" at that airport.

It is observed from Form F1 (b) (Competition Assessment) submitted by MCSC that M/s AI Airport Services Ltd. (AIASL) is also rendering similar services at CSMIA, Mumbai. Hence in the instant case the service is deemed **"Competitive".**

2.1.4 As per Clause 3.2 (ii) of the Guidelines, wherever the Regulated Service provided is 'Material but Competitive', the Authority shall determine Tariff(s) for Service Provider(s) based on a **'Light Touch Approach'** for the duration of the Control Period, according to provisions of chapter V. However, the Authority reserves the right to review materiality assessments, competition assessments and the reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary.

2.1.5 MCSC had also submitted the copies of User Agreements with Go Airlines (India) Limited, Federal Express Corporation and SilkWay West Airlines LLC.

2.2 Stakeholders' Comments

2.2.1 **M/s SpiceJet's Comments on review of tendering process:**

M/s SpiceJet submitted the following comments on review of tendering process for the Third Control Period:

"AERA is requested to ensure that MIAL does not take the decision to award concession agreements solely on the revenue share being offered. Basing decisions solely on highest revenue share being offered breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear 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."

2.2.2 **MCSC's response on SpiceJet's Comments regarding review of tendering process:**

MCSC's response on SpiceJet's comments on review of tendering process for the Third Control Period:

"The contention of SpiceJet is irrelevant to the Consultation Paper. Besides this right of MIAL to award Concession flows from OMDA which is a duly constituted agreement with an agency of the state. MIAL is well within its rights to determine the parameters of its commercial deals. Basing decision on highest bid, in any tendering process, is a time-tested norm and is used by all types of organizations. The contention of SpiceJet that "highest revenue share breeds inefficiencies and tends to disproportionally increase the cost" is devoid of logic. All organizations undertake cost reduction exercises in their own interests as reduction in expenses increases profitability. Such benefits itself constitute the incentive to reduce the costs. MCSC regularly undertakes cost reduction and cost optimization exercises in its own interests."

2.3 Authority's view regarding review of tendering process:

2.3.1 As regard to comments of M/s SpiceJet on tendering process and response of M/s MCSC thereon, the Authority notes that Concession Fee/ Revenue Share paid by the ISP is in accordance with the concession agreement executed between the service provider and the airport operator. Further, the Authority is of the view that bidding process to award such contracts is a non-regulatory issue and such matters may be dealt appropriately between stakeholders at the appropriate forum.

2.4 Authority's decision regarding principle for determination of Tariff for the Third Control Period

2.4.1 Based on the material before it and based on its analysis, the Authority considers that the Cargo Handling Service provided by MCSC at CSMIA, Mumbai is **'Material but Competitive'.** Therefore, the Authority decides to determine the Tariff for the Third Control Period based on **'Light Touch Approach'**.

CHAPTER 3: CARGO VOLUME PROJECTION

3.1 Cargo Volume Projection by MCSC

3.1.1 The total Cargo Tonnage handled by MCSC at Mumbai during the last three years of 2nd control period are given below:

Table 2: Actual Tonnage handled by MCSC for last Three Years

(in MT)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	Total
Cargo Volume (MT)	* 4,32,759	3,71,148	3,12,501	11,16,408

** Operations commenced by MCSC w.e.f. 16th April 18.*

3.1.2 MCSC vide email dated 09.02.2022 furnished the revised Cargo Volume to be handled during the Third Control Period based on actual Cargo handled for the period of April-December, 2021.

3.1.3 As per ACS submitted by the MCSC, the total Cargo Volume handled by the ISP during FY 2021-22 (i.e. 387666 MT) has surpassed the total cargo volume handled in pre-Covid period (FY 2019-20).

3.1.4 The Cargo Volume projected by MCSC for Third Control Period is given below:

Table 3: Cargo Volume projected by MCSC for the Third Control Period at CP stage

(in MT)

Particulars	FY 2019-20	3rd Control Period				
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Cargo Volume	3,71,148	3,95,815	3,95,815	3,83,545	3,61,874	3,41,429
Growth Y-o-Y @ 2% p.a.		-	7,916	7,671	7,237	6,829
Gross Cargo Volume (MT)		3,95,815	4,03,731	3,91,216	3,69,112	3,48,257
% Drop in Market share anticipated due to acquisition of Air India by private enterprises		-	*5.00%*	*7.50%*	*7.50%*	*5.00%*
Drop in Cargo Volume due to re-alignment of Market share in (MT)		-	20,187	29,341	27,683	17,413
Projected Net Cargo Volume (MT)	**3,71,148**	**3,95,815**	**3,83,545**	**3,61,874**	**3,41,429**	**3,30,844**
Projected Cargo volume as a % of FY 2019-20 volume		**106%**	**103%**	**98%**	**92%**	**89%**

3.2 Authority's Examination regarding Cargo Volume for the Third Control period at Consultation Stage:

3.2.1 The Actual Cargo Volume handled at Mumbai Airport during the 2nd Control Period is given below:

Table 4: Actual Cargo Volumes at CSMIA, Mumbai Airport for last 5 years

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Cargo Volume (MT)	5,47,372	6,47,965	6,76,972	5,81,276	4,40,584
CAGR (FY 2016-17 to FY 2019-20)				**2.02%**	

3.2.2 The Authority observed that MCSC has taken FY 2019-20 as base year for projecting Cargo Volumes for the 3rd Control Period.

3.2.3 The Authority referred to the statistics on Cargo Volumes published by AAI (Traffic News summary) to check the trend for the first nine months of FY 2021-22 (April to December) and observed that the Pandemic had severely affected Air Traffic movement. However, the Air Cargo Traffic was affected only during FY 2020-21, owing to complete lockdown and suspension of all Flights, including Freighter Airlines, due to first wave of the Covid-19 Pandemic, as can be seen from the Table 4 given above. However, notable improvement was seen in the Cargo Traffic during FY 2021-22 and total Cargo Volumes at CSMIA, Mumbai was expected to surpass the pre-Covid level (FY 2019-20) by the end of FY2021-22.

The Authority also noted that the total International Freight, as a whole, for Mumbai Airport in FY 2019-20 was 581276 MT, and, the total Cargo handled during first three quarters of FY 2021-22 is 424179 MT. Based on these actual figures, the annual International Freight volumes is extrapolated around 565572 MT, which indicates an increasing trend when compared to actual Cargo Volumes for FY 2020-21 (440584 MT).

3.2.4 The Authority sought clarification from MCSC regarding their Market share in General Cargo category. MCSC informed that they had 90% market share in General Cargo and 10% market share is held by its competitor namely AIASL.

3.2.5 The Authority noted that during 2nd Control Period, the total Cargo Volume at CSMIA, Mumbai had increased marginally by 2.02% CAGR (FY 2016-17 to FY 2019-20). The Authority felt that the Cargo Volume projected by the MCSC for the 3rd Control Period, considering 2% growth rate seems reasonable, particularly considering the adverse impact of Covid-19 pandemic on Civil Aviation.

3.2.6 The Authority further noted from the submission of MCSC that due to the acquisition of Air India by Private Enterprise, MCSC anticipates drop in its Market Share ranging from 5 to 7.5% from FY 2022-23 onwards.

Stakeholders' Comments

3.3 M/s SpiceJet's Comments regarding Cargo Projection for the Third Control Period:

3.3.1 M/s SpiceJet submitted the following comments on the Cargo Projections made by the MCSC for the Third Control Period:

"While we appreciate that AERA has referred to the data on cargo volumes published by MCSC, we request AERA to conduct an independent expert study for Cargo Volumetric projections, in accordance with the Airport Economic Regulatory Authority of India Act, 2008 (AERA Act)."

3.4 MCSC Counter Comments on Cargo Projections for the Third Control Period:

3.4.1 MCSC submitted the following counter comments in response to comments of M/s SpiceJet:

"The Cargo projections submitted by MCSC are based on historical trends and other economic parameter The projections are based on sound assumptions and have been arrived at after consideration deliberations by us. It may be stated here that as Terminal Operator we have the ability to make such projections as they are based on our knowledge and experience. The suggestion by SpiceJet lacks merit and deserves to be dismissed."

3.5 Authority's Analysis regarding Cargo Volume post consultation for the Third Control period

3.5.1 The Authority notes the comments of M/s SpiceJet on the Cargo Projections for the Third Control Period and MCSC's response thereon. The Authority, taking cognizance of stakeholder's comments requesting for independent expert study on Cargo volumetric Projections in respect of MCSC, decides to re-compute Cargo Volumes projection for the Third Control Period considering the relevant factors, including following points:

(i) M/s MCSC has assumed loss of market share during the 3rd Control Period and made adjustments thereof in its Cargo Volume projections @ -5% to -7.5% year on year from FY 2022-23 to FY 2025-26, on account of anticipated increase in market competition due to takeover of Air India by a private entity.

As per the M/s MCSC email dated 03.01.2022, ISP in context of Air India privatization stated that *".....it is estimated that the private enterprise who will take over Air India will offer a reasonable competition to our existing Cargo Operations Business at CSMIA, Mumbai and thus some carriers will move their cargo operations to the competitor's business."*

(ii) However, it is noted that second international cargo operator is AI Airport Services Ltd. (AIASL), which is a separate entity not a subsidiary of Air India. The Authority is cognizant of the fact that Cargo Terminal Operators (CTOs) are appointed by the Airport Operators and already there are two Cargo Operators, namely M/s MCSC and M/s AIASL providing International Cargo Handling Services at CSMIA, Mumbai. The Authority notes that MCSC is a dominant Cargo Operator in International Cargo Handling and have around 2/3rd overall market share in International Cargo segment.

3.5.2 Further, the Authority believes that mere takeover of Air India by private entity will not have any material impact on the market dynamics, particularly considering the dominant market position of the MCSC. The MCSC's assumptions relating to loss of market share due to privatization of Air India are seems to be based on misplaced inferences relating to privatization of Air India. Moreover, any competition from other Cargo Handler is likely to be compensated by increased Cargo Volume in future.

3.5.3 The Authority is also conscious of the fact that Civil Aviation Sector is still reeling under the adverse impact of Covid-19 pandemic and has not fully recovered from the catastrophic impact of pandemic. It is noted that as per AAI statistics, International Cargo Volumes for the 1st Qtr. of FY 2022-23 at Mumbai airport has dropped by 3% as compared to corresponding quarter of FY 2021-22.

3.5.4 In the above context, the Authority, taking a balanced view on Cargo Volume projections, decides to optimize the Cargo Volumes projections for the Third Control Period, taking into account the actual

Cargo Volume figures for FY 2021-22 submitted by the ISP and after considering other relevant factors as discussed above. Accordingly, the total Cargo Volume is increased by 3% over the Cargo volumes proposed at CP stage.

Revised Cargo projection for the Third Control Period is given below:

Table 5: Revised Cargo Volume considered by the Authority for the 3rd Control Period

(Volume in MT)

Particulars	3rd Control Period					
	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Projected Cargo Volume	387,666	367,146	368,710	371,291	373,076	1,867,889

*Volume as per ACS (Unaudited)

3.6 Authority's decision regarding Cargo Volume for the Third Control Period:

3.6.1 Based on the material before it and based on its analysis, the Authority decides to consider the Cargo Volume for the Third Control Period as per Table-5.

CHAPTER 4: REGULATORY ASSET BASE (RAB) AND DEPRECIATION

4.1 MCSC submission on Capital Expenditure for the Third Control Period

4.1.1 MCSC has projected a total Capital Expenditure (CAPEX) of ₹ 226.51 crores for development of Cargo Infrastructure and procurement of Cargo Equipment during the Third Control Period (FY 2021-22 to FY 2025-26). The details of Capital Expenditure planned by MCSC for Third Control Period are given below:

Table 6: CAPEX additions proposed to RAB as per MCSC submissions for the 3rd Control Period at CP stage

(₹ in crores)

Assets	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Site Development – (a) Laying of Storm Water Drainage System	0.00	8.00	2.00	0.00	0.00	10.00
(b) Relaying of Internal Roads	0.00	0.00	5.00	0.00	0.00	5.00
Cargo Terminal Facilities (a) Warehouse Facilities	0.00	32.63	57.25	25.63	0.00	115.51
(b) Office Block	0.00	6.00	15.00	12.00	0.00	33.00
Plant and Machinery	0.00	5.00	19.00	15.00	0.00	39.00
Utilities – Electrical works and Equipment, Water storage, Fire Hydrant, CCTV & IT Works	0.00	3.00	13.00	2.00	0.00	18.00
Contingencies and Cost Escalation	0.00	2.00	2.00	2.00	0.00	6.00
Total	**0.00**	**56.63**	**113.25**	**56.63**	**0.00**	**226.51**

4.1.2 In support of proposed CAPEX, including "Warehouse Facilities", during the Third Control Period, MCSC submitted that the existing cargo terminal building is not sufficient enough and too old to cater to the needs of the increased cargo volumes and thus falls short of accommodating the whole import and export cargo at the Mumbai Airport. Therefore, the construction of a modern Cargo Terminal Facility has been planned at Mumbai Airport to support the growth in cargo volumes and ensure faster handling of cargo.

MCSC had submitted scheme wise justifications in respect of capital works proposed for the Third Control Period:

(i) **Site Development** – Mumbai Airport Cargo terminal site does not have any storm water and drainage facilities. As a result of this whenever it rains heavily, whole facility gets waterlogged and water floods the area where the cargo handled. Hence, it is essential to construct storm water drainage system. Since, a network of drainage is to be laid the construction site will be dug up for this. Hence the roads will have to re-laid after the construction of drainage system.

(ii) **Warehouse Facilities** – A warehouse is an integral part of any cargo terminal facility where export or import cargo stored, handled and processed prior to its release for export or delivery of import.

(iii) **Office Block** – Office block is needed to house the offices of administration operation security management staff etc. of the company. Besides adequate office space also needs to be given to custom and airlines.

(iv) **Plant and Machinery** – The use of cargo handling machinery and equipment is necessitated for the purpose of faster handling of cargo. Besides heavy cargo cannot be handled manually and can only be handled with the help of machines.

(v) **Utilities** – It is necessary to have the utilities to support the operations. The utilities consist of electrical, equipment, water storage, Fire hydrant and Tank, CCTV and IT Networks.

4.2 Authority's Examination regarding Additions to RAB during the Third Control Period at CP stage

4.2.1 The Authority sought the detailed justification and item wise breakup of the works and the projected CAPEX to be incurred for the Third Control Period from MCSC. The ISP vide email dated 09.02.2022 provided the item wise details of projected CAPEX, including existing cargo facilities and availability of land for the expansion of cargo facility etc. vide Annexure III to CP.

4.2.2 The Authority noted that as per "Section 15" of Concession Agreement executed between MCSC and Airport Operator (MIAL), the Concessionaire is required to provide a CAPEX Guarantee of ₹ 300 crores to Airport Operator for undertaking Developmental Works at the Cargo Facilities. The extracts of "Section 15" may be read as under:

*"On or before the commencement Date, the Concessionaire shall provide to MIAL an interest free sum of ₹ 300 crores which will be utilized for undertaking Development Works ("**CAPEX Guarantee**") at the Facilities as provided in Section 8.*

Construction and development of Development Works shall be undertaken by the Concessionaire. The Concessionaire and MIAL shall mutually agree on the nature and scope of the Development Works. All activities under such Development Works, including without limitation, the procurement of materials, selection of contractors, finalization of designs, etc., shall be undertaken by the Concessionaire with prior written approval of MIAL."

4.2.3 In the backdrop of above clause in the agreement, relating to CAPEX Guarantee and requirement of prior approval of the Airport Operator, the Authority sought confirmation about the approval of CAPEX Plan of MCSC by the Airport Operator. MCSC vide letter dated 30.03.2022 (refer Annexure-IV of CP) submitted a copy of MIAL letter no. MIAL/Cargo/MCSCAPL/2021-22 dated 29th March, 2022, wherein the Airport Operator had conveyed its approval towards CAPEX proposed by the MCSC amounting to ₹ 226.51 crores for the Third Control Period. The Airport Operator further stated that it will monitor the proposed CAPEX for timely completion within the estimated proposed costing. The Airport Operator vide above referred letter dated 29th March, 2022 also confirmed that the CAPEX proposed by MCSC for the Third Control Period in respect of International Cargo Terminal at Mumbai does not form part of CAPEX of Mumbai International Airport Ltd. (MIAL).

4.2.4 The Authority sought clarification regarding the amount spent till date out of the total CAPEX Guarantee of ₹ 300 crores. MCSC vide email dated 09.02.2022 submitted the following information in respect of year wise utilization of CAPEX:

Table 7: Details of CAPEX incurred year wise till date as submitted by MCSC

Financial Year	CAPEX incurred (₹ in Crores)
2019-20	9.70
2020-21	0.95
Year to Date – Dec, 2021	1.56
Total	**12.21**

MCSC further informed that works planned for FY 2021-22 could not be executed due to Covid-19 and the same will now be undertaken from April, 2022 onwards.

4.2.5 The Authority enquired whether the CAPEX proposed to be incurred under "Plant and Machinery" for the Third Control Period is towards replacement of old equipment. In response thereto, MCSC informed that CAPEX proposed is not as a replacement of old equipment rather it is to cater new cargo infrastructure being created at the Airport.

4.2.6 The Authority also observed that the CAPEX proposed by MCSC include construction of new Cargo Warehouse Building and Office Blocks etc. In this regard, the Authority sought details of site layout plan, engineering drawings, covered area in respect of proposed buildings and also sought confirmation about availability of required vacant land (free from encroachments) for the proposed construction.

4.2.7 MCSC gave a virtual presentation on 18.04.2022 showing layout map & Engineering drawings of existing Cargo Terminal and proposed new Cargo Warehouse. In addition to justifications for Cost/ sqm. in respect of proposed Cargo Warehouse, Cargo Service Provider also justified the construction cost by explaining various parameters, like requirement of high strength floor, which is essential for movement of heavy trucks in new cargo warehouse.

4.2.8 Subsequently, MCSC vide its letters dated 21st April, 2022 submitted the details of proposed CAPEX, viz. layout plan of existing and proposed cargo complex, engineering drawings, floor wise building plans of proposed warehouse etc. (Annexure –V of CP).

MCSC, vide aforesaid letter, also highlighted difficulties faced in the existing cargo terminal and need for construction of a modern cargo facility at Mumbai Airport as stated below:

a. Over the years the existing Cargo Terminal at Mumbai airport, which was developed by Airports Authority of India, came to be shared by several operators including Air India. MCSC inherited this terminal space pursuant to its contract with MIAL. However, the terminal space that was inherited by MCSC is fragmented and has several operators. The space that it has in the existing terminal is not contiguous one but a space which is encroached upon by other operators. This creates a problem with handling as MCSC doesn't have a continuous space at the terminal. This situation has considerably and adversely affected the capacity of Mumbai terminal to handle cargo volumes.

b. With the space constrains that Mumbai airport is working, MIAL created temporary facility for handling of cargo and pending construction of a permanent facility. However, the temporary facility is also a fragmented one. Thus, cannot provide the operational efficiency including the timely delivery.

c. The present situation requires construction of a new modern Cargo Terminal Facility at Mumbai Airport that can support growth in cargo volumes and ensure faster handling of cargo. As a gateway airport of the country, it is imperative that Mumbai Airport has cargo handling facilities that are commensurate with the needs of the Exim trade and support the growth of the airport, trade and the country.

4.2.9 The ISP further stated that proposed warehouse will have Pre-Engineered Building (PEB) structure with 3 levels i.e., Ground, First and Second. Total built up area of the proposed warehouse is 33,960 sqm., with each level having an area of 11,320 sqm. As per the ISP, the total estimated cost of new cargo terminal (three level structure), having 33960 sqm. of floor area, comes to ₹115.51 crores approx. @ ₹ 34014/ sqm. which include all essentials, including high strength floor etc.

4.2.10 MCSC vide letters dated 21.04.2022 & 05.05.2022 has further confirmed that proposed land, for construction of Cargo Warehouse as per plan, measuring to 25177 sqm. in area is totally free from any encroachments/ encumbrances. The said land is in possession of MIAL/MCSC and ready for the construction work of warehouse as proposed under CAPEX for 3rd Control Period. Similarly, Airport Operator (MIAL) vide letter dated 12.05.2022 to MCSC had also confirmed that *"the proposed land for construction of warehouse admeasuring to approximately 25000 sqm. is totally free from any encroachment. The said land is in possession of MIAL and ready for the construction work of warehouse under the proposed plan of CAPEX for 3rd Control Period. The previous structures on the land have been demolished and demolished debris is being cleared for the site so that the said land is ready for construction of warehouse including related site enabling works"* (refer Annexure-VI of CP).

4.2.11 Keeping in view the lack of proper infrastructure and considering the space constraints in the existing cargo terminal building which is not sufficient to cater to the needs of the growing cargo volumes, the Authority felt that construction of a modern Cargo Terminal Facility at Mumbai Airport is required to support the growth in cargo volumes and ensure faster handling of cargo and which meets the Service level expectations of Cargo Users and Airport Operator.

4.2.12 The Authority noted that the CAPEX proposed by the MCSC for the Third Control Period was approved by the Airport Operator and same is in accordance with the Concession Agreement.

4.2.13 On the basis of examination of proposed CAPEX and considering the clarifications & justifications given by MCSC, as detailed above, the Authority proposed to consider Additions to RAB as proposed by MCSC for the 3rd Control Period as given in Table 6.

4.3 MCSC submission on Depreciation:

4.3.1 MCSC has computed the depreciation for the 3rd Control Period as given in Table below:

Table 8: Depreciation proposed by MCSC for Third Control Period.

(₹ in crores)

Depreciation	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Furniture & Fixtures	0.01	0.01	0.01	0.01	0.01	**0.05**
Office Equipment	0.09	0.07	0.06	0.05	0.04	**0.31**
Leasehold improvements (Office & Cargo Premises)	0.51	4.69	13.43	18.17	18.18	**54.97**
Electrical equipment's & Computers (including software)	0.05	0.04	0.03	0.03	0.02	**0.17**
Plant & Machinery	0.16	0.16	0.16	0.16	0.16	**0.80**
Vehicle	0.01	0.01	0.01	0.01	0.01	**0.05**
Total	**0.84**	**4.98**	**13.69**	**18.41**	**18.41**	**56.33**

4.4 Authority's Analysis on Depreciation at CP stage:

4.4.1 The Authority noted that MCSC in its MYTP submission has claimed ₹ 56.33 crores as depreciation, considering useful life of all components of RAB as 15 years, as the concession period is ending on 2036. MCSC has proposed to depreciate all the assets by the end of concession period, irrespective of the date of commissioning of assets.

4.4.2 Useful life of assets adopted by MCSC for computing depreciation on the Opening RAB and the Additions to RAB is as follows:

Table 9: Useful life of the Assets.

Particulars	No. of Years	
Category of Assets	**As per MCSC submissions**	**AERA Order no. 35**
Furniture and Fixtures	15	7
Office Equipment	15	5
Leasehold improvements (Office premises & Cargo Premises)	15	30
Electrical Equipment's & Computers (including software)	15	10
Plant and Machinery	15	15
Vehicles	15	15

4.4.3 The Authority observed that the MCSC in its MYTP submission has considered depreciation rates, which were not consistent with AERA Order no. 35/ 2017-18 on Useful Life of Assets for some of the Asset Classes. The Authority, accordingly, asked the ISP to review the Depreciation considered and submit the revised calculations of Depreciation. MCSC, vide email dated 07.03.2022 has submitted the revised Depreciation Calculations for the Third Control Period.

4.4.4 The Authority, considering the revised submission on Depreciation by ISP, proposed to consider the Depreciation for the Third Control Period as given in table below:

Table 10: Depreciation proposed by the Authority for MCSC for the 3rd Control Period at CP stage

(₹ in crores)

Depreciation	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Furniture & Fixtures	0.02	0.02	0.02	0.01	0.01	**0.07**
Office Equipment	0.16	0.16	0.11	0.01	0.01	**0.45**
Leasehold improvements (Office premises & Cargo Premises)	0.43	3.50	9.23	12.08	12.08	**37.33**
Electrical equipment's & Computers (including software)	0.07	0.09	1.19	1.33	1.32	**4.01**
Plant & Machinery	0.08	0.71	2.39	3.74	3.74	**10.67**
Vehicle	0.01	0.01	0.01	0.01	0.01	**0.05**
Total	**0.77**	**4.50**	**12.95**	**17.19**	**17.18**	**52.58**

4.5 MCSC submissions on Regulatory Asset Base (RAB):

4.5.1 Based on the financial data submitted by MCSC, the Computation of Opening, Closing and Average RAB for last two years of 2nd Control Period & RAB proposed for the 3rd Control Period is given in the Table below:

Table 11: RAB for the Third Control Period submitted by MCSC

(₹ in crores)

Particulars			3rd Control Period					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	**1.27**	**8.84**	**8.06**	**7.22**	**58.87**	**158.43**	**196.65**	
+ Additions	8.7	0.29	0	56.63	113.25	56.63	0	**226.51**
(-) Disposals	0	0.09	0	0	0	0	0	
(-) Depreciation	1.14	0.98	0.84	4.98	13.69	18.41	18.41	**56.33**
Closing RAB	**8.84**	**8.06**	**7.22**	**58.87**	**158.43**	**196.65**	**178.24**	
Average RAB	**5.06**	**8.45**	**7.64**	**33.05**	**108.65**	**177.54**	**187.44**	

4.6 Authority's Analysis on Regulated Asset Base (RAB) at CP stage

4.6.1 The Authority, considering the need & justifications for the proposed addition to RAB, as discussed in Para 4.2 & 4.3 above and after taking into account MCSC's revised submission on Depreciation, proposed to consider Opening RAB, Additions to RAB & Closing RAB for the 3rd Control Period as given in the Table 12 below:

Table12: RAB for MCSC in respect of the Third Control Period proposed by the Authority at CP stage

(₹ in crores)

Particulars			3rd Control Period					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	**1.27**	**8.84**	**8.06**	**7.29**	**59.43**	**159.74**	**199.19**	
+ Additions	8.7	0.29	0	56.63	113.25	56.63	0	**226.51**
(-) Disposals	0	0.09	0	0	0	0	0	
(-) Depreciation	1.14	0.98	0.77	4.50	12.95	17.19	17.18	**52.58**
Closing RAB	**8.84**	**8.06**	**7.29**	**59.42**	**159.73**	**199.18**	**182.01**	
Average RAB	**5.06**	**8.45**	**7.68**	**33.36**	**109.58**	**179.46**	**190.60**	

4.7 Stakeholders' Comments:

4.7.1 **M/s SpiceJet's comments regarding stoppage of non-safety related Capital Expenditure**

M/s SpiceJet submitted the following comments on the Capital Expenditure proposed by the MCSC for the Third Control Period:

"As projected by IATA and CAPA it will take around two (2) - three (3) years for the flight operations to reach to its pre COVID-19 peak levels. In this situation, in order to support the airlines to continue and sustain its operations, all non-essential CAPEX proposed by MCSC should be put on

hold/deferred to the Fourth Control Period, unless deemed critical from a safety or security compliance perspective.

Further, in case MCSC wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use. Similarly, if any proposed CAPEX projects can be deferred from the Third Control Period to the Fourth Control Period, same should be considered by AERA.

In addition, we recommend that an adjustment of 1% or higher, as deemed fit, is made by AERA for capital expenditure projects of the Third Control Period that are not completed/ capitalized as per the approved capitalization schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period."

4.7.2 **Brihanmumbai Custom Brokers Association (BCBA) Comments regarding Capital Expenditure for the Third Control Period**

BCBA submitted the following comments on the Capital Expenditure proposed by the MCSC for the Third Control Period:

"Since 2006, after privatization of Mumbai Airport, there has been no increase in general cargo handling capacity at ACC Mumbai till date. Import shed are the same since 1970's and the last import shed which was constructed was in 1995 during Airport Authority of India regime.

For handling of import and export cargo, there is perineal congestion which has been reported at all forums with Ministry of Civil Aviation, Customs, and it takes anywhere between 3 - 6 hrs. for entry of vehicles, load import cargo and off load export cargo.

Considering the exponential increase in the trade volumes, there is shortage of handling equipment, manpower and off late, Custodians system is also operating slow for generation of gate pass.
Lack of Infrastructure is causing delay in clearance, often damage to import cargo, and most importantly, substantial cargo is being handled through temporary make shift Chain link facility area (CLF) which was created as a stop gap measure to handle import and export cargo. For past, more than 1 decade, due to no investment in the infrastructure, this temporary shed is being operated to handle import and export cargo, causing difficulty and congestion to the trade.
Whatever increase in capacity, primarily has been done for specialized cargo such as perishable, temp. sensitive, cold storage cargo.
The above factors have ensured that revenue for the Custodian at ACC Mumbai has increased in a systematic manner past several years, besides increase in trade volumes at ACC Mumbai.
Any further increase without any commensurate increase in the infrastructure for the EXIM cargo, will be a step backwards and will be detrimental to the growth of Air Cargo at ACC Mumbai.
In view of the above, keeping the focus to generate more revenue by increasing the volumes at ACC Mumbai, we suggest that:

1) *Focus is required on separate storage and handling area for hazardous and dangerous cargo as per statutory guidelines in view of larger safety of humans working at ACC Mumbai*
2) *We request that for each operation, i.e. from landing upto final delivery and vice-versa for exports, specific time lines be stipulated.*
3) *Ministry of Civil Aviation should provide specific time bound schedule for providing robust infrastructure for handling import and export cargo at Mumbai."*

4.7.3 **MCSC's response on Stakeholder's comments regarding Capital Expenditure for the Third Control Period:**

(i) MCSC submitted following counter comments in response to comments of M/s SpiceJet:

"SpiceJet is making imaginary distinction of non-safety related capital expenditure etc. CAPEX is an investment into creating an integrated facilities that are built for provide efficient service and supporting the growth in volume.

It must be noted that during COVID airlines thrived on increased cargo volumes and very high freight rates. Such was the demand for air freight that many carriers including SpiceJet leased aircraft to carry cargo across the world. Not only that, but carriers also increased the freight rates by as much as 4-5 times of the normal rates and profited heavily from such practice. It is a common knowledge that passenger traffic in India has surpassed the pre-covid levels and the demand for air travel is consistently high. SpiceJet is misleading by quoting some IATA/CAPA projections which are not the realty in India. SpiceJet also states that "all non-essential" CAPEX should be put on hold without defining what in its opinion constitutes "non-essential" CAPEX. It may be relevant to state here that while the present Consultation Paper is regarding tariff applicable to international cargo handling at Mumbai airport, SpiceJet hardly has any market share in international cargo operations as its operations are predominantly domestic operations."

(ii)MCSC submitted following counter comments in response to comments of BCBA:

"The contention of BCBA that there has been no increase in general cargo handling capacity at ACC Mumbai is incorrect. It is on record that from the time of privatization Mumbai airport has consistently recorded growth in cargo volumes. Infrastructure facilities have been increased from time to time and we are committed to further develop the facility so that excellent services are provided, and capacity of the terminal is ready for further growth. The following table summarizes the development of infrastructure from time to time at Mumbai.

Sl. No	*Name of Infrastructure*	*Year*
1	*Courier Terminal*	*2010*
2	*Modernized Perishable Terminal*	*2011*
3	*Export Heavy Shed*	*2017*
4	*Export Agro Terminal*	*2019*
5	*Export AVI Facility*	*2019*
6	*Cooltainer Facility*	*2020*
7	*Envirotainer Station*	*2020*
8	*Export Pharma Excellence Center*	*2020*

The cargo handling is done in accordance with the Service Level Agreement (SLA) agreed with various stakeholders and we are proud to say that cargo is processed within agreed timelines. There is no congestion in the terminal and customers are served on First Come First Served basis. If there is any congestion it is on the approach roads to the terminal which do not fall under the control of MCSC but are under the control of civic authorities. However, it must be stated here that Mumbai is a congested city and some of the congestion is inherent to the city.

It is denied that there is a shortage of handling equipment and manpower. BCBA's has given a generic statement without any facts and figures to support its argument only for the purpose of opposing the tariff increase. It is affirmed that proposed tariff increase is fully justified and stands on its merits.

The following table summarizes the constantly improving dwell time performance efficiencies at Mumbai airport. The following table summarizes the constantly improving international Export / Import operational efficiencies at Mumbai airport.

Import Cargo Clearance (Hourly Analysis)								
Time Slot (Hrs)	***0 to 10***	***10 to 12***	***12 to 14***	***14 to 16***	***16 to 18***	***18 to 20***	***20 to 22***	***22 to 00***
% Clearance	*0%*	*8%*	*23%*	*24%*	*23%*	*18%*	*3%*	*0%*

EXPORT	***Performance [Hrs/Min/Sec]***
Truck queue & waiting time	*30 Min*
Acceptance Dwell Time	*3 Hrs*
Screening of Cargo	*3 Hrs*
Bulk Loading	*20 Min*
Pallet Loading	*30 Min*
Staged for transportation to aircraft	*D – 2 Hrs*

We wish to categorically state that cargo handling operations at ACC Mumbai airport are strictly being conducted in accordance with regulations and within agreed timelines with various stakeholder We state this with a sense of pride that each day we are able to connect the Export cargo with the flight on time and deliver the import cargo to the agents within agreed timelines. No operation – export or import – runs into backlog. We are happy to state that the three suggestions made by BCBA are already in place and practice by us. We again wish to reiterate that MCSC is committed to provide best services and adequate infrastructure to support growth are make Mumbai airport as the hub of the air cargo in the region."

4.8 **Authority's Analysis regarding Capital Expenditure post consultation for the Third Control Period:**

4.8.1 The Authority notes the comments of M/s SpiceJet regarding CAPEX that all non-essential capital expenditure should be put on hold/deferred to the Fourth Control Period etc. and response of MCSC stating that CAPEX is an investment into creating integrated facilities that is built to provide efficient services and to meet the foreseeable future growth in cargo volume.

4.8.2 As regard to the comments of BCBA regarding no increase in general cargo handling capacity, congestion at cargo terminal, shortage of handling equipment and lack of Infrastructure etc. The Authority notes that ISP has submitted the details of infrastructure developed at Cargo Terminal, from time to time, and also submitted tabular data (given above) indicating decrease in transaction time in import/export cargo clearance on hourly basis due to various measures taken for speedy clearance of cargo.

4.8.3 The Authority notes that M/s MCSC, as per Concession Agreement, is under obligation to incur CAPEX on improvement & development of Cargo Handling facilities at International Cargo Terminal. It is also noteworthy that the Airport Operator has also approved the CAPEX proposed by the ISP for the Third Control Period.

4.8.4 Further, the Authority feels that the concerns of the most of the Stakeholders relating to congestion, lack of proper infrastructure etc. will get addressed once the CAPEX plan of ISP for enhancement of cargo handling capacity, including construction of new Warehouse, acquisition of new equipment, Utilities & IT works are completed. With the proposed up-gradation of cargo facilities, ISP is expected to provide better facilities as per service level expected by Airport Operator & Cargo Terminal Users. The Authority, at consultation stage had examined the proposed CAPEX & justifications/necessity thereof submitted by the MCSC and noted that the proposed CAPEX is required to augment the existing capacity to decongest the existing old Cargo Terminal and to provide better facilities to Cargo Users. The expansion of Cargo Terminal is also important to cater to future demand at CSMIA, Mumbai.

4.8.5 From the information submitted by the MCSC vide letter dated 04.08.2022, the Authority observes that M/s MCSC has an outstanding Term Loan against CAPEX Guarantee given to MIAL. The yearly interest liability on above term loan has been considered by MCSC as part of its operating costs and charged off to projected Profit & Loss Account of respective years of the Third Control Period. Whereas, interest on CAPEX loan during the construction period (Interest During Construction period) is required to be capitalized along with the cost of Assets. Hence, the Authority decides to capitalize interest on term loan amounting to Rs. 82.01 crores relating to CAPEX proposed by ISP for the Third Control Period. Accordingly, depreciation has been recomputed to give effect to the IDC capitalized. After above adjustments in RAB and Depreciation, the revised Table of RAB, considered by the Authority for the 3rd Control Period is given below:

Table13: RAB for MCSC in respect of the Third Control Period Considered by the Authority

(₹ in crores)

	3rd Control Period					
Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Opening RAB	8.06	7.29	82.91	201.96	231.94	
Addition – Assets*		81.79	135.31	49.97	41.46	308.52
Depreciation#	0.77	6.17	16.26	19.98	23.43	66.61
Closing RAB	**7.29**	**82.91**	**201.96**	**231.94**	**249.97**	
Average RAB	**7.68**	**45.10**	**142.43**	**216.95**	**240.96**	

*Includes IDC of Rs. 82.01 Crores

#Includes depreciation of Rs. 14.02 Crores on account of capitalization of IDC

4.8.6 The Authority, in light of the above, decides to adopt the CAPEX, Depreciation and Average RAB as per Table-13.

4.9 Authority's decisions regarding Additions to RAB (CAPEX), Depreciation & Regulatory Asset Base (RAB)

Based on the material before it and based on its analysis, the Authority decides the following regarding RAB, Addition to RAB and Depreciation for the 3rd Control Period:

4.9.1 The Authority decides to consider Additions to RAB (CAPEX) for the 3rd Control Period as per Table 13.

4.9.2 The Authority decides to consider the Depreciation for the 3rd Control Period as per Table 13.

4.9.3 The Authority decides to consider Average RAB for the 3rd Control Period as per Table 13.

CHAPTER 5: OPERATING & MAINTENANCE EXPENDITURE

5.1 Operation and Maintenance Expenditure Projection by MCSC

5.1.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operational and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service Provider(s), including expenditure incurred on security, operating costs, other mandated operating costs and statutory operating costs.

5.1.2 Operation and Maintenance Expenditure submitted by MCSC has been segregated into the following categories:

a) Payroll Costs;
b) Admin and General Expenses
c) Repair and Maintenance Expenditure;
d) Utility and Outsourcing Costs and
e) Concession Fees

5.1.3 MCSC had submitted the following component-wise actual Operation & Maintenance (O&M) costs incurred during the 2nd Control Period:

Table 14: Actual Operating & Maintenance Costs for the 2nd Control Period as submitted by MCSC

(₹ in crores)

	Particulars	2018-19	2019-20	2020-21
A	Payroll Costs	1.80	20.62	14.51
B	Admin & General Expenses	172.87	187.75	174.23
C	Repairs & Maintenance Exp.	11.27	13.44	13.23
D	Utilities Exp.	7.17	7.76	5.94
E	Concession Fee	121.51	115.50	119.92
Total (A+B+C+D+E)		**314.62**	**345.07**	**327.83**

Note: MCSC commenced commercial operations at Mumbai Airport w.e.f. 16.04.2018.

5.1.4 The Authority noted from the historical figures of 2nd Control Period given above that total OPEX in FY 2019-20 increased around 10% over FY 2018-19 and then the OPEX dropped by 5% in FY 2020-21 as compared to FY 2019-20.

5.1.5 Operating & Maintenance Expenditure for the 3rd Control Period projected by MCSC is given in Table below:

Table 15: Operating & Maintenance Expenditure projected by MCSC for the Third Control Period

	(₹ in Crores)						% Increase			
Particulars	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Payroll Cost (A)	23.05	26.51	30.49	35.06	40.32	155.43	15%	15%	15%	15%
Admin & General Expenses:										
(i) License Fees	99.65	107.13	115.16	123.80	133.08	578.82	8%	7%	8%	7%
(ii) Other Administrative Charges	116.34	129.98	143.26	158.13	177.17	724.88	12%	10%	10%	12%

Particulars	(₹ in Crores)					Total	% Increase			
	2021-22	2022-23	2023-24	2024-25	2025-26		2022-23	2023-24	2024-25	2025-26
Total (B)	215.99	237.11	258.42	281.93	310.25	1303.7	10%	9%	9%	10%
Repair & Maintenance Expenditure (C)	15.46	17.78	20.44	23.51	27.04	104.23	15%	15%	15%	15%
Utilities Expenses (D)	8.92	10.26	11.8	13.56	15.6	60.14	15%	15%	15%	15%
Concession Fees (E)	182.04	202.86	220.71	237.81	258.70	1102.12	11%	9%	8%	9%
Total Operation and Maintenance Expenditure (A+B+C+D+E)	**445.46**	**494.52**	**541.86**	**591.87**	**651.91**	**2725.62**	**11%**	**10%**	**9%**	**10%**

5.2 **Authority's Examination regarding Operating Expenditure for the Third Control at CP stage:**

5.2.1 The Authority examined the Operating Expenditure provided in Form F3 (P&L) for the Second Control Period and growth rates considered by the ISP in respect of projected OPEX from FY 2022-23 onwards. The Authority's analysis on various components of OPEX is given in the following sections:

5.2.2 **Payroll Cost** – As per "Section 10" of Concession Agreement executed between MCSC and Airport Operator (MIAL), "Employees on the Payroll of MIAL, in relation to its cargo operations at CSIA to be specified by MIAL (collectively, the "Cargo Employees") shall be on deputation to, and under the supervision and control of the Concessionaire during the term of the Concession on the following terms:

5.2.3 During and for the period of the deputation, the Concessionaire shall bear the amount of salaries and other benefits comprising of the aggregate of all amounts forming part of the salary, including without limitation, provident fund contributions (of both the employer and employee), ESIC contribution, profession tax, income tax deducted at source, severance benefits, costs/ contributions for providing group Mediclaim/ accident/ life insurance coverage(s), benevolent fund contribution, contribution to National pension Scheme, Labour Welfare Fund, if any, etc.) payable to and/ or on behalf of the Cargo Employees in accordance with the employment contract(s) of such Cargo Employees with MIAL ("Cargo Employees Cost")."

5.2.4 The Authority noted that Payroll Costs of MCSC is projected to increases by 15.00% YoY from F.Y. 2022-23 onwards as compared to FY 2021-22 and a clarification was sought pertaining to steep increase in Payroll costs. MCSC in response vide email dated 09.02.2022 stated that labour and manpower at Mumbai Terminal is completely unionized. As per MCSC, due to non-payment of any increment in salary in Financial Year 2018-19 and 2019-20 had created dissatisfaction in manpower. MCSC further states that Cargo Terminal Operations work is specialized job which requires very high skilled manpower. This manpower is in short supply and high demand. Therefore, the compensation and wage revision are also higher than normal industry standards.

5.2.5 The Authority observed that on the one hand MCSC had projected drop in its Cargo Volume due to re-alignment of market share following the acquisition of Air India by the private enterprise, on the other hand, MCSC had projected consistent increase of 2% in the strength of Full Time Employees Strength from FY 2022-23 onwards. The Authority felt that though there is an element of committed payroll expenses in form of specified "Cargo Employees" still, MCSC should try to optimize payroll expenses, including review of employee strength in view of projected drop in Cargo Volume in later part of Third Control Period.

5.2.6 Further, the Authority sought bifurcation pertaining to number of employees deployed at CSMIA, Mumbai by MIAL and MCSC. The ISP provided requisite details of employees vide email dated 15.02.2022 as per Table given below:

Table 16: Bifurcation of number of employees at CSMIA, Mumbai Airport as submitted by MCSC

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Employees deployed by MIAL at Airport as per Concession Agreement	128	128	128	128	128
MCSC Employees breakup:					
a) Full Time Employees	451	460	470	480	490
b) Contractual Employees	2,257	2,210	2,122	2,039	2,001
Total	**2,836**	**2,798**	**2,720**	**2,647**	**2,619**

5.2.7 **License Fees** – The Authority noted that as per "Section 6" of the Concession Agreement, the ISP is required to pay a specified License fee and same shall be increased by 7.5% YoY basis. The extracts of "Section 6" may be read as under:

"In consideration of the grant of the licence for about 25 acres of the Licensed Land by MIAL, the Concessionaire shall pay to MIAL during the Concession Fee Period and on Monthly basis, fees as specified below ("Licence Fee") for the License Land: Effective from April 1, 2019 and till March 31, 2028, the Licence Fees shall be escalated by a percentage which shall be higher of: a) 7.5% and b) variation in CPI over the year."

5.2.8 **Other Administrative Charges** – The Authority noted that MCSC had projected an increase of 10% to 12% YoY basis from FY 2022-23 onwards as compared to FY 2021-22. The Authority further observed that Cargo Handling Expenses being paid to Outsource Contractor for carrying physical handling services for export / import cargo. Rates are defined on per Kg basis on the total volume of cargo handled for export / import. MCSC had projected an increase of 6-9% per year in projection of cargo handling expenses.

5.2.9 **Repair and Maintenance Expenditure** – MCSC proposed to increase repair and maintenance expenditure by 15% YoY from FY 2022-23 onwards over FY 2021-22. The Authority notes that MCSC had proposed procurement of new equipment amounting to ₹ 63 crores during the Third Control Period at CSMIA, Mumbai and all such equipment must be under warranty period for 1-2 years initially, accordingly there should be lower R&M expenses in those years, during which the equipment will be under warranty. Therefore, the Authority elicits the specific views/comments of stakeholders on the projected R&M expenditure for the Third Control Period.

5.2.10 **Utilities Expenses - MCSC had proposed an increase of 15% YoY for electricity and water** expenses during the 3rd Control Period from FY 2022-23 onwards over FY 2021-22. Upon enquiry by the Authority regarding proposed increase in Utility Expenses, MCSC vide email dated 09.02.2022 stated that supply of water and electricity is based on industrial rates, hence, annual increases are also on higher. MCSC, further stated that increase in power charges is also due to additional equipment proposed for procurement like HVAC, Screening Machines Charging points of E-forklifts, Air conditioners, lighting etc. The Authority, however felt that annual escalation in Utility expenses still seems to be on higher side and same need to be rationalized by the MCSC.

5.2.11 **Concession Fees** - As per "Section 6" of Concession Agreement, MCSC has to pay Revenue share @ 30% of Gross Revenue to MIAL or Minimum Monthly Guarantee (MMG) i.e. ₹ 8.50 crores, whichever is higher.

The Concession Fees payable to the Airport Operator is linked to the projected Revenue of the Cargo Service Provider. As the review and analysis of various regulatory building blocks by the Authority is resulting in re-computation of ARR and Projected Revenue in respect of MCSC. Accordingly, the Authority proposed to consider Concession Fees, based on Projected Revenue calculated by the Authority, for the Third Control Period as per Table given below:

Table 17: OPEX proposed by the Authority for the Third Control Period at CP stage.

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Cost (A)	23.05	26.51	30.49	35.06	40.32	**155.43**
Admin & General Expenses (B)	215.99	237.11	258.42	281.93	310.25	**1303.70**
Repair & Maintenance Expenditure (C)	15.46	17.78	20.44	23.51	27.04	**104.23**
Utilities Expenses (D)	8.92	10.26	11.80	13.56	15.60	**60.14**
Operating Expenditure (A+B+C+D) = (E)	**263.42**	**291.66**	**321.15**	**354.06**	**393.21**	**1623.50**
Revenue from Operations *(Refer Table 24)* (F)	477.19	508.64	542.29	583.28	644.33	**2755.74**
Concession Fees (F*30%) = (G)	143.16	152.59	162.69	174.98	193.30	**826.72**
Total OPEX (E+G)	**406.58**	**444.25**	**483.84**	**529.04**	**586.51**	**2450.22**

5.2.12 The Authority, on the basis of review of O&M expenses, as discussed above, expects MCSC to bring efficiency in its operations and optimize the overall O&M expenses so that MCSC can withstand the anticipated increase in market competition due to takeover of Air India by the Private Enterprise.

5.3 Stakeholders' Comments:

5.3.1 M/s SpiceJet submitted the following comments on the Operating Expenditure proposed by the Authority for the Third Control Period:

"It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. We are unaware as to whether MCSC has taken cost cutting

measures including re-negotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by MCSC impacts the airlines, as such cost is passed through or borne mostly by the airlines.

In order to ensure that there is no adverse impact increase in the tariff, we request AERA should:

a) *Put on hold any increase in operational expenditure by MCSC:*

   The total OPEX proposed by AERA for MCSC from Second Control Period to Third Control period is projected to rise by 148%, which seems to be unreasonable, considering the above.

b) *Advise MCSC to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner and address any increase in fees sought by MCSC. MCSC may be advised to reduce its cost by at least 35% and no escalation should be permitted; and*

c) *In view of the above, MCSC should be directed to pass on cost benefits to the airlines.*

d) *Further, we submit that:*

   i. *Payroll Costs:*

   Although the activity level has gone down drastically, rather than significant reduction in the cost, the employee expenses are proposed to increase around 15% Y-0-Y over the five (5) year control period. It appears that MCSC wants to recover its full employee cost from the airlines, which are facing significant challenges to meet its operating expenses.

   We submit that there should not be any increase in manpower expenses till the existing manpower is effectively utilized as it will take another two (2) - three (3) years to recover. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced.

   Without prejudice to the above, MCSC needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) year.

   ii. *Administrative & General Expenditure, Concession Fees and Repair & Maintenance Cost:*

   The Administrative & General Expenditure, Concession Fees and Repair & Maintenance Cost appear to be too high. AERA may advise MCSC to rationalize/renegotiate all the cost/expenditure items or heads as deemed fit. Further, no escalations should be permitted under these items or heads.

   It is unclear as to whether MCSC has taken cost cutting measures including renegotiations of all the cost items on its profit and loss account. In view of the above, we submit that AERA may kindly freeze any increase in operational expenditure after the Tariff Year 1, and there should not be any increase in any expense or manpower.

   iii. *Abolishment of Royalty Charges/ Concession Fees:*

   Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.

   It is general perception that service providers have no incentive to reduce their expenses, as any such increase will mostly be passed on to the airlines through tariff determination mechanism process, and indirectly the airlines will be forced to bear 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.*

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the airport operator under various headings without any underlying services. These charges are mostly passed on to the airlines by the airport operator or other services 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. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items."

5.4 MCSC response on SpiceJet's comments regarding Operating Expenditure for the Third Control Period

5.4.1 *"MCSC is aware of the benefits of cost cutting and regularly take steps to optimize the costs. It is naive on the part of SpiceJet to believe that such practices are not undertaken by MCSC. MCSC proudly states that it regularly takes steps to maximize efficiencies and optimize costs and productivity and thus keeps its charges to the minimum. All estimates of costs have been thoroughly estimated on the basis of ground realities and sound assumptions. The operational expenditure incurred by MCSC is essential for providing quality service to its customers and have been carefully being kept at optimum levels.*

5.4.2 *SpiceJet has repeated what it has said in point no. 1* (relating to review of Tendering Process – discussed in para 2.3 of Chapter 2 above). *This shows that SpiceJet is not serious while making suggestion to the Consultation Paper. The suggestions made by SpiceJet do not add any value to the stakeholder consultations. Moreover, it is vehemently denied that any charges on account of concession fees are passed on to our customers as all expenses are absorbed into our costs."*

5.5 Authority's Analysis regarding Operating Expenditure post consultation for the Third Control Period:

5.5.1 The Authority notes the comments of M/s SpiceJet regarding increase in Operating Costs and abolishment of Royalty Charges/ Concession Fees and the response of M/s MCSC, wherein ISP has stated that they regularly take necessary measures to maximize efficiencies and optimize costs and increase productivity.

Considering that the existing Cargo Terminal is quite old and to keep it running in proper condition for better facilities for Cargo User, the Authority feels that ISP is required to incur the projected Operating Expenses, not only to cater to current Cargo Volumes but also to address future Cargo Volumes at CSMIA, Mumbai. Further, Operating expenditure includes contractual payments to Airport Operator i.e. License Fee & Concession fees, which forms a significant proportion of total Operation Costs projected for the Third Control Period. The YoY increase in overall OPEX ranges between 6% to 9% (refer Table no. 18) for the 3rd Control Period, which seems reasonable, considering factors like annual inflation, increase in minimum wages & annual salary increments etc.

5.5.2 With regard to Payroll Costs, the Authority, at consultation stage noted that as per Concession Agreement, there are certain category of employees on the Payroll of MCSC, in relation to its cargo operations at CSIMA which are specified by MIAL (collectively, the "Cargo Employees") and who are considered on deputation to MCSC, under the supervision and control of the Concessionaire, during the term of the Concession. Their pay structure & employee compensation is decided as per Concession Agreement. Thus, in so far as "Cargo employees", MCSC has little leverage for payroll expenses.

5.5.3 Further, as per MCSC, manpower at Mumbai Terminal is completely unionized and Cargo Terminal Operations work is specialized job which requires very high skilled manpower and this manpower is in short supply and high demand. Therefore, the compensation and wage revision for such employees are also higher than normal industry standards.

5.5.4 As regard to SpiceJet's comments regarding increase in OPEX by 148% from 2nd Control Period to 3rd Control Period. The Authority observes that SpiceJet has not provided computational methodology regarding how the figure of 148% increase in Operating cost in Third Control Period is derived. It is noted that MCSC had operated International Cargo Terminal at Mumbai airport for 3 years during the 2nd Control Period, which includes FY 2020-21, a Covid-19 impacted year. However, SpiceJet has compared the projected total OPEX of 3rd Control Period (having 5 tariff years) with OPEX of 2nd Control Period (having 3 tariff years), which the Authority feels is not comparable and to draw conclusion upon. It is also noteworthy that MCSC has projected to incur ₹226.51 crores on CAPEX for the 3rd Control Period, as against ₹ 12.21 crores CAPEX of the 2nd Control Period. Further, the Authority feels that considering the major increase in CAPEX proposed to augment cargo handling capacity and projected increase in Cargo Volumes during Third Control Period, there will be some increase in corresponding Administrative & Other Operating Costs.

5.5.5 MCSC, vide letter dated 30.06.2022, submitted their unaudited ACS for the FY 2021-22. It is noted that OPEX as per ACS for FY 2021-22 has reduced to ₹387.04 crores from ₹ 406.58 crores proposed at consultation stage. Accordingly, the projection for OPEX for the remaining Tariff years has also been recomputed. The Authority has considered the actual expenditure incurred by MCSC for FY 2021-22 (as per ACS), which has been taken as base year for computing YoY growth rates in respect of Operating Expenses for remaining Tariff years of the current Control Period.

5.5.6 In respect of comments of M/s. SpiceJet regarding Royalty Charges/ Concession Fee payable by the ISP to the Airport Operator, the Authority notes that the Concession Fee paid by the ISP to the Airport Operator is in accordance with the Concession Agreement executed between the Service Provider and the Airport Operator. As per the regulatory approach of the Authority, the royalty paid by the ISPs are treated as aeronautical revenues in the hands of Airport Operators; hence, such revenues directly help in subsidizing the aeronautical Tariff, levied by Airport Operators to the Airlines. Further, the Authority considers that bidding process, based on which the Royalty Charges/ Concession Fee is levied on to the ISPs, as a non-regulatory issue. Such matters may be dealt among the Stakeholders at appropriate forums.

In view of the above, the Authority has recomputed the OPEX for the 3rd Control Period as given below:

Table 18: Revised OPEX considered by the Authority for the Third Control Period

(₹ in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total	Y-o-Y Increase			
							FY23	FY24	FY25	FY26
Payroll Cost (A)	18.08	20.79	23.91	27.50	31.62	**121.90**	15%	15%	15%	15%

Particulars	FY22	FY23	FY24	FY25	FY26	Total	Y-o-Y Increase			
							FY23	FY24	FY25	FY26
Admin & General Expenses (B)	111.73	125.14	137.65	151.42	169.59	**695.52**	12%	10%	10%	12%
License Fees	99.65	107.12	115.16	123.79	133.08	**578.81**	7.50%	7.50%	7.50%	7.50%
Repair & Maintenance Expenditure (C)	15.63	17.97	20.67	23.77	27.34	**105.38**	15%	15%	15%	15%
Utilities Expenses (D)	5.61	6.45	7.42	8.53	9.81	**37.82**	15%	15%	15%	15%
Operating Expenditure (A+B+C+D) = (E)	**250.70**	**277.48**	**304.81**	**335.01**	**371.44**	**1539.44**				
Revenue from Operations (F) (refer Table 31)	452.79	439.72	474.80	502.02	529.66	**2399.00**				
Concession Fees= (G) (F*30%)	135.84	131.92	142.44	150.61	158.90	**719.70**				
Total OPEX (E+G)	**386.54**	**409.40**	**447.25**	**485.62**	**530.33**	**2259.14**	6%	9%	9%	9%

5.6 **Authority's decision relating to OPEX for Third Control Period**

5.6.1 Based on the material before it and based on its analysis, the Authority decides to consider the OPEX projected by MCSC for the Third Control Period as per Table 18.

CHAPTER 6: AGGREGATE REVENUE REQUIREMENT (ARR)

6.1 ARR projected by MCSC for the Third Control Period

6.1.1 As per MYTP submission, MCSC projected Aggregate Revenue Requirement (ARR) to achieve 15% Return on Revenue for the Third Control Period as per Table given below:

Table 19: Aggregate Revenue Requirement as submitted by MCSC for Third Control Period

(₹ in Crores)

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total Revenue from Regulated Services (1)	**606.80**	**676.20**	**735.69**	**792.71**	**862.33**	**3,673.74**
Operating Expenditure (2)	445.46	494.52	541.85	591.88	651.90	**2,725.61**
Depreciation (3)	0.77	4.50	12.95	17.19	17.18	**52.58**
Interest & Finance Cost (4)	37.08	33.54	29.41	24.98	20.61	**145.62**
Total Expenditure (2) + (3) + (4) = (5)	**483.31**	**532.55**	**584.21**	**634.04**	**689.69**	**2,923.80**
Regulatory Operating Profit (1) – (5) = (6)	123.49	143.65	151.48	158.67	172.64	**749.93**
Return on revenue (%)	15%	15%	15%	15%	15%	
Return on revenue (7)	**91.02**	**101.43**	**110.35**	**118.91**	**129.35**	**551.06**
Corporate Tax (6) * 25.168% = (8)	31.08	36.15	38.12	39.93	43.45	**188.74**
ARR [(5) + (7) + (8)] = (9)	605.41	670.13	732.69	792.88	862.49	**3,663.60**
Total Cargo Volume	3,95,815	3,83,545	3,61,874	3,41,429	3,30,844	**18,13,507**
Required Yield Cargo	15,295	17,472	20,247	23,222	26,069	
Present Yield Cargo	9,221	9,221	9,221	9,221	9,221	

6.1.2 As per its ARR projection, MCSC submitted Tariff card for the Third Control Period as per Annexure-I of CP so as to achieve projected 15% Return on Revenue.

6.2 Authority's Examination on ARR for the Third Control Period at CP Stage:

6.2.1 The Authority noted that MCSC had not computed ARR in accordance with CGF Guidelines, 2011. Instead of considering Return on Average RAB, MCSC had computed 15% Return on Revenue.

6.2.2 The Authority noted that MCSC has sufficient Asset base of around ₹ 300 crores as per their MYTP projection, out of which, ₹ 12.21 crores have already been incurred till December, 2021 (Refer Table 6).

6.2.3 The Authority proposed to consider Return on RAB@ 14% for the determination of ARR for the Third Control Period, as has been considered by the Authority in similar cases of other ISPs. However, the Authority expects MCSC to evaluate optimal means of financing and leveraging debt, in the interest of the stakeholders.

6.2.4 In accordance with provisions of CGF Guidelines, 2011 and based on review & analysis of various regulatory building blocks, as discussed in previous chapters and after considering Return on Average RAB @ 14%, the Authority had computed ARR for MCSC in respect of Third Control Period as given in Table below:

Table 20: ARR proposed by the Authority for MCSC for the Third Control Period at CP stage

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB	7.68	33.36	109.58	179.46	190.60	
Return on RAB @14% (A)	1.07	4.63	15.21	24.86	26.24	**72.01**
O&M Expenses (B)	406.58	444.25	483.83	529.05	586.50	**2450.21**
Depreciation (C)	0.77	4.50	12.95	17.19	17.18	**52.58**
Interest & Finance cost (D)	37.08	33.54	29.41	24.98	20.61	**145.62**
Tax @ 25.168% (E)	8.25	6.63	4.05	3.04	5.04	**27.01**
ARR per Year (A+B+C+D+E) = (F)	**453.75**	**493.59**	**545.58**	**599.37**	**656.02**	**2748.31**
Discount Rate	14%	14%	14%	14%	14%	
PV Factor	1.00	0.88	0.77	0.67	0.59	
PV ARR (G)	**453.75**	**432.97**	**419.81**	**404.56**	**388.41**	**2099.50**
Revenue from regulated services before Tariff increase	477.19	462.40	436.28	411.63	398.87	**2186.36**
% Tariff Increase proposed	0.00%	**10.00%**	**13.00%**	**14.00%**	**14.00%**	
Revised Revenue with proposed Tariff Increase	**477.19**	**508.64**	**542.29**	**583.28**	**644.33**	**2755.74**
PV Factor	1.00	0.88	0.77	0.67	0.59	
PV of Revenue after Tariff increase	**477.19**	**446.18**	**417.28**	**393.70**	**381.49**	**2115.84**

6.2.5 The Authority had computed ARR (PV) of ₹ 2,099.50 crores in respect of MCSC for the Third Control Period as indicated in the Table above.

6.2.6 Based on the above, the Authority, proposed the following Tariff increase for the Third Control Period as given in Table below:

Table 21: Percentage (%) Tariff increase projected by MCSC and as proposed by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Tariff increase projected by MCSC after considering revised Cargo volume (based on actual Cargo volume of FY 2021-22 up to Dec. 2021)	65.87%	14.23%	15.88%	14.69%	12.26%
Tariff increase proposed by the Authority after considering Return on RAB (14%) in place of Return on Revenue.	0%	10.00%	13.00%	14.00%	14.00%

6.2.7 The Authority, considering no Tariff increase in the first Tariff year i.e. FY2021-22, had computed required one-time Tariff increase of 30.00% in FY 2022-23 to meet the Aggregate Revenue Requirement (ARR) of MCSC for the Third Control Period.

6.2.8 However, the Authority, considering the Covid-19 pandemic situation and its overall adverse impact on aviation sector, proposed not to increase the Tariff in FY 2021-22 and thereafter stagger the Tariff increase during the Control Period instead of giving one time increase. In view of the above, the Authority proposed to increase Tariff rate by 10% for FY 2022-23, 13% for FY 2023-24 and thereafter an increase of 14% YoY from FY 2024-25 onwards.

6.2.9 Based on computation of ARR by the Authority, the Tariff Rate card proposed for the Third Control Period by the AERA for MCSC was as per Annexure-II of the CP.

6.3 Stakeholder's Comments

6.3.1 M/s SpiceJet Comments on ARR

M/s SpiceJet submitted following Comments on ARR computed by the Authority for the Third Control Period:

"Presently, AERA has considered a 14% return on RAB. However, while such fixed/ assured return favours the service provider, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, service providers like MCSC have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne mostly by airlines. In the present scenario any assured return on investment to any services providers like MCSC, in excess of three (3) % (including those on past orders), i.e. being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines.

In view of the above, AERA is requested to immediately review the proposed return on RAB to the service providers like MCSC and revise all the Tariff Orders (including past orders) by capping the returns to a maximum of three (3) %."

6.3.2 Emirates comments on Tariff Increase for the Third Control period

Emirates submitted following Comments on Tariff increase proposed by the Authority for the Third Control Period:

"We will have to reject the proposal to revised Tariff for Cargo charges presented by M/s Mumbai Cargo Service Center Airport Private Limited at Chhatrapati Shivaji Maharaj International Airport, Mumbai for the Third Control Period (FY 2021-22 to FY 2025-26). We believe this increase is unjustified considering industry is still recovering from the Covid impact which had a devastating effect on the entire Aviation industry. We understand MCSCAPL situation to mitigate the rising inflation, labour wages and higher operating costs. But we also expect our valuable business partners to understand that airlines like Emirates with core business activity is to provide passenger service, is still reeling from the pandemic with low passenger volumes and depleting yields."

6.3.3 BCBA comments on Tariff increase for the Third Control Period

BCBA submitted following Comments on tariff increase proposed by the Authority for the Third Control Period:

"MIAL has increased the rates as per the following details

a) *2015-16 - Increase in THC & Demurrage charges vide Notification No 10/20.15-16 dated 27.5.2015*

b) *2016-17 - Reduction in demurrage free period from 72 hrs to 48 hrs w.e.f 1.4.2017."*

6.3.4 **MCSC's response on comments of M/s SpiceJet, M/s Emirates and BCBA**

MCSC made following submission in response to comments of M/s SpiceJet on ARR computed by the Authority for the Third Control Period:

"Consideration of 14% return on RAB is well established and is in accordance with the regulations. By making such comments SpiceJet is only exposing its own lack of understanding of such matter Besides various comments are nothing but repetitions of its earlier comments. This demonstrates that SpiceJet is just making comments without even understanding the issues in the proper light.

SpiceJet has at many places referred to the hit that aviation industry has received due to Covid. It is stated here that Covid affected all industries adversely. While all affected industries took appropriate steps to rehabilitate themselves SpiceJet, on the contrary, expects to rehabilitate itself at our expense. It is their own responsibility to rehabilitate themselves rather than seek rehabilitation at our cost. From above it is obvious that SpiceJet has submitted its comments without any seriousness.

Further, based on the justification and clarification made above it is clear that the comments made by SpiceJet are baseless and to be ignored."

6.3.5 MCSC submitted following response on comments of BCBA on Tariff increase proposed by the Authority for the Third Control Period:

"There has been increase in capacity for all types of cargo in Mumbai airport from time to time and we are committed to further expand the infrastructure in the future too. Further our comments for their two sub points are:

a. *This increase referred to by BCBA was purportedly prior to the tenure of MCSC. Besides this is not relevant to the present Public Consultation.*

b. *The reduction in demurrage free period is decided by the Government authorities and not by the terminal operator. However, it is pointed out that by lamenting about reduction in free period BCBA is seeking to benefit from its own inefficiency but at our cost. With the evolution of digital process and Customs working 24 x 7 it is possible to clear cargo in first few hours from the arrival of flight. All the stakeholders should work towards bringing efficiency in operations and thus reduce the transaction costs. Unfortunately, BCBA is adopting different standards for itself and for us. It is completely in their hands to clear cargo within 48 hours and thus completely avoid demurrage charges. As far as our revenue is concerned it has been transparency reported in our submissions."*

6.3.6 MCSC submitted following response on comments of M/s Emirates on Tariff increase proposed by the Authority for the Third Control Period:

"The justification of tariff increase for MCSC is given in the numerous pages of the Consultation Paper and it is based on merits of the case, established regulations and guidelines. The increase in tariff is not arbitrary but is based on certain well laid out procedures. For Emirates to say that "the increase in unjustified considering industry is still recovering from COVID." is unfortunate in as much as they do not consider us as a part of the industry. It is common knowledge that in entire world business operations suffered because of Covid pandemic and no one was spared by it.

But we all know that during Covid period air cargo was the mainstay of the aviation industry. In fact, the aviation industry did exceedingly well in cargo operations during Covid period than they did in pre-Covid period. It will not be out of the place to mention here that airlines across the world increased the air-freight rates, even up to 4 times the normal rates, during Covid period on the back of robust demand. The freight rates continue to be on the higher level than the normal even now thus making extraordinary profit out of the air cargo operations.

Emirates claim that it is still reeling from the pandemic with low passenger volumes and depleting yields is completely false and baseless. We wish to draw your attention to the news report in Indian Transport and Logistic News which on June 15, 2021 reported "Emirates FY21 cargo revenue grows 53% to USD 4.7 bn. with 22% less tonnage." (Please see attached press clip). This obviously means Emirates has increased the Yield from cargo services manifold. We also wish to draw you attention to a news clip which states "Emirates Sky Cargo contributed to 40 percent of the airlines total transport revenue, having restored services to over 90 percent of its pre-pandemic network by June 30, 2021."

It is a common knowledge that the whole world is hit by the inflation and the costs have increased for all. MCSC is no exception as costs have increased for MCSC also. Surprisingly Emirates expects us to subsidize their costs as their passenger volumes are low and their yield are depleting. This is ironical in as much as we all know that sky rocketing tickets prices that airlines are currently charging due to high demand from passengers' demand that has nearly come back to normal levels.

MCSC is a service provider who must invest in infrastructure to provide best services to its customer It is imperative that MCSC invests in expanding and creating cargo handling facility so that it is not only in position to deliver best services but also ready with expanded capacity to answer the rising demand and growth. In other words, MCSC needs to be ready for providing adequate services to its customers at any time and be able to answer the need of growing cargo volumes.

For this MCSC should have adequate revenue inflows and yield. It is imperative for MCSC to have sustainable revenues so that it can continue offering good services and at the same time be ready for meeting the growing demand of the users The justification of increase in tariff is abundantly provided in Consultation Paper to which Emirates has not commented but instead made a generic plea driven by its own selfish interests but without any basis."

6.4 Authority's Analysis regarding ARR post consultation for the Third Control Period

6.4.1 As regard to comments of M/s SpiceJet on the Authority's proposal to allow 14% Return on RAB, the Authority notes that Civil Aviation is a capital-intensive sector with long gestation period. The investments in Civil Aviation, including Ground Handling, is made with long term horizon. In such situation, investors require adequate return on equity commensurate with cost of investments and investment risks. The Authority feels that it is not practically feasible to cap Return on Investments at par with Bank's return on FDs (3%) as suggested by the stakeholder.

6.4.2 The Authority notes the comments of stakeholders, who in the backdrop of Covid-19 pandemic, have strongly opposed any Tariff increase, particularly at a time when the industry is trying to recover from the catastrophic impact of COVID-19 Pandemic.

The Authority, taking cognizance of the Stakeholders' comments and considering actual figures for FY 2021-22 submitted by the ISP, has reviewed & rationalized the regulatory building blocks, including the Cargo Volumes, OPEX etc. in respect of MCSC for the Third Control Period.

At the same time, the Authority feels that considering the investments made/projected by the ISP on Cargo handling Equipment & associated infrastructure to meet current and future demand and factoring-in the periodic increase in the minimum wages rates, impact of general inflation on operating costs; ISP requires adequate Revenue to meet the ARR for the Control Period.

Accordingly, based on the treatment on each of regulatory building blocks, as discussed above, the ARR and percentage (%) increase in Tariff for MCSC for Third Control Period has been recomputed as per table below:

Table-22: Revised ARR considered by the Authority for MCSC for the Third Control Period

(₹ in Crores)

Particulars	**FY 2021-22**	**FY 2022-23 (Apr – sep)**	**FY 2022-23 (Oct – Mar)**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Average RAB *(Refer Table 13)*	7.68	45.10	45.10	142.43	216.95	240.96	
Return on RAB @ 14% (A)	1.07	3.16	3.16	19.94	30.37	33.73	91.44
O&M Expenses (B) *(Refer Table 18)*	386.54	202.01	207.38	447.25	485.62	530.33	2259.14
Depreciation (C) *(Refer Table 13)*	0.77	3.09	3.09	16.26	19.98	23.43	66.61
Tax @ 25.168% (E) *(Refer Table 31)*	7.51	0.41	3.56	0.99	0.00	0.00	12.47
ARR per Year (A+B+C+D+E) = (F)	**395.89**	**208.66**	**217.19**	**484.44**	**535.97**	**587.50**	2429.65
Discount Rate	14%	14%	14%	14%	14%	14%	
PV Factor	1.14	1	1	0.88	0.77	0.67	
PV ARR (G)	**451.32**	**208.66**	**217.19**	**424.95**	**412.41**	**396.55**	2111.07
Revenue from regulated services before Tariff increase *(Refer Table 29)*	452.79	210.91	217.92	430.65	433.67	435.75	2181.69
% Tariff Increase	0.00%	0.00%	**5.00%**	**5.00%**	**5.00%**	**5.00%**	
Revised Revenue with proposed Tariff Increase *(Refer Table 31)*	452.79	210.91	228.81	474.80	502.02	529.66	2399.00
PV of Revenue after Tariff increase	**516.19**	**210.91**	**228.81**	**416.49**	**386.29**	**357.51**	**2116.19**

6.4.3 The Authority has computed required one-time Tariff increase of **13.52%** in FY 2022-23 (w.e.f.01.10.2022) to meet the Aggregate Revenue Requirement (ARR) of MCSC for the Third Control Period.

6.4.4 However, the Authority, considering that the aviation sector is gradually recovering from the aftermath of Covid-19 pandemic and its overall adverse impact on aviation sector, decides to stagger the Tariff increase for the Third Control Period, instead of allowing one-time increase in Tariff rates. Accordingly, the Authority decides to increase Tariff rates by 5% YoY basis during the Third Control Period w.e.f. 01.10.2022.

6.4.5 The Authority decision to reduce the % increase in Tariff Rates for the Third Control Period vis-à-vis Tariff rates proposed at Consultation Stage are primarily driven by the following factors:

(i) The Interest on borrowings at CP stage had been considered as a part of OPEX and was considered in ARR calculation. Whereas, the major portion of the Interest on Capex loan

(Interest During Construction Period) is related to CAPEX proposed for the Third Control Period. Accordingly, Interest component, to the extent directly related to the proposed CAPEX has been capitalized and made part of RAB for ARR calculations and remaining portion of Interest component has been excluded from ARR calculations.

(ii) Increase in Cargo Volumes projection for the Third Control Period vis-à-vis Cargo Volume proposed at CP Stage.

(iii) The Authority has considered the actual expenditure incurred by MCSC for FY 2021-22 (as per ACS submitted) which has been taken as base year for computing YoY growth rates (as proposed at Consultation stage) for Operating Costs for remaining Tariff years.

6.5 <u>Authority's decisions regarding Aggregate Revenue Requirement</u>

6.5.1 Based on the material before it and based on its analysis, the Authority decides to consider the ARR for the Third Control Period as per Table-22.

CHAPTER 7: REVENUE FROM OPERATIONS, PROFITABILITY & TAXATION

7.1 MCSC Submissions on the projected Profitability for the Third Control Period

7.1.1 MCSC submitted that in order to mitigate the projected losses, existing yield is required to be suitably increased so as to earn 15% post tax Return on Revenue for the Third Control Period.

7.1.2 MCSC vide email dated 09.02.2022 provided revised Cargo Volume for the Third Control Period and based on that Profitability Statement for the Third Control Period in respect of MCSC is given below:

Table 23: Profitability Statement submitted by M/s MCSC for the Third Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Cargo Volume (MT)*	3,95,815	3,83,545	3,61,874	3,41,429	3,30,844	**18,13,507**
Yield/MT	15,297	17,482	20,263	23,249	26,097	
Total Revenue (A)	**606.80**	**676.20**	**735.69**	**792.71**	**862.33**	**3673.74**
Total Operating Expenditure (B)	**445.46**	**494.52**	**541.86**	**591.87**	**651.91**	**2725.62**
EBITDA (A-B)	**161.34**	**181.68**	**193.83**	**200.84**	**210.42**	**948.12**
Depreciation	0.77	4.50	12.95	17.19	17.18	**52.58**
EBIT	**160.57**	**177.18**	**180.89**	**183.65**	**193.24**	**895.54**
Interest & Finance Cost	37.08	33.54	29.41	24.98	20.61	**145.62**
PBT	**123.49**	**143.64**	**151.48**	**158.67**	**172.63**	**749.92**
Tax @ 25.168%	31.08	36.15	38.12	39.93	43.45	**188.74**
PAT	**92.41**	**107.49**	**113.35**	**118.74**	**129.19**	**561.18**
% PAT to Revenue	**15%**	**15%**	**15%**	**15%**	**15%**	**15%**

*Revised Cargo Volume projected by MCSC vide email dated 09.02.2022 after considering the actual Cargo handled in FY 2021-22 (up to December 2021).

7.2.3 MCSC also submitted the details of actual Yield vide email dated 09.02.2022 as under:

Table 24: Cargo Volume & Yield per MT submitted by MCSC

Particulars	FY 2019-20	FY 2020-21	FY 2021-22 (up to Sep. 2021)	Average
Revenue from Regulated Services (₹ in cr.)	422.37	435.86	236.68	364.97
Cargo Volume (MT)	371148	312501	196314	293321
Handling Yield (₹/MT)		8542	9221	
Demurrage Yield (₹/MT)		5405	2835	
Total Yield (₹/MT)	**11380**	**13948**	**12056**	**12443**

7.2 Authority's Examination regarding Revenue from Operations, Profitability and Taxation at CP Stage:

7.3.1 The Authority noted that the proposed profitability worked out by MCSC is based on yield of ₹ 9221/ MT. However, the Authority observed that as per the unaudited information for the FY 2021-22 (up to Sep. 2021) submitted by the MCSC, the actual yield comes to ₹ 12056/ MT as given in Table above.

7.3.2 The Authority observed from Table-23 that the average yield/ MT of last three years comes to ₹ 12443/ MT, which was more than current year yield of ₹ 12056/MT (for FY 2021-22). The Authority, in view of likely realignment of Market Share due to takeover of Air India by private enterprise as conveyed by the ISP, had taken conservative view for working out the projected revenue in respect of MCSC for the Third Control Period, and, accordingly proposed to consider a current yield of ₹ 12056/ MT (as on September, 2021) as a base for projecting Revenue for the Third Control Period.

7.3.3 In view of the above, the yield per MT based on the ARR computed by the Authority as below:

Table 25: Comparison of existing and revised Yield/MT proposed by the Authority at CP stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Current Yield* *(₹/MT) as on Sep., 2021*	12,056	12,056	12,056	12,056	12,056
Required Yield *(₹/MT)* as per MCSC	15,295	17,472	20,247	23,222	26,069
Required Yield computed by the Authority *(₹/MT)*	12,056	13,262	14,986	17,084	19,475
Tariff Increase Proposed by the Authority *(%)*	**0.00%**	**10.00%**	**13.00%**	**14.00%**	**14.00%**

*MCSC has considered current yield of ₹ 9221/ MT after excluding demurrage yield i.e. ₹ 2835/MT (₹ 12056 - ₹ 2835 = ₹ 9221)

7.3.4 Based on the computation of ARR by the Authority for MCSC for the 3rd Control Period, the projected Revenue and Profitability statement is given below:

Table 26: Projected Revenue & Profitability Statement computed by the Authority for the Third Control Period in respect of MCSC before Tariff increase at CP stage

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Cargo Volume (MT)	3,95,815	3,83,545	3,61,874	3,41,429	3,30,844	**18,13,507**
Yield/MT with current Tariff Rates	12,056	12,056	12,056	12,056	12,056	
Total Revenue (A)	**477.19**	**462.40**	**436.28**	**411.63**	**398.87**	**2,186.36**
Total Operating Expenditure (B)	**406.58**	**430.38**	**452.03**	**477.55**	**512.87**	**2279.41**
EBITDA (A-B)	**70.62**	**32.02**	**-15.76**	**-65.92**	**-114.00**	**-93.05**
Depreciation	0.77	4.50	12.95	17.19	17.18	**52.58**
EBIT	**69.85**	**27.53**	**-28.70**	**-83.11**	**-131.18**	**-145.62**
Interest	37.08	33.54	29.41	24.98	20.61	**145.62**
PBT	**32.77**	**-6.01**	**-58.11**	**-108.09**	**-151.79**	**-291.24**
Tax @ 25.168%	8.25	0	0	0	0	**8.25**
PAT	**24.52**	**-6.01**	**-58.11**	**-108.09**	**-151.79**	**-299.49**
% PAT to Revenue	**5%**	**-1%**	**-13%**	**-26%**	**-38%**	**-14%**

7.3.5 The Authority noted that considering current Yield of ₹ 12,056/ MT is resulting in projected losses to MCSC from FY 2022-23 onward.

7.3.6 The Authority, therefore proposed to consider the increase in current Yield to bridge the Revenue gap in the ARR as shown in the Profitability Statement computed by the Authority for the Third Control Period after Tariff increase as given in Table below:

Table 27: Projected Revenue & Profitability Statement for the Third Control Period computed by the Authority in respect of MCSC after proposed Tariff increase at CP stage

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Cargo Volume (MT)	3,95,815	3,83,545	3,61,874	3,41,429	3,30,844	18,13,507
Yield/MT after Tariff increase	12,056	13,262	14,986	17,084	19,475	
Total Revenue (A)	**477.19**	**508.64**	**542.29**	**583.28**	**644.33**	**2,755.74**
Total Operating Expenditure (B)	**406.58**	**444.25**	**483.84**	**529.04**	**586.51**	**2450.22**
EBITDA (A-B)	**70.62**	**64.39**	**58.45**	**54.24**	**57.82**	**305.52**
Depreciation	0.77	4.50	12.95	17.19	17.18	52.58
EBIT	**69.85**	**59.89**	**45.51**	**37.05**	**40.64**	**252.94**
Interest	37.08	33.54	29.41	24.98	20.61	145.62
PBT	**32.77**	**26.35**	**16.10**	**12.07**	**20.03**	**107.32**
Tax @ 25.168%	8.25	6.63	4.05	3.04	5.04	27.01
PAT	**24.52**	**19.72**	**12.05**	**9.03**	**14.99**	**80.31**
PAT as a % of Revenue (Net Profit Margin)	**5%**	**4%**	**2%**	**2%**	**2%**	**3%**

7.3.7 The Authority noted that MCSC has large Operating Volume and substantial Turnover, even a 2% PAT is translating into post tax surplus of ₹ 9 to 15 crores.

7.3.8 The Authority further noted from proposed Profitability Statement for MCSC *(refer Table 27)* that the Cargo Operator with the projected Return on Revenue (PAT as a % of Revenue) will be earning following Return on RAB for the Third Control Period as per Table given below:

Table 28: PAT as a percentage (%) of Average RAB (Return on RAB) for the Third Control Period in respect of MCSC at CP stage

(₹ in crores)

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Average RAB *(Refer Table 12)*	7.68	33.36	109.58	179.46	190.60
PAT *(Refer Table 27)*	24.52	19.72	12.05	9.03	14.99
Profitability as a percentage (%) of RAB (PAT/ Avg. RAB)	**320%**	**59%**	**11%**	**5%**	**8%**

7.4 Stakeholders' Comments:

7.4.1 *During the stakeholder consultation process, the Authority has received no comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 03/2022-23 in respect of profitability for the 3rd control period.*

7.5 Authority's Analysis regarding Revenue from Operations, Profitability and Taxation post Consultation for the Third Control Period:

7.5.1 The Authority examined the ACS as submitted by M/s MCSC vide letter dated 30.06.2022 for the FY 2021-22. It is noted that cargo volumes as per ACS for FY 2021-22 is 387666 MT as against 395815 MT projected at Consultation Stage. Based on the review & revision in various regulatory building blocks, including Cargo Volumes, CAPEX, OPEX etc., the projections for Revenue, OPEX, Yield/MT and Tax have also been recomputed and revised Profitability Statement before Tariff increase for the 3rd Control Period is as under:

Table -29: Revised Projected Revenue & Profitability Statement for the Third Control Period computed by the Authority in respect of MCSC before Tariff increase

(₹ in crores)

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Cargo Volume (MT)	**387,666**	**367,146**	**368,710**	**371,291**	**373,076**	**1867889**
Revised Yield	11680	11680	11680	11680	11680	
Total Revenue	452.79	428.83	430.65	433.67	435.75	**2181.69**
Pay Roll Costs	**18.08**	**20.79**	**23.91**	**27.50**	**31.62**	**121.90**
Administrative & General Expenses	**211.38**	**232.26**	**252.81**	**275.21**	**302.67**	**1274.33**
Repair & Maintenance Expenditure	**15.63**	**17.97**	**20.67**	**23.77**	**27.34**	**105.38**
Utilities Expenses	**5.61**	**6.45**	**7.42**	**8.53**	**9.81**	**37.82**
Concession Fees	**136.34**	**128.65**	**129.20**	**130.10**	**130.73**	**655.01**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
EBITDA	65.75	22.70	-3.35	-31.44	-66.41	**-12.75**
Depreciation	**0.77**	**6.17**	**16.26**	**19.98**	**23.43**	**66.61**
EBIT	64.98	16.53	-19.61	-51.42	-89.84	**-79.36**
Interest	**37.08**	**8.39**	**7.35**	**6.25**	**4.55**	**63.62**
PBT	**27.90**	**8.14**	**-26.97**	**-57.67**	**-94.39**	**-142.98**
Provision for Tax	7.51	2.85	0.00	0.00	0.00	7.51
PAT	20.39	5.30	-26.97	-57.67	-94.39	-150.49
PAT as a % to Revenues	0.05	0.01	-0.06	-0.13	-0.22	-0.07

7.5.2 The Authority notes that considering current Yield of ₹ 11680/ MT (as per ACS for FY 2021-22) projected profitability statement is resulting in losses to MCSC from FY 2022-23 onward.

7.5.3 In view of the above, the yield per MT based on the ARR computed by the Authority as below:

Table 30: Comparison of existing and revised Yield/MT considered by the Authority

Particulars	**FY 2021-22**	**FY 2022-23 (upto 30.09.2022)**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Current Yield* *(₹/MT)*	11,680	11,680	11,680	11,680	11,680	11,680
Required Yield *(₹/MT)* as per MCSC	15,295	17,472	17,472	20,247	23,222	26,069
Required Yield computed by the Authority *(₹/MT)*	11,680	11,680	12,264	12,877	13,521	14,197
Tariff Increase Proposed by the Authority *(%)*	**0.00%**	**0.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**

7.5.4 The Authority, therefore decides to increase current Yield (as considered in table-30) to bridge the gap in Revenue and ARR. The Profitability Statement computed by the Authority for the Third Control Period after Tariff increase is given below:

Table-31: Projected Revenue & Profitability Statement considered by the Authority in respect of MCSC after Tariff increase for the Third Control Period

(₹ in crores)

Particulars	**FY 2021-22***	**FY 2022-23 (6 months)**	**FY 2022-23 (6 months)**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Revised Cargo Volume (MT)	387666	180573	186573	368710	371291	373076	1867889
Revised Yield	11680	11680	12264	12877	13521	14197	
Total Revenue	**452.79**	**210.91**	**228.81**	**474.80**	**502.02**	**529.66**	2399.00
Pay Roll Costs	18.08	10.40	10.40	23.91	27.50	31.62	121.90
Administrative & General Expenses	111.73	62.57	62.57	137.65	151.42	169.59	695.52
Repair & Maintenance Expenditure	15.63	8.99	8.99	20.67	23.77	27.34	105.38
License Fee	99.65	53.56	53.56	115.16	123.79	133.08	578.81

Particulars	FY 2021-22*	FY 2022-23 (6 months)	FY 2022-23 (6 months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Utilities Expenses	5.61	3.23	3.23	7.42	8.53	9.81	37.82
Concession Fees	136.34	63.27	68.64	142.44	150.61	158.90	720.20
Total OPEX	**387.04**	**202.01**	**207.38**	**447.25**	**485.62**	**530.33**	**2259.64**
EBITDA	65.75	8.90	21.43	27.55	16.41	-0.67	139.36
Depreciation	0.77	3.09	3.09	16.26	19.98	23.43	66.61
EBIT	64.98	5.81	18.34	11.29	-3.57	-24.10	72.75
Interest	37.08	4.19	4.19	7.35	6.25	4.55	63.62
PBT	27.90	1.62	14.15	3.93	-9.82	-28.66	9.13
Provision for Tax	7.51	0.41	3.56	0.99	0.00	0.00	12.47
PAT	20.39	1.21	10.59	2.94	-9.82	-28.66	-3.34
PAT as a % of revenue (NP margin)	4.50%	0.57%	4.63%	0.62%	-1.96%	-5.41%	-0.14%

*Figures as per ACS (Unaudited)

7.5.5 The Authority notes that the main reason for the negative profitability during the last two Tariff years of the Third Control Period is due to significant increase in depreciation on account of capitalization of assets. As the Assets capitalized during the Control Period have long useful life (10 years to 15 years), in the short run, there would be some impact on profitability.

7.6 **Authority's decisions regarding Revenue from Operations, Profitability and Taxation for the Third Control Period**

Based on the material before it and based on its analysis, the Authority decides the following for the Third Control Period:

7.6.1 The Authority, decides to consider Revenue from Operations for the Third Control Period as per Table 31.

7.6.2 The Authority, decides to consider Profitability for the Third Control Period as per Table 31.

7.6.3 The Authority, decides to consider Tax on projected profits for the Third Control Period as per Table 31.

CHAPTER 8: SUMMARY OF AUTHORITY'S DECISIONS

The Summary of Authority's decisions (given under each chapter) regarding the Tariff determination of **MCSC, for the Third Control Period is as under:**

Chapter	Para	Summary of Authority's Decisions	Page No.
Chapter No.2	**2.4.1**	Based on the material before it and based on its analysis, the Authority considers that the Cargo Handling Service provided by MCSC at CSMIA, Mumbai is **'Material but Competitive'.** Therefore, the Authority decides to determine the Tariff for the Third Control Period based on **'Light Touch Approach'**.	9
Chapter No.3	**3.6.1**	Based on the material before it and based on its analysis, the Authority decides to consider the Cargo Volume projected by MCSC for the Third Control Period as per Table-5.	13
Chapter No. 4	**4.9.1**	The Authority decides to consider Additions to RAB (CAPEX) for the 3rd Control Period as per Table 13	23
	4.9.2	The Authority decides to consider the Depreciation for the 3rd Control Period as per Table 13.	
	4.9.3	The Authority decides to consider Average RAB for the 3rd Control Period as per Table 13.	
Chapter No. 5	**5.6.1**	Based on the material before it and based on its analysis, the Authority decides to consider the OPEX projected by MCSC for the Third Control Period as per Table 18.	31
Chapter No. 6	**6.5.1**	The Authority decides to consider the ARR for the Third Control Period as per Table 22.	38
Chapter No. 7	**7.6.1**	The Authority, decides to consider Revenue from Operations for the Third Control Period as per Table 31.	44
	7.6.2	The Authority, decides to consider Profitability for the Third Control Period as per Table 31.	
	7.6.3	The Authority, decides to consider Tax on projected profits for the Third Control Period as per Table 31.	

CHAPTER 9: ORDER

Upon careful consideration of the material available on records, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008 hereby orders that:

(i) M/s MCSC is allowed to levy the revised Tariff for Cargo Services for the Third Control Period (FY2021-22 to FY 2025-26) as per Annexure-I.

(ii) The Tariff rates approved herein are ceiling rates, excluding of all applicable taxes.

(iii) Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff rates.

(iv) The revised Tariff Rates shall be made effective w.e.f. **01.10.2022.**

(v) The Airport Operator shall ensure compliance of the Order.

By the Order of and in the Name of the Authority

(Col Manu Sooden)
Secretary

To,

Avinash Razdan, Chief Executive Officer
Mumbai Cargo Service Center Airport Private Limited,
301-303, Rangoli Complex. Oppo. Air Cargo Complex,
Sahar Road, Andheri(E), Mumbai, Maharashtra - 400099

Copy for information to:

1. Secretary, Ministry of Civil Aviation, RG Bhawan, Safdarjung Airport, New Delhi-110003
2. Prakash Tulsiani, Chief Executive Officer, MIAL, CSMIA, Mumbai.

Annexure - I

AERA approved Tariff Rate Card for Mumbai Cargo Service Center Airport Pvt. Ltd. (MCSC) providing International Cargo Services at Chatrapati Shivaji Maharaj International Airport, Mumbai for the Third Control Period (FY 2021-22 to FY 2025-26)

Revised Tariff is effective from 01.10.2022

(A) IMPORT CARGO (Rates in ₹)

Sr. No.	Type of Cargo	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
		Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment
1	**Terminal, Storage and Processing Charges**								
a)	General	5.38	145	5.65	152	5.93	160	6.23	168
b)	Special / Valuable	10.73	284	11.27	298	11.83	313	12.42	329
c)	Import Project / Heavy Cargo	12.71	38,115	13.34	40,021	14.01	42,022	14.71	44,123
d)	Additional processing charges- Non-Schedule Airlines								
I	General Cargo	1.31	-	1.38	-	1.45	-	1.52	-
II	Special / Valuable	2.63	-	2.76	-	2.90	-	3.05	-
2	**Custom Facilitation Fee - Import**	0.21	-	0.22	-	0.23	-	0.24	-
3	**Optional services**								
a	Delivery order fees	N/A	6,300	N/A	6,615	N/A	6,946	N/A	7,293
b	HAWB issuance charge	N/A	4,095	N/A	4,300	N/A	4,515	N/A	4,741
c	De-Consolidation Fee - HAWB Delivery Charges	NA	2,205	N/A	2,315	N/A	2,431	N/A	2,553
d	Special Handling Service with pre alert (per Kg)	0.21	-	0.22	-	0.23	-	0.24	-

Notes:-

1. *Consignment of human remains, coffin including baggage of deceased & Human Eyes will be exempted from the purview of Terminal Charges.*
2. *No separate Forklift Charges will be levied.*

3. *Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' or 'chargeable weight' whichever is higher.*
4. *Misdeclaration of chargeable weight/gross weight penalty applicable for deviation (a) above 2% penalty is double the applicable TPS for the difference in weight. (b) Above 5% penalty is five time the applicable TPS for the difference in weight.*
5. *Special Import Cargo consists of cargo stored in cold storage, live animal, hazardous goods.*
6. *Valuable consignment means "cargo with high declared value for example, rare and precious metal such as gold, platinum, iridium, rhodium, ruthenium, osmium and palladium and their alloys/ products; various precious stones, rubies, emeralds, sapphires, opals, Jade articles, diamond, pearl and its jewellery / products; watches mad e of silver, gold or platinum, valuable documents Including books, paintings, and antiques etc.; currency notes, securities, stamps and articles that have been declared with value of no less than 1000 US Dollars per kilogram of gross weight.*
7. *Project cargo are such cargo which requires/special handling /storage instructions. It also includes heavy cargo in which any single individual piece having gross weight or volume weight of 3 ton or above.*
8. *All the bills shall be rounded off to the nearest of Rs. 5/-, as per IATA act Rules book clause 5.7.2, the rounding off procedure, when the rounding off unit is 5. When the results of calculation are between/and Rs. 102.5 - Rs. 107.4, rounded off amount will be Rs. 105 and when the results of calculation are between/and Rs. 107.5 - Rs. 112.4, rounded off amount will be Rs. 110.*
9. *Packing/repacking charges shall be levied as per existing rates. (50-100)*
10. *GST and any other statutory Indirect taxes shall be levied extra as per government notifications.*
11. *Cancellation of Bank Challan and Gate Pass will be charged @ Rs. 115/- for year 2020-21 and Rs.115/- for year 2021-22 and Rs.121/- for the year 2022-23 and Rs.127/- for the year 2023-24 and Rs. 133/- for the year and 2024-25 Rs. 140/- for the year 2025-26 per cancellation.*
12. *Labeling charges will be charged @ Rs. 575/- for year 2020-21 and Rs.575/- for year 2021-22 and Rs.604/- for the year 2022-23 and Rs.634/- for the year 2023-24 and Rs.666/- for the year 2024-25 and Rs.699/- for the year 2025-26 per AWB.*
13. *Sector and Sector Airway bill charges @ Rs. 2/- per kg for year 2020-21 and Rs.2/- per kg for year 2021-22 and Rs.2.1/- per kg for the year 2022-23 and Rs.2.21/- per kg for the year 2023-24 and Rs.2.32/- per kg for the year 2024-25 and Rs.2.43/- per kg for the year 2025-26.*
14. *Segregation charges @ Rs. 575/- for year 2020-21 and Rs.575/- for year 2021-22 and Rs.604/- for the year 2022-23 and Rs.634/- for the year 2023-24 and Rs.666/- for the year 2024-25 and Rs.699/- for the year 2025-26 per shipment.*
15. *Special equipment charges will be charged at 200% of the General cargo charges.*

आर्थिक विनियामक प्राधिकरण भारतीय विमानपत्तन
Airports Economic Regulatory Authority of India
सत्यमेव जयते

(B) EXPORT CARGO (Rates in ₹)

Sr. No.	Type of Cargo	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
		Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment
1	**Terminal, Storage and Processing Charges**								
a	General	0.85	145	0.89	152	0.93	160	0.98	168
b	Special / Valuable	1.69	284	1.77	298	1.86	313	1.95	329
c	Perishable:								
i.	wherever State of Art facility is provided	2.80	284	2.94	298	3.09	313	3.24	329
ii.	wherever exclusive of facility is not provided	0.81	145	0.85	152	0.89	160	0.93	168
d	Export Project / Heavy Cargo	3.47	10,395	3.64	10,915	3.82	11,461	4.01	12,034
2	**Custom facilitation**	0.21		0.22		0.23		0.24	
3	**Optional services**								
a	Air Cargo Freight Consolidation Fees (ACFC)	2.10	525	2.21	551	2.32	579	2.44	608
b	Consolidation fee - HAWB or Shipping bill charges (per HAWB or per Shipping bill)	1,050		1,103		1,158		1,216	

Notes:-

1. *The free period for export cargo shall be 12 hrs. for examination/processing by the shippers which would be revised based on determination by government from time to time.*
2. *Terminal charges applicable to Newspaper and TV reel consignments shall be 50% of the prescribed charges.*
3. *Consignments of human remains, coffin including baggage of deceased & Human eyes will be exempted from the purview of Terminal charges.*
4. *Special Cargo consists of live animals, hazardous goods, valuable cargo and cargo stored in cold storage.*
5. *Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' whichever is higher.*

6. *For mis-declaration of weight above 2% and up to 5% of declared weight, penal charges @ double the applicable Terminal charges will be levied. For valuation above 5%, the penal charges will be leviable @ 5 times the applicable Terminal charges of the differential weight. No penal charges will be leviable for variation up to and inclusive of 2%. This will not apply to valuable cargo.*
7. *All the bills should be rounded off to the nearest of Rs. 5/-, as per IATA Tact Rules book clause 5.7.2, the rounding off procedure, when the rounding off unit is 5. When the results of calculation are between/and Rs. 102.5 - Rs. 107.4, rounded off amount will be Rs, 105 and when the results of calculation are between/and Rs. 107.5 - Rs. 112.4, rounded off amount will be Rs. 110.*
8. *Packing/repacking charges shall be levied @ 2% of packages per shipping bill with a minimum of Rs. 34.50/ - per airway bill. Packing/repacking charges will be Rs. 17.25/- per packet.*
9. *Express Cargo service would be charges at 25% more than the standard TSP rate for the category the cargo falls under this category.*
10. *Project cargo are such cargo which requires/special handling /storage instructions. It also includes heavy cargo in which any single individual piece having gross weight or volume weight of 3 ton or above.*
11. *MOT charges will be levied @ Rs. 230/- for year 2020-21 and Rs.230/- for year 2021-22 and Rs.242/- for the year 2022-23 and Rs.254/- for the year 2023-24 and Rs.266/- for the year 2024-25 and Rs.280/- for the year 2025-26 per AWB.*
12. *Terminal Receipt Cancellation charges will be levied @ Rs. 115/- for year 2020-21 and Rs.115/- for year 2021-22 and Rs.121/- for the year 2022-23 and Rs.127/- for the year 2023-24 and Rs.133/- for the year 2024-25 and Rs.140/- for the year 2025-26 per AWB.*
13. *Export administration charges will be charged Rs. 115/- for year 2020-21 and Rs.115/- for year 2021-22 and Rs.121/- for the year 2022-23 and Rs.127/- for the year 2023-24 and Rs.133/- for the year 2024-25 and Rs.140/- for the year 2025-26 per receipt in case of expiry of receipt. The receipt will be expired at 24:00 hrs. of the date of preparation of receipt.*
14. *Back to town charges are in addition to applicable charges.*

(C) OTHER CHARGES

(Rates in ₹)

Sr. No.	Type of Cargo	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
		Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment	Rate per Kilogram (Maximum)	Minimum Rate per consignment
a	Shrink Wrap of ULD (cost inclusive of material) Per ULD	3,011		3,162		3,320		3,486	
b	Shrink Wrap of Euro pallet	452		475		499		524	
c	Shrink Wrap per box	53		56		59		62	
d	Pet Assistance	1,506		1,581		1,660		1,743	
e	Repacking with wooden skid Per Wooden Skid	753		791		831		873	
f	Miscellaneous Charges (None of the above)	3.77	753	3.96	791	4.16	831	4.37	873
g	Overtime fee for gate pass generation (Per AWB)	-	278	-	292	-	307	-	322
h	Marking & Labelling charges (per AWB)	-	1,050	-	1,103	-	1,158	-	1,216
i	Escorting services to & from to the aircraft for high value pharmaceutical cargo (per kg)	2.10		2.21		2.32		2.44	

(D) DEMURRAGE CHARGES- PAYABLE BY SHIPPERS/CONSIGNORS/AGENTS/AIRLINES

(I) IMPORT CARGO

(Rates in ₹)

Sr. No.	Type of Cargo	Period	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram per day	Minimum Rate per consignment	Rate per Kilogram per day	Minimum Rate per consignment	Rate per Kilogram per day	Minimum Rate per consignment	Rate per Kilogram per day	Minimum Rate per consignment
1	General	Up to 96 h₹ including free period	1.58	356	1.66	374	1.74	393	1.83	413
		Between 96 h₹ and 696 h₹	3.14		3.30		3.47		3.64	
		Beyond 696 h₹	4.71		4.95		5.20		5.46	
2	Special Cargo	Up to 96 h₹ including free period	3.14	700	3.30	735	3.47	772	3.64	811
		Between 96 h₹ and 696 h₹	6.28		6.59		6.92		7.27	
		Beyond 696 h₹	9.42		9.89		10.38		10.90	
3	Valuable Cargo	Up to 96 h₹ including free period	6.28	1,401	6.59	1,471	6.92	1,545	7.27	1,622
		Between 96 h₹ and 696 h₹	12.56		13.19		13.85		14.54	
		Beyond 696 h₹	18.84		19.78		20.77		21.81	

Notes:

1. *The applicable Free Period for the purpose of levy of demurrage charges shall be as per Govt. of India Orders, issued from time to time.*
2. *Computation of Free Period will start from the Segregation time of Flight till generation of Gate Pass*
3. *After Expiry of above mentioned stipulated Free Period, Demurrage for next 48 hrs. will be charged on 'per kg per day non -cumulative basis inclusive of holidays, provided the consignment t is cleared within 96 hours from Segregation time.*
4. *Number of hours applicable for demurrage will be computed as the time between Segregation Time and " Time of issue of Gate Pass". Each 24 hrs, cycle will be taken as 01 day and any part thereof will be counted as one full day*

5. *After Expiry of the stipulated free period i.e. 48 hrs., if the total time between Segregation time and generation of the Gate Pass exceeds 96 hrs., Demurrage charges will be levied on cumulative basis inclusive of holidays from the date and Segregation as per above table.*
6. *Consignment of human remains, coffin including baggage of deceased & Human Eyes will be exempted from the purview of Terminal Charges.*
7. *Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric c weight' or 'chargeable weight' whichever is higher*
8. *Special Import Cargo consists of cargo stored in cold storage, live animal and hazardous goods.*
9. *Valuable consignment means "cargo with high declared value for example, rare and precious metal such as gold, platinum, Iridium, rhodium, ruthenium, osmium and palladium and their alloys / products; various precious stones, rubies, emeralds, sapphires, opals, jade articles, diamond, pearl and its jewellery/products; watches mad e of silver, gold or platinum, valuable documents including books, paintings and antiques etc.; currency notes, securities, stamps and articles that have been declared with value of no less than 1000 US Dollars per kilogram of gross weight."*
10. *All the bills shall be rounded off to the nearest of Rs. 5/-, as per IATA Tact Rules book clause S,7.2, the rounding off procedure, when the rounding off unit is 5, When the results of calculation are between/and Rs . 102.5 - Rs. 107.4, rounded off amount will be Rs, 105 and when the result s of calculation are between/and Rs. 107.5 - Rs. 112.4, rounded off amount will be Rs. 110.*
11. *Packing/repacking charges shall be levied as per existing rates.*
12. *Cancellation of Bank Challan and Gate Pass will be charged @ Rs. 115/- for year 2020-21 and Rs.115/- for year 2021-22 and Rs.121/- for the year 2022-23 and Rs.127/- for the year 2023-24 and Rs.133/- for the year 2024-25 and Rs.140/- for the year 2025-26 per cancellation.*

(II) EXPORT CARGO (Rates in ₹)

Sr. No.	Type of Cargo	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
		Rate per Kilogram per day (Max.)	Minimum Rate per consignment	Rate per Kilogram per day (Max.)	Minimum Rate per consignment	Rate per Kilogram per day (Max.)	Minimum Rate per consignment	Rate per Kilogram per day (Maximum)	Minimum Rate per consignment
1	General	0.87	145	0.91	152	0.96	160	1.01	168
2	Special and Valuable	1.72	284	1.81	298	1.90	313	2.00	329
3	Perishable:								
	a) Wherever State of Art facility is provided	2.80	284	2.94	298	3.09	313	3.24	329
	b) Wherever exclusive of facility is not provided	0.83	145	0.87	152	0.91	160	0.96	168

Notes:

1. *The free period for export cargo shall be 12 hrs. for examination/processing by the shippers which would be revised based on determination by government from time to time.*
2. *Consignments of human remains, coffin including 'baggage of deceased & Human eyes will be exempted from the purview of Demurrage.*
3. *Special Cargo consists of live animals, hazardous goods, valuable cargo and cargo stored in cold storage.*

4. *"Charges will be levied on the ""gross weight"" or the ""chargeable weight"" of the consignment whichever is higher, Wherever the ""gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' whichever is higher.*
5. *For mis-declaration of w eight above2% and up to 5% of declared weight, penal charges @ double the applicable Terminal charges will be levied. For valuation above 5%, the penal charges will be leviable @ 5 times the applicable Terminal charges of the differential weight. No penal charges will be leviable for variation up to and inclusive of 2%. This will not apply to valuable cargo.*
6. *All the bill s should be rounded off to the nearest of Rs. 5/-,as per IATA Tact Rules book clause 5.7.2, the rounding off procedure, when the rounding off unit is 5. When the results of calculation are between/and Rs. 102.5 - Rs. 107.4, rounded off amount will be Rs. 105 and when the results of calculation are between/and Rs. 107, 5 - Rs. 112.4, rounded off amount will be Rs. 110.*

(E) SCHEDULE OF CHARGES-AIRSIDE HANDLING

International Cargo - Payable by Airlines

(Rates in ₹)

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
1a	Export	Carting/ Palletisation / Containerization / Bulk Cargo Handling	4.23	-	4.44	-	4.66	-	4.89	-
1b	Export	Special / Valuable	5.29	-	5.55	-	5.83	-	6.12	-
2	Export	Carting / Palletisation / Containerisation / Unitisation Charges - General / Special Cargo/Post Office mail & Mail Cargo- Non schedule Airline	6.72	-	7.06	-	7.41	-	7.78	-
3	Export	Unitization of Bonded cargo	1.82	-	1.91	-	2.01	-	2.11	-
4	Export	Carting of Cargo from Domestic airport to M IAL International Warehouse or return from MIAL International Warehouse to Domestic Airport	2.11	-	2.22	-	2.33	-	2.45	-
5	Export	Carting of Export using other Gateways Airports in India (Jet Airways Domestic Bonded warehouse) (per kg)	1.39	-	1.46	-	1.53	-	1.61	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
6	Export	Carting Export Cargo using other Gateways Airports in India (Domestic airlines warehouse to MIAL Bonded warehouse)	1.33	-	1.40	-	1.47	-	1.54	-
7	Export	Carting charges to/from aircraft (per kg)	1.21	-	1.27	-	1.33	-	1.40	-
8a	Export	Aircraft loading charges (bulk) (per kg) General cargo	2.00	-	2.10	-	2.21	-	2.32	-
8b	Export	Aircraft loading charges (Per/HZ/VAL cargo)	2.97	-	3.12	-	3.28	-	3.44	-
9a	Export	Storage Charges - if uplifted beyond free period of 36 hours (per kg) General cargo (rate per kg per day	1.94	-	2.04	-	2.14	-	2.25	-
9b	Export	Special cargo (rate per kg per day	3.87	-	4.06	-	4.26	-	4.47	-
9c	Export	Storage Charges - if uplifted beyond free period of 36 hours (per kg) Non-Scheduled Airlines	4.73	-	4.97	-	5.22	-	5.48	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
10	Export	Supervision and Co-ordination for export courier at ICT and export perishable at APEDA (Minimum charges applicable per AWB)	1.00	133	1.05	140	1.10	147	1.16	154
11a	Export	Document Handling. (Additional applicable per AWB only for DGR/SPL/VAL cargo) for Schedule Airline	1.21	1,087	1.27	1,141	1.33	1,198	1.40	1,258
11b	Export	Document Handling - Non-Schedule Airline	1.82	-	1.91	-	2.01	-	2.11	-
11c	Export	Document Handling - Non-Schedule Airline Special /Valuable	2.27	-	2.38	-	2.50	-	2.63	-
12	Export	X ray charges - if screening done by airlines (minimum charges applicable per AWB)	1.67	202	1.75	212	1.84	223	1.93	234
13	Export	X ray charges (including Infrastructure charges)- if screening not done by airlines (minimum charges applicable per AWB)	2.60	272	2.73	286	2.87	300	3.01	315
14	Export	P 0 mail unitization	4.23	-	4.44	[illegible]	4.66	-	4.89	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
15a	Export	ULD weighment charges (for one Tag printing per ULD with Airline logo)								
15b	Export	- container (lower deck) - LD3 and similar	151.20	-	158.76	-	166.70	-	175.04	-
15c	Export	- pallets (lower deck and main deck)	181.65	-	190.73	-	200.27	-	210.28	-
15d	Export	-Bulk Trolley	90.30	-	94.82	-	99.56	-	104.54	-
15e	Export	-16 foot and 20 feet	302.40	-	317.52	-	333.40	-	350.07	-
16	Import	Transhipment Handling (Processing/Storing/Carting) (Min. charges applicable per CTM)	4.96	250	5.21	263	5.47	276	5.74	290
17a	Import	Storage Charge if cargo unchecked beyond 12 h₹ of arrival of aircraft (per kg per day) (a) Bulk · per Kg. /day minimum charges applicable per AWB	2.03	284	2.13	298	2.24	313	2.35	329
17b	Import	(b) ULD - per ULD / day minimum charges applicable per AWB	813.86	284	854.55	298	897.28	313	942.14	329
17c	Import	(c) VAL - per Kg. /day minimum charges applicable per AWB	5.09	284	5.34	298	5.61	313	5.89	329

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
17d	Import	(d) HAZ / Per - per Kg. /day minimum per Rs 235 per AWB	3.36	284	3.53	298	3.71	313	3.90	329
18a	Import	Destuffing of General Cargo / PO Mail. (Minimum charges applicable per IGM)	1.28	282	1.34	296	1.41	311	1.48	327
18b	Import	Destuffing of Special / Valuable cargo	2.56	282	2.69	296	2.82	311	2.96	327
18c	Import	Destuffing of General /PO Mail Non - Scheduled	5.12	282	5.38	296	5.65	311	5.93	327
18d	Import	Destuffing of Special / Valuable cargo	6.41	282	6.73	296	7.07	311	7.42	327
19a	Import	Document Handling (minimum charges applicable per flight) (General/PO Mail)	2.11	966	2.22	1,014	2.33	1,065	2.45	1,118
19b	Import	Document Handling Special / Valuable cargo	4.22	966	4.43	1,014	4.65	1,065	4.88	1,118
19c	Import	Document Handling Non - Scheduled	2.64	966	2.77	1,014	2.91	1,065	3.06	1,118
19d	Import	Document Handling Non - Scheduled Special / Valuable cargo	5.28	966	5.54	1,014	5.82	1,065	6.11	1,118
g	Import	Carting Charges (General/PO Mail)	1.16		1.22	-	1.28	-	1.34	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
20b	Import	Carting Charges Special / Valuable cargo	2.31	-	2.43	-	2.55	-	2.68	-
20c	Import	Carting Charges Non - Scheduled	1.44	-	1.51	-	1.59	-	1.67	-
20d	Import	Carting Charges Special / Valuable cargo	2.89	-	3.03	-	3.18	-	3.34	-
21	Other Services	Aircraft Coordination (Import/Export) (per flight)	4,830.00	-	5,072.00	-	5,326.00	-	5,592.00	-
22	Other Services	ULD management (Import/Export) (per flight)	12,075.00	-	12,679.00	-	13,313.00	-	13,979.00	-
23	Other Services	Handling and Electricity Charges for RKN Container / Environtainer (per container per day)	2,043.00	-	2,145.00	-	2,252.00	-	2,365.00	-
24	Other Services	Empty Pallet Stack making charges	1.05	-	1.10	-	1.16	-	1.22	-
25	Other Services	Escorting services to & from to the aircraft for valuable cargo (per AWB)	1,656.00	-	1,739.00	-	1,826.00	-	1,917.00	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
26	Other Services	Escorting services to & from to the aircraft for high value pharmaceutical cargo (per kg)	2.10	-	2.21	-	2.32	-	2.44	-
27a	Other Services	Escort services for general cargo	1.05	2,100	1.10	2,205	1.16	2,315	1.22	2,431
27b	Other Services	Escort services for Special /Valuable (per AWB)	1,655.85	-	1,738.64	-	1,825.57	-	1,916.85	-
27c	Other Services	Escort services for High Value Pharma	2.10	2,100	2.21	2,205	2.32	2,315	2.44	2,431
28	Other Services	Guarding & Surveillance of cargo (Export/Import)	1.58	210	1.66	221	1.74	232	1.83	244
29	Other Services	Import courier supervision and documentation (Min Per Flight)	2.10	1,050	2.21	1,103	2.32	1,158	2.44	1,216
30	Other Services	ULD cleaning charges per unit	7,527.45	-	7,903.82	-	8,299.01	-	8,713.96	-
31	Other Services	Preparation of NOTOC Per NOTOC	2,100.00	-	2,205.00	-	2,315.25	-	2,431.01	-
32	Other Services	FWB/FHL data verification Per AWB	157.50	-	165.38	-	173.65	-	182.33	-
33	Other Services	fwb/fhl data capture per AWB	483.00	-	507.15	-	532.51	-	559.14	-
34	Other Services	Pallet stack storage perkg/per day	1.05	-	1.10	-	1.16	-	1.22	-

Sr. No.	Function	Description of service	FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
			Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment	Rate per Kilogram (Max.)	Minimum Rate per consignment
35	Other Services	Shrink Wrap of ULD (cost inclusive of material) Per ULD	3,011.40	-	3,161.97	-	3,320.07	-	3,486.07	-
36	Other Services	Shrink Wrap of Euro pallet per Euro skid	451.50	-	474.08	-	497.78	-	522.67	-
37	Other Services	Airside cool container	4,200.00	-	4,410.00	-	4,630.50	-	4,862.03	-
38	Other Services	Shrink Wrap per box	-	53	-	56	-	59	-	62
39	Other Services	eCSD (per MAWB)	262.50	-	275.63	-	289.41	-	303.88	-
40	Other Services	Misc. Activity per HAWB	-	2,100	-	2,205	-	2,315	-	2,431
41	Other Services	Warehouse Services (Import/Export) (Dedicated Handling)	16.00	-	17.00	-	18.00	-	19.00	-

NOTES:

1. *The applicable free period of export cargo for the airlines shall be as per Govt. of India Orders, issued from time to time.*
2. *In case of TP cargo under fresh sector Airway Bill the additional charges @ Rs. 2/- per kg for year 2020-21 and Rs.2/- per kg for year 2021-22 and Rs.2/- per kg for the year 2022-23 and Rs.2/- per kg for the year 2023-24 and Rs.2/- per kg for the year 2024-25 and Rs.2/- per kg for the year 2025-26, and the terminal charges applicable for Import cargo will be levied on Cash and Carry basis from the Consol.*
3. *All Bills prepared by the Handling Company shall be rounded off to the nearest Rupee.*
4. *Whenever MIAL outsources certain functions/services to contractors, the payment terms/billing arrangements between the Airlines and the contractor shall be discussed/mutually agreed before the same is implemented.*
5. *All applicable charges to importer (consignee) in respect of import cargo and exporter (shipper) in respect of export cargo including all types of transhipment cargo will be leviable on the airline in event of airline availing such services.*
6. *All statutory indirect taxes, duties, levies etc., shall be extra and shall be borne by airlines.*
7. *Invoice shall be raised on a monthly/fortnightly basis and shall have to be paid within 10 days from the date of invoice.*

8. *Failure to pay so shall attract 18% p.a. interest.*
9. *Payment shall be made by way of demand draft/fund transfer/cheque drawn in favour of "Mumbai Cargo Service Center Airport Pvt Ltd"*
10. *Demand Draft/Cheque should be drawn on a Scheduled Commercial Bank in India.*
11. *ULD Handling limited to open pallets, lashing material and loading material used for cargo.*
12. *Security Deposit from the party will be collected at equivalent to 02 months peak billing based on average of last 06 months billing.*
13. *Warehouse Services is dedicated space and handling staff for export cargo handling*
14. *Charges will be levied on the "gross weight" or "chargeable weight" or "volume weight" whichever is higher.*
15. *Delivery Order issuance charge would be collected by the GHA and retained as per percentage agreed with Airline.*
16. *In case of Non-schedule operators Destuffing charges for imports will be levied@ Rs. 2/- per kg for year 2020-21 and Rs.2/- per kg for year 2021-22 and Rs.2.1/- per kg for the year 2022-23 and Rs.2.21/- per kg for the year 2023-24 and Rs.2.32/- per kg for the year 2024-25 and Rs.2.43/- per kg for the year 2025-26, and the terminal charges applicable for Import cargo will be levied on Cash and Carry basis from the Consol.*

General notes on all Tariff Rate Cards indicated above:

1. *Tariff Rates mentioned above include the prevailing concession fee/ royalty charges and other airport levies charged by the Airport Operators;*
2. *All the Tariff rates mentioned above are excluding of applicable taxes;*
3. *Tariff determined as above will be maximum Tariff to be charged from the Users of the Cargo Handling Services. No other charges to be levied over and above the approved Tariff.*