फा. सं. ऐरा/20010/एमवाईटीपी/सैलेबी/डेल्ही/सीपी-III/2021-26
F. No. AERA/20010/ MYTP/CELEBI/C/DELHI/CP-III/2021-26

आदेश संख्या 32/2022-23

Order No. 32/2022-23

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

मैसर्स सैलेबी डेल्ही कार्गो टर्मिनल मैनेजमेंट इंडिया प्राइवेट लिमिटेड (सीडीसीटीएम) के लिए इंदिरा गांधी अंतरराष्ट्रीय हवाईअड्डा, दिल्ली में कार्गो हैंडलिंग सेवाओं के लिए तृतीय नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF DETERMINATION OF TARIFF FOR CARGO HANDLING SERVICES FOR M/s CELEBI DELHI CARGO TERMINAL MANAGEMENT INDIA PVT. LTD. (CDCTM) AT INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI FOR THE THIRD CONTROL PERIOD (FY 2021-22 TO FY 2025-26)

जारी करने की तारीख : 29/दिसम्बर, 2022
Date of Issue: 29/December, 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
AFS	Air Freight Station
ASRS	Automated Storage and Retrieval System
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
ACS	Annual Compliance Statement
BCAS	Bureau of Civil Aviation Security
BUP	Built-Up-Pallet
CAPEX	Capital Expenditure
CAGR	Compounded Annual Growth Rate
CDCTM	Celebi Delhi Cargo Terminal Management India Pvt. Ltd.
CGF	Cargo, Ground Handling & Fuel Throughput
CTO	Cargo Terminal Operations
CUT	Common User Terminal
DIAL	Delhi International Airport Limited
DCSC	Delhi Cargo Service Centre
FRoR	Fair Rate of Return
IGIA	Indira Gandhi International Airport
ISP	Independent Service Provider
MYTP	Multi-Year Tariff Proposal
MT	Metric Ton
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
RAB	Regulatory Asset Base
ULD	Unit Load Device
Y-o-Y	Year on Year

CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Celebi Delhi Cargo Terminal Management India Pvt. Ltd. hereinafter referred as "CDCTM" founded in June, 2009, after Celebi Hava Servisi A.S. was awarded the concession by Delhi International Airport Limited (DIAL) in April, 2009 for providing cargo handling services at Indira Gandhi International Airport (IGIA), Delhi. As per the concession, CDCTM was entrusted to develop, finance and modernize the existing cargo terminal for a period of 25 years.

1.1.2 CDCTM has been operating the brownfield cargo terminal for more than 13 years with a clientele base of around 46 international and one major domestic scheduled carrier namely Indigo, thereby holding around 60% of market share in International Cargo & 37% in Domestic Cargo.

1.1.3 Bureau of Civil Aviation Security (BCAS) has granted security clearance to CDCTM on 22.07.2020. The Security clearance is valid for a period of 5 years from the date of issue of security clearance or the period of validity of contract with the Airport Operator, whichever is earlier.

1.1.4 The shareholding structure of the CDCTM is given as below:

Table-1: Summary of Shareholding Structure of CDCTM

Name of Shareholder	Equity Holding (%)
Celebi Hava Servisi A.S.	74
Delhi International Airport Limited	26
TOTAL	**100**

1.2 Brief on past Tariff approvals:

1.2.1 The Authority, vide Order no. 24/2015-16 dated 24.06.2015 determined Tariff for the last two years of the First Control Period (FY 2014-15 to FY 2015-16) for CDCTM in respect of cargo handling services provided by it at Indira Gandhi International Airport, Delhi.

1.2.2 The Authority, vide Order no. 03/2019-20 dated 22.04.2019, determined Tariff for CDCTM pertaining to the Second Control Period (FY 2016-17 to FY 2020-21) for its cargo handling services at IGIA, Delhi.

1.2.3 The Authority, vide Order no. 67/2020-21 dated 25.03.2021, extended the then prevailing Tariff as on 31.03.2021 for the period up to 30.09.2021. Subsequently, vide Order no. 18/2021-22 dated 15.09.2021, the Authority extended the prevailing Tariff (as on 30.09.21) for the period up to 31.03.2022.

1.2.4 The Authority, vide Order no. 46/2021-22 dated 17.03.2022 extended the Tariff prevailing as on 31.03.2022 for the period up to 30.09.2022. Thereafter, the Authority, vide Order no. 24/2022-23 dated 23.09.2022 further extended the Tariff prevailing as on 30.09.2022 for the period up to 31.03.2023, or, till the determination of regular Tariff, whichever is earlier.

1.3 **MYTP Submission:**

1.3.1 As per the provisions of the Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF) Guidelines, 2011, CDCTM has submitted the Multi Year Tariff Proposal ('MYTP') on 26.08.2022 for the Third Control Period (FY 2021-22 to FY 2025-26) for determination of Tariff in respect of Cargo Handling Services, including the proposal for Cargo to be received in the form of BUP/ ULD from authorized AFS, being provided at Indira Gandhi International Airport, Delhi. After examining the MYTP submitted by the CDCTM, various clarifications/ additional information relating to regulatory building blocks etc. were sought from the Cargo Operator, from time to time. The ISP considering AERA observations on MYTP and discussions thereon, submitted revised MYTP vide email dated 27.10.2022.

1.3.2 As per the MYTP submission, CDCTM has proposed the following % age Tariff increase for Third Control Period:

- 12% increase in Tariff for FY 2022-23
- 6% increase in Tariff for FY 2023-24
- 7% increase in Tariff for FY 2024-25
- 6% increase in Tariff for FY 2025-26

1.4 The Authority carefully examined the MYTP for the Third Control Period submitted by CDCTM for Cargo Handling Services provided at IGIA, Delhi and issued its Consultation Paper (CP) No. 12/2022-23 dated 15.11.2022, inviting suggestions/comments from the Stakeholders on the various proposals of the Authority contained in the CP with the following timelines:

- Date of Issue of the Consultation Paper: 15th November, 2022.
- Date for submission of written comments by Stakeholders: 5th December, 2022.
- Date for submission of counter comments: 14th December, 2022.

1.5 Pursuant to issuance of CP no. 12/2022-23 dated 15.11.2022, following Stakeholders submitted their comments to the Authority within the stipulated period:

a) M/s Celebi Delhi Cargo Terminal Management India Pvt. Ltd. (CDCTM)

b) M/s Continental Carriers Pvt. Ltd. (CCPL)

c) M/s SpiceJet Ltd.

d) Domestic Air Cargo Agents Association of India (DACAAI)

e) The Air Cargo Agents Association of India (ACAAI)

f) VAFA Fresh Vegetables & Fruits Exporters Association (VAFA)

g) Federation on Freight Forwarders' Association in India (FFFAI)

h) Board of Airlines (India)- Northern Region

The comments received from the above stakeholders were uploaded on the AERA's website vide Public Notice no. 19/2022-23 dated 06.12.2022. The Authority, in response to Public Notice no. 19/2022-23 dated 06.12.2022, received counter comments from CDCTM on 14.12.2022.

No comments were received from the MoCA on the subject Consultation Paper issued by the Authority.

The Authority, after examining the comments of Stakeholders & counter comments of CDCTM, and after considering all the relevant aspects of each of the regulatory building block has finalized this Tariff Order.

Stakeholders Comments

1.6 **M/s SpiceJet's comments regarding economic oversight of Airports & Air Navigation Services as per International Civil Aviation Organization principles (ICAO Doc 9082) and review of tendering process:**

"Authority may kindly note that "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users." The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner."

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.

As this is particularly a period of economic difficulty for airlines, AERA is humbly requested to ensure that Airport Operator 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, as envisioned in the abovementioned guiding principle."

1.7 **CDCTM response to M/s SpiceJet's aforesaid comments:**

The ISP did not offer its views on the comments of M/s SpiceJet and stated that *"Not for us to comment, as not in our scope"*.

1.8 **Authority's Analysis on the Stakeholders' Comments relating to ICAO's principles on Charges for Airport Services and award of Concession by the Airport Operators on Revenue Share basis:**

The Authority notes the comments of M/s SpiceJet's regarding economic oversight of Airports & ANS services as per ICAO's guiding principles (ICAO doc 9082) and award of concession by airport operator on revenue sharing basis.

In this regard, the Authority observes that ICAO guiding principles for charges for Airport Services, encourages States to incorporate four key principles of non-discrimination, cost relatedness, transparency and consultation with users. It is stated that the Authority's regulatory approach for economic oversight of airports relating to Tariff determination of Aeronautical Services at Major Airports is compliant with ICAO's guiding principles for charges for Airport Services and is in accordance with the mandate given to the Authority as per the AERA Act, 2008.

In respect of stakeholder's comment regarding award of Concessions by the Airport Operator on the basis of Revenue Share, the Authority notes that Concession Fee/ Revenue Share paid by the ISP to Airport Operator 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, based on which ISP pays Revenue Share to Airport Operator, is a non-regulatory issue and such matters may be dealt between the stakeholders at the appropriate forum.

CHAPTER 2: PRINCIPLES FOR DETERMINATION OF "AERONAUTICAL TARIFF"

2.1 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").

2.2 **Stage I: Materiality Assessment:**

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

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

The Materiality Index for Delhi Airport = *955858/3228862 x 100*

= ***29.60%***

The percentage share of Cargo Handling for Indira Gandhi International Airport, Delhi for the FY 2019-20 is 29.60%, which is higher than Materiality Index (MI_C) of 2.5% for the above subject service. Hence, the regulated service is deemed **"Material"** for the Third Control Period.

2.3 **Stage II: Competition Assessment:**

As per clause 5.1 of the abovesaid Guidelines, if Regulated Service is provided at a Major Airport by two or more Service Providers, it shall be deemed "Competitive" at that airport.

It is observed from Form F1 (b) (Competition Assessment) submitted by CDCTM that M/s Delhi Cargo Service Centre Pvt. Ltd. (DCSC) is also rendering similar services at IGIA, Delhi. Hence in the instant case the regulated service is deemed **"Competitive".**

2.4 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, as per the provisions of chapter V of the Guidelines. 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.

2.5 As per clause 11.2 of the CGF Guidelines, 2011, the ATP is required to be submitted in the manner and form provided in AI 8.2 of Appendix-I to the guidelines and should be supported by the following:

a) Form B and Form 14 (b) (Proposed Tariff Card);
b) Details of Consultation with Stakeholders;
c) Evidence of User Agreement(s), if any, between the Service Provider and the User of Regulated Service(s) clearly indicating the Tariff proposed by the Service Provider.

2.6 After issuance of CP no. 12/2022-23 dated 05.11.2022 by the Authority, the ISP vide email dated 19.12.2022 submitted a copy of minutes of stakeholders' consultation meeting conducted by the CDCTM on 01.09.2022, wherein the representatives of ACAAI, DACAAI, Delhi Customs Brokers Association (DCBA) and FFFAI participated. The Authority from the 'Minutes' notes that some of the stakeholders during consultation meeting raised issues connected with cargo handling, service quality, congestion at domestic cargo terminals, investments planned etc. and same were clarified/ responded to by the CDCTM. The Authority advises the ISP to hold periodic consultations with the concerned stakeholders to resolve the pending issues, if any, connected with Cargo Handling Services provided by it at its Cargo Terminal.

2.7 <u>Stakeholders' Comments:</u>

2.7.1 **<u>DACAAI's Comments on Tariff Determination Principles:</u>** DACAAI has submitted its comments on Consultation Paper No. 12/ 2022-23 w.r.t. Tariff Determination Principles as follows:

"As per clause 5.1 of AERA Guidelines, "if Regulated Service is provided at a Major Airport by two or more Service Providers, it shall be deemed "Competitive" at that airport." However, the two terminals at Delhi Airport are absolute monopolies. DACAAI urges that AERA must review the competition assessments since there is no competition in specific terms (the airlines and terminals are fixed and a shipper cannot just about take his cargo to any terminal/airline). Further the entire processing has no service level Agreements (SLAs) between users and CTOs, neither there is any service monitoring mechanism in place. This has resulted in increased processing times both for outbound and inbound cargo.

Under 2.7 of AERA Guidelines, authority has considered the services as Material and competitive and hence adopting a 'Light Touch approach'. In view of DACAAI's stated position, the light touch approach gives the CTOs unchecked freedom to get tariffs enhanced without being responsible for service quality in the absence of SLAs and monitoring. It does not benefit to the users. There are no User agreements with the clients by the CTO either.

As per 2.6 of CP 12/2022-23 the authority has stated that CDCTM submitted all the documents in accordance with CGF Guidelines, except the minutes of Stakeholders' Consultation Meeting. DACAAI has to state that Celebi conducted as a formal user SH meeting on 1st September, where DACAAI has voiced their service level inefficiencies, high terminal charges which constitute 17%-20% of the airfreight making the air cargo unviable. There has been no additions or capital investments to the CUT space since inception and Celebi handled almost 3 time the cargo from the same space. It also got enhanced terminal handling charges for all the previous years. The MoM forwarded by Celebi on 26 September 2022 did not reflect DACAAI's objections and concerns voiced during the meeting.

Besides, we had asked Celebi several missing information and queries so as to objectively compare and assess the MYTP but information is yet to be supplied by Celebi to DACAAI. That Celebi MYTP are not acceptable to DACAAI and this has been informed to Celebi vide our letters dated 6th September, 2022 and subsequent response vide our letter dated 19 November, 2022 in response to the MoM of Celebi stakeholder consultation meeting held on 1st September, 2022."

2.7.2 **<u>ACAAI's Comments on Tariff Determination Principles:</u>**

"Delhi Airport Cargo operates through 2 CTOs with airlines divided amongst them. The users at the front end namely the importers/exporters do not have the choice to use the terminal they want and are dependent on the airline choice of terminal. Thus, the Cargo Handling Service may be termed as "Material" but is not truly "Competitive"."

2.7.3 **<u>CDCTM's response to the comments of DACAAI on principles for Tariff determination:</u>**

The ISP in its counter comments submitted that *"As per industry practice, the shipper doesn't choose the terminal operator but choses the Airlines for their transportation based on commercial & operational terms. Airlines chose their terminal operators based on their commercial, infrastructure,* *service level, quality, safety etc. considerations and this is a universal practice. Terminal operators are awarded concessions by Airport operators based on qualification, technical & financial parameters as per approved procedures & regulations and this is similar in all airports across India. Number of players are determined considering various elements such as air cargo demand, investment, infrastructure requirement (capex), integrated operations, regulatory approvals etc. Delhi Airport Cargo operates in a similar environment as the rest of the country and doesn't have any different/unique position."*

2.7.4 **<u>CDCTM's response to the comments of ACAAI on principles for Tariff determination:</u>**

The ISP in its counter comments submitted that *"The users at front end don't chose the terminal operators but chose the Airlines for their transportation based on commercial & operational terms. Airlines chose the terminal operators based on their commercial, infrastructure, service level, quality, safety etc. considerations and this is a universal practice. Terminal operators are awarded concessions by Airport operators based on qualification, technical & financial parameters as per approved procedures & regulations and this is similar in all airports across India.*

Number of players are determined considering various elements such as air cargo demand, investment, infrastructure requirement (CAPEX), integrated operations, regulatory approvals etc.

At Delhi Airport, Cargo handling operates in a similar environment as the rest of the country."

2.8 **<u>Authority's Analysis on the Stakeholders' comments regarding principles for Tariff determination</u>:**

The Authority noted the comments of DACAAI & ACAAI and response of ISP thereon on the matter relating to application of Tariff determination principles.

2.8.1 As regard to comments of DACAAI and ACAAI on the principles for determination of Tariff for regulated service as per the AERA's CGF Guidelines, 2011, the Authority notes from the response of ISP (indicated above) that as per the industry practice, Shippers / Cargo Agents have choice of selecting Airline(s) for transportation of their cargo and Airlines, in turn, select Cargo Terminal Operator for their Cargo Operations. The Airlines must be doing due diligence for selection of Cargo Terminal Operator, based on operational & commercial parameters, such as Cargo Handling Infrastructure & facilities offered by Cargo Operators, Service Quality level, Commercial terms etc., the same way as the Users at front end may be doing theirs while choosing the airline(s).

2.8.2 The Authority feels that Shippers/Agents are already aware about the Airlines alliance with Cargo Terminal Operators. Since, at IGI Airport, there are two Cargo Terminal Operators, Agents/Shippers have option of indirectly choosing their preferred Cargo Terminal Operator, through airline(s), which have contractual arrangement with their preferred Cargo Terminal Operator.

2.8.3 The Authority, in the instant case, notes that Cargo Handling Services provided by the ISP at IGIA, Delhi is "Material" and as there are two Service Providers rendering similar services; therefore, the regulated services provided by CDCTM for the Third Control Period is considered as "Competitive".

Accordingly, considering that the services provided by the CDCTM at IGI Airport for the Third Control Period is "Material but Competitive"; hence, in accordance with AERA's CGF Guidelines, 2011, the Authority decides to adopt "Light Touch Approach" in respect of CTCTM for the determination of Tariff for Cargo Handling Services for the Third Control Period. It is clarified that even under Light Touch Approach, the Authority examines all the regulatory building blocks of the

ISP's proposal as per AERA's guidelines to ensure that Stakeholders /Airport Users are not overburdened with any exorbitant User Charges.

2.8.4 As regard to stakeholder's other comments relating to Service Quality level & lack of investment by CDCTM in its Domestic Terminal, the Authority notes that ISP had held a detailed discussion on various operational & other issues highlighted by DACAAI during the visit of delegation representing DACAAI to the ISP's Cargo Terminal on 30.11.2022. The details of record of discussion between DACAAI and CDCTM, as submitted by ISP as part of its counter comments vide email dated 14.12.2022, is placed at **Annexure I** of the Tariff Order.

2.9 Authority's decision regarding principles for determination of Tariff for the 3rd Control Period

Based on the material before it and its analysis, the Authority decides that:

The Cargo Handling Services provided by CDCTM at IGIA, Delhi for the Third Control Period is deemed **'Material but Competitive'**. Therefore, the Authority adopts **'Light Touch Approach'** for the determination of the Tariff for the 3rd Control Period.

CHAPTER 3: CARGO VOLUME PROJECTIONS

3.1 Historical Cargo Volume handled at IGIA, Delhi and Cargo Tonnage handled by the ISP during 2nd Control Period

3.1.1 The Historical Cargo Volume handled at Delhi Airport as per AAI statistics available on AAI's website and the share of Cargo Volume handled by CDCTM at IGIA, Delhi during 2nd Control Period is given below:

Table 2: Actual Cargo volume handled at IGIA, Delhi Airport and actual Tonnage handled by CDCTM during 2nd Control Period

(in MT)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	CAGR for 4 Years up to FY 2019-20
Cargo Volume handled at Delhi Airport							
Dom.	2,98,357	3,11,612	3,90,975	3,52,694	2,72,542	3,21,207	6%
Intl.	5,59,062	6,51,420	6,51,973	6,03,164	4,64,889	6,03,136	3%
Total	**8,57,419**	**9,63,032**	**10,42,948**	**9,55,858**	**7,37,431**	**9,24,343**	**4%**
Y-o-Y % Change	-	12%	8%	-8%	-23%	25%	
Actual Cargo Volume handled by CDCTM							
Domestic	46,250	1,24,926	1,29,092	1,00,502	59,589	66,537	29.53%
Y-o-Y % change	-	170%	3%	-22%	-41%	12%	
International	3,18,459	3,67,594	3,49,874	3,21,671	2,74,506	2,97,661	0.34%
Y-o-Y % change	-	15%	-5%	-8%	-15%	8%	
Total (Dom. + Intl.)	**3,64,709**	**4,92,520**	**4,78,966**	**4,22,173**	**3,34,095**	**3,64,198**	**5.00%**
Y-o-Y % change	-	35%	-3%	-12%	-21%	9%	
Cargo Volume of ISP as a % of Total Cargo Volume handled at IGIA, Delhi							
Domestic	16%	40%	33%	28%	22%	21%	
International	57%	56%	54%	53%	59%	49%	
Total	**43%**	**51%**	**46%**	**44%**	**45%**	**39%**	

Dom. = Domestic; Intl. = International

3.2 Cargo Volumes projection by CDCTM for the Third Control Period:

3.2.1 As per the MYTP submission of CDCTM, the projected Cargo Volume including that of the Cargo Volume to be received in the form of Built-Up-Pallets/ Unit Load Devices (refer Chapter 4) from AFS, Delhi for 3rd Control Period as submitted by CDCTM is given below:

Table 3: Cargo Volume projected by CDCTM for the 3rd Control Period

(in MT)

Particulars	3rd Control Period				
	FY 2021-22 (Actual)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
DOMESTIC					
Domestic Cargo Volume (A)	66,537	66,537	76,178	81,511	78,495
Normal % age growth in Cargo Tonnage (B)		*14.49%*	*7.00%*	*7.00%*	*7.00%*
Growth in Cargo Volume as per (B) above (C)		9,641	5,332	5,706	5,495
Gross Cargo Volume (D) = (A+C)		76,178	81,511	87,216	83,989
Anticipated % drop in Cargo Tonnage due to establishment of Jewar International Airport (E)				*10%*	*20%*
Drop in Cargo Tonnage due to establishment of Jewar International Airport as per (E) above (F)				8,722	16,798
Projected Net Domestic Cargo Volume (G) = (D-F)	**66,537**	**76,178**	**81,511**	**78,495**	**67,192**
Y-o-Y % change in Domestic Cargo Volumes	**-**	**14%**	**7%**	**-4%**	**-14%**
INTERNATIONAL					
Cargo Volume (H)	2,97,661	2,97,661	2,99,123	2,98,738	2,64,488
Normal % age Growth in Cargo assumed over previous year (I)	-	*2.50%*	*4.00%*	*4.00%*	*4.00%*
Incremental Cargo Volume as per (I) above (J)	-	7,442	11,965	11,949	11,636
Gross Cargo Volume (K) = (H+I)		3,05,103	3,11,088	3,10,687	2,75,068
Anticipated drop in Market Share percentage (%) due to Competition (L)		*1.96%*	*2.97%*	*2.87%*	*2.69%*
Estimated % drop in Tonnage due to construction of new Cargo Village (M)			*1%*	*2%*	*2%*
Estimated % drop in Tonnage due to establishment of new Greenfield Airport i.e. Jewar International Airport at Noida (N)				*10%*	*20%*
Total % age drop in Cargo Volumes anticipated due to increase in competition (O) = (L+M+N)		***1.96%***	***3.97%***	***14.87%***	***24.69%***
Total drop in Cargo Tonnage as per (O) above (P)		5,980	12,350	46,199	67,914
Projected Cargo Volume excluding AFS Cargo Volume (Q) = (K-P)	2,97,661	2,97,923	2,93,938	2,59,448	2,01,861
AFS Cargo Volume (R)	-	1,200	4,800	5,040	5,292
Projected Net International Cargo Volume (S) = (Q+R)	**2,97,661**	**2,99,123**	**2,98,738**	**2,64,488**	**2,07,153**
Y-o-Y % change in Intl. Cargo	-	**0.49%**	**-0.13%**	**-11.46%**	**-21.68%**
Total Net Cargo Volume Projection (Dom. + Intl.) (G+S)	**3,64,198**	**3,75,301**	**3,80,248**	**3,42,983**	**2,74,345**
Y-o-Y % change in Total Cargo Volume	**-**	**3%**	**1%**	**-10%**	**-20%**

Dom. = Domestic; Intl. = International

3.2.2 As per ISP's submission, Cargo Volumes for the Third Control Period have been projected considering the actual cargo volume of FY 2021-22 as a base year. Further, the ISP has also taken into account the actual Cargo Volumes handled during first five months of FY 2022-23 & anticipated increase in market competition etc. Following major factors have been considered by CDCTM while projecting Cargo Volume, including that of the AFS Cargo, for the Third Control Period:

a) **Market Competition:** At the time of award of concession for Cargo Handling Services at IGIA, Delhi, CDCTM was the sole service provider. However, in 2012, second Cargo Operator at IGIA namely DCSC also commenced cargo handling operations from its new greenfield cargo terminal and since then, there has been steady drop in market share of ISP, particularly in international cargo handling. Over the past 10 years CDCTM's market share has reduced by 20%. The intense competitive environment is a major factor resulting in lower cargo volume for the Third Control Period.

b) **Construction of New Cargo Village:** DIAL (Airport Operator) is coming up with its own new Cargo Village Complex as part of its airport development plan, which is likely to erode the market share of the ISP, resulting in further reduction in the cargo volumes from FY 2023-24 onwards.

c) **Establishment of new Greenfield Airport i.e Jewar International Airport, Noida (UP):** As per the ISP, upcoming new Greenfield Airport at Jewar, Noida (UP) is likely to compete with Delhi airport for its Cargo business.

3.3 Authority's Examination on projected Cargo Volumes for the Third Control Period at Consultation Stage:

3.3.1 The Authority, based on the trend analysis as indicated in Table 2 above, notes that the total Cargo Volumes at IGIA, Delhi during the first three Tariff Years of the Second Control period registered a positive growth rate (12% increase in FY 2017-18 and 8% in FY 2018-19). However, for the last two Tariff Years of the Second Control Period witnessed significant drop in Cargo Volumes @ 8% and 23% for the FY 2019-20 and FY 2020-21 respectively. The Authority observed that overall, Cargo Volumes handled at IGIA, Delhi during the first four years of Second Control Period increased from 857419 MT (FY 2016-17) to 955858 MT (FY 2019-20) with a CAGR of 4% (International @ 3% & Domestic @ 6%). During FY 2020-21, Cargo Volumes at IGIA, Delhi sharply dropped due to Covid Pandemic.

3.3.2 The Authority noted that, the CDCTM recorded an increase in Total Cargo Volume in first four years of Second Control Period at a CAGR of 5% from 364709 MT (FY 2016-17) to 422173 MT (FY 2019-20). For FY 2020-21, total Cargo Volumes handled by the ISP dropped significantly @ 21% over FY 2019-20 due to Covid Pandemic.

The Authority observed that the total Domestic Cargo Volumes in respect of ISP for first four years of the Second Control Period increased at much higher rate of CAGR @ 29.53%, as compared to International Cargo handled by the ISP, which increased at a nominal CAGR of 0.34% during the same period.

3.3.3 The Authority noted that due to market competition, the ISP (who was sole cargo operator up to 2012) over the years has lost a significant market share of Cargo handling to its competitor, due to competitive environment. As per historical statistics, the ISP was able to maintain lead in International Cargo Handling with market share between 53% to 59% (up to FY 2020-21). Whereas, for FY 2021-22, ISP held around 21% market share in Domestic Cargo segment and 49% market share for International Cargo.

As regard to drop in market share during FY 2021-22, CDCTM vide email dated 27.10.2022 clarified that during Covid pandemic in FY 2020-21, cargo handling of most of the freighter aircrafts came to ISP, which resulted in increase in market share for international cargo. However, same was normalized in the next FY 2021-22 and consequently their international market share dropped to 49% from 59% and overall market share dropped by 6%.

3.3.4 As regard to Cargo Volume projection for the Third Control Period, the Authority noted that during the FY 2021-22 (first tariff year of current control period), total Cargo Volumes handled by the ISP increased by 9% as compared to FY 2020-21. Further, with the improvement in pandemic situation in current FY 2022-23 and after lifting of restrictions on air-travel earlier in March, 2022 etc., Cargo Volumes as per ISP is projected to increase nominally at 3% as compared to FY 2021-22.

3.3.5 However, from FY 2023-24 onward, impact of competitive market conditions is reflecting on the Cargo Volume projections for remaining years of the Control Period. The Authority noted that as per ISP Cargo Volumes projected for FY 2023-24 is likely to be adversely impacted by the construction of new Cargo Village by the DIAL & other factors leading to increased competitive environment (as mentioned in para 3.2.2). As a result, there is a projected marginal drop (0.13%) in International Cargo Volumes. Overall, for FY 2023-24, total Cargo Volumes are expected to increase marginally by 1% over previous year.

3.3.6 The Authority further noted that, Cargo Volumes projected for the last two Tariff Years of the Third Control Period are projected to decrease due to likely market competition from new Greenfield International Airport at Jewar, Noida, which is expected to be operational in FY 2024-25.

The Authority is aware that the new Greenfield Airport is being developed as multi-modal Cargo Logistics Hub in Noida and considering its proximity to existing airport, it is likely to compete with IGIA's Cargo business. As per ISP's assumption, last two tariff years of the Control period i.e FY 2024-25 & FY 2025-26 will witness significant drop in Cargo Volumes by 10% & 20% respectively.

3.3.7 The Authority also notes that the ISP also proposed Cargo Volume to be received in the form of BUP/ ULD from the approved AFS during the Third Control Period.

3.3.8 The Authority notes that the Total Cargo Volume Projections for the Third Control Period (17,37,075 MT) are lower by 17% than the actual Total Cargo Volumes (20,92,463 MT) handled by the ISP in Second Control Period, due to various factors like impact of Covid Pandemic on economy & civil aviation sector in particular, construction of new Cargo Village by the DIAL & anticipated increase in market competition with the establishment of new Greenfield Airport at Jewar Airport, Noida (U.P.) etc. In view of the above factors, the Authority proposes to consider the Cargo Volumes including the AFS Cargo for the Third Control Period as projected by the ISP as per Table 3.

Stakeholders' Comments:

3.4 **DACAAI's Comments on projected Cargo Volumes:** DACAAI has submitted its comments on Consultation Paper No. 12/ 2022-23 w.r.t. volume as follows:

"The Celebi's cargo handled figures mentioned in the Consultation paper from 2016-17 show a CAGR of 29.53%. Even during Covid year Celebi handled more cargo than in 2016-17. Celebi handled 170% cargo each in 2nd, 3rd years and 117% increased cargo in 4th year of operation. Thus, there has been very high increase in volume resulting in considerable increase in Celebi's revenue. The drop in tonnage in 2020-21 & 21-22 is more due to Covid and factors hampering growth and viability of air cargo including high incidence of terminal charges, extreme inadequacy of the space, operating

inefficiency, increased processing time and lack of service quality due to which shippers are moving away to surface mode."

Year	*2016-17*	*2017-18*	*2018-19*	*2019-20*	*2020-21*	*2021-22*	*CAGR*
Volume	*46,250*	*1,24,926*	*1,29,092*	*1,00,502*	*59,589*	*66,537*	*29.53%*

As the airlines are all planning to introduce more Freighter operations, how Celebi planned to handle the cargo for freighters from the same space constrained CUT? As each flight carries 2 to 4 tons of air cargo whereas each freighter can carry 16 to 25 tons of cargo, how will this cargo be processed by Celebi from the constrained terminal.

3.5 M/s SpiceJet's Comments regarding Cargo Volume Projection:

"It is humbly submitted that the impact on cargo volumes due to construction of New Cargo Village, establishment of new Greenfield Airport (Jewar International Airport) may be known only sometime after the commencement of operations of these two facilities. In addition, impact of increased competition from DCSC may be known only after operations have normalized after recovering from the impact of Covid-19, as past trends during abnormal times of Covid-19 may not show similar trends in the future after normalization of operations.

Thus, Authority may please kindly note the following factors:

- *The estimated cargo volume loss due to increased competition (DCSC) may not be able to be assessed realistically at this point of time.*
- *The hike in tariff is proposed on the assumption of erosion of cargo volumes of CDCTMIPL due to separate New Cargo Village by airport Operator. However, there is no historical data or trend to arrive at the loss of volumes as proposed.*
- *The hike in tariff is also proposed on the basis of development of Greenfield Airport (Jewar International Airport) and the assumption that cargo volumes will be bifurcated. At this juncture it may be premature to estimate the actual loss of volumes. We may be able to gauge the impact once the Greenfield airport is ready, estimated somewhere around the last stages of the 3rd Control Period.*
- *Thus, is submitted that at this point in time, it may not be realistic to assess the impact of the aforementioned factors on the cargo volumes and therefore it is requested that Authority may rationalize the volumes significantly upwards while considering only a minimal impact from the above mentioned uncertain factors. Authority may thereafter true up the actual volumes during the 4th Control Period, when a clearer picture emerges.*
- *In addition, 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)."*

3.6 CDCTM's response to comments of DACAAI:

3.6.1 *It is regretted that factually incorrect assertions are being made by subject respondent. Facts as it pertains to this point are as under:*

- CELEBI commenced the handling of domestic cargo from within a suitably modified area within the International Cargo Terminal only in FY 2015.

- The domestic terminal being referred to in the trade body's representation was a green field terminal which was constructed and operationalized on the DIAL assigned location/ plot only in July 2017.

- As is apparent from the foregoing CELEBI has 2 exclusive terminals to handle over 2,00,000 MT of domestic cargo per annum. It may be noted that for period Apr - Nov 2022 only 55,051 MT of cargo has been handled and FY 23 is expected to handle around 83000 MT., as such clearly establishing the fact that there is adequate capacity available to not only handle the current volumes but to also handle efficiently a substantial increase in the cargo volumes.

3.6.2 *As mentioned above not only does the current CELEBI domestic terminals have sufficient capacity to handle the current and projected growth/ volumes but is also in discussion with the airport operator (DIAL) for allocation of additional space at a future date to address business expansion requirement based on rising demand.*

As such the representation being made is incorrect!

3.6.3 *Celebi has recently refurbished and recommissioned its old domestic terminal spanning over 39,000 Sq. Ft. for handling of domestic cargo and this terminal in its full functioning, was shown to DACAAI's delegation during their visit of Nov 30, 2022. The total area available for domestic cargo operations handling thus is over 67,000 Sq. Ft. Notwithstanding above, we also have a continued investment plan pertaining to additional space & infrastructure to meet future demand requirements.*

3.6.4 *Readiness for freighter operations: Celebi confirms that it has made suitable arrangements to handle domestic freighter operations, which has also been audited and cleared by our customer airlines for commencement of their freighter Operations. The Old Domestic Terminal has been refurbished to specially cater to freighter handling operations and this has been shown in person to DACAAI delegates during their visit to Celebi on Nov 30, 2022.*

3.7 **CDCTM's response to comments of M/s SpiceJet:**

"Our assumptions and projections are based on market perception. While the airline has mentioned that their flights have been badly affected by Covid and thereafter, they have failed to appreciate similar issues and problems faced by Cargo related operators, which is also a by-product of their flights."

3.8 **Authority's Analysis on the comments of Stakeholders regarding Cargo Volume Projection:**

As regard to comments of DACAAI regarding drop in Cargo Volumes during FY 2020-21 & FY 2021-22, attributing to factors like Covid19, high terminal charges, inadequate space, operating inefficiency etc., the Authority takes note of the counter comments of CDCTM, wherein ISP has responded in detail to the points raised by the stakeholder. CDCTM in its counter comments has given details of available infrastructure/ equipment and highlighted the refurbishment/ improvements done in Domestic Cargo Terminal for providing better cargo handling services to the Users. The Authority notes from the submission of ISP that during FY 2017-18 old domestic cargo terminal spread over in area of 39,000 Sq. ft. had been refurbished and recommissioned.

The Authority further notes that as per CDCTM submission, they have adequate capacity for handling domestic cargo at its two Domestic Cargo Terminals. The maximum domestic cargo handled by the ISP in the past was 1,29,092 MT (in FY 2018-19); whereas, the available capacity is much more than the actual cargo volumes handled in the past. ISP further submitted that presently, they are handling much lower domestic cargo load vis-à-vis available capacity. The actual domestic cargo handed in FY 2021-22 was 66,536 MT only and the present capacity is more than enough to cater the present and projected domestic cargo volumes during the Third Control Period. According to ISP, they had made necessary modifications/ improvements in its existing domestic cargo terminal to make them ready for operations of domestic freighter aircrafts.

The Authority notes the comments of M/s SpiceJet regarding the projected drop in Cargo volumes on account of establishment of new Greenfield Airport (Jewar International Airport) and construction of new Cargo Village by the Airport Operator (DIAL) and response of CDCTM thereof. In this regard, considering the difficulties in forecasting, the likely impact of establishment of new greenfield airport (Jewar International Airport) & building of new Cargo Village by the Airport Operator, on the Cargo Volumes to be handled by the ISP for the Third Control Period, the Authority in its Consultation Paper had proposed to determine the Tariff for the Third Control Period initially up to FY 2024-25 only. The Annual Tariff Proposal for CDCTM for last tariff year (FY 2025-26) of Third Control Period will be finalized after reviewing the actual Cargo Volumes up to FY 2024-25 and after studying the impact of new greenfield airport at Jewar and commissioning of Cargo Village facility by the Airport Operator on the Cargo Volumes of the ISP. The Authority, if required, will make necessary adjustment for any major deviations in the projected cargo volumes while finalizing Annual Tariff Proposal for FY 2025-26.

As regard to M/s SpiceJet's suggestion regarding independent expert study on the Cargo Volumetric projections of the ISP, in this regard, the Authority may get the independent study done on Cargo Volume Projections for Delhi Airport at an appropriate time, if required.

From the foregoing, the Authority notes that there is sufficient capacity available at CDCTM's Domestic Cargo Terminals, not only to meet the current demand for Domestic Cargo but also to cater to future demand during the Third Control Period. Considering the above, the Authority decides to maintain same view on the Cargo Volumes projected for the Third Control Period in respect of CDCTM as taken during the Consultation Stage.

3.9 **Authority's decision regarding Cargo Volume for the 3rd Control Period:**

Based on the material before it and its analysis, the Authority decides to consider the Cargo Volume including the Cargo Volume of AFS projected by CDCTM for the Third Control Period as per Table-3.

CHAPTER 4: CAPITAL EXPENDITURE (CAPEX), REGULATORY ASSET BASE (RAB) AND DEPRECIATION

4.1 CDCTM submission on Capital Expenditure for the Third Control Period

4.1.1 CDCTM has projected a total Capital Expenditure (CAPEX) of ₹ 219.04 crores for development of Cargo Infrastructure, procurement of Cargo Equipment and Automated Storage and Retrieval System (ASRS) during the Third Control Period (FY 2021-22 to FY 2025-26). The details of Capital Expenditure planned by CDCTM for Third Control Period are given below:

Table 4: Additions to RAB proposed by CDCTM for the 3rd Control Period

(₹ in crores)

Assets	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Infrastructure Improvements	0.73	70.51	12.30	80.63	0.69	164.86
Office Equipment	0.20	0.25	0.25	0.50	0.25	1.45
Computers & Peripherals	0.50	0.98	1.36	0.92	1.46	5.22
Furniture & Fittings	0.25	0.25	0.25	0.25	0.25	1.25
Plant & Machinery	6.24	6.12	10.51	11.46	9.62	43.95
Intangible assets	0.31	1.00	1.00	0.00	0.00	2.31
Total	**8.23**	**79.11**	**25.67**	**93.76**	**12.27**	**219.04**

4.1.2 Out of total CAPEX of ₹ 219.04 crores planned for the Third Control Period, major portion of capital expenditure is earmarked for schemes under infrastructure improvements (₹ 164.86 crores) and procurement of Equipment/ Plant & Machinery (₹ 43.95 crores). The ISP had already incurred a sum of ₹ 8.23 crores in FY 2021-22.

CDCTM has submitted the breakup of the CAPEX projected for remaining years of Third Control Period (FY 2022-23 to FY 2025-26) as under:

Table 5: Breakup of projected Capital Expenditure as submitted by the ISP for FY 2022-23 to FY 2025-26 of the Third Control Period

(₹ in Crores)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Infrastructure Improvement					
- Construction of new Cargo warehouse & shifting of facilities due to construction of new Cargo Village by Airport Operator.	50.00				50.00
- Rooftop Repair	20.00				20.00
- Roof Top Epoxy		3.50			3.50
- ASRS			80.00		80.00
- New Domestic Terminal Extension		3.50			3.50

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
- New Chiller Plant		5.00			5.00
- Other Misc. Works	0.51	0.30	0.63	0.69	2.14
Total	**70.51**	**12.30**	**80.63**	**0.69**	**164.14**
Plant & Machinery					
- Dual View X-Ray Machines	4.20	4.16	3.06	1.69	13.11
- ETD		1.04	0.58	0.32	1.94
- ETV		5.00			5.00
- New Traction battery for MHEs	1.39	0.27	1.03	0.26	2.95
- Forklifts/Stacker			6.61	7.06	13.67
- Other misc. plant & Machinery	0.52	0.04	0.19	0.28	1.03
Total	**6.12**	**10.51**	**11.46**	**9.62**	**37.70**
Office Equipment	**0.25**	**0.25**	**0.50**	**0.25**	**1.25**
Computer & Peripherals					
- Desktops	0.47	0.47	0.47	0.47	1.88
- Laptops	0.09	0.09	0.09	0.09	0.35
- HHT (Hand Held Terminal device)		0.59			0.59
- Checkpoint firewall				0.30	0.30
- Access Points				0.30	0.30
- Network Equipment-Switches	0.26				0.26
- Other Computers & Peripherals	0.17	0.21	0.36	0.30	1.05
Total	**0.98**	**1.36**	**0.92**	**1.46**	**4.72**
Furniture & Fittings	**0.25**	**0.25**	**0.25**	**0.25**	**1.00**
Intangible Asset	**1.00**	**1.00**			**2.00**
Total CAPEX proposed (FY 2022-23 to FY 2025-26)	**79.12**	**25.67**	**93.76**	**12.27**	**210.81**

4.1.3 CDCTM submitted the following justifications/ requirements for major capital schemes proposed during the Third Control Period:

(i) **Capital Works proposed under Infrastructure Improvements**

a) **Replacement of Rooftop Sheets** – Celebi Cargo Terminal is spread over 80,000 sqm and is more than 35 years old. Roof top sheets across the terminal are quite old & corroded, resulting in frequent water leakage throughout the terminal. This hampers routine operation and results in damage of cargo, therefore, complete rooftop sheets replacement along with valley gutters/ drainages, and concrete work (wherever applicable) is planned at a cost of ₹ 23.50 crores during FY 2022-23 & FY 2023-24.

b) **Construction of new Cargo Warehouse Building including shifting of facilities** – Airport Operator (DIAL) is building its own new Cargo Village Complex in front of Celebi's Cargo Terminal. CDCTM has some facilities like chiller plant, pump room, public amenities, staff canteen located in designated area, where new cargo village is proposed. Consequently, the above facilities are required to be relocated. In view of the above, ISP is constructing a new Cargo Warehouse Building, wherein above referred facilities/ utilities will be relocated. Above CAPEX scheme is proposed at an estimated cost of around ₹ 50 crores with tentative completion in FY 2022-23.

c) **Automated Storage and Retrieval System (ASRS)** – As a further step towards modernization, Automated Storage and Retrieval System (ASRS) has been planned which will help in real time inventory control, prevention of accidents due to manual handling of cargo and increase in capacity of terminal by further adding approx. 7000 rack locations. The fully automated storage and retrieval facility will be developed at an estimated cost of ₹ 80 crores in FY 2024-25.

(ii) **Plant & Machinery**

a) **Dual X-Ray Machines** –ISP submitted that in compliance of security requirements of BCAS, all screening at airport needs to be done via Dual View X-Ray machines. Therefore, systematic replacement of existing X-Ray machines is planned in a phased manner, resultantly CAPEX of around ₹ 13.11 crores is proposed for this scheme during the Third Control Period.

b) **Other Equipment** – The ISP vide email dated 26.09.2022 stated that 12 ETDs, 1 ETV and forklifts/ stackers, which have completed their useful lives, need to be replaced during the current Control Period. ISP further stated that in addition to above, traction batteries are also required to be procured for smooth running of forklifts, reach trucks, stacker etc.

The total CAPEX planned under Plant & Machinery amounts to ₹ 24.59 crores.

(iii) **Computer & Peripherals** – CDCTM in its submission stated that 390 desktops and 54 laptops are completing their useful lives; hence, are required to be replaced during the current Control Period (CAPEX ₹ 4.72 crores).

(iv) **Miscellaneous** –CAPEX on other misc. items including furniture and fittings, intangible assets (SAP software) etc. is also proposed for smooth and efficient Operations at Cargo Terminal (CAPEX ₹ 14.89 crores).

4.2 Authority's examination on Additions to RAB at Consultation Stage:

4.2.1 The Authority noted that out of total CAPEX projected for the Third Control Period, the ISP has allocated a sum of ₹ 8.23 crores for FY 2021-22. The Authority sought confirmation of actual CAPEX incurred for FY 2021-22, the ISP vide email dated 26.09.2022 submitted the copies of invoices relating to the total CAPEX of ₹ 8.23 crores incurred in FY 2021-22.

4.2.2 The Authority noted that CDCTM has proposed a major portion of CAPEX on schemes under infrastructure improvements, which include construction of new cargo warehouse building and shifting of facilities which currently located at an area where Airport Operator has proposed its new Cargo Village Complex, Replacement of Rooftop of Cargo Terminal & ASRS.

Apart from CAPEX under Infrastructure Improvements, other major allocation of CAPEX proposed by ISP is related to procurement of Equipment/ Plant & Machinery. The Authority's observations in respect of CAPEX proposed under these schemes are as under:

a) The Authority noted that existing Cargo Terminal is quite old structure, which was originally built by AAI prior to handing over of the IGI Airport to DIAL under PPP. As per the ISP, rooftop of Cargo Terminal is corroded due to which the water leaks at many places and this hampers the day-to-day work at Cargo Terminal, particularly during rainy season. ISP has already started work on this scheme.

   The Authority sought justification for estimated cost proposed for replacement of Rooftop of Cargo Building. Wherein, CDCTM vide email dated 17.10.2022 submitted a copy of purchase order amounting to ₹ 22.60 crores (including taxes) along with a copy of agreement with M/s V North Construction relating to replacement of rooftop (refer **Annexure III of CP**). Further, ISP vide email dated 26.09.2022 submitted the quotation of M/s Savin Delta Products Pvt. Ltd. relating to cost of rooftop epoxy in respect of existing Cargo Terminal along with copy of Board resolution passed in the CDCTM Board Meeting held on 30.09.2022 approving the CAPEX pertaining to replacement of rooftop of Terminal.

b) The Authority noted from the submission of ISP that the various facilities such as chiller plant, pump room, public amenities and staff canteen etc. are situated at the area which is required to be vacated for construction of Cargo Village. As the stated facilities are essential for smooth operations; therefore, the Authority felt that CAPEX proposed on shifting of facilities is necessary to avoid disruption in smooth functioning of Cargo Terminal.

   The Authority sought further details of CAPEX proposed for construction of new Cargo Warehouse Building; wherein various facilities/ utilities (which are currently located at the area earmarked by Airport Operator for new cargo village complex) are proposed to be relocated. The ISP in its response vide email dated 01.11.2022 informed that new Cargo Warehouse has been proposed, as their various facilities like chiller plant, pump room, staff canteen, etc. are located at a place where Airport Operator has proposed its own new cargo village complex.

   ISP informed that proposed Cargo Warehouse Building will consist of Basement floor, Ground floor, 1st floor, Mezzanine floor and Terrace. The new building will also house ASRS facility. Floor wise details of proposed facilities are as under:

   Basement Floor:

   - 2 raw water Tanks, 2 treated water tanks, 2 fire tanks total (950 KL)
   - Fire Pump Room
   - Water treatment plant
   - RO Plant
   - Maintenance room
   - Chiller plant room
   - LT Panel room

   Ground Floor:

   - IT Server Room
   - ASRS Control Room
   - Staff canteen
   - Kitchen

In phase-I Basement, Ground floor with roof will be constructed and Mezzanine/ First floor will be constructed during ASRS project.

ISP has also submitted breakup of estimated cost relating to construction of new Cargo Warehouse and shifting of various facilities as per **Annexure III of CP**.

c) The Authority noted that CDCTM proposed a CAPEX of ₹ 80 crores for ASRS, which as per ISP will result in number of benefits like increase in storage capacity by approx. 7000 racks, improved operating efficiency, saving in time and cost, prevention of accidents while handling cargo manually and also put in place real time inventory controls at Cargo Terminal. The Authority felt that ASRS will increase overall efficiency of Cargo handling & reduce dwell time for Cargo Handling. With the implementation of ASRS resulting in improvement in operating efficiency, CDCTM will be able to offer better services to their clients at competitive rates, which will enable the ISP to face increased competition & retaining its market share.

The Authority sought details of estimated cost relating to ASRS facility. The ISP in its response vide email dated 26.09.2022 submitted working for estimated cost in respect of ASRS along with quotation of M/s ALS Logistics Solutions totaling to ₹ 84.39 crores (refer **Annexure III of CP**).

d) ISP in its submission stated that Dual view X-Ray machines at Cargo Terminal are being installed in compliance of BCAS' AVSEC Circular no. 11/2017 dated 04.08.2017. As the proposed CAPEX is towards compliance of Security Requirements of BCAS, the Authority proposed to consider CAPEX (₹ 13.11 crores) on Dual view X-Ray Machines, as proposed by the ISP.

In addition to CAPEX on X-Ray machines, ISP proposed to replace the existing equipment/ assets, which have completed their normal lifespan, such as 12 nos. ETDs, 1 ETV and Forklifts/ Stackers. The authority felt that replacement of equipment and machines that have completed their normal lifespans is required, to avoid disruption of normal operations. Further, as the equipment age, it requires more repairs & maintenance, hence in order to maintain smooth and efficient operations and to avoid higher R&M cost on old equipment, such equipment/ machines need to be replaced. Apart from the above, the Authority proposed to consider procurement of traction batteries for smooth running of forklifts, reach trucks, stacker, etc., as proposed by the ISP.

e) The Authority further observed that CDCTM had proposed CAPEX on other miscellaneous items, such as furniture fittings, Computers & Peripherals, Software etc. The Authority noted that Computers/ Laptops & Peripherals are proposed by ISP as a replacement of old assets, which have completed their normal lifespans. In this regard, ISP stated that proposed CAPEX on miscellaneous items is also necessary for smooth functioning of day-to-day office work & cargo handling operations.

4.2.3 On the basis of examination of proposed CAPEX and considering the clarifications & justifications submitted by CDCTM, as detailed above, the Authority proposed to consider Additions to RAB, as proposed by CDCTM for the 3rd Control Period as per Table 4.

4.3 **CDCTM submission on Depreciation for the Third Control Period:**

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

Table 6: Depreciation proposed by CDCTM for the Third Control Period

(₹ in crores)

Depreciation	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Infrastructure Improvements	9.10	12.31	16.74	21.22	25.79	85.17
Office Equipment	0.29	0.34	0.39	0.49	0.54	2.04
Computers & Peripherals	0.98	0.50	1.30	1.44	1.50	5.73
Furniture & Fittings	0.16	0.19	0.23	0.26	0.30	1.14
Plant & Machinery	5.52	6.13	7.18	8.45	9.65	36.93
Intangible assets	1.04	1.20	0.04	0.08	0.43	2.79
Total	**17.08**	**20.67**	**25.88**	**31.95**	**38.21**	**133.78**

4.4 **Authority's examination on Depreciation at Consultation stage:**

4.4.1 The Authority noted that CDCTM in its MYTP submission had claimed ₹ 133.78 crores as depreciation, considering useful life of all components of RAB as per Order no. 35/2017-18 (except Infrastructure improvement, where the useful life has been considered as 13 years, as the concession period is ending on 2034). CDCTM, in respect of infrastructure improvements (during the leasehold period), had proposed to depreciate them by the end of the concession period, irrespective of the date of asset commissioning.

4.4.2 The Authority noted that the useful life of assets adopted by CDCTM for computing depreciation on the Opening RAB and the Additions to RAB during the Third Control Period is as per the AERA Order no. 35/2017-18 dated 12.01.2018.

4.4.3 The Authority proposed to consider the Depreciation as proposed by CDCTM as stated in Table 6.

4.5 **CDCTM submissions on Regulatory Asset Base (RAB):**

Based on the financial data submitted by CDCTM, the computation of Opening, Closing and Average RAB for the 3rd Control Period is given in the Table below:

Table 7: RAB for the Third Control Period submitted by CDCTM

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	332.75	323.77	403.71	403.50	465.31	
+ Additions	8.23	100.61*	25.67	93.76	12.26	240.53
(-) Disposals	0.13	-	-	-	-	0.13
(-) Depreciation	17.08	20.67	25.88	31.95	38.21	133.78
Closing RAB	**323.77**	**403.71**	**403.50**	**465.31**	**439.37**	
Average RAB	**328.26**	**363.74**	**403.61**	**434.41**	**452.34**	

**Includes SD amounting to Rs. 19 crores paid to Airport Operator & Capitalization of WIP of second control period amounting to Rs. 2.49 crores.*

4.6 Authority's examination on Average RAB and Security Deposit (SD) at Consultation Stage:

A. Average RAB:

4.6.1 The Authority noted that the CDCTM in its MYTP submission for the Third Control Period had included the amount of Security Deposit (SD) submitted by it to Airport Operator in Opening RAB. As per the ISP they had paid SD amounting to ₹ 186.36 crores to Airport Operator up to FY 2021-22. Further as per MYTP submission, additional SD amounting to ₹ 19 crores had also been paid to Airport Operator in FY 2022-23 and same had also been included in Additions to RAB (in FY 2022-23). Total amount of Security Deposit paid to the Airport Operator for the Third Control Period (as per ISP) is ₹ 205.36 crores (₹ 186.36 crores + ₹ 19 crores).

4.6.2 The Authority, proposed to consider the opening RAB, additions to RAB (after exclusion of SD) and Average RAB for the Third Control Period as per the Table given below:

Table 8: Average RAB as 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
Opening RAB	146.38	137.41	198.35	198.14	259.95	
+ Capital Additions	8.23	81.61*	25.67	93.76	12.26	221.53#
(-) Disposals	0.13	-	-	-	-	0.13
(-) Depreciation	17.08	20.67	25.88	31.95	38.21	133.78
Closing RAB	137.41	198.35	198.14	259.95	234.01	
Average RAB	**141.90**	**167.88**	**198.25**	**229.05**	**246.98**	

**Include capitalization of WIP (relating to Second Control Period) amounting to ₹ 2.49 crores in FY 2022-23.*

 # Total addition during Third Control Period i.e. ₹ 221.53 crores (₹ 219.04 crores + ₹ 2.49 crores).

B. Security Deposit

4.6.3 The Authority noted that as per Concession Agreement, ISP is required to pay interest free Security Deposit to the Airport Operator and SD is required to be reset, from time to time, depending upon level of Gross Revenue. As per ISP's submission, at the end of every financial year, the amount of SD shall be reset to ₹ 120 crores + 25% of the Gross Revenue, when the Gross Revenue exceeds ₹ 240 crores.

4.6.4 The Authority sought confirmation regarding SD paid (as on date) to the Airport Operator. In response thereto, the ISP vide email dated 11.10.2022 furnished copies of two emails from Airport Operator to the ISP wherein DIAL has confirmed as under:

a) SD amounting to ₹ 186.36 crores held by DIAL for ISP as on 31.12.2021.

b) SD amounting to ₹ 205.36 crores held by DIAL for ISP as on 30.06.2022.

4.6.5 The Authority noted that the ISP has considered SD as part of RAB. The SD as per the Authority can't be construed as part of RAB because it doesn't represent any Asset which can be used for business operations; therefore, SD needs to be segregated from the RAB. However, the Authority noted that though the ISP considered SD as part of RAB but had computed Return on SD @ 5%.

4.6.6 In view of the above, the Authority proposed to exclude SD from RAB and consider 5% Return on SD as proposed by the ISP as per Table 9. The Authority noted that the rate of Return on SD proposed by the ISP is consistent with the AERA's approach regarding Rate of Return on Security Deposit for ISPs.

4.6.7 The projected Security Deposit and Return on SD for the Third Control Period proposed by the Authority for CDCTM as given below:

Table 9: Return on Security Deposit 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
Security Deposit	186.36	205.36	205.36	205.36	205.36	
Return on SD @ 5%	9.32	10.27	10.27	10.27	10.27	**50.39**

Stakeholders' Comments:

4.7 **Domestic Air Cargo Agents Association (DACAAI)'s Comments on Regulatory Asset Base:**

DACAAI has submitted its comments on Consultation Paper No. 12/ 2022-23 w.r.t. Regulatory Asset Base as follows:

*"As far as Regulated Asset Base is concerned, DACAAI places on record that all the investments made by Celebi since inception have been depreciated in the 12 years. Therefore, AERA may please review as to why ROI or enhancement of charges can be justified on depreciated assets. In fact, no new capital investments have been made in the extremely small constrained space in which CUT operates (Chairman AERA may like to visit the Common User Terminal (CUT) at Celebi to see first-hand the conditions in which it operates to make a realistic assessment before considering the MYTP along with DACAAI). While the quantum of flights and cargo handled has gone up over 3 times, Celebi handled it in the same space; but revenues accrued to Celebi from enhanced quantum handled. In normal understanding if the volumes grow, the charges must go down, but it always went up in each control period with no improvements in service levels. In view of the stated position, consideration of the projected investments under *'new domestic terminal extension' *for increased tariff is not justified. Further summarizing as under:*

1. *DACAAI members' experience of operating at Celebi Domestic Air Cargo Terminal for the past over 10-12 years, the space at CUT is grossly inadequate to handle the current quantum of cargo, leave alone future projections. It is not commensurate with the increased volumes. Therefore, AERA is urged to review the enhancement in terminal handling charges during the previous control periods and do not justify considering present MYTP.*
2. *The CUT has no scope for expansion, there is no justification for any enhancement of charges in 3rd control period.*
3. *DACAAI had requested Celebi more information/details like number of flights & Tonnages at the beginning of CUT in 1st year, number of flights currently being handled in 2022, area allotted for truck dock, processing and storage of cargo, equipment added etc. for further comparison.*
4. *The space constraints have adversely affected service quality; and it resulted in increased processing time; iii) severe congestion; iv) mishandling of cargo and v) diversion of cargo to surface or away from Delhi. Due to the perennial constraints, major portion of domestic cargo has shifted to surface.*
5. *All the initial investments in domestic CUT and equipment have been depreciated fully and Celebi has earned huge revenues by handling more than 3 times the volumes in this period. Therefore, how AERA is giving return on the depreciated assets especially when there have been no additions to assets on*

ground. Therefore, DACAAI requests AERA to review the basis of the charges vis a vis the quality of asset, additions etc. de novo in order to keep the domestic air cargo product viable.

6. *In Stakeholders meeting, Celebi had stated that it made a total investment of INR 500 Crores out of which 200 crores is the Security Deposit for the concession. DACAAI has asked Celebi to provide specific details as to the amount spent exclusively in domestic CUT (giving specific facilities created, equipment added along with amount spent).*

7. *In their presentation it mentioned that Celebi has developed a total area of 80,000 sq.mtr. at Cargo Terminal asked Celebi to provide specific details out of this, how much area pertains to Domestic Air Cargo Terminal; how much area is allocated to non-sterile area, the truck docks for processing of cargo (outbound-departure / inbound-arrival). Most importantly AERA may please note that most of the investment is done for improving the international air cargo which is passed on to domestic CUT charges. We urge upon AERA to only allocate the investments made since beginning in domestic Air Cargo CUT for considering domestic terminal charges.*

8. *DACAAI had further requested Celebi to inform if they made any investments in Domestic Air Cargo Terminal for any of the reasons mentioned below:*
    - *Increasing the space in sterile area and non-sterile dock area, year wise additions;*
    - *Increasing the speed of processing;*
    - *Easing the congestion outside and inside terminal;*
    - *Increasing the throughput;*
    - *Reducing the cut-off and delivery time (which has increased multiple times)*

9. *When the airlines were self-handling departure cargo, trucks used to arrive at facility D-3 hours. Today it is D-6 hours, sometimes it stretches up to D-9 hours. Similarly, when airlines were self-handling arrival cargo was delivered in A+1 hour. Today it is A+3 hours and sometimes stretches to A+4-5 hours. Due to this increased transit time lot of cargo has been shifted from air to other modes of transport including shift to other airlines operating from another terminal. It may be mentioned, there is no SLAs or its monitoring mechanism. Therefore, inefficiencies are in operation, thereby the air cargo product is losing its premium tag and shippers using surface, that has improved by leaps and bounds.*

10. *In fact, there is no competition between the CTOs. These are the two monopolies there is no choice for a shipper to choose the terminal as specific airlines are handled by the two CTOs at Delhi and one cannot shift from either that airline or that terminal. Therefore, there is no competition, which is an essential factor to be reviewed by AERA before considering the proposals. AERA is urged upon to review this aspect.*

11. *DACAAI is of the view that the domestic air cargo operations are to be smooth, proper space needs to be provided; quality service levels need to be monitored constantly (which are totally not there at present leading to inefficiencies and wastage); and terminal handling charges are to be growth oriented, reasonable and transparent; the domestic cargo tonnage by air could be doubled or tripled providing win win situation for terminal operators, airlines and the shippers.*

4.8 **Air Cargo Agents Association of India (ACAAI)'s Comments on CAPEX:**

"CDCTM has projected a total Capital Expenditure (CAPEX) of Rs 219.04 crores for development of Cargo Infrastructure, procurement of Cargo Equipment including Automated Storage and Retrieval System (ASRS) during the Third Control Period (FY 2021 - 22 to FY 2025 - 26).

It may be noted that while submitting the MYTP for tariff year 4 and tariff year 5 (2019-20 to 2020 - 21) and second control period (01-04-2016 to 31-03-2021), CDCTM, justified the increase in tariff with projection of planned investment of ₹ 115 Cr in the control period (2017 - 2021) excluding any increase in security deposit which also included Automated Storage and Retrieval System (ASRS) at the cost of ₹ 34 crores.

Since the said consultation paper (12/2022 - 23) has not updated on the progress of the development projects/ included in the planned investment of ₹ 115 crores we would like more clarity on the proposal for capex.

For the capex cost CDCTM has envisioned for shifting of utilities due to construction of DIAL Cargo village, that activity has no commercial implications for the trade and the same is being undertaken to increase non aeronautical revenue for the airport. It. is requested that such cost should be borne between the airport and the CTO and the same should not be added as cost to users as we are already a country aiming to reduce transaction costs of logistics."

4.9 **Federation of Freight Forwarders' Association in India (FFFAI)'s Comments on CAPEX:**

"While submitting the MYTP for tariff year 4 (2019-20 to 2020-21), tariff year 5 (01-04-2016 to 31-03- 2021) and second control period, CDCTM justified the increase in charges with projection of planned investment of INR 115 Cr in the control period (2017-2021) excluding any increase in security deposit. This also included:

- *Automated Storage and Retrieval System (ASRS) at the cost of Rs 34 Crores*
- *New Domestic Terminal at the cost of Rs 18 Crores*
- *Additional X-ray Machines & ETD at the cost of Rs 25 Crores*
- *CARGOCEL & SAP at the cost of Rs 6 Crores*
- *LED & Sky shade at the cost of Rs 2 Crores etc.*

Since the said consultation paper does not include any update on the progress of development projects on the planned investment of INR 115 Cr based on which the per year increase in the tariff was permitted by AERA, this CAPEX justification for tariff hike may not be considered by AERA."

4.10 **VAFA Fresh Vegetables and Fruits Exporters Association (VAFA)'s Comments on CAPEX:**

"Update on the projects/infrastructure creation/upgradation: AERA approved the Annual Tariff Proposal for Tariff Year 4 and 5 (FY 2019-20 and FY 2020¬21) of the Second Control Period (01.04.2016-31.03.2021) of M/s Celebi Delhi Cargo Terminal Management India Private Limited for providing Cargo Handling services at Cargo Terminal, IGI Airport, New Delhi considering the information that Celebi has planned investment of Rs 115 crores in the current control period and more for other projects.

However, the said consultation paper fails to provide an update on the status of these planned investments."

4.11 **M/s SpiceJet's Comments regarding deferment of Capital Expenditure**

M/s SpiceJet submitted the following comments relating to Capital Expenditure:

"Stoppage of non-safety/ security related capital expenditure: As mentioned above, it may take up to three years for the operations to reach to its pre COVID-19 peak levels. In this situation, and as CDCTMIPL has itself has projected that they would not be able to reach the volume levels of pre-Covid levels by the end of the 3rd Control Period (2025-26), it is unlikely that additional capex

equipment would be required in addition to the existing inventory, unless as a replacement for damaged/worn-out equipment. In order to support the airlines to continue and sustain its operations, all non-essential CAPEX proposed by BWFSIPL should be put on hold/deferred to the Fourth Control Period, unless deemed critical from a safety or security compliance perspective.

Without prejudice to the above, in case CDCTMIPL 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.

It is humbly submitted that the proposed hike in tariff due to CAPEX planned in 3rd Control Period may be a bit premature as it would be possible to gauge only in the last year of 3rd Control Period (2025-26) whether significant work has progressed in development of infrastructure, procurement of latest equipment and repairs / renovation, as proposed in the CP. Thus, as the actual requirement and its actual impact would only be evident in the last year of 3rd control period (2025-26), Authority is humbly requested that the proposed hikes in tariff be deferred to the 4th Control Period based on ground realities at that time."

4.12 **BAR (I) N.R. comments regarding CAPEX:**

4.12.1 BAR (I) N.R. submitted that *"We don't see any infrastructure improvement at the terminal even after last AERA approved increase in tariff."*

4.13 **CDCTM's counter comments in response to comments of DACAAI**

4.13.1 ISP submitted the following counter submission in response to comments of DACAAI:

"It is regretted that factually incorrect assertions are being made by subject respondent. Facts as it pertains to this point are as under:

- CELEBI commenced the handling of domestic cargo from within a suitably modified area within the International Cargo Terminal only in FY 2015.

- The domestic terminal being referred to in the trade body's representation was a green field terminal which was constructed and operationalized on the DIAL assigned location/ plot only in July 2017.

- As such the contention that the trade has been operating from the same terminal since the last 10 – 12 years is factually incorrect.

- As is apparent from the foregoing CELEBI has 2 exclusive terminals to handle over 2,00,000 MT of domestic cargo per annum. It may be noted that for period Apr - Nov 2022 only 55,051 MT of cargo has been handled and FY 23 is expected to handle around 83000 MT., as such clearly establishing the fact that there is adequate capacity available to not only handle the current volumes but to also handle efficiently a substantial increase in the cargo volumes.

4.13.2 *As mentioned above not only does the current CELEBI domestic terminals have sufficient capacity to handle the current and projected growth/ volumes but is also in discussion with the airport operator (DIAL) for allocation of additional space at a future date to address business expansion requirement based on rising demand. As such the representation being made is incorrect!*

4.13.3 *Celebi has recently refurbished and recommissioned its old domestic terminal spanning over 39,000 Sq. Ft. for handling of domestic cargo and this terminal in its full functioning, was shown to DACAAI's delegation during their visit of Nov 30, 2022. The total area available for domestic cargo operations handling thus is over 67,000 Sq. Ft. Notwithstanding above, we also have a continued investment plan* *pertaining to additional space & infrastructure to meet future demand requirements.*

The desired details with respect to the infrastructure and important fixtures are as contained in the succeeding Paras:

a. Truck Docks: 17
b. X-Ray Machines: 9
c. HHMDs: 4
d. CCTV Cameras: 91
e. Weighing Scales: 6

Celebi Domestic handled details are as follows:

DOMESTIC CARGO TONNAGES (in MT) for FYs							
Terminal	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23E**
Old Dom	46,250	58,677	50,280	198	-	-	900
New Dom	-	66,249	78,812	1,00,304	59,589	66,536	81,792
Total	46,250	1,24,926	1,29,092	1,00,502	59,589	66,536	82,692

Handling Capacity: It may be noted that our domestic CUTs are currently underutilized. Both terminals together can handle over 2,00,000 MT p.a. however, as mentioned above currently the domestic cargo load being tendered at Celebi terminal is much lower.

It is thus to confirm that there is enough capacity at Domestic CUT to handle additional cargo.

As for the number the number of flights it may be noted that the number of flights fluctuates as per airline schedules. Currently we are, on an average handling 185 flight departures and arrivals each per day which averaged around 210 pre pandemic.

4.13.4 *As has been mentioned above CELEBI cargo terminals have adequate space and have consistently been delivering quality service (surpassing even the stringent SLA performance criterions) to our airline customers. Celebi's score in terms of fulfilment of Airline's SLAs on inbound & outbound cargo has been over 99% consistently. Our Airlines continuously and in a stringent manner map Celebi's performance against their contracted SLAs.*

As for the perceived congestion concerns suffice to say that one of the main reasons for the reported congestion on the cityside of the terminal is on account of the freight forwarders (FF) undertaking activities such as documentation, labelling and marking etc. of cargo at the truck docks (thus adversely impacting the truck turnaround time and congestion), activities which otherwise need to be undertaken by the FFs at their respective warehouses.

It is also regretted that DACAAI has insinuated CELEBI for the perceived cargo shift from air to surface mode without any credible evidence and/ or data.

4.13.5 *Celebi commenced domestic cargo handling operations in FY 2015 from its old domestic terminal and in 2017, Celebi further invested/constructed a new domestic terminal which substantially added to the handling capacity. In addition to the new terminal, Celebi also invested, at its both terminals, in necessary installation including material handling equipment, security systems, etc. which are required for efficient handling of cargo in a safe, secure, and efficient manner. The life of assets are considered till end of concession period. The statement that tonnage has increased 3 times is factually incorrect as stated in above points.*

4.13.6 *Celebi has been making Investments from time to time for handling domestic cargo.*

Dedicated Infrastructure: Celebi has two dedicated terminals to handle domestic cargo. Among other items, Celebi has provided and maintained following infrastructure on cityside of its domestic terminals:

a. Truck Docks: 17
b. X-Ray Machines: 9
c. HHMDs: 4
d. CCTV Cameras: 91
e. Weighing Scales: 6

Terminal Area: Celebi has recently refurbished and recommissioned its old domestic terminal spanning over 39,000 Sq. Ft. for handling of domestic cargo and this terminal in its full functioning, was shown to DACAAI's delegation during their visit of Nov 30, 2022. The total area available for domestic cargo operations handling thus is over 67,000 Sq. Ft. We also have a continued investment intent pertaining to additional space & infrastructure to meet future demand requirements.

Handling Capacity: It may be noted that our domestic CUTs are currently underutilized. Both terminals together can handle over 2,00,000 MT p.a. however, as mentioned above currently the domestic cargo load at Celebi terminal is much lower.

4.13.7 *DACAAI assertions as mentioned are ill informed and incorrect. The correct position with respect to handling of Outbound and Inbound domestic cargo at our terminals is as under:*

Cargo Acceptance: It is to reconfirm that the domestic cargo gets accepted at the terminal on D-3 hours basis only, which is in line with the existing service level agreement (SLA) with customer airlines. Airlines continuously and in a stringent manner map Celebi's performance against their SLAs. Celebi's score in terms of fulfilment of airline's SLAs on outbound cargo has been over 99% consistently.

Cargo Delivery: The Delivery of cargo to the terminal is dependent on airlines' delivery of cargo at the cargo terminal. Thereafter, unloading of the trucks and preparation of the segregation report is done by Celebi for customer airlines as per defined SLAs. The delivery of the inbound cargo to the agents on the city side is undertaken on receipt of the delivery order by the airlines (through the agents), an activity which gets completed by Celebi within 20-30 mins of receipt of the delivery order. Celebi's performance score in terms of fulfilment of airline's SLAs on Inbound cargo is over 99% consistently.

4.13.8 *Also, Celebi maintained and managed domestic terminals during Covid period and always kept domestic cargo handling readiness at its highest standards in all terms including human resources, safety gears for personals, cargo handling equipment etc. for recommissioning of cargo operations.*

Our charges in light of our cost structure and demand projections are open & transparent and we believe our tariff requested is justified to ensure safe, secure, efficient services while continuing to sustain investments."

4.14 **CDCTM's counter comments in response to comments of ACAAI**

ISP in response to the comments of ACAAI on CAPEX submitted the following counter comments: "*Celebi would like to draw your attention towards major improvement that happened across Celebi's terminal both in terms of infrastructure and state of art equipment over 2nd control period. Celebi have built an entirely new domestic terminal, procured Dual View X-ray machines, Forklifts, ETD, Cargo CEL implementation as further step towards digitalization, LED lighting across terminal and 3.72 KW solar power installation to reduce utility spend etc. These are some initiatives to mention in the referred* *period. Further, in the 2nd control period, out of Capex projection of INR 81 crores excluding ASRS (INR 115 crores less INR 34 Crores ASRS) Celebi had incurred capex of INR 70 crores that too being mindful of JET Airways (our large important customer) shutdown impact in FY 20 and Covid-19 pandemic impact in FY 21. Few capex got slightly deferred on account of Covid and were incurred in FY 22, which if considered will add up to INR 78 crores of CAPEX. Jet Airways shutdown impacted us greatly and Covid-19 in general has impacted aviation sector badly. Like all other entities globally, aviation projects were deferred in lieu to survive the pandemic uncertainty. Therefore, ASRS project is now considered in 3rd Control period with advanced features/technology.*

Related to shifting of utilities due to Cargo village, it may kindly be noted that this was a prerequisite as per concession terms between Celebi and DIAL. At Celebi's request, DIAL allowed Celebi to operate few utilities which were not in the area allocated to Celebi with the precondition that as and when required by DIAL, Celebi will move in the utilities within its premises. Hence the cost (Capex) which was supposed to be incurred much earlier at the time of takeover was deferred till now and the benefit of not incurring the capex automatically got passed on."

4.15 **CDCTM's counter comments in response to comments of FFFAI**

"Celebi would like to draw your attention towards major improvement that happened across Celebi's terminal both in terms of infrastructure and state of art equipment over 2nd control period. Celebi have built an entirely new domestic terminal, procured Dual View X-ray machines, Forklifts, ETD, CargoCEL implementation as further step towards digitalization, LED lighting across terminal and 3.72 KW solar power installation to reduce utility spend etc. These are some initiatives to mention in the referred period. Further, in the 2nd control period, out of Capex projection of INR 81 crores excluding ASRS (INR 115 crores less INR 34 Crores ASRS) Celebi had incurred capex of INR 70 crores that too being mindful of JET Airways (our large important customer) shutdown impact in FY 20 and Covid-19 pandemic impact in FY 21. Few capex got slightly deferred on account of Covid and were incurred in FY 22, which if considered will add up to INR 78 crores of Capex. Jet Airways shutdown impacted us greatly and Covid-19 in general has impacted aviation sector badly. Like all other entities globally, aviation projects were deferred in lieu to survive the pandemic uncertainty. Therefore, ASRS project is now considered in 3rd Control period with advanced features/technology."

4.16 **CDCTM's counter comments in response to comments of VAFA:**

"Celebi would like to draw your attention towards major improvement that happened across Celebi's terminal both in terms of infrastructure and state of art equipment over 2nd control period. Celebi have built an entirely new domestic terminal, procured Dual View X-ray machines, Forklifts, ETD, CargoCEL implementation as further step towards digitalization, LED lighting across terminal and 3.72 KW solar power installation to reduce utility spend etc. These are some initiatives to mention in the referred period. Further, in the 2nd control period, out of Capex projection of INR 81 crores excluding ASRS (INR 115 crores less INR 34 Crores ASRS) Celebi had incurred capex of INR 70 crores that too being mindful of JET Airways (our large important customer) shutdown impact in FY 20 and Covid-19 pandemic impact in FY 21. Few capex got slightly deferred on account of Covid and were incurred in FY 22, which if considered will add up to INR 78 crores of Capex. Jet airways shutdown impacted us greatly and Covid-19 in general has impacted aviation sector badly. Like all other entities globally, aviation projects were deferred in lieu to survive the pandemic uncertainty. Therefore, ASRS project is now considered in 3rd Control period with advanced features/technology".

4.17 **CDCTM's counter comments in response to comments of M/s SpiceJet**

The ISP in its counter comments on the views/comments of M/s SpiceJet submitted that

"Our capital investment is based on our business requirement and our customer expectations of continuous upgrading in latest and operations required equipment's to meet the future demands. Capital expenditure includes spending towards building/infrastructure, material handling equipment, security equipment, information technology (automation, digitization) among other requirements. Additional technical assets are for replacement of old machineries, to adhere to statutory regulations (Dual View Ray being made mandatory) and few other equipment for process improvement. Besides some infrastructural improvements which have been deferred on account of Covid is now considered as essential. Tariff working is based known by the authorities and we find no reason for the airline challenging the same or suggesting for any modification. Continuous capital expenditure is a commitment and obligation under concession agreement to the airport operator."

4.18 **CDCTM's counter comments in response to comments of BAR (I) N.R.:**

"Celebi would like to draw your attention towards major improvement that happened across Celebi's terminal both in terms of infrastructure and state of art equipment over 2nd control period. Celebi have built an entirely new domestic terminal, procured Dual View X-ray machines, Forklifts, ETD, CargoCEL implementation as further step towards digitalization, LED lighting across terminal and 3.72 KW solar power installation to reduce utility spend etc. These are some initiatives to mention in the referred period. Further, in the 2nd control period, out of Capex projection of INR 81 crores excluding ASRS (INR 115 crores less INR 34 Crores ASRS) Celebi had incurred capex of INR 70 crores that too being mindful of JET Airways (our large important customer) shutdown impact in FY 20 and Covid-19 pandemic impact in FY 21. Few capex got slightly deferred on account of Covid and were incurred in FY 22, which if considered will add up to INR 78 crores of Capex. Jet airways shutdown impacted us greatly and Covid-19 in general has impacted aviation sector badly. Like all other entities globally, aviation projects were deferred in lieu to survive the pandemic uncertainty. Therefore, ASRS project is now considered in 3rd Control period with advanced features/ technology.

4.19 **Authority's Analysis on the stakeholders' comments on CAPEX**

4.19.1 The Authority notes the comments of DACAAI relating to inadequate space at domestic Common User Terminal (CUT) to handle current & future cargo demand, service quality levels, delay in clearance of inbound & outbound cargo, lack of investments in domestic cargo terminal etc. and detailed counter comments of the CDCTM on the various issues raised by the stakeholder.

The Authority observes that CDCTM in its submission has disagreed with the views of the stakeholder regarding inadequate space/ space constraint at domestic cargo terminal & lack of investment in domestic cargo terminals. The Authority notes that as per ISP their domestic cargo terminals have sufficient capacity, which is more than adequate to handle current domestic cargo load as well as projected cargo volumes for the Third Control Period. The Authority takes note of CDCTM submission, wherein ISP submitted that in FY 2017-18, they had refurbished and recommissioned their old domestic terminal spanning over 39,000 Sq. Ft. and refurbished / upgraded domestic cargo terminal was shown to DACAAI's delegation during their visit to ISP's terminal on Nov 30, 2022.

The Authority further notes that ISP has given the requisite information relating to existing Cargo handling infrastructure, including city-side facilities/ equipment, along with details of actual domestic cargo handled by the CDCTM during second control period, as sought by the stakeholder. Further, the

ISP in its counter submission also submitted the details relating to actual Cargo Tonnage & number of flights handled in the past & current domestic cargo being handled etc.

As regard to delay in processing of domestic outbound & inbound cargo and service quality issues, the Authority notes that ISP in its submission has highlighted that they are maintaining stringent service levels as per Service Level Agreements (SLAs) with the customer airlines. As per the ISP, they are consistently scoring above 99% on the fulfillments of required service levels and domestic cargo is being accepted at the terminal on D-3 hours basis only, which is in line with the existing service level agreements with airlines. Similarly, delivery of cargo to the agents on cityside is dependent upon the receipt of delivery orders from the airlines and delivery act is completed within 20-30 minutes of receipt of delivery order.

In respect of DACAAI comments that ISP is getting return on its fully depreciated Assets, the Authority hereby clarifies that as per AERA's regulatory guidelines, return on RAB is allowed on Net Value of Assets after depreciation; hence there is no question of ISP getting return on its fully depreciated assets. It is pertinent to note that RAB is dynamic in nature, old assets get depleted and new Assets are added, from time to time, as a replacement & additions to meet current and future traffic.

The Authority also notes that CDCTM held discussion with representatives of DACAAI on various issues relating to Cargo Handling, during the visit of DACAAI's delegation to ISP's Cargo Terminal on 30th Nov., 2022. In this regard, ISP has submitted a copy of record note of discussion between ISP & DACAAI and same is placed at Annexure -I. Notwithstanding above, the Authority advises the ISP to hold periodic discussions with the concerned stakeholders to address their outstanding issues and to bring in time management & efficiency in services.

4.19.2 The Authority notes the comments of ACAAI, FFFAI, BAR (I) N.R. & VAFA seeking details of CAPEX incurred by the ISP during last two tariff years of the Second Control Period and the counter comments of CDCTM thereon. The Authority observes that ISP in its counter comments has given the requisite details of CAPEX done by the CDCTM during the Second Control Period relating to Cargo Handling infrastructure and allied equipment, including procurement of Dual View X-Ray machines, Forklifts, ETD, CargoCEL, LED lighting etc. As per submission of the ISP that against projected CAPEX of 81 crores (excluding ASRS) projected for Second Control Period, the ISP had incurred CAPEX of Rs. 78 crores. Further, ISP submitted that ASRS project is being considered during Third Control Period.

As regard to the comments of ACAAI relating to additional CAPEX on shifting of utilities due to construction of New Cargo Village Complex by the Airport Operator, the Authority notes from the submission of the ISP that as per the Concession agreement between ISP & DIAL (Airport Operator), the referred shifting of utilities was prerequisite as per Concession agreement and accordingly, ISP is vacating the subject area on the directions of Airport Operator, consequently resulting in CAPEX on shifting of Utilities.

4.19.3 As regard to the comments of M/s SpiceJet on deferment of proposed CAPEX, the Authority notes that CDCTM, out of CAPEX proposed for the Third Control Period amounting to ₹ 219.04 crores, ISP has projected to incur ₹ 164.86 crores on infrastructure improvements and ₹ 43.95 crores for Plant & Machinery. The Authority feels that it would be unreasonable to expect quality services from the Service Provider, if the required CAPEX on Cargo Handling Infrastructure, Equipment & allied facilities is not allowed.

4.19.4 The Authority notes that most of the Stakeholders in their comments have highlighted the lack of investments in basic cargo handling infrastructure and poor service quality level, particularly in respect of domestic cargo terminal. In this regard, the Authority notes that the ISP has already proposed a CAPEX of ₹ 219.04 crores on Infrastructure improvements, cargo handling equipment/ systems (including ASRS) and on security related equipment (Dual view X-ray machines etc.). Authority is of the view that Service Providers, considering the all the relevant aspects, including cargo volumes & service level agreements with the stakeholders, should continuously invest in Infrastructure and state of the art equipment so as to deliver as per the service level expectations of the customer airlines & end Users, including Cargo Agents.

The Authority feels that the projected CAPEX on improvement of Cargo Terminals and allied equipment & facilities will help in addressing the concerns of stakeholders regarding bringing in efficiency and service quality issues.

4.19.5 In view of the above analysis and considering the significance of CAPEX for providing better Cargo Handling Services and to improve overall efficiency and safety aspects of cargo handling, the Authority decides to maintain the same view on Capital Expenditure as taken at Consultation stage.

4.19.6 The Authority directs the ISP to call the meeting of the Stakeholders again and explain to them, in detail on the issues raised by them and allay their concerns.

4.20 Authority's decisions regarding Additions to RAB, Depreciation, Regulatory Asset Base (RAB) & Return on Security Deposit

Based on the material before it and based on its analysis, the Authority decides as under:

4.20.1 To consider Additions to RAB for the 3rd Control Period as per Table 8.

4.20.2 To consider the Depreciation for the 3rd Control Period as per Table 6.

4.20.3 To consider Average RAB for the 3rd Control Period as per Table 8.

4.20.4 To consider the Return on Security Deposit as per Table 9.

CHAPTER 5: OPERATION & MAINTENANCE EXPENDITURE

5.1 As provided in Clause 9.4 of the Guidelines mentioned in Direction No. 04/ 2010-11, the Operation 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.

5.2 Operation and Maintenance Expenditure submitted by CDCTM has been segregated into the following categories:

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

5.3 CDCTM submitted the following component-wise actual Operation & Maintenance (O&M) Costs incurred during the 2nd Control Period:

Table 10: Actual Operating & Maintenance Costs for the last three years submitted by CDCTM

(₹ in crores)

	Particulars	2019-20	2020-21	2021-22
A	Payroll Costs	58.18	50.69	53.67
B	Admin & General Expenses	74.71	72.13	75.62
C	Repairs & Maintenance Exp.	12.13	7.46	10.81
D	Utilities Exp.	66.91	63.26	70.24
E	Concession Fee	184.69	210.49	212.34
	Total (A+B+C+D+E)	**396.62**	**404.03**	**422.68**
	Y-o-Y % increase in Total OPEX	-	**2%**	**5%**

5.4 The Authority notes from the historical figures of 2nd Control Period given above that total OPEX in FY 2020-21 increased by just 2% over FY 2019-20 and 5% increase in FY 2021-22 over the preceding year.

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

Table 11: Operating & Maintenance Expenditure projected by CDCTM for the Third Control Period

	(₹ in Crores)					Total	Y-o-Y % Increase			
Particulars	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**		**2022-23**	**2023-24**	**2024-25**	**2025-26**
Payroll Cost (A)	53.67	60.61	67.30	73.50	79.28	334.35	12.93%	11.04%	9.21%	7.86%
Admin & General Expenses (B)	75.62	87.16	94.84	101.79	109.10	468.51	15.26%	8.83%	7.33%	7.18%
Repair & Maintenance Expenditure (C)	10.81	12.37	13.61	14.97	16.46	68.22	14.43%	10.00%	10.00%	10.00%
Utilities Expenses (D)	70.24	78.58	87.79	92.63	92.55	421.79	11.87%	11.73%	5.51%	-0.09%
Concession Fees (E)	212.34	203.00	193.39	175.17	145.55	929.46	-4.40%	-4.73%	-9.42%	-16.91%
Total Operation and Maintenance Expenditure (A+B+C+D+E)	**422.68**	**441.71**	**456.94**	**458.06**	**442.94**	**2222.33**	**4.50%**	**3.45%**	**0.25%**	**-3.30%**

5.6 Authority's Examination on O&M expenses for the Third Control Period at Consultation Stage:

5.6.1 The Authority examined the Operating Expenditure for the Third Control Period as submitted in Form F3 (P&L) and noted that the total OPEX for FY 2021-22 increased by 6.57% as compared to the total OPEX of FY 2019-20 (pre-Covid year). The Authority further noted that the overall OPEX projected in the Table 11 for FY 2022-23 to FY 2024-25 increases in the range of 0.25% to 4.50%. Whereas, the total OPEX for FY 2025-26 is projected to decrease by 3.30% over preceding year.

The Authority reviewed various components of OPEX, including growth rates considered by the ISP, for projecting OPEX for the Third Control Period. The Authority's analysis on various components of OPEX at Consultation Stage is as under:

5.6.2 **Payroll Cost** – The Authority noted that the payroll cost incurred in FY 2021-22 (₹ 53.67 crores) is lower by 8% as compared to actual payroll expenses incurred in FY 2019-20 (₹ 58.18 crores) and projected payroll expenses for FY 2022-23 are higher by 4% as compared to actual payroll cost of FY 2019-20. Thereafter, CDCTM has proposed Y-o-Y increase in Payroll costs ranging between 8% to 13% for the remaining tariff years of the Third Control Period.

The Authority noted from the submission of CDCTM that the Cargo Terminal Operations (CTO) work is a specialized job, which requires skilled and trained manpower. As per the ISP, in order to check employee attrition rate, annual increase in the salary component for on-roll employees and outsourced employees is required and the same are as per industry practice.

Further, the ISP vide email dated 04.11.2022 stated that majority of training and staff welfare expenses were deferred in 2021-22 due to pandemic situation. There are certain trainings which are mandatorily required by Airlines and cannot be deferred further. Similarly, all staff welfare activities were on hold during last year. As per company's norms, winter uniforms need to be distributed every alternate year; accordingly, expenses on uniform have been considered resulting in increased payroll expenses in FY 2022-23. Other than the above, increase in payroll expenses in FY 2022-23 are also due to small increase in number of manpower and on account of annual increments (around 10% p.a.).

The Authority noted that the ISP is required to comply with statutory compliances relating to periodic increase in minimum wages and other statutory components like EPF, ESI etc. Considering the above, including justifications submitted by the ISP, the Authority felt that the Y-o-Y increase in payroll expenses projected for the Third Control Period by the ISP seems reasonable.

5.6.3 **Administrative & General Expenses** – The Authority noted from Form F11(c) that licenses fee is a major cost head under this category. The Authority observed from the CDCTM's submission that it is required to pay Land License fee on approx. 80000 sqm. area received from the Airport Operator, with minimum escalation of 7.5% on Y-o-Y basis. However, the Authority noted that in FY 2022-23, license fee is projected to increase by 11% over the FY 2021-22 as against normal escalation of 7.5%. A clarification thereof was sought from the ISP. CDCTM, vide email dated 15.09.2022 informed that the Domestic Cargo Terminal at IGIA, Delhi was built by the Airport Operator in FY 2016-17 and subsequently leased to the ISP for a period of 5 years. The aforesaid lease agreement was renewed at higher rate in FY 2021-22, hence, a variance of 11% is appearing in FY 2022-23 over FY 2021-22.

The Authority further noted that CDCTM projected an increase of 7% to 9% Y-o-Y basis from FY 2023-24 onward. For FY 2022-23, ISP projected an increase of 15.26% over FY 2021-22. The Authority sought clarification from CDCTM regarding projected increase in Administrative and General Expense in FY 2022-23. The ISP in its response stated that municipal corporation has proposed increase in base value of property tax by 120% approx. over prevailing base value rates, which is likely to result in significant increase in property tax. ISP further stated that expenses on other component of Administrative Charges like consultancy fees, legal fees & IT infrastructure, Travel expenses etc. are expected to increase from FY 2022-23 onward, after significant recovery in business environment post Covid. During Covid period, expenses on these items were kept at bare minimum levels.

Considering the above and taking into account the impact of annual general inflation and annual escalation in license fee, the Authority considered projected Y-o-Y increase in Administrative and General Expenses for the Third Control Period as reasonable.

5.6.4 **Repair and Maintenance (R&M) Expenditure** –The Authority noted that CDCTM proposed an increase in repair and maintenance expenditure by 10% Y-o-Y from FY 2023-24 onwards over preceding year. The ISP vide email dated 15.09.2022 stated that the Cargo Terminal is more than 35 years old and requires significant repair and maintenance to keep it functional in efficient manner. The ISP further stated that there are 33 X-Ray machines, 127 forklifts/ stacker/ reach trucks, 3 ETV, 10 volumetric scanner, 13 dollies etc. which also require regular maintenance including overhauling and inventory of critical spares is maintained to deal with breakdowns. Further, the Authority noted that R&M expenses in FY 2022-23 projected to increase by 14% over FY 2021-22. Accordingly, the Authority sought clarification on % increase proposed for FY 2022-23. The ISP vide email dated 04.11.2022, conveyed that most of the repairs required in FY 2021-22 were deferred due to pandemic situation. As per the ISP, such repairs now planned to be taken up in current FY 2022-23, hence resulting in higher R&M cost in FY 2022-23.

5.6.5 The Authority, considering the age of the cargo building, which requires regular repair & maintenance, and taking into account the impact of general inflation on the labour component of repairs, spares, transportation costs, etc., felt that the projected increase in repair and maintenance expenses for the Third Control Period seemed reasonable.

5.6.6 **Utilities Expenses** – The Authority noted that CDCTM proposed an increase in utility expenses ranging between 6% to 12% from FY 2022-23 to FY 2024-25. Upon enquiry by the Authority regarding proposed increase in Utility Expenses, CDCTM stated that supply of electricity & water charges is based on industrial rates, and their rates are decided by DIAL. As per the ISP, Utility charges increases every year. Further, the new construction projects like construction of new warehouse building, including shifting of facility will also consume substantial water and electricity and same has been factored while projecting utility expenses in FY 2022-23/ FY 2023-24.

The Authority further observed from the Table 11 that the utility expenses during FY 2024-25 are projected to increase at lower rate (5.51%) as compared to preceding year. Whereas, for FY 2025-26 the ISP projected a marginal decrease of 1% in expenses as compared to FY 2024-25. The Authority noted that the utility expenses projected for FY 2024-25 and FY 2025-26 are in line with the anticipated projected drop in cargo handling by the ISP. In view of the foregoing, the Authority felt that Utility expenses projected for the Third Control Period by the ISP seemed reasonable.

5.6.7 **Concession Fees** – As per CDCTM submission, ISP is required to pay concession fee @ 36% of Gross Revenue to the Airport Operator (DIAL). In addition, ISP is also required to share 45% of its Revenue earned from screening of Cargo to DIAL. The Authority noted that Concession Fees payable to the Airport Operator is linked to the projected Revenue of the Cargo Service Provider. The Authority, after the review and analysis of various regulatory building blocks, recomputed the ARR and Projected Revenue for the Third Control Period in respect of CDCTM. 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 12: Concession Fees computed by the Authority for CDCTM 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
Revenue from Regulated Services	511.26	483.06	479.21	423.51	331.82	2228.86
Revenue from Non-Regulated Services	71.84	67.04	64.48	62.09	59.85	325.29
Revenue from AFS Volume	-	0.14	0.57	0.60	0.63	1.93
Total Revenue computed by the Authority (refer Table 23) (A)	**583.10**	**550.24**	**544.26**	**486.19**	**392.29**	**2556.07**
Concession Fee @36.48% of (A)	212.34*	200.73	198.55	177.36	143.11	932.08

**As per actual figures for FY 2021-22.*

5.6.8 Based on review and analysis of operating cost projected by the ISP in its MYTP, the Authority proposed to consider OPEX for CDCTM for the Third Control Period as per Table given below:

Table 13: OPEX proposed by the Authority in respect of CDCTM 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)	53.67	60.61	67.30	73.50	79.28	334.35
License Fees escalated by 7.5% (B)	39.96	44.31	47.63	51.20	55.04	238.14
Admin & General Expenses (C)	35.66	42.85	47.22	50.69	54.34	230.76
Repair & Maintenance Expenditure (D)	10.81	12.37	13.61	14.97	16.46	68.22
Utilities Expenses (E)	70.24	78.58	87.79	92.63	92.55	421.79
Concession Fee (F)*	212.34	200.73	198.55	177.36	143.11	932.08
Total OPEX (sum of A to F)	**422.68**	**439.44**	**462.10**	**460.36**	**440.79**	**2225.36**

**As per the ARR computed by the Authority*

Stakeholders' Comments

5.7 M/s SpiceJet's comments regarding Operating Expenditure

5.7.1 M/s SpiceJet in its comments relating to Operating Expenditure submitted that:

"Abolishment of Royalty Charges:

"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 most of any such increase would mostly be passed on to the airlines/stakeholders through the tariff determination mechanism process, and indirectly the airlines would 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 providers.

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.

Operational Expenditure – Drastic Cost Cutting:

It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. It may also be noted that cost incurred by CDCTMIPL 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 to kindly put on hold any increase in operational expenditure by CDCTMIPL not related to safety or security. Further, we submit that:

- *Payroll Costs: The Y-o-Y increase after 2023-24 may please not be more than approx. 6%, in line with recent proposals of AERA in other consultation papers, rather than the proposed Y-O-y increase between 7% to 12.93%.*
- *Administrative & General Expenses, Repair & Maintenance Expenditure, Utility Expenses: The Y-o-Y increase after 2023-24 may please not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers.*

In view of the above, CDCTMIPL may please be directed to pass on cost benefits to the airlines."

5.8 CDCTM response to comments of M/s SpiceJet on Operating Expenditure

5.8.1 CDCTM, in respect of M/s SpiceJet's comments on royalty charges responded that *"Not for us to comment, as not in our scope."*

CDCTM, in response to comments of M/s SpiceJet regarding cost cutting submitted that *"We are aware of operational expenses required to deliver safe, secured, quality services in line with customer, stakeholders' expectations while keeping in mind employee requirements in terms of fair pay and minimal facilities. We are also aware of the inflation effect in various area of the business and have taken a realistic estimation of the same for the years ahead."*

5.9 **Authority's analysis regarding OPEX for the Third Control Period:**

5.9.1 In respect of comments of M/s SpiceJet regarding abolishment of Royalty Charges, payable by the ISP to the Airport Operator, the Authority notes that the Concession Fee paid by the ISP to the Airport Operator is as per 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, based on which ISP pays Revenue Share to Airport Operator, is a non-regulatory issue and such matters may be dealt between the stakeholders at the appropriate forum.

5.9.2 As regard to comments of M/s SpiceJet regarding payroll costs that Y-o-Y increase in payroll expenses may not be more than 6% for the Third Control Period, in this regard, the Authority notes that actual Payroll Expenses incurred by the ISP for FY 2021-22 were 8% lower as compared to actual Payroll Expenditure for pre-Covid Year (FY 2019-20); from FY 2022-23 onward, ISP has projected an increase in payroll expenses ranging between 8% to 11%, except for FY 2022-23, where projected increase is around 13%.

The Authority notes from the submission of CDCTM that during pandemic period, payroll expenses were low and many welfares activities / trainings etc. were deferred. Now with the improvement in pandemic situation, expenses in post Covid period, including FY 2022-23, are expected to reach back to their normal levels. The ISP further submitted that Y-o-Y increase in payroll expenses have been projected after considering the factors like periodic increase in minimum wages notified by the Govt. Authorities from time to time, corresponding increase in other statutory components like EPF, ESI etc.

The Authority, also noted at consultation stage that as per the CDCTM, Cargo Handling is a specialized job and skilled & trained manpower is deployed at the Cargo Terminals. As per the ISP, post Covid, there is a shortage of required skill set. ISP further submitted that in order to address the issue of manpower attrition, the annual escalations in payroll expenses are projected and paid as per the industry practice.

5.9.3 As regard to comments of M/s SpiceJet that Y-o-Y increase in other components of OPEX may not be more than 5%, the Authority notes that the increase projected by ISP is ranging between 5% to 15% from FY 2022-23 onwards. The Authority from the submission of ISP notes that during the Covid Pandemic, many expenditures, such as repairs & maintenance, employee welfare activities including issuance of uniform to employees were deferred, which are now proposed to be taken up in the remaining period of the control period, is resulting in an increase in operating expenses. The Authority at consultation stage had examined in detail projected OPEX for the Third Control Period and wherever required, requisite clarifications/ justifications were obtained from the ISP (refer para 5.6).

5.9.4 The Authority, based on review of regulatory building blocks and taking into account Stakeholders comments and counter comments of ISP, has recomputed projected Revenues for the Third Control Period; accordingly, Concession Fee which is calculated on Gross Revenue, has also been recomputed as per the Table given below:

Table 14: Concession Fees computed by the Authority for CDCTM for the Third Control Period

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from Regulated Services	511.26	486.47	482.62	417.03	318.74	2216.11
Revenue from Non-Regulated Services	71.84	67.04	64.48	62.09	59.85	325.3
Revenue from AFS Volume	-	0.15	0.59	0.62	0.65	2.01
Total Revenue computed by the Authority (refer Table 30) (A)	583.1	553.66	547.69	479.74	379.24	2543.42
Concession Fee @36.48% of (A)	212.34	201.98	199.80	175.01	138.35	927.47

**As per actual figures for FY 2021-22.*

5.9.5 Consequently, total OPEX projected for the CDCTM for the Third Control period has also been revised as per Table given below:

Table 15: OPEX considered by the Authority in respect of CDCTM for the Third Control Period

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Cost (A)	53.67	60.61	67.3	73.5	79.28	334.36
License Fees escalated by 7.5% (B)	39.96	44.31	47.63	51.2	55.04	238.14
Admin & General Expenses (C)	35.66	42.85	47.22	50.69	54.34	230.76
Repair & Maintenance Expenditure (D)	10.81	12.37	13.61	14.97	16.46	68.22
Utilities Expenses (E)	70.24	78.58	87.79	92.63	92.55	421.79
Concession Fee (F) (refer Table 14)	212.34	201.98	199.80	175.01	138.35	927.47
Total OPEX (sum of A to F)	**422.68**	**440.70**	**463.35**	**458.00**	**436.02**	**2220.74**

5.9.6 In view of the re-computation of Concession Fee and projected OPEX for the Third Control Period as indicated above, the Authority decides to consider OPEX for CDCTM as per Table 15.

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

Based on the material before it and its analysis, the Authority decides to consider the OPEX for CDCTM in respect of the Third Control Period as per Table 15.

CHAPTER 6: AIR FREIGHT STATION (AFS)

6.1 **Introduction**

6.1.1 Ministry of Civil Aviation (MoCA), in order to strengthen Air Cargo Logistics Infrastructure in the Country, issued Policy guidelines on 'Air Freight Station' (AFS) in October, 2014 to create an off-airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

i. Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export

ii. Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.

iii. Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilized.

The Policy document also emphasized the following primary functions to be performed at Air Freight Station

a. Receipt of Export cargo for processing and to make the cargo "Ready for Carriage" condition, including Unit Load Device (ULD), building of export cargo and scanning of Cargo. While ULDs will be the ideal mode of handling cargo for and from AFS, export/import consignments both in palletized /ULD and bulk, loose form shall also be facilitated
b. Transit operations by Road to and from serving Airport
c. All Customs related requirements for import and exports including inspection of cargo wherever required
d. Unitization of Cargo
e. Temporary storage of Cargo and Unit Load Device (ULDs)
f. Re-building of ULDs of export cargo
g. De-Stuffing of Import Cargo
h. Storage, Examination, Packing and Delivery of Import Cargo
i. Auction/Disposal of 30 days old uncleared Import Cargo
j. Maintenance and Repair of ULDs.

6.1.2 The policy guidelines governing Air Freight Station would be common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters / Importers and all regulatory organizations. AFS Policy document issued by MoCA vide OM no. AV.13011/03/2013-ER dated 28th October, 2014 is placed at **Annexure-I of CP**.

6.1.3 Subsequent to notification of above policy by the Govt. of India, the above matter, including modalities for effective implementation/ rollout of AFS policy, had been deliberated with the stakeholders from time to time. In this regard, Special Secretary (Logistics), Ministry of Commerce took meeting of concerned stakeholders on 18.02.2020 for operationalization of AFS policy, wherein representatives of Delhi CTOs, Airport Operator, IGI Airport, Delhi & Delhi AFS Operator (CCPL) were also present. As per the minutes of meeting, inter-alia, SOP for handling of AFS Cargo was agreed with process

Airports Economic Regulatory Authority of India flow. Further, it was agreed that AERA determined rates (TSP rates) will be made applicable for AFS Cargo handling.

6.1.4 Thereafter, MoCA vide letter no. AV-13011/03/2013-ER dated 11th April, 2022 to the Authority conveyed that 'the matter regarding the determination of TSP charges to be charged from AFS by DIAL/CTOs be referred to AERA for appropriate order as per the provisions of the AERA Act, 2008.

6.2 AFS Cargo Volumes proposed by CDCTM for the 3rd Control Period

6.2.1 CDCTM vide email dated 13.10.2022 submitted projected AFS Cargo Volume of around 1200 MT (for last quarter only) for FY 2022-23 and for FY 2023-24, ISP has considered AFS Cargo at 4800 MT. Thereafter, ISP has considered an increase of 5 % Y-o-Y basis for the rest of the Control Period as given in the table below:

Table 16: AFS Cargo Tonnage proposed by CDCTM for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
AFS Cargo Tonnage (in MT)	-	1200	4800	5040	5292
Y-o-Y Change (%)	-	-	300%	5%	5%

6.2.2 CDCTM, as part of its MYTP/ATP submission, has proposed a separate Tariff Rate Card for International Cargo Services pertaining to Air Freight Station (AFS) at Indira Gandhi International Airport (IGIA), Delhi.

6.2.3 The Cargo Operator has proposed a discount of 10% for AFS Cargo in the applicable TSP Charges.

6.2.4 The ISP also proposed a separate AFS charges, in case they are required to run dedicated AFS Cargo Handling facility within Cargo Terminal. However, CDCTM has not proposed any separate CAPEX or OPEX w.r.t. dedicated AFS Cargo facility.

6.3 Authority's Examination on AFS Cargo for the 3rd Control Period at Consultation Stage

6.3.1 The Authority examined the CDCTM's proposal for handling Built-Up Pallets pertaining to AFS, and drawn inferences from the AFS Policy Guidelines issued by the Ministry of Civil Aviation, vide OM No. AV. 13011/13/2013-ER dated 28th October, 2014, having wider mandate to strengthen and develop the Air Cargo Logistic Infrastructure in the country.

6.3.2 Subsequent to MoCA's communication, vide its letter no. AV-13011/03/2013-ER dated 11th April, 2022, the Authority deliberated the subject matter in a series of meetings with stakeholders and regulatory bodies. These included Bureau of Civil Aviation Security (BCAS), Customs, Cargo Terminal Operators (CTOs), Airport Operator (DIAL), AFS Operator and Bureau of Airlines Representatives (BAR) to better understand the concept of AFS and get insight of globally accepted practices in respect of AFS.

The key inputs & feedback received by AERA in the aforesaid meetings, with various Air Cargo Industry Forums on the MoCA's AFS Policy, including the aspect of cargo handling charges to be levied to AFS Cargo are placed at **Annexure-II of CP.**

6.3.3 Further, in order to have better understanding and an insight of Air Cargo Handling procedure/ mechanism at Cargo Terminals & to assess the infrastructure available at the Delhi AFS, AERA team along with cargo expert from AAICLAS visited the facilities of AFS Operator (Continental Carriers) and both the CTOs at IGIA, Delhi, in June, 2022.

6.3.4 AERA team during their visit to the AFS Facility observed that pursuant to operationalization of AFS facility, some of cargo handling activities, which in normal course are performed by the CTOs at their Cargo Terminals, will get shifted to AFS (in respect of Cargo to be processed at AFS) like activities relating to:

(i) Acceptance of Cargo from shippers/agents

(ii) Weighing and measurement of Cargo

(iii) Palletization, Unit Load Device (ULD) built-up for export cargo

(iv) X-Ray scanning of Export Cargo & compliance of BCAS & Customs regulatory norms.

These processes/activities will be done at the AFS facility itself and thereafter, Export Cargo (in form of BUPs/ULDs), after security & Customs' clearance will be transported in secured bonded trucks to Airport (Cargo Terminals) for further processing and loading of cargo into the aircrafts.

6.3.5 The AERA team, after visiting the facilities of AFS Operator & Cargo Terminal Operators and onsite interactions with the Service Providers felt that after operationalization of AFS policy, there would be certain activities, which will be done at AFS facility itself like X-ray scanning of Cargo & palletization/ULD built-up etc. However, there will be bunch of other activities which will continued to be undertaken by the CTOs at their terminals for AFS Cargo.

A gist of activities/processes to be undertaken by the CTO in case of Export Cargo coming from AFS and applicability of charges thereon, is given below:

S. No.	Activity/ Process in Export Cargo Handling at CTO	GEN Cargo	AFS Cargo	Applicability of TSP charges on AFS
1	Acceptance of Cargo (In case of AFS Cargo, CTO will deal with Pallets/ULDs)	✓	✓	TSP Charges Levied
2	Screening of Cargo	✓	X	No charges to AFS
3	Warehousing of Cargo	✓	✓	Charges included in TSP
4	Palletization of Cargo	✓	X	No charges to AFS
5	Release of Cargo to Airlines' ground handling agencies	✓	✓	Charges included in TSP

6.3.6 The Authority is of the view that in respect of AFS Cargo, CTOs will mainly be dealing with BUPs / ULDs and handling of the same at city-side of Cargo Terminals will be comparatively less cumbersome & cost-effective as compared to dealing & processing general cargo coming in loose packets from different shippers/agents. The CTOs are expected to save on processing time and lower manpower deployment resulting in cost savings in AFS Cargo Handling as can be seen from the followings:

i. CTOs will be required to perform fewer activities for processing of AFS Cargo (coming in form of Pallets/ULDs with Security & Customs clearances) at their terminals as compared to handling General Cargo. At the same time, there would be some activities which will continue to be undertaken by CTO for processing of AFS export cargo, just as they are being done for general cargo, like activities relating to "Acceptance of Cargo" on city-side. However, the effort &

extent of such activities are likely to considerably lower. For instance, unloading and processing a BUP/ULD of 2MT may be done in one go, whereas in case of general cargo, unloading and processing of 2000 Kg. of loose cargo may take multiple cycles of the same process of activities, though the activities performed may appear exactly the same. There will be some saving of time while handling the AFS Cargo, starting from the unloading at the Truck dock area itself.

ii. Further, as the AFS Cargo will arrive in palletized form/ULDs with security clearance, therefore CTO will not be required to X-ray scan of export Cargo, which is otherwise required as per extant BCAS norms and is a time-consuming exercise. AFS Cargo is likely to be held at Cargo Terminal for shorter duration, as compared to general cargo, due to lesser processing involved, thereby CTO is expected to save time and reduce processing time/ transaction time on processing of AFS Cargo.

iii. As CTOs will mainly be dealing with Pallets/ ULDs in case of AFS Cargo, the Authority feels that CTOs will be required to deploy lower manpower for handling AFS Cargo as against general cargo coming in loose packets from various agents/ shippers. This is expected to result in cost savings on labour component for CTO.

Considering the above, the Authority felt that in case of AFS Cargo handling, CTOs are expected to undertake fewer activities or similar activities with lesser extent at their Terminals vis-à-vis handling of Cargo directly accepted from Customers/Shippers. Therefore, taking into account cost savings on account of lower manpower deployment and less time for processing of AFS Cargo, it may not be justified to levy full TSP charges to AFS Cargo, as certain activities pertaining to export cargo will be performed at AFS' facility itself thereby AFS Cargo deserves to be charged lower as compared to normal cargo (other than AFS Cargo).

6.3.7 At the same time, the Authority did not agree with the views of AFS Operator that no/ less activities are to be performed by CTOs for processing AFS Cargo. The Authority noted that even in the case of AFS Cargo, there are certain activities, like acceptance of Built-up-Pallet/ ULDs at Cargo Terminal (city-side), unloading of Pallets/ULDs from trucks at truck dock area, moving cargo to storage racks/ security hold area, transporting of cargo from built-up station/ SHA to Cargo release bay, shifting ULDs from release bay to Ground Handler's dollies, digital messages to customer's airlines etc., which are still required to be performed at Cargo Terminal. Therefore, the Authority feels that CTOs are entitled to levy TSP charges to AFS Operators, but not to the extent normally charged to cargo directly received from shippers/agents.

6.3.8 The Authority noted from Table-17 that ISP had considered negligible share of AFS Cargo in the overall International Cargo Volumes projected for the Third Control Period as can be seen from the table below:

Table 17: AFS Cargo Tonnage as a percentage (%) of total International Cargo Volume in respect of CDCTM for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
International Cargo Tonnage (in MT) (Refer Table 3)	2,97,661	2,99,123	2,98,738	2,64,488	2,07,153
AFS Cargo Tonnage (in MT)	-	1200	4800	5040	5292
AFS Cargo as a %age of International Cargo	-	0.40	1.61	1.91	2.55

6.3.9 The Authority observed that the projected AFS volume forms just 1% to 3% of total International Cargo Volume projected for FY 2022-23 to FY 2025-26. The Authority felt that the AFS is still a new concept in the Indian aviation sector and it will take a while for its acceptance in International Air Cargo Logistics chain. In view of the above, the volumes projected by the ISP for AFS Cargo appeared reasonable.

6.3.10 The Authority observed that ISP has considered increase in market competition from various quarters resulting in lower Cargo Volumes projections during the Third Control Period. The Authority felt that considering the increase in competition, the ISP should tap additional Cargo Volumes expected to come from AFS Operators, so as to maintain its market share.

6.3.11 The Authority noted that CDCTM in its Tariff Rate Card had mentioned two different rates for AFS Cargo Handling. ISP, in its first proposal for AFS Cargo, proposed lower charges with 10% discount in applicable TSP Charges (as against full TSP charges for General Cargo).

The ISP in its alternate proposal had proposed higher TSP charges (39% in FY 2022-23) for AFS Cargo, considering provision of separate dedicated AFS Cargo handling facility. However, the ISP did not submit any separate CAPEX/ OPEX for the dedicated AFS Cargo handling facility under its second scenario.

6.3.12 The Authority noted that handling 'Pallets from AFS' requires less activities on the part of CTO and same can be handled with slight modifications/additions in current infrastructure (viz. slave dollies/scissor lifts etc.). Therefore, CDCTM proposing higher TSP charges for AFS Cargo, on account of dedicated AFS Cargo handling facility, is not justified/ feasible at this juncture, due to very low volume expected from AFS Cargo during the Third Control Period. Therefore, the Authority proposed not to consider dedicated facility for AFS Cargo during the Third Control Period.

Considering the above, and noting that ISP had not submitted any calculations/ justifications for proposing higher TSP charges applicable to AFS cargo, the Authority proposed not to consider higher TSP charges (under dedicated AFS Cargo Handling facility) during the Third Control Period.

However, the Authority may revisit the issue relating to dedicated facility for AFS Cargo during the next Control Period, or even earlier, based on Annual Compliance Statement (ACS) to be submitted by the ISP, if AFS cargo volumes picks up & there is sizeable demand for AFS Cargo, justifying requirement for dedicated facility.

6.4 <u>Authority's examination regarding TSP Charges on AFS Cargo at CP Stage</u>

6.4.1 The Authority noted that in case of AFS Cargo handling, Cargo Terminal Operators were expected to perform fewer activities/ similar activities with lesser extent (refer para 6.3.6 & 6.3.7) thereby saving on time and cost of manpower deployment.

6.4.2 The Authority was conscious of MoCA's policy initiative on AFS, which has larger national intent to strengthen and develop air cargo logistics in the country and same is expected to reduce the bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters. AERA supported the progressive step taken by the Govt. and felt that AFS Cargo needed to be incentivized by way of lower charges vis-à-vis rates applicable to normal cargo (other than AFS Cargo).

6.4.3 Considering the above and taking note of inputs received through extensive deliberations on the issue, the Authority proposed 30% lower TSP charges for BUPs/ ULDs pertaining to AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to other than AFS Cargo.

6.4.4 The Authority invited specific views/ comments of the Stakeholders on the proposals of the Authority regarding lower TSP charges proposed for AFS Cargo, particularly considering that AFS was a relatively new concept in Indian Civil Aviation. The Authority proposed to consider the views/ suggestions from the Stakeholders during the consultation process while issuing Tariff Order.

6.4.5 The impact of lower TSP charges for AFS Cargo as proposed by the Authority, on ARR computations for Third Control Period, were discussed in subsequent chapters of Consultation Paper relating to ARR & Revenue.

Stakeholders Comments

6.5 ACAAI comments on AFS

6.5.1 *"AERA vide Consultation Paper No 12/2022 - 23 dated 14-11-2022 has proposed 30% lower TSP charges for BUPs/ ULDs pertaining to AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to other than AFS Cargo for the third control period (w.e.f. 01-01-2023 to 31-03-2025).*

The above proposal of AERA, proposing 30% lower TSP charges has been perused by ACAAI and we are of the opinion that the same needs to be reviewed by AERA since, while proposing 30% lower TSP charges, AERA has not considered all the activities that will be carried out by AFS for handling/processing of the international export cargo and has proposed a lumpsum reduction in the TSP charges to be levied by AFS.

Based on the visit of AERA team along with cargo expert from AAICLAS and both the CTOs at IGIA, Delhi to the facilities of AFS Operator (Continental Carriers) in June, 2022, it is informed that 85% of the export. Air Cargo activities will be carried out at AFS premises.

6.5.2 *It is recommended 85% reduction in the TSP charges for AFS cargo instead of 30% reduction as recommended by AERA vide their above - mentioned Consultation paper.*

Since most of the ULDs built at AFS will be in consolidation form, the levy of commodity wise charges is not feasible for AFS cargo. AERA may be suggested to levy 'single rate' policy per kg/ULD for AFS cargo for all type of cargo to avoid duplication of charges and avoid any confusion to the shippers. Globally, the single rate cargo handling policy is prevalent, irrespective of the type /nature of cargo.

Since shippers are unwilling to pay TSP charges, twice, One each to AFS and CTO, shippers may be given the option to pay TSP charges to AFS operator only who are physically handling the cargo and CTO may be permitted to handle loaded ULDs only as forwarded by AFS for the Airlines to be loaded in their respective Aircrafts."

6.6 FFFAI's comment regarding AFS

6.6.1 *"MoCA issued policy guidelines governing Air Freight Station vide OM no. AV.13011/03/2013-ER dated 28th October, 2014 as AFS policy document, according to which, Airport Operators and Air Cargo Terminal operators shall accept palletized ULDs for bulk cargo in case of exports from an approved AFS facility and facilitate its transfer to the Airside. They shall not insist on levying of full TSP charges on consignments/cargo meant for/received from AFS (particularly in respect of ready for carriage conditions export cargo) for its transfer from land to air-side and vice versa since no value addition is contemplated at the Airport terminal. AERA while approving the TSP charges shall give a break up of transit, storage and processing charges.*

6.6.2 *AERA has proposed 30% lower TSP charges for BUPs/ULD pertaining to AFS Cargo including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to other than AFS Cargo for the third control period (w.e.f. -01-2023 to 31- 03-2025). The above proposal of AERA, has been perused by FFFAI and we are of the opinion that the same needs to be reviewed since AERA has not considered all the activities that will be carried out by AFS for handling/processing of the international export cargo and has proposed a lump sum reduction in the TSP charges to be levied by AFS. Also, since shippers are unwilling to pay TSP charges twice, one each to AFS and CTO, shippers may be given the option to pay TSP charges to AFS operator only who are physically handling the cargo and CTO may be permitted to handle loaded ULDs as General Cargo only and not as Perishable and/or Pharma separately forwarded by AFS for the Airlines to be further loaded in their respective Aircrafts.*

6.6.3 *<u>FFFAI's comment regarding single rate for all type of services/ activities</u>: Since most of the ULDs built at AFS will be in consolidation form, the levy of commodity wise charge not feasible for AFS cargo. In order to have complete transparency of the levy of charges on handling of both international and domestic by the CTO and avoid duplication in levy of the charges, FFFAI is of the opinion that CTO may be advised to have a single "rate per kg/ULD" policy for handling of all type of AFS cargo for the levy on shippers/consignee(s), which will include all activities/services required to be performed/provided for handling of both International (Export/Import) and Domestic (Inbound/Outbound) cargo at their Cargo Terminal, irrespective of nature/type of cargo. This policy will avoid duplication of charges and any confusion to the shippers It will also avoid levy of ambiguous charges viz., Misc. charges/activities, Quick ramp transfer, customs facilitation fee, express delivery etc. Even globally, the single rate cargo handling policy is prevalent, irrespective of the type /nature of cargo."*

6.7 **<u>Board of Airlines (India) N.R. comments regarding AFS</u>**

6.7.1 *"We should promote AFS stations to minimize the cost. We would suggest a 75% decrease in the handling charges for buildup units or fix up per unit cost. The buildup will further decrease the dwell time. This will also increase our visibility to international market for ease of doing business."*

6.8 **<u>Continental Carriers Pvt. Ltd. (CCPL)'s Comments on various aspects of AFS Cargo</u>**

6.8.1 The Continental Carriers Pvt. Ltd. (AFS Operator) submitted the following comments:

"The policy guidelines governing Air Freight Station, common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters / Importers and all regulatory organizations was issued by MoCA vide OM no. AV.13011/03/2013-ER dated 28th October, 2014 as AFS policy document, according to which,

Airport operators and Air cargo Terminal operators shall accept palletized ULDs for bulk cargo in case of exports from an approved AFS facility and facilitate its transfer to the Airside. They shall not insist on levying of full TSP charges on consignments/cargo meant for /received from AFS (particularly in respect of ready for carriage conditions export cargo) for its transfer from land to air-side and vice versa since no value addition is contemplated at the Airport terminal. AERA while approving the TSP charges shall give a break up of transit, Storage and processing charges.

MoCA vide letter no. AV-13011/03/2013-ER dated 11th April, 2022 to the AERA conveyed that the matter regarding the determination of TSP charges to be charged from AFS by DIAL/CTOs be referred to AERA for appropriate order as per the provisions of the AERA Act, 2008.

6.8.2 *AFS TSP charges recommended to be levied as per the said consultation paper is based on nature of the cargo being handled. Charges are different for valuable, Hazardous, Valuable and Perishable cargo. (Reference Tariff for Export cargo at Page 96 of the consultation paper).*

In this regard following is submitted:

- *AFS operator will deliver the loaded ULDs, 06-12 hours before the STA of the flight as per the respective Airlines SOP, after due security check fulfilment process.*
- *Since most of the ULDs built at AFS will be in consolidation form, the levy of commodity wise charges is not feasible for AFS cargo. AERA may be suggested to levy 'single rate' policy per kg/ULD for AFS cargo for all type of cargo to avoid duplication of charges and avoid any confusion to the shippers. Globally, the single rate cargo handling policy is prevalent, irrespective of the type /nature of cargo.*

6.8.3 *Since shippers are unwilling to pay TSP charges, twice, one each to AFS and CTO, Further, in order to have better understanding and an insight of Air Cargo Handling procedure/ mechanism at Cargo Terminals & to assess the infrastructure available at the Delhi AFS, AERA team along with cargo expert from AAICLAS visited the facilities of AFS Operator (Continental Carriers) and both the CTOs at IGIA, Delhi, in June, 2022.*

6.8.4 *The AERA team, after visiting the facilities of AFS Operator & Cargo Terminal Operators and onsite interactions with the Service Providers felt that after operationalization of AFS policy, there would be maximum activities, which will be done at AFS facility itself like offloading of the export cargo from the trucks, customs examination/clearance, X-ray scanning of Cargo & palletization/ULD built-up etc. However, there will be very few of other activities which will continued to be undertaken by the CTOs at their terminals for AFS Cargo.*

6.8.5 *Considering the above and taking note of inputs received through extensive deliberations on the issue, the AERA unilaterally proposing 30% lower TSP charges for BUPs/ ULDs pertaining to AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to other than AFS Cargo.*

6.8.6 *The above proposal of AERA, proposing 30% lower TSP charges has been perused by us and we are of the opinion that the same is not acceptable and needs to be reviewed by AERA for the following reasons:*

- *As per para-D (IV) of the AFS Policy document, AERA, while approving the TSP charges shall give the breakup of Transit, Storage and processing charges, which, in the said consultation paper has not been provided.*
- *With the commissioning of the AFS there will be division of the processes for handling of both export and Import cargo at both AFS and Air Cargo Terminals. M/s CCPL will be handling only export cargo initially.*
- *While proposing 30% lower TSP charges, AERA has not considered all the activities that will be carried out by AFS for handling/processing of the international export cargo and has proposed a lump sum reduction in the TSP charges to be levied by AFS.*
- *The detailed activities which will be carried out at AFS, earlier being carried out by Air Cargo Terminal for both export is as follows:*

Sr No	EXPORT PROCESS	Presently done by		Later through AFS	
		Agency	Terminal Operator	AFS Operator	Terminal Operator
1	Payment of Customs Cost recovery charges	Terminal Operator	✓	✓	X
2	Carting order to Agent	Airlines	✓	✓	X
3	TSP Charges receipt	Terminal Operator	✓	✓	X
4	Gate checking of goods/docs	Terminal Operator	✓	✓	X
5	Docs receipt of goods	Terminal Operator	✓	✓	X
	a) Goods to be off loaded from trucks	Terminal Operator	✓	✓	X
	b) Weight check of Goods	Terminal Operator	✓	✓	X
	c) Truck Dock (TD) Entry	Terminal Operator	✓	✓	X
6	Cargo X ray /screening	Terminal Operator	✓	✓	X
7	Packages brought for examination after locating from lot as per Customs requirement	Terminal Operator	✓	✓	X
8	Opening and repacking of boxes	Terminal Operator	✓	✓	X
9	Repairing and proper stacking of boxes after customs examination	Terminal Operator	✓	✓	
10	Warehouse location given to agents on AWBs and other docs	Terminal Operator	✓	✓	X
11	Docs handed over to Airlines	Terminal Operator	✓	✓	X
12	ULD (BUP) off loading and location	Terminal Operator	X	✓	✓

- *As these activities will be carried out at AFS and 85% of the above-mentioned activities will be carried out at AFS premises, hence it is recommended 85% reduction in the TSP charges for AFS cargo instead of 30% reduction as recommended by AERA vide their above-mentioned Consultation paper.*

6.8.7 *Further it may also be noted that:*

- *Customs cost recovery charges are very high, which is required to be paid by the AFS operator for the customs deployment at the AFS premise, the operational costs are considerable high with manpower deployment on 24X7 basis for acceptance of 30-40 MT of export cargo daily.*
- *AFS operator invest considerable amount for the infrastructure creation and deployment of manpower for handling 30-40 MT of cargo per day.*
- *Most of the activities are being carried out at AFS and Air Cargo Operator has very minuscule role of only transferring of the goods to/from Airlines.*

- *The operationalization of AFS requires fulfilment of BCAS regulations for which sufficient nos of X ray scanning machines, ETDs and other security equipment are required to be positioned along with trained BCAS approved security personnel. This entails considerable capital to be invested.*
- *AFS operators are required to be RA/RA3 compliant for which BCAS approved security screeners are required to be positioned at the AFS and RA/RA3 validations are required to be carried out at regular intervals through the BCAS security validators.*
- *Acquiring RA/RA3 credentials for the AFS, in itself involves huge investment.*

6.8.8 Recommendations/ suggestions by M/s Continental Carriers Pvt. Ltd.:

- *CTO may be advised to accept 'single rate' TSP charges for cargo handling activities irrespective of type/nature of cargo, since the single BUP may contain mixed cargo.*
- *CTO may charge Rs 1250/- per pallet (up to 1500 kgs) and 50% of the General cargo (irrespective of nature of cargo) TSP charges for pallets more than 1500 kgs [(Total weight of the pallet — 1500 kgs) X 50% of General Cargo TSP rate].*
- *These charges, as recommended above will not bring a loss to CTO w.r.t handling of AFS cargo.*
- *The export cargo volume handled by CTO will be increased since AFS will be tapping the market outside Delhi for exporting the cargo from IGIA through AFS, which, presently is being diverted to other Airports.*

6.9 **CDCTM's response to comments of ACAAI, FFFAI and CCPL:** CDCTM has submitted its detailed response on various issues raised by the Stakeholders which are as under:

6.9.1 **CDCTM's response on the comments of ACAAI**:

"The processes for handling of cargo at terminal in general is same for all types of cargo, with variations for special cargo. Physical handling requirements on the city side (irrespective of the cargo type) remains the same viz offloading of cargo from trucks, the respective ULD acceptance checks and thereafter the transfer of the accepted ULD/ consignments to the airside etc. after necessary processing within the warehouse and also in the Warehouse Handling IT system.

With regard to AFS, there will be investment required for regular handling of ULD i.e. palletized export cargo coming from AFS in terms of both CAPEX and OPEX. The CAPEX investments will be for assets such as Battery-Operated Tractors, Pallet Dolly, Scissor lifts, weighing scale, HHT & Castor/Ball Decks etc, details of which is already submitted to AERA vide our letter no. CELEBI/DEL/CFO/2019/06/105 dated 7th June 2019.

There will also be direct OPEX requirements such as expenses to address additional manpower requirement, deployment and servicing of equipment, infrastructure repair & maintenance requirements, IT, admin and utility expenses.

Commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who's transporting the cargo. Not only such handling requirements are different but even the infrastructure & facility required is defined, case in point is with regard to Perishable handling, which has a dedicated temperature-controlled terminal/storage units with its set of requirements including industry certifications liked GDP, CEIV etc.

Mix loading of general cargo and special cargo as a standard practice isn't permitted due to different handling requirements, they have to be processed separately as mentioned above and charged accordingly. This is an industry practice.

Notwithstanding aforesaid, Celebi shall handle the build ULD as per instructions received from the AFS operator that is to say if the ULD is to be handled from the general cargo warehouse or would it need special handling and as such must be handled at our dedicated temperature-controlled facility for handling of perishables and temperature sensitive consignments. Therefore, we would request Authority to restrict the reduction to 10% instead of proposed 30%.

We are not aware of AFS operator's TSP charge to shipper and cost structure of AFS operator.
Our TSP charge is to AFS operator that for the handling as defined above.
Please note there will also be considerable opex requirements such as expenses to address additional manpower requirement, deployment and servicing of equipment. Infrastructure repair & maintenance requirements, IT, admin and utility expenses.

There will be investment for handling of palletized export cargo coming from AFS in terms of both Capex and opex. The capex investments will be for assets such as Battery-Operated Tractors, Pallet Dolly, Scissor lifts, Weighing scale, HHT & Castor/Ball Decks etc."

6.9.2 **CDCTM's response on the comments of FFFAI**:

"Product wise handling requirement is defined by general industry practice and specifically by respective Airline who's transporting the cargo. Not only such handling requirements are different but even the infrastructure & facility required is defined, case in point is with regard to Perishable handling, which has a dedicated temperature controlled terminal/storage units with its set of requirements including industry certifications like GDP, CEIV etc.

Mix loading of general cargo and special cargo as a standard practice isn't permitted due to different handling requirements, they have to be processed separately as mentioned above and charged accordingly. This is industry practice!

At the outset, we would like to state that handling of ULDs from AFS involves no less effort for the terminal operator.

The tariff chart is similar since inception and our utmost endeavor is to be transparent and to provide complete clarity on charges. Delay on part of the CTO is something abnormal in nature and will be dealt on a case to case basis depending on the merit of each case."

6.9.3 **CDCTM's response on the comments of CCPL**:

AFS policy was created with a view to reach out to hinterland region of the country besides decongesting the congested air cargo terminals in some gateway internal airport that face high dwell times. As a general situation, at Celebi Delhi Cargo there are no real congestion issues.

The scope of activities and resources required to handle cargo from AFS is no different to that of general cargo otherwise received loose.

In this regard following is the scope of activity required for AFS units and comparison to the loose cargo handling.

Particulars			AFS Cargo			Loose cargo vs AFS
S No	Activity	Charges	Charged by		Paid by	Process Diff
			AFS	CTO		
1	Dedicated Truck Dock at Cargo Terminal for AFS Cargo	TSP		✔	AFS Operator	Same effort. Truck slots can be booked in advance
2	Weight Volume check as per the instructions of Airline	TSP		✔	AFS Operator	Activity will not be performed; however, pallet condition checks are to be undertaken to meet Airline requirement.
3	Acceptance of AFS Cargo at the Cargo Terminal	TSP		✔	AFS Operator	ULD acceptance check will need to be performed as such it entails the same effort
4	Unloading of BUP from the Truck at the Acceptance Truck Dock	TSP		✔	AFS Operator	Greater care and expertise to handle the built ULDs is required vis a vis handling of lose consignments/ boxes.
5	Transfer BUP from Truck dock to Sterile Area at the Terminal	TSP		✔	AFS Operator	Greater care and expertise to handle the built ULDs is required vis a vis handling of lose consignments/ boxes.
6	Storage in Sterile Pallet Handling System	TSP		✔	AFS Operator	Same effort
7	Data interface & exchange	TSP		✔	AFS Operator	Same effort
8	Documentation	TSP		✔	AFS Operator	Same effort
9	Special Equipment	TSP		✔	AFS Operator	Extra for AFS Cargo Slave dolly, Scissor lift, weighing scale etc.

Note: It is clarified that Screening & build-up charges are not part of TSP and have never been.

Notwithstanding above, we have in our tariff submission already offered a discount.

Our AFS handling tariff policy is simple, consistent and in tune with warehouse handling system and one which avoids complicated tariff structure.

We are not aware of AFS operator's TSP charge to shipper and cost structure of AFS operator. Our TSP charge is to AFS operator that for the handling as defined above.

Please note there will be direct opex requirements such as expenses to address additional manpower requirement, deployment and servicing of equipment. Infrastructure repair & maintenance requirements, IT, admin and utility expenses.

There will be investment for handling of palletized export cargo coming from AFS in terms of both Capex and opex. The capex investments will be for assets such as Battery-Operated Tractors, Pallet Dolly, Scissor lifts, Weighing scale, HHT & Castor/Ball Decks etc.

Commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who's transporting the cargo. Not only such handling requirements are different but even the infrastructure & facility required is defined, case in point is with regard to Perishable handling, which has a dedicated temperature controlled terminal/storage units with its set of requirements including industry certifications like GDP, CEIV etc.

Mix loading of general cargo and special cargo as a standard practice isn't permitted due to different handling requirements, they have to be processed separately as mentioned above and charged accordingly. This is industry practice.

Notwithstanding aforesaid, Celebi shall handle the build ULD as per instructions received from the AFS operator that is to say if the ULD is to be handled from the general cargo warehouse or would need special handling and as such must be handled at our dedicated temperature-controlled facility for handling of perishables and temperature sensitive consignments.

For the reason we have outlined above in terms of resource, handling requirements, our proposed discount we believe is fair and put up for favorable consideration.

6.9.4 **CDCTM's response on the comments of BAR**:

Our AFS handling tariff policy is simple, consistent and in tune with warehouse handling system and one which avoids complicated tariff structure.

We are not aware of AFS operator's TSP charge to shipper and cost structure of AFS operator.

Our TSP charge is to AFS operator that for the handling as defined above.

Please note there will be direct opex requirements such as expenses to address additional manpower requirement, deployment and servicing of equipment. Infrastructure repair & maintenance requirements, IT, admin and utility expenses.

There will be investment for handling of palletized export cargo coming from AFS in terms of both Capex and opex. The capex investments will be for assets such as Battery-Operated Tractors, Pallet Dolly, Scissor lifts, Weighing scale, HHT & Castor/Ball Decks etc.

Commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who's transporting the cargo. Not only such handling requirements are different but even the infrastructure & facility required is defined, case in point is with regard to Perishable handling, which has a dedicated temperature controlled terminal/storage units with its set of requirements including industry certifications liked GDP, CEIV etc.

The understanding that introduction of an additional link in the air cargo Supply Chain will reduce/ minimize costs is fundamentally flawed!

The aforesaid notwithstanding the physical handling requirements for all types of cargo, on the city side (irrespective of the cargo type) remains the same, viz offloading of cargo from trucks, the *acceptance checks for build ULDs and thereafter the transfer of the accepted consignments to the airside etc.*

It is not out of place to mention here that the handling of odd sized and heavy density consignments on a regular basis entails a substantially higher investments/ costs (for procurement, Ops & maintenance of heavy material handling equipment etc.) as also higher risks.

As such any representation being made regarding fixing of a lower/ discounted TSP rates for built ULDs (OOD-odd and oversized dimensions/ HEA consignment- heavy consignments) is untenable.

6.10 Authority's Analysis on the comments of Stakeholders regarding AFS

6.10.1 The Authority notes the comments of ACAAI, FFFAI, BAR (I) N.R and CCPL proposing further lowering of TSP charges by 75% to 85% in respect of AFS Cargo, on the grounds that there are various activities performed by the AFS Operator for handling/processing of the international export cargo. On the other hand, the ISP in its response submitted that the TSP charges on AFS Cargo may be lowered to the extent of 10% only, as against 30% lower TSP charges proposed in the Consultation Paper. As per the ISP, the processes for handling of cargo at terminal in general is same for all types of cargo, with variations for special cargo, physical handling requirements on the city side (irrespective of the cargo type) remains the same viz offloading of cargo from trucks, the respective ULD acceptance checks and thereafter the transfer of the accepted ULD/ consignments to the airside etc. after necessary checks and processing within the warehouse.

6.10.2 As regard to the activities to be performed by the AFS operator after operationalization of AFS policy, the Authority feels that CCPL in its comments (refer para 6.8.4) has wrongly inferred the views of AERA team which visited the facilities of CTOs & the AFS Operator and quoted "*The AERA team, after visiting the facilities of AFS Operator & Cargo Terminal Operators and onsite interactions with the Service Providers felt that after operationalization of AFS policy, there would be maximum activities, which will be done at AFS facility…";* however, it can be seen from the views of AERA team as indicated in the subject CP, that they nowhere mentioned that after operationalization of AFS policy, maximum activities would be done at AFS, as inferred by the CCPL.

Similarly, ACAAI has also misinterpreted the views of AERA team. It is pertinent to mention that AERA team during their visit to facilities of CTOs & AFS Operator in June, 2022 neither interacted with ACAAI nor said/opined that 85% of the export cargo activities will be carried out at AFS premises (after operationalization of AFS Policy), as inferred by the ACAAI (in para no.6.5.1).

It may be pointed out that irrespective of what activities are being done by AFS Operator at AFS facility, from the viewpoint of AERA's Tariff Determination exercise, the important issue is what services are being provided by the CTOs while handling the Cargo received from the AFS. In this background, the Authority after analyzing the comments of Stakeholders and the response of ISP thereon observes that the nature of activities and efforts required to handle the Cargo Shipments from AFS is slightly lesser at CTO level, but at the same time CTO is required to perform certain activities that seems to be mandatory, irrespective of whether such activities is also undertaken at AFS facility. It is re-iterated that even in case of BUPs/ ULDs with prior security clearance at AFS, there will be number of activities/ processes as listed below which are required to be performed at the Cargo Terminal:

(a) Acceptance of Built-up-Pallet/ ULDs at city-side of Cargo Terminal,

(b) Unloading of Pallets/ ULDs from trucks at truck dock area,

(c) Transferring/ moving Cargo to Storage Racks/ Security Hold Area (SHA),

(d) Transporting of Cargo from Built-up Station/ SHA to Cargo Release Bays,

(e) Shifting ULDs/ BUPs from Release Bay to Ground Handler's Dollies, digital messages to customer's airlines etc.

The Authority notes that CDCTM in its response has also indicated the details of activities which, as per ISP, are required to be undertaken at Cargo Terminal for processing of Cargo originating from AFS (refer Para 6.9.3) However, the major activities that are not required to be undertaken by the CTO at Cargo Terminal, after operationalization of AFS Policy, are "X-Ray screening of Cargo and Palletization/ULD Build-Up" and charges for these activities are anyway not levied to Shippers/ Agents and same are recovered by CTOs from the Airlines.

At the same time, the Authority doesn't find any merit in view of the CDCTM that 10% lower TSP charges may be levied to AFS Operator (as against 30% lower TSP charges proposed at CP stage) as ISP is required to incur additional Opex & Capex for handling of AFS Cargo. In this regard, the Authority is of the view that CTOs, with slight modifications/ additions in available infrastructure/ equipment at Cargo Terminals, can handle AFS Cargo and there is no need for having major CAPEX/ OPEX for handling AFS Cargo at present, considering the projected AFS Cargo volumes. Further, at present, there is no requirement of having dedicated facility also for handling AFS Cargo, due to meagre AFS Cargo volume projected for the Third Control Period.

6.10.3 As regard to the views of stakeholders that in the present proposal for processing of AFS Export Cargo, Shippers/Agents would be required to pay TSP Charges twice once to AFS Operator and again to CTOs; therefore, Shippers may be given the option to pay TSP charges to AFS operator only who is physically handling the Cargo, in this regard the Authority's stand is clear that TSP charges levied by the CTO would be payable by AFS Operator only and same are not intended to be recovered from Shippers/Agents. ISP in its counter comments has also affirmed above stand.

6.10.4 So far as comments of CCPL relating to operating expenses and investments made by AFS Operator for processing of Cargo at its facility, the Authority is of the view that such matters are business decisions of the AFS Operator and regulator has no role into it.

6.10.5 The Authority also notes that various stakeholders have given comments on further reducing the rates for the Cargo of AFS without giving any justification for the same; for instance, BAR(I)-N.R in its comments requested for lowering of TSP Charges on AFS Cargo to the extent of 75%, without furnishing any reasons/justifications thereof. Further, what AFS Operator charges from the stakeholders at AFS facility is a business decision between them and it is beyond regulatory framework of AERA. AERA is mandated to determine the Tariff for the services being provided at the major airports and thus decides the Tariff for CTOs.

6.10.6 The Authority notes the comments of the Stakeholders relating to requirement of "Single TSP Rate" for processing of AFS Cargo considering that most of the ULDs built at AFS will be in consolidated form, the levy of commodity wise charges is not feasible for AFS cargo. Stakeholders further suggested to levy 'single rate' policy for all type of cargo. Stakeholders also highlighted that globally single rate cargo handling policy is prevalent, irrespective of the type /nature of cargo. However, CCPL has not furnished any documentary evidence as part of their comments on CP in support of their contention relating to prevalence of "Single rate for all types of Cargo".

In this regard, the Authority agrees with the views of CDCTM that commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who transports the cargo. As per the ISP, not only such handling requirements are different but even the infrastructure & facility required is defined, like in case of Perishable handling, which has a dedicated temperature-controlled terminal/storage units with its set of requirements, including industry certifications liked GDP, CEIV etc. ISP further submitted that mix loading of general cargo and special cargo as a standard practice is not permitted due to different handling requirements, they have to be processed separately and charged accordingly.

Considering the above, the Authority feels that current industry practice of handing different category of cargo separately, depending the its specific handling requirements is logical. For instance, it may not be appropriate to compare handling of Hazardous/ Perishable Cargo with the General Cargo's Handling. Further, the industry practice of levy of charges accordingly to nature of Cargo and its handling requirement is also logical and rational.

As regard to the comments of CCPL and FFFAI regarding segregation of charges pertaining to AFS Cargo into "transit, storage and processing charges", the Authority believes that TSP charges levied by CTOs at Cargo terminals relates to "Terminal Storage and Processing Charges" and it is a composite charge.

6.10.7 Considering the views of Stakeholders & response of ISP thereon, as discussed above, and in order to successfully operationalize the AFS policy of Govt. of India, the Authority decides to maintain the same view regarding levy of 30% lower TSP Charges to the Cargo pertaining to approved AFS, as taken at CP Stage.

6.10.8 Further, it may be pointed out that with this Tariff Order we are making a beginning on the Tariff for AFS concept in the country and in the coming years all stakeholders shall learn from the experience and further refinements can be brought to the same in future.

6.10.9 The Authority notes that Civil Aviation Sector has still not fully recovered from the adverse impact of Covid pandemic and still there is no trend line in the Cargo Traffic. Further, the Authority feels that at this juncture, it is difficult to realistically assess the Cargo Volumes likely to be generated from AFS Cargo. Therefore, the Authority decides to consider TSP rates for AFS Cargo initially, as indicated above, for a period of 2 years i.e. up to 31.03.2025. Thereafter, the Authority based on review of actual figures for the period up to FY 2024-25 pertaining to Cargo Volumes and other pertinent aspects, will consider TSP rates for AFS Cargo applicable to FY 2025-26 (Tariff year 5 of the Control Period).

6.11 Authority's Decision regarding TSP Charges on AFS Cargo

Based on the material before it and its analysis, the Authority decides to consider 30% lower TSP Charges for AFS Cargo (Export & Import Cargo), including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo for the Third Control Period (w.e.f. 16.01.2023 to 31.03.2025).

CHAPTER 7: AGGREGATE REVENUE REQUIREMENT (ARR)

7.1 ARR projected by CDCTM for the Third Control Period

7.1.1 As per MYTP submission, CDCTM has projected Aggregate Revenue Requirement (ARR) for the Third Control Period and has proposed following % increase in Tariff Rates:

i. 12% Tariff increase in FY 2022-23

ii. 6% Tariff increase in FY 2023-24

iii. 7% Tariff increase in FY 2024-25

iv. 6% Tariff increase in FY 2025-26.

Table 18: Aggregate Revenue Requirement as per CDCTM for the 3rd Control Period

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Regulatory Asset Base (A)	141.90	167.88	198.25	229.05	246.98	
FRoR (B)	15.21%	15.25%	15.46%	15.06%	15.29%	
Return on RAB (C) = (A*B)	21.58	25.60	30.65	34.49	37.76	150.09
Security Deposit (D)	186.36	205.36	205.36	205.36	205.36	
Rate of Return on SD (%) (E)	5%	5%	5%	5%	5%	
Return on SD (F) = (D*E)	9.32	10.27	10.27	10.27	10.27	50.39
OPEX (G)	422.68	441.71	456.94	458.06	442.94	2222.33
Depreciation (H)	17.08	20.67	25.88	31.95	38.21	133.79
Tax (I)	35.42	22.58	10.86	-	-	75.94
Aggregate Revenue Requirement (C+F+G+H+I)	**506.08**	**520.83**	**534.60**	**534.77**	**529.18**	**2625.46**

7.1.2 As per its ARR projection, CDCTM submitted Tariff card for the Third Control Period as per **Annexure-IV of CP**.

7.1.3 The Authority notes from the ARR Table above that ISP has not indicated Present Value (PV) of ARR and not shown PV of Revenues at current Tariff & after Tariff increase.

7.1.4 CDCTM, in its submission considered Cost of Equity @ 16% and Cost of Debt as 9% and computed the FRoR as follows:

Table 19: FRoR as per CDCTM submission for the Third Control Period

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
Equity (₹ in crores) (A)	400.16	444.94	455.37	439.41	390.83	
Debt (₹ in crores) (B)	51.01	53.2	38.36	67.97	44.25	254.79
Total (Debt + Equity) (₹ in crores) (C) = (A+B)	451.17	498.14	493.73	507.38	435.08	2385.50
Gearing	11.3%	10.7%	7.8%	13.4%	10.2%	
Pre-tax cost of Debt	9%	9%	9%	9%	9%	
Post-tax cost of Equity	16%	16%	16%	16%	16%	
FRoR	**15.21%**	**15.25%**	**15.46%**	**15.06%**	**15.29%**	

7.2 Authority's Examination on ARR for the Third Control Period at Consultation Stage:

7.2.1 The Authority computed ARR for CDCTM in respect of Third Control Period considering FRoR worked out below.

7.2.2 The Authority noted that ISP in its submission has considered Y-o-Y FRoR ranging between 15.1% to 15.5% for the Third Control Period, with a mix of Cost of Equity @ 16% and Cost of Debt @ 9%.

7.2.3 The Authority, for the purpose of computation of FRoR, has considered the Cost of Debt @ 9% as proposed by the ISP and proposed to consider Cost of Equity @ 14% for the Third Control Period, which is consistent with the AERA's approach in respect of Cost of Equity in the case of other ISPs. Accordingly, the Authority proposed to consider FRoR @ 13.47% for computation of Return on RAB in respect of CDCTM for the Third Control Period as per Table given below:

Table 20: FRoR calculated by the Authority in respect of CDCTM for the Third Control Period at CP stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Equity (₹ in crores) (A)	400.16	444.94	455.37	439.41	390.83	
Debt (₹ in crores) (B)	51.01	53.2	38.36	67.97	44.25	254.79
Total (Debt + Equity) (₹ in crores) (C) = (A+B)	451.17	498.14	493.73	507.38	435.08	2385.50
Gearing (G) = (B/C)	11.30%	10.70%	7.80%	13.40%	10.20%	
Cost of Equity (Ke)	14%	14%	14%	14%	14%	
Cost of Debt (Kd)	9%	9%	9%	9%	9%	
Weighted Average Gearing (WG) = $\{\sum^{5}_{T=1} (C*G)/\sum^{5}_{T=1} C\}$	10.68%					
FRoR = $\{(WG*K_d) + (1-WG)*K_e\}$	**13.47%**					

7.2.4 The Authority, while computing ARR for CDCTM in respect of Third Control Period, had considered the AFS Cargo Volumes based on submission of ISP. As regard to volume attributing to AFS facility, the Authority noted that AFS concept is new to Indian Aviation Sector and it will take some time to establish the market for AFS. The Authority noted that the MoCA's AFS policy has a wider national intent to strengthen Air Cargo Logistics Infrastructure in the Country. In order to create an enabling environment for developing Air Cargo logistics, the Authority felt that the concept of AFS needs to be incentivized.

Considering the above, and taking into account that CTO in case of AFS Cargo is required to perform fewer activities/similar activities with lesser extent, as compared to General Cargo because AFS Cargo will be received in palletized/ ULD form with prior Security Clearance. The Authority, accordingly, proposed 30% lower TSP charges for BUPs/ ULDs pertaining to AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to "Other than AFS Cargo".

7.2.5 The Authority, after review and analysis of various regulatory building blocks, as discussed in previous chapters, including AFS Cargo Volumes, computed Aggregated Revenue Requirement for CDCTM in respect of Third Control Period as per Table given below:

Table 21: ARR proposed for CDCTM by the Authority for the Third Control Period at CP stage

(₹ in Crores)

Particulars	FY 2021-22	FY 2022-23 (First 9 months)	FY 2022-23 (Next 3 months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB *(Refer Table 8)*	141.90	167.88	167.88	198.25	229.05	246.98	
Return on RAB @13.47% (A)	19.11	16.93	5.64	26.70	30.85	33.27	132.51
O&M Expenses (B) *(Refer Table 13)*	210.34	179.04	59.68	263.55	282.99	297.68	1293.27
Concession Fees (C) *(Refer Table 13)*	212.34	150.55	50.18	198.55	177.36	143.11	932.08
Depreciation (D) *(Refer Table 6)*	17.08	15.50	5.17	25.87	31.95	38.21	133.78
Tax @ 25.168% (E) *(Refer Table 26)*	34.94	16.19	5.40	13.11	0.00	0.00	69.64
Security Deposit	186.36	205.36	205.36	205.36	205.36	205.36	
Return on SD @ 5% (F) *(Refer Table 9)*	9.32	7.70	2.57	10.27	10.27	10.27	50.39
Aggregate Revenue Requirement (A+B+C+D+E+F) = (G)	**503.13**	**385.90**	**128.63**	**538.05**	**533.43**	**522.53**	**2611.67**
Discount Rate @ 13.47%	0.1347	0.1347	0.1347	0.1347	0.1347	0.1347	
PV Factor	1.13	1.00	1.00	0.88	0.78	0.68	
PV of ARR (H)	**570.90**	**385.90**	**128.63**	**474.18**	**414.30**	**357.66**	**2331.57**
Proposed Revenue at current Tariff *(Excluding revenue from AFS as per Table 25) (i)*	511.26	362.40	120.66	479.21	423.51	331.82	2228.86
AFS revenue with proposed TSP rates for AFS Cargo at current Tariff *(Refer Table 24)(ii)*	-	-	0.14	0.57	0.60	0.63	1.94
Revenue from Non-Regulated Services *(refer Table 23)......................(iii)*	71.84	50.28	16.76	64.48	62.09	59.85	325.29
Total Revenue.....*(iv) = (i + ii + iii)*	**583.10**	**412.68**	**137.56**	**544.26**	**486.19**	**392.29**	**2556.08**
PV of Total Revenue	**661.64**	**412.68**	**137.56**	**479.65**	**377.61**	**268.51**	**2337.65**

7.2.6 The Authority computed PV of ARR as ₹ 2,331.57 crores in respect of CDCTM for the 3rd Control Period as indicated in the Table above.

7.2.7 The Authority, considering the ARR computation as per the above Table, noted that PV of Revenues at current Tariff rates was more than PV of ARR; therefore, proposed not to consider Tariff increase/ decrease for CDCTM at this juncture.

7.2.8 The Tariff Rates (prevailing on 31.03.2021), as approved by the Authority vide Order no. 03/2019-20 dated 22.04.2019 for the Second Control Period, which have been extended by AERA, from time-to-time on ad-hoc basis, were proposed to continue up to the end of FY 2024-25 (tariff year 4 of the Third

Control Period). However, the Authority proposed to revise Tariff Rate Card (including TSP charges applicable to AFS Cargo) applicable w.e.f. **01.01.2023 to 31.03.2025** as per **Annexure-V of CP**.

7.2.9 The Authority noted that Civil Aviation Sector has still not fully recovered from the adverse impact of Covid pandemic. Further, the Authority realized that it was difficult to realistically assess the volumes likely to be generated from AFS Cargo. Further, there were no historical data/ trend line to assess the likely impact of increase in market competition, from various quarters viz. establishment of new Cargo village and new Greenfield Airport at Jewar (Noida) International Airport, on the Cargo Volume projected by the ISP, in a realistic manner.

7.2.10 Before deciding on the ATP for FY 2025-26, the Authority proposed to review the actual figures of the Third Control Period up to FY 2024-25 as per the ACS to be submitted by the ISP. The Authority expected that by the end of FY 2024-25, there would be adequate data relating to performance of AFS, new Cargo Village and initial impact of new Greenfield Airport at Jewar on the IGI Airport's cargo business.

Stakeholder's Comments

7.3 **M/s SpiceJet's Comments on FRoR:**

7.3.1 *"It is submitted that only a reasonable Fair Rate of Return (FRoR) to the service provider may be provided. It is observed that AERA has considered FRoR of 13.47%, which is the net of income tax return to the service provider, for the Third Control Period. However, while such fixed/ assured return favours the service provider, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.*

Due to such fixed/assured returns, service providers 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.

7.3.2 *In the present scenario any assured return on investment to any services providers like CDCTMIPL, 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 kindly review the proposed return on RAB to the service providers like CDCTMIPL and requested to revise all the Tariff Orders (including past orders) by capping the returns to a maximum of three (3) %.

7.4 **CDCTM's response to comments of M/s SpiceJet regarding FRoR:**

7.4.1 *"We need to be mindful that FRoR considered by authority is a minimum fair return expected by any investor to invest and run the business.*

7.4.2 *Also, Celebi have paid INR 205 crores as security deposit to concessioner where Celebi is proposed to be granted return @ 5% only in 3rd Control Period, instead of FROR as the complete security deposit amount is funded from equity and quasi-equity (internal accruals). It may kindly be noted that Celebi got NIL return on Security Deposit in the 1st and 2nd Control Period."*

7.5 **Authority's analysis regarding ARR for CDCTM in respect of the Third Control Period:**

7.5.1 The Authority notes the comments of M/s SpiceJet on the FRoR proposed by the Authority for CDCTM and ISP's response thereon. The Authority feels that it is not practically feasible to restrict

FRoR for Service Providers at the level of Bank's return on FDs (around 3 to 5%), as suggested by the stakeholder. The Authority is of the view that any capital-intensive business, like Civil Aviation, requires investment with a long-term perspective, and such scenario, investors require adequate return on equity commensurate with cost of investments and investment risks. Therefore, following the AERA's consistent regulatory approach for ISPs, the Authority has computed FRoR, considering cost of equity @ 14%, and decides to adopt FRoR for CDCTM as proposed by the Authority at consultation stage.

7.5.2 The Authority, taking note of comments of CDCTM on CP no. 12/2022-23 dated 15.11.2022 relating to projected Revenue Yield/ MT considered by the Authority at CP stage, the Authority decides to consider Revenue Yield/ MT for the remaining tariff years of the control period as per table no. 27 in the subsequent chapter on Revenue. Accordingly, the Authority has recomputed ARR, considering the revised Yield/ MT and revised Operating Expenses due to revision in Concession Fee (as per Table no. 15) for the Third Control period as per table

Table 22: <u>ARR computed by the Authority for CDCTM for the Third Control Period</u>:

(₹ in Crores)

Particulars	**FY 2021-22**	**FY 2022-23 (First 9 months)**	**FY 2022-23 (Next 3 months)**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Average RAB *(Refer Table 8)*	141.90	167.55	167.55	198.25	229.05	246.98	
Return on RAB @13.47% (A)	19.11	16.93	5.64	26.70	30.85	33.27	132.51
O&M Expenses (B) *(Refer Table 15)*	210.34	179.04	59.68	263.55	282.99	297.68	1293.27
Concession Fees (C) *(Refer Table 14)*	212.34	150.12	51.85	199.80	175.01	138.34	927.46
Depreciation (D) *(Refer Table 6)*	17.08	15.50	5.17	25.87	31.95	38.21	133.78
Tax @ 25.168% (E) *(Refer Table 30)*	34.95	16.00	6.13	13.66	0.00	0.00	70.74
Security Deposit	186.36	205.36	205.36	205.36	205.36	205.36	
Return on SD @ 5% (F) *(Refer Table 9)*	9.32	7.70	2.57	10.27	10.27	10.27	50.39
Aggregate Revenue Requirement (A+B+C+D+E+F) = (G)	**503.14**	**385.29**	**131.04**	**539.85**	**531.07**	**517.77**	**2608.15**
Discount Rate @ 13.47%	13.47%	13.47%	13.47%	13.47%	13.47%	13.47%	
PV Factor	1.1347	1.0000	1.0000	0.8813	0.7767	0.6845	
PV of ARR (H)	**570.91**	**385.29**	**131.04**	**475.76**	**412.47**	**354.40**	**2329.87**
Revenue from regulated services (excluding AFS revenue) before Tariff increase *(Refer Table 29)*	511.26	361.24	120.41	464.05	400.99	306.48	2164.44
Revenue from AFS Cargo before Tariff increase *(Refer Table 29)*			0.20	0.81	0.85	0.89	2.76
Tariff Increase	-	-	**4.00%**		-	-	

Particulars	FY 2021-22	FY 2022-23 (First 9 months)	FY 2022-23 (Next 3 months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue at revised Tariff *(Excluding revenue from AFS)* *(i)*	511.26	361.24	125.23	482.62	417.03	318.74	2216.11
AFS revenue with revised Tariff with 30% lower TSP Charges *(Refer Table 28)* *(ii)*	-	-	0.15	0.59	0.62	0.65	2.01
Revenue from Non-Regulated Services (*refer Table 20*) *(iii)*	71.84	50.28	16.76	64.48	62.09	59.85	325.29
Total Revenue ***(iv) = (i + ii + iii)***	**583.10**	**411.52**	**142.14**	**547.69**	**479.74**	**379.24**	**2543.42**
PV of Total Revenue	**661.64**	**411.52**	**142.14**	**482.67**	**372.6**	**259.58**	**2330.15**

In view of the re-computation of ARR for the CDCTM in respect of Third Control period, the Authority decides one time tariff increase by 4% for the period from 16.01.2023 to 31.03.2025 (i.e. up to end of Tariff year 4 of the Control period).

7.5.3 The Authority noted that Civil Aviation Sector has still not fully recovered from the adverse impact of Covid pandemic and still there is no trend line in the Cargo Traffic. Further, the Authority feels that it is difficult to realistically assess at this juncture, the Cargo Volumes likely to be generated from AFS Cargo, as there is no historical trendline to assess the likely impact of increase in market competition, from various quarters viz. establishment of new Cargo village and new Greenfield Airport at Jewar (Noida) International Airport.

7.5.4 Accordingly, before approving the ATP for FY 2025-26, the Authority decides to review the actual figures of the Third Control Period up to FY 2024-25 as per the ACS to be submitted by the ISP. The Authority expects that by the end of FY 2024-25, there would be adequate data relating to performance of AFS, new Cargo Village and initial impact of new Greenfield Airport at Jewar on the IGI Airport's cargo business.

7.6 <u>Authority's Decisions regarding Aggregate Revenue Requirement</u>

Based on the material before it and its analysis, the Authority decides as under:

7.6.1 To consider FRoR for the Third Control Period as per Table 20.

7.6.2 To consider ARR for the Third Control Period as per Table 22.

7.6.3 To consider one time Tariff increase of 4% with effect from 16.01.2023 to 31.03.2025.

7.6.4 To consider Tariff Rate Card (including TSP charges applicable to AFS Cargo) w.e.f. **16.01.2023 to 31.03.2025** as per **Annexure-II** of this Order.

CHAPTER 8: REVENUE FROM OPERATIONS, PROFITABILITY & TAXATION

8.1 CDCTM Submissions on the projected Profitability for the Third Control Period

8.1.1 CDCTM submitted Profitability Statement for the Third Control Period after considering revised Tariff rates proposed by it, as per the following table:

Table 23: Profitability Statement of CDCTM for the Third Control Period

(₹ in crores)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from Regulated Services (A)	511.26	489.44	465.66	418.08	339.15	2223.59
Revenue from Non-Regulated Services* (B)	71.84	67.04	64.48	62.09	59.85	325.30
Total Revenue (C) = (A+B)	**583.10**	**556.48**	**530.14**	**480.17**	**399.00**	**2548.89**
Total Operating Expenditure (D)	**422.68**	**441.71**	**456.94**	**458.06**	**442.94**	**2222.33**
EBITDA (C-D)	**160.42**	**114.77**	**73.20**	**22.11**	**-43.94**	**326.56**
Depreciation	17.08	20.67	25.87	31.95	38.21	133.78
EBIT	143.34	94.10	47.33	-9.84	-82.15	**192.78**
Interest & Finance Cost	4.48	4.36	4.19	4.67	5.14	22.84
PBT	138.86	89.74	43.14	-14.51	-87.29	**169.94**
Tax @ 25.168%	35.42	22.58	10.86	0	0	68.86
PAT	**103.44**	**67.16**	**32.28**	**-14.51**	**-87.29**	**101.08**
% PAT to Revenue	**17.74%**	**12.07%**	**6.09%**	**-3.02%**	**-21.88%**	**3.97%**

**Revenue from Non-Regulated Services include rental income, interest on term deposits and dividend from mutual funds, etc.*

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

8.2.1 The Authority noted that Section 115BAA introduced by the Government of India through the Taxation (Amendment) Ordinance, 2019 on 20.09.2019 provides option to a Domestic company to pay tax at lower rate of 22% (plus applicable surcharge and cess, where the total turnover for Previous Year 2017-18 does not exceeds ₹ 400 Crore), as opposed to normal tax rate of 30%/ 25% (plus applicable surcharge and cess), w.e.f. Assessment Year 2020-21 subject to other precedent conditions.

8.2.2 The Authority noted that the ISP had considered corporate tax @ 25.168% on the net profit and the Authority proposed to consider same rate for its own computation of Profitability Statement for the ISP.

8.2.3 The Authority, in line with MoCA's AFS policy, had proposed separate TSP charges for AFS Cargo, based on AFS Cargo Volume, activities to be undertaken by AFS Operators & CTOs and after considering the prevailing TSP Charges applicable to General Cargo etc. (as on 30.09.2022), w.e.f. 01.01.2023 in respect of International Export & Import Cargo originated from/destined to approved AFS as per table given below:

Table 24: AFS Cargo Volumes & TSP Charges proposed by the Authority for the Third Control Period at CP Stage

Particulars	FY 2022-23 (for 3 months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
AFS Cargo Volume (in MT) (a)	1200	4800	5040	5292	16332
Prevailing TSP charges/kg (in ₹/kg) (b)	1.69#	1.69	1.69	1.69	
TSP charges/Kg for AFS Cargo (30% lower charges than TSP charges applicable on general cargo) proposed by the Authority [in ₹/kg] (c)	**1.18**	**1.18**	**1.18**	**1.18**	
Revenue from AFS Cargo at normal rates as applicable to General Cargo (₹ in crores) (d) = {(a)*(b)}/ 10000	0.20	0.81	0.85	0.89	2.76
Revenue from AFS Cargo after considering lower TSP charges (₹ in crores) = {(a)*(c)}/ 10000	**0.14**	**0.57**	**0.60**	**0.63**	**1.94**

 # As per the Authority's Order no. 03/2019-20 dated 22.04.2019 for the Tariff approved up to 31.03.2021, which has been further extended from time to time up to 31.03.2023 (currently Interim Order no. 24/2022-23 dated 23.09.2022 is applicable).

8.2.4 The Authority noted from the Profitability Statement that the Revenue of CDCTM is decreasing Y-o-Y and the clarification thereof was sought from the ISP. The ISP, in its response stated that their demurrage yield is projected to decrease from FY 2022-23 onwards due to following factors:

a) In FY 2021-22, demurrage yield from Import and Export was high due to Covid restrictions and lockdown for part of the year, resulting in delay in clearance of Cargo which led to increase in demurrage revenue. However, as Civil Aviation Sector is recovering from the impact of Covid pandemic, the exceptional non-recurring high demurrage yield during Pandemic period is not likely to sustain in remaining part of the Third Control Period, therefore, there is a decrease in projected revenues from FY 2022-23 onwards.

b) Further, in the past one and a half year, the revenue from demurrage charges has also been on higher side on account of piece level X-ray screening of Cargo, which was mandated by BCAS, resulting in higher dwell time for clearance of Cargo. However, as per CDCTM, such practice is not likely to continue for long. In addition, the Customs department is focusing on reduction in Cargo processing time and swift clearance of Cargo, resulting in less dwell time.

c) ISP also anticipated loss in demurrage revenue after the construction of new Cargo Village by the Airport Operator, where Customs bonded Warehouse facility will be provided, wherein cargo agents can built/ de-stuff and store their pallets pre and post Customs clearance.

d) CDCTM vide email dated 06.10.2022 submitted projected yield of ₹ 12875/ MT at current rates for the FY 2022-23 (based on actual figures for first five months).

8.2.5 The Authority noted from the above submission of ISP that due to development of new Cargo Village and expected faster clearance of Cargo by Customs department will result in reduction in processing time for Cargo clearance. Therefore, in the coming years there will be a progressive decrease in dwell time for clearance of Cargo, resulting in lower demurrage charges. The Authority, considering the above factors, proposed to reduce revenue yield by 2% Y-o-Y basis starting from FY 2022-23 onwards.

8.2.6 Considering the above, including AFS Cargo Volumes, the Revenue from Regulated Services and Yield per MT considered by the Authority for the Third Control period is as under:

Table 25: Revenue from Regulated Services and Yield/ MT computed by the Authority in respect of CDCTM for the Third Control Period at CP Stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total Cargo Volume (refer Table 3) (A)	3,64,198	3,75,301	3,80,248	3,42,983	2,74,345	
Yield (₹/MT) considered by the Authority for the Third Control Period (B)	**14,038***	**12,875#**	**12,603**	**12,348**	**12,095**	
Total Revenue from Regulated Services (₹ in crores) (C) = (A*B)	511.26	483.20	479.78	424.11	332.45	2230.80
Revenue from AFS Cargo (₹ in crores) *(refer Table 21)* ....(D)	-	0.14	0.57	0.60	0.63	1.94
Revenue from Regulated Services at current Tariff rate (₹ in crores).....E=(C-D)	**511.26**	**483.06**	**479.21**	**423.51**	**331.82**	**2228.86**

**Actual Yield for FY 2021-22*

 # Yield for FY 2022-23 (based on first 5 months) as submitted by the ISP.

8.3 Based on the review of various regulatory building blocks and computation of ARR for the 3rd Control Period by the Authority for CDCTM, the projected Revenue and Profitability statement is given below:

Table 26: Projected Revenue & Profitability Statement computed by the Authority in respect of CDCTM 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
Revenue from Regulated Services (excluding AFS Revenue)	511.26	483.06	479.21	423.51	331.82	2228.86
Revenue from Non-Regulated Services *(refer Table 20)*	71.84	67.04	64.48	62.09	59.85	325.30
AFS Revenue *(refer Table 21)*	-	0.14	0.57	0.6	0.63	1.94
Total Revenue (A)	**583.1**	**550.24**	**544.26**	**486.19**	**392.29**	**2556.08**
Total Operating Expenditure (B) *(Refer Table 11)*	**422.68**	**439.44**	**462.10**	**460.36**	**440.79**	**2225.36**
EBITDA (A-B)	160.42	110.80	82.16	25.83	-48.50	**330.72**
Depreciation *(Refer Table 6)*	17.08	20.67	25.87	31.95	38.21	133.78
EBIT	143.34	90.13	56.29	-6.12	-86.71	**196.94**
Interest & Finance Cost *(Refer Table 20)*	4.48	4.36	4.19	4.67	5.14	22.84
PBT	138.86	85.77	52.10	-10.79	-91.85	**174.10**
Tax @ 25.168%	34.94	21.58	13.11	-	-	69.64
PAT	**103.92**	**64.18**	**38.99**	**-10.79**	**-91.85**	**104.46**
% PAT to Revenue	**18%**	**12%**	**7%**	**-2%**	**-23%**	**4%**

**Actual figures for the FY 2021-22*

8.4 From the above table, the Authority noted that last two tariff years of the Control Period are showing negative profitability for the ISP and the same is mainly on account of increased depreciation due to high capital expenditure during later part of this Control Period & estimated drop in market share of ISP on account of upcoming new greenfield Airport at Jewar, Noida etc. leading to lower Cargo Volumes. However, CDCTM is expected to earn reasonable Profit After Tax (PAT) of ₹ 104.46 crores for the Third Control Period.

Stakeholders Comments

8.5 **AACAAI's comments regarding Tariff proposed for Cargo Handling Services**

8.5.1 *"Express Delivery: 25% more than the rate for the category the cargo falls under different categories: CDCTM needs to confirm the time period stipulation for the activities, they plan to provide to the stakeholders including the Airlines for which additional 25% has been recommended by AERA in the said Consultation Paper along with the discounts/ penalty on the CTO if they fail to provide the said service(s) within the stipulated time period. For such an activity we require a written Standard Operating Procedure with specific timelines that justify an "Express Charge" and such services to be clearly demarcated as "On Demand Service only". The difference between normal and express cargo in terms of handling time should be clearly enumerated.*

8.5.2 *Levy of Miscellaneous charges, facilitation fee, Customs facilitation fee and post-delivery charges etc.: Customs are deployed at the Cargo Terminal as a regulatory/statutory agency for processing and delivery of international cargo after collection of requisite Customs duty and fulfillment of document formalities thereby regulating the movement of Air Cargo. The additional duties/activities, which is proposed to be performed by Customs for the levy of Customs facilitation fee @ Rs 0.42 per kg at the behest of CTO (whether mandatory or optional) has not been specified by AERA in the said consultation paper. In the absence of these details, ACAAI, on behalf of its members does not accept it and may be removed by AERA from the Tariff list itself.*

Please note that clarification is sought for Facilitation which is part of the CTO duties for operating the terminal, ACAAI cannot accept that the users pay for "Facilitation" of Government officials who are already paid from taxpayer money.

The said non acceptance by ACAAI also holds good for levy of other Miscellaneous charges etc. in the absence of justifications/ details.

8.5.3 *Repacking Charges: ACAAI has been informed by its members that in spite of Customs clearing 98% consignments in 'green channel' under RMS (wherein the packages are not opened/closed for Customs examination), CTOs are charging 'repacking charges' for 10% of the packages in the consignment. It is requested that AERA, while issuing the Order on tariff rates may ensure that due directions are conveyed to the CTO that packing charges are to be levied only for those packages which are opened/closed physically for Customs examination.*

Further, 'Repacking charges' have been reduced from minimum charges per Airway bill from Rs 37.95 during FY 2020-21 to Rs 2.06 in FY 2021-22 till Rs 2.77 in FY 2025-26 whereas, Packing/repacking charges per package (lots of 50) per shipping bill has been astronomically hiked from Rs 18.97 in FY 2020-21 to Rs 347/- in FY 2021-22 till Rs 467.24 in FY 2025-26.

We request to approve Packing Charges only on "ACTUAL" basis as we now have the technology and electronic means to pay for every box physically opened by customs.

This will eliminate costs from 98% of the consignments which are not opened and repacked but are unjustly being charged for a service not being provided.

AERA is requested to review this anomaly in Y-o-Y tariff revision while issuing the orders as the same is against the principles of natural justice.

8.5.4 *Levy of handling charges in addition to the TSP charges: Handling charges recommended @ Rs1.36 per kg during FY 21-22 till Rs 1.83 per kg in FY 25-26 for general cargo in addition to the TSP charges is not acceptable and may be removed from the tariff chart. Since the TSP charges include the handling charges, this separate levy will only lead to duplicate levy adding uncalled-for burden to the shipper/consignee.*

8.5.5 *DGD Preparation and acceptance fees has been an issue of contention as it is being charged both by the airlines and CTO from customers, such a double levy is inappropriate and clear directions must be issued that it should be charged only at one point.*

8.5.6 *HAWB Consolidation Fees: HAWB is a forwarder document and the CTO has no role to play in it as their acceptance of cargo like the practice worldwide is on MAWB basis. This charge is totally misleading and has no area of activity for the CTO. This charge was also objected against in the previous MYTP for the CTO yet it has been repeatedly appearing in the tariff sheet.*

8.5.7 _Definition of "Special Cargo"_: *It is requested that a clear definition of "Special Cargo" should be part of the document so as to eliminate any cause of confusion and clear concise definition of such cargo should be part of the tariff document."*

8.5.8 *"One of the key reasons for hurdles in the Air Cargo Industry is complicated procedure and tariffs associated with these processes. There is no standard rate across the Indian Airports for the processing and handling of cargo at Air Cargo Terminals, which may be counterproductive to the competitiveness of the country's exports and imports and to the cost of Air Cargo Logistics, as a whole.*

Earlier, TSP charges, as levied by the CTO, included all type of services /activities proposed to be provided by CTO for handling of Air cargo at their respective Air Cargo Terminal. This 'single rate per kg' was simple to levy and avoided any type of duplicate levies by the CTO on shipper/consignee. This similar type of levy by CTO for Handling of Air Cargo is the need of the hour thereby showing complete transparency. Any type of complexity w.r.t. levy of 'other charges' in the form of Misc. charges, facilitation charges, etc. without any justification needs to be avoided by CTO.

ACAAI recommends that AERA should fix processing and handling charges which will be applicable across all airports and also ensure that these charges are comparable to other Airports around the world so that export competitiveness is not impacted due to high Terminal charges."

8.6 FFFAI's comments regarding different categories of Tariff rates:

8.6.1 _Express Delivery: 25% more than the rate for the category the cargo falls under different categories:_ *The said charges are unacceptable since AERA, while recommending the said charges, has not stipulated the time period. CDCTM, therefore, needs to confirm the time period stipulation for the activities within which the express delivery will be affected i.e., the time period for normal delivery which they plan to provide to the stakeholders including the Airlines along with the discounts/penalty on the CTO if they fail to provide the said service(s) within the stipulated time period. These charges newly introduced by CDCTM in this consultation paper lacks justification without any SLA by CDCTM with trade community.*

8.6.2 _Levy of Miscellaneous charges, facilitation fee, Customs facilitation fee and post-delivery charges etc.:_ *Customs are deployed at the Cargo Terminal on 'Cost Recovery Basis' by the CTO as a regulatory agency for processing and delivery of international cargo after collection of requisite Customs duty and fulfillment of document formalities thereby regulating the movement of Air Cargo. The additional duties/activities, which is proposed to be performed by Customs for the levy of Customs facilitation fee @ Rs 042 per kg at the behest of CTO (mandatory or optional) has not been specified by AERA in the said consultation paper. Therefore, any additional fringe benefit to the Customs in the form of 'Customs facilitation fee' is not acceptable since it will be an additional expenditure cost to the exporter/importer, consequently leading to an added cost to their shipment processing/delivery.*

In the absence of these justifications/details, FFFAI does not accept it and may be removed by AERA. The said non-acceptance also holds good for levy of other miscellaneous charges etc.

8.6.3 _Repacking charges_: *The repacking charges for export cargo has been increased from Rs. 18.97 per package (lots of 50) per shipping bill in FY 2020-21 to Rs. 347/-per package (lots of 50) per shipping bill in FY 21-22 till Rs. 467.24 in FY 25-26. This massive increase, without any justification is unaccepted and may be reviewed by AERA.*

Further, it is informed that in spite of Customs clearing the consignments in 'green channel' under RMS (wherein the packages are not opened/closed for Customs examination), CTOs are levying 'repacking charges' for 10% of the packages in the consignment. AERA may consider insertion of 'foot *note' indicating that 'repacking charges' to be levied on those package(s) only, opened/closed physically by the CTO for Customs examination.*

8.6.4 *<u>Levy of handling charges in addition to the TSP charges</u>: Handling charges recommended @ Rs. 1.36 per kg during FY 21-22 till Rs 1.83 per kg in FY 25-26 for general cargo in addition to the TSP charges is not acceptable and may be removed from the tariff chart. Since the TSP charges include the handling charges, this separate levy will only lead to duplicate levy adding uncalled-for burden to the shipper/consignee.*

8.6.5 *The tariff chart may stipulate the time period for each activity/service proposed to be provided by the CTO This should include penalty/discount in TSP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of CTO, to the consignee & should be made simplified.*

8.6.6 *The tariff chart may stipulate the time period for each activity/service proposed to be provided by the CTO. This should include penalty/discount in TSP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of CTO, to the consignee & should be made simplified.*

8.7 <u>VAFA's comments regarding different categories of Tariff rates</u>:

8.7.1 *<u>Hike in TSP charges for Perishable cargo</u>: AERA has proposed Rs 5.04 per kg as TSP charges for perishable cargo as compared to TSP charges of Rs 1.69 per kg for General cargo, a difference of almost 200%. This hike in TSP charges will raise the transportation cost to such an extent that it will be almost impossible for the Indian perishable trade to compete in the global market and will ultimately loose out on the business in the overseas market.*

It is recommended that Perishable/Special cargo tariff may be at par with the General cargo so that our members are able to provide competitive pricings to the global market for their perishable goods thereby earning substantial foreign exchange for the country.

8.7.2 *<u>Hike in X ray machine charges</u>: These charges are levied for use of x ray machine for screening of the export cargo in accordance with the BCAS laid down guidelines. On perusal of the said consultation paper, it is observed that the tariff is revised every year from Rs 1.51 per kg (Minimum charge Rs 182/-) for FY 21-22 to Rs 2.04 per kg (Minimum charges Rs 245.07) for FY 25-26, whereas the cost of the X ray machine depreciates every year.*

It is recommended that the X ray machine charges may be reduced each year in the tariff chart as per the depreciated cost of the x ray machine.

8.7.3 *<u>Movement of perishable cargo as 'Domestic to International transshipment cargo</u>: Presently, the perishable cargo after x-ray screening and LEO at Domestic Airport of Departure, moving as domestic bonded cargo is being x ray screened again at IGIA Airport (Airport for international departure), leading to payment of double x ray charges for the single perishable shipment i.e., once at point of domestic departure and another at the point of international departure.*

It is suggested that bonded perishable cargo, moving as 'Domestic to International" transshipment, once x-rayed at Airport of Domestic Departure should not be subjected to 2nd X ray screenings at Airport for international departure.

8.7.4 *<u>Penalty/discount in TSP/ demurrage charges and other type of charges for delay in delivery of cargo</u>: The tariff chart may stipulate the time period for each activity/service proposed to be provided by the*

CTO. The tariff chart should include penalty/discount in TSP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of CTO, to the shipper.

8.7.5 *Levy of single "rate per kg" for all type of cargo: In order to have complete transparency of the levy of charges on handling of both international and domestic by the Cargo terminal Operator and avoid duplication in levy of the charges, our association is of the opinion that Cargo Terminal Operator (CTO) may be advised to have a single "rate per kg" policy for handling of all type of cargo for the levy on shippers/consignee(s), which will include all gamut of activities/services required to be performed/provided for handling of both international (Export/Import) and Domestic (Inbound/outbound) cargo at their Cargo Terminal, irrespective of nature/type of cargo i.e. treating Perishable cargo at par with General carl cargo for determination of Tariff.*

8.8 **DACAAI comments regarding Tariff:**

8.8.1 *"Celebi created multiple heads of charges, more-so each charge having its own minimum and applicable rules creating so much confusion for the end user. Furthermore, the charges are applied differently for each product and most of the time even without special services being rendered like cold storage, strong room, security escort, etc. still higher charges are being levied. DACAAI has requested for a single (reasonable) terminal handling charge for ease of calculation and to maintain viability of air cargo product and spur growth."*

8.8.2 DACAAI has summarized their various issues raised in aforesaid chapters as under:

As far as DACAAI is concerned the only Two factors that Domestic Air Cargo needs to focus on to achieve growth are (1) fast service and (2) reasonable cost. Today Shippers are paying much higher rates for Domestic Air Cargo compared to other modes of transport especially surface and hence the cargo is moving away to surface.

The Government has introduced several concepts of RCS, UDAN and others which have brought in lot of aircraft flying regionally and even after deep discounts by airline on these short haul routes, they are unviable due to high terminal charges. Celebi and other CTOs should come out with special promotional pricing for these regional routes.

Government of India aims to reduce high logistics costs from 14% to 8-10%to make our products competitive. But the terminal handling charges constitute 17-20% of the air freight. In such a condition the logistics cost is going to be high for air cargo making it unviable.

In fact, there needs to be a drastic reduction in domestic air cargo terminal handling charges at Celebi and other CTOs. DACAAI urges upon AERA for a total review of the domestic air cargo operation and its constraints and the impact of current domestic terminal handling charges.

8.9 **BAR (I) N.R. comments on Tariff proposal**

Government is looking at overall decreasing the logistics cost whereas Celebi have proposed a very high increase. We would like to have a minimal increase in the airline charges.

Looking at the current market figures and present world situation (Russia- war, recession in EU and US), the Stakeholders revenue has dipped to minimal.

Any increase would further discourage more cargo airlines to come to Delhi and burden the industry."

8.10 **<u>CDCTM comments regarding Revenue Projections:</u>**

8.10.1 *"We would like to highlight that Authority have considered current yield of FY 22-23 as base for revenue projection for 3rd control period, refer below table for yield details.*

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Tonnage	492520	478965	422173	334095	364198	375298
Operational Revenue (₹ in crores)	390.82	415.58	452.13	522.05	511.25	481.21
Yield per Ton (₹)	7935	8698	10710	15626	14038	12875

However, we believe that the base yield of FY 2019-20 (pre-Covid) should be considered for determining revenue. Please note that FY 21 - FY 23 pertains to Covid period wherein the yield increased on account of higher/ abnormal demurrage income, which wouldn't be sustainable keeping in mind the past trend and given the fact that Ministry of Civil Aviation is aiming for faster clearances and lower dwell times for air cargo handling. Kindly also refer to FY 23 numbers, which is showing reduction in yield from immediate previous years.

We are of the view that with passage of time, yield will go back to its earlier trend (pre covid} and further reduce, as Customs Authority is working dedicatedly towards faster clearances using technology enabled smart assessment process. Hence, we request you to kindly consider pre-Covid yield of FY 20 and projections as provided below:

8.10.2 *As an alternative view, if average yield of last 5 years i.e. FY 18 to FY 22 is considered (that includes both pre and post Covid period), yield projection will be as below:*

	FY 2018-22	***FY 2014***	***FY 2025***	***FY 2026***
Average yield of 5 year (₹)	10960			
Opening Yield per ton (₹)		10960	10741	**10526**
Yield reduction considered by Authority	10960	-2%	-2%	**-2%**
Projected Yield per ton (₹)		10741	10526	**10316**

8.10.3 *<u>Inflation</u>: We would request Authority to in the least consider basic inflationary increase applied on tariff going forward. The inflation in actual is much higher than the published data and in general we end up spending more than published inflation for majority of our operational spend.*

It may also be noted that Authority have proposed no tariff increase till FY 25 which leads to no tariff increase for 4 years. Even if we consider 5% inflation Y-O-Y (in actual it's much higher) there is a straight reduction of 20% (approx.) on yield to compensate inflationary effect.

8.10.4 *<u>Effect of no Tariff increase</u>: Other than inflationary measures there are various unplanned expenses, which Celebi is addressing time to time to meet the service level standards expected by trade. For example, as per BCAS mandate piece level screening was introduced (each package needs to be screened individually), which delayed the screening activity. To avoid slower processing of cargo, Celebi inducted additional 100 personnel in the export screening area, to make process relatively faster and efficient.*

Also, no increase in tariff would lead to immense pressure on management team to reduce all possible costs, to sustain profitability and shareholders expectations and in the process may result in undesired situations.

Further, In our discussions with trade as part of stakeholder consultation process), we believe they are open to accept a nominal tariff increase as they are also aware of more than published inflationary affect and the possibility to demand additional services/ changes, which Celebi has always been open & flexible to provide.

In addition, we would like to mention that in our contract negotiation with some airlines, they are ready to consider inflationary increase in view of premium & special customized services they demand and which can be provided by Celebi. In such bilateral instances, mutually agreed and signed contract between the two parties should be allowed as part of 'reasonableness of user agreements'.

We would therefore request Authority to consider our plea and grant us a reasonable year on year tariff increase.

8.11 **CDCTM's Counter Comments regarding issues relating to Tariff for various Cargo Handling Services by ACAAI:**

8.11.1 *"The said charge i.e. Express Delivery Charge is a charge that is levied only for 'Express Delivery' if requested (by the Consignee/ CHA) Import Consignments and as such it is an 'On demand Service' charge only.*

When the CHAs formally request for expeditious delivery of consignments before standard/normal segregation timelines, Express delivery is approved by the Customs Official. CELEBI Operations team locates the Unit Load Device (ULD) from amongst the many ULDs that await their turn for destuffing and segregation in the Warehouse (WH).

The identified ULD thereafter is taken up for destuffing on Priority with a view to retrieve the requested consignment along with completion of the required documentation for the consignment's expeditious delivery.

Consignments with such requests for Express delivery are offered for delivery to the concerned CHA within 4 hours of receipt of the Customs permission (as mentioned above) and upon payment of all applicable dues.

On the air side the normal handling i.e. destuffing and preparation of the segregation report for each of the flight handled at our terminal is governed by Service Level Agreement (SLA) that is signed individually with each of our airline customers. Depending on the volume of cargo being tendered for handling the agreed handling SLA parameters range from 4 hours (for flights with less than 10 MT of cargo) to 12 hours (for freighters bringing in 40 MT-100 MT of cargo).

On the city side however the delivery of cargo to the consignee/ CHA is affected only upon receipt of the Customs permission (Out Of Charge) and payment of all applicable dues by the Consignee/ CHA. The time of delivery thus varies from as low as 6 hours (from time of segregation) to 48 hours (the permitted demurrage free period) and more.

8.11.2 *<u>Facilitation fee charges</u> are against the support facility extended to the government agencies within the warehouse, including dedicated space, capex and operating expenses to support them to function efficiently. The same was examined by AERA authorities and was approved by AERA authorities during 2nd Control Period. However, subsequently in the order of DCSC for FY 21 the same was* *merged with TSP charges. We would also accept to merge these charges with the TSP, as it simplifies the charge under one heading.*

Regarding Miscellaneous charges, these are not mandatory and is on request basis against specific services not covered in the main tariff card.

8.11.3 *It may be noted that the requirement of repacking of packages comes up not only for packages that are opened by Customs but also on account of packages that must be subjected to physical checks as per BCAS vide their AV Sec Circular No 8/ 2008 dated 10th Sept 2008 wherein at least 15% is mandatory and random physical check of all consignments have to be undertaken.*

8.11.4 *We are not aware of any handling charges to the subject stakeholder. If the reference is to charges levied to airlines for unitization/ destuffing of domestic cargo, then these are not relevant under the subject stakeholder's response.*

8.11.5 *The representation as mentioned is factually incorrect and untenable. CELEBI team undertakes the activity i.e. DGD preparation/ DG Checklist currently for only for 4 airlines (out of over 50 International Airlines being handled at CELEBI terminal). It is to confirm that we do not provide this service, nor do we charge for the same for any airline other than the 4 contracted airlines as mentioned above.*

8.11.6 *HAWB Charges: Terminal operator needs to reconcile and console the MAWB with HAWB to facilitate following (the charge is not realized/ applicable when direct delivery of the Import consignment is undertaken as per MAWB):*

- *All Import console shipments, on receipt need to be segregated per HAWB level*
- *Individual system insertion is done per HAWB level*
- *Information to console agent is also shared, when demanded with respect to any missing HAWB*
- *Separate location instance is created*
- *Separate gate pass instance per HAWB*
- *Our IT system has been developed & configured to deal with shipments at HAWB level as per process requirements*

8.11.7 *Special cargo consists of industry defined perishable and temperature sensitive products, live animals, hazardous goods, valuable and or any other such cargo which requires/has special handling/storage instructions.*

Note: Unitized cargo from AFS is also considered as Special Cargo due to its special handling requirements.

8.12 **CDCTM counter comments regarding various concerns raised by FFFAI:**

8.12.1 *"The said charge i.e. Express Delivery Charge is a charge that is levied only for 'Express Delivery' of requested (by the Consignee/ CHA) Import Consignments and as such it is an 'On demand Service' charge only.*

When the CHAs formally request for expeditious delivery of consignments before standard/normal segregation timelines, Express delivery is approved by the Customs Official. CELEBI Operations team locates the Unit Load Device (ULD) from amongst the many ULDs that await their turn for destuffing and segregation in the Warehouse (WH). The identified ULD thereafter is taken up for destuffing on Priority with a view to retrieve the requested consignment along with completion of the required documentation for the consignment's expeditious delivery.

Consignments with such requests for Express delivery are offered for delivery to the concerned CHA within 4 hours of receipt of the Customs permission (as mentioned above) and upon payment of all applicable dues.

On the air side the normal handling i.e. destuffing and preparation of the segregation report for each of the flight handled at our terminal is governed by Service Level Agreement (SLA) that is signed individually with each of our airline customers. Depending on the volume of cargo being tendered for handling the agreed handling SLA parameters range from 4 hours (for flights with less than 10 MT of cargo) to 12 hours (for freighters bringing in more than 40 MT-100 MT of cargo).

On the city side however the delivery of cargo to the consignee/ CHA is affected only upon receipt of the Customs permission (Out of Charge) and payment of all applicable dues by the Consignee/ CHA. The time of delivery thus varies from as low as 6 hours (from time of segregation) to 48 hours (the permitted demurrage free period) and more.

8.12.2 *Facilitation fee charges are against the support facility extended to the government agencies within the warehouse, including dedicated space, capex and operating expenses to support them to function efficiently. The same was examined by AERA authorities and was approved by AERA authorities during 2nd Control Period. However, subsequently in the order of DCSC for FY 21 the same was merged with TSP charges. We would also accept to merge these charges with the TSP, as it simplifies the charge under one heading.*

Regarding Miscellaneous charges, these are not mandatory and is on request basis against specific services not covered in the main tariff card.

8.12.3 *It may be noted that the requirement of repacking of packages comes up not only for packages that are opened by Customs but also on account of packages that need to be opened for physical checks as per BCAS vide their Av Sec Circular No 8/ 2008 dated 10th Sept 2008 wherein at least 15% is mandatory and random physical check of all consignments have to be undertaken.*

8.12.4 *We are not aware of any handling charges to the subject stakeholder. If the reference is to charges levied to airlines for unitization/ destuffing of domestic cargo, then these are not relevant under the subject stakeholder's response.*

8.12.5 *The tariff chart is similar since inception and our utmost endeavor is to be transparent and to provide complete clarity on charges. Delay on part of the CTO is something abnormal in nature and will be dealt on a case to case basis depending on the merit of each case."*

8.13 **CDCTM counter comments regarding various concerns raised by VAFA:**

8.13.1 *"The handling of perishable cargo requires a special skill set and infrastructure different from general cargo. Celebi has invested in dedicated facility and in its upkeep and maintenance to provide suitable handling for perishable cargo. Further, commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who are transporting the cargo. Not only such handling requirements are different but even the infrastructure & facility required is defined, case in point is about Perishable handling, which has a dedicated temperature-controlled terminal/storage unit with its set of requirements including industry certifications liked GDP, CEIV etc.*

8.13.2 *Mix loading of general cargo and special cargo as a standard practice isn't permitted due to different handling requirements, they must be processed separately as mentioned above and charged accordingly. This is a universal industry practice.*

8.13.3 *Celebi has been making continuous investment in high state-of-the-art X- ray machines as per the BCAS guidelines. Given the nature of security and compliance, the said X-ray machines require continuous maintenance, support and upgrading to ensure compliance with evolving guidelines of BCAS e.g. implementation of piece wise scanning of Cargo. Celebi has made considerable investment in X-ray machines across its terminals including the dedicated facility for perishable cargo.*

8.13.4 *Movement of Perishable TP cargo: Not in scope of Celebi.*

8.13.5 *The Import cargo along with its accompanying documents is delivered to CELEBI Import terminal by the airline/ airline ground handling service provider. CELEBI team thereafter commences activities such as destuffing and preparation of the segregation report for customer airlines as per defined SLAs. The delivery of the Import cargo to the agents on the city side is undertaken by Celebi, upon receipt of the E-Gate Pass which is generated online by the agents (at their office). On receipt of E-Gate pass from the CHA, Celebi initiates the delivery process which gets completed within 120-180 mins subject to CHA securing final Customs clearance from the Gate Officer, availability of the CHA personnel with suitable vehicle for taking physical delivery of cargo on Cityside. Celebi Operates 24X7 and works under strict SLA compliance of customer airlines for ensuring timely delivery to CHA subject to fulfilment of compliances and processes as mentioned above.*

8.13.6 *As provided above elsewhere in this response, mix loading of general cargo and perishable cargo as a standard practice isn't permitted due to different handling requirements including infrastructure, manpower, dedicated temperature-controlled terminal/storage units etc. Also, perishable handling has strict compliance requirements including industry certifications liked GDP, CEIV etc. and hence the charges for handling general cargo and special cargo vary, which is a universal industry practice. Celebi has also invested in dedicated facilities for handling perishable cargo which can handles up to 17000 Mt of cargo per annum and has facilities such as temperature control set-up, X-Ray machines, dedicated resources, and special equipment such as cool dollies, skilled manpower, GDP and CIEV certification etc. for safe and efficient handling of perishable cargo."*

8.14 **<u>CDCTM counter comments regarding various concerns raised by DACAAI:</u>**

8.14.1 *"No billing to FFs:*

Celebi does not raise any invoice on the freight forwarders for domestic handling and Celebi collects its service charges directly from the customer airlines, as per the terms of Agreement between Celebi and customer airlines.

Celebi's invoicing to customer airlines is limited to three pertinent heads including TSP, build-up, breakdown, and screening, which we feel is required to provide transparency on charges levied.

This was explained during DACAAI's delegation visit of Nov 30, 2022.

CDCTM has summarized their counter comments in response to various concerns raised by DACAAI:

8.14.2 <u>CDCTM has submitted its counter submission in respect of summary of comments of DACAAI</u>:

"Celebi constantly engages with trade on various issues and has also engaged with DACAAI representatives during stake holder consultation. Key issues are discussed in detail during in-person meetings and the latest one had covered all the critical points with factual clarity provided by us to DACAAI representatives. These have been captured in our recorded response to DACAAI vide mail from CEO's office dated 08.12.2022.

We are aware of domestic cargo requirements namely fast service and reasonable cost and on both accounts are better when compared to international cargo. Our processing of domestic cargo can be *differentiated while considering statutory requirements and the domestic airline SLAs. In our tariff structure we have differentiated tariff for different product types while being mindful of product handling requirements.*

Airfreight costs are part of the logistics costs and are not the whole. Further, handling costs at terminals is a fraction of the overall logistics costs.

It must be noted here that while all other parts of the logistics costs are non-regulated and vary from time to time, terminal handling charges are the only ones that are regulated and constant during all times. Case in point is during Covid, we have incurred considerable cost in retaining and maintaining our domestic terminals with no real recovery. For the minimum domestic volumes that got handled our tariff remained the same during this challenging time when we had to pay for fixed overheads including licence fees, manpower resource costs etc.

As is aware cargo terminals are invested upfront with an anticipated demand over years and when these volumes aren't achieved due to external reasons there's no flexibility for us to adjust our tariff. For example, we used to handle Jet Airways and when the airline folded in 2019, we were left with vacant unused terminal capacity, which couldn't for nearly 4 years be filled with alternate cargo loads.

8.15 **CDCTM's response to comments of BAR (I) N.R.:**

8.15.1 *Projected tariff increase submitted by Celebi is based on investment projection, business scenario and inflation. However, we would like to appreciate and thank BAR for accepting minimal increase.*

8.15.2 *The handling prices of Celebi have not been revised in past 2 years. It however, continued to provide handling services and made necessary investment in manpower and machinery to ensure business continuity and support airlines' cargo operations. Likewise, other entities, Celebi has not been untouched by present world situation, which has adversely effected Celebi due to decreased tonnages and closer of operations by some of the customer airlines due to global political and economic scenario.*

Further, the terminal handling cost has a very small share in the overall operating cost of any airline. However, in order to upkeep and maintain the cargo terminal facilities, avoid compromising on quality & service standards and to compensate the increase in costs and absorb inflationary impact, the proposed increase in tariff is well justified."

8.16 **Authority's Analysis on Projected Revenue, Profitability Statement & Tariff for Cargo Handling Services for the Third Control Period:**

8.16.1 The Authority notes the comments of ACAAI relating to Tariff proposed for various Cargo Handling Services and response of CDCTM thereon.

8.16.2 As regard to comments of ACAAI & FFFAI regarding levy of 25% extra applicable charges in respect of Express Delivery of Cargo, wherein the stakeholder requested for clarity regarding this service being a on demand service only, the Authority notes that ISP in its counter comments has submitted that above charge is levied for expeditious clearance of Cargo and confirmed that above service is purely optional and provided on demand only.

8.16.3 As regard to ACAAI & FFFAI comments relating to Miscellaneous Charges & Facilitation fee (Customs facilitation), the Authority notes from the submission of the ISP that Miscellaneous Charges are not mandatary and same are being levied by the ISP in respect of specific services, which are not covered in Tariff Card. Whereas, Facilitation Fee in respect of various support services provided by the ISP to the Customs Authorities for efficient discharge of their statutory services. The Authority decides to merge the "Facilitation Fee" with the "TSP Charges" for better clarity and transparency.

8.16.4 In respect of the ACAAI & FFFAI comments relating to Repacking Charges, House Air waybill (HAWB) Consolidation charges, definition of Special Cargo, the Authority notes that CDCTM in its counter submission has adequately responded and has clarified the factual position regarding applicability such charges, as sought by the stakeholder.

8.16.5 As regard to comments of ACAAI & FFFAI regarding levy of handling charges, the ISP in its counter comments has clarified that above charge is only being levied to airlines not to the subject stakeholder.

8.16.6 In respect of ACAAI's comment relating to Dangerous Goods (DGD) Preparation and Acceptance fees, the Authority notes from the submission of the CDCTM that activities related to above charges are undertaken by the ISP for 4 airlines only (out of 50 International airlines being handled by the ISP).

8.16.7 The Authority notes the ACAAI's comments regarding lack of standard rates for handling & processing of Cargo across Indian airports and stakeholder's suggestion to have uniform rates for Cargo Handling Services for all airports in India, which should also be comparable to rates prevailing at other airports around the world. In this regard, the Authority also notes the counter comments on the CDCTM stating that the current Tariff Rate Structure is legacy of AAI Tarif Card, prevailing before the privatization of Delhi airport, and it is being continued with some variations. As per the ISP present tariff structure is transparent and is automated with no manual intervention.

As regard to suggestion of the stakeholder that there should be uniform Tariff Rates for all airports across India & it should also be comparable to airports across the world, the Authority feels that since each airport is a unique entity and has its own business model, based on specific traffic volumes, investment level, operating strategy, etc. Further, airport operations, particularly Cargo Operations, largely dependent on and cater to requirements of local economy & trade. Hence, it is not appropriate to compare tariff rates of one airport with rates prevailing at other airports.

Notwithstanding the above, the Authority advises the Cargo Operator to engage with the trade representatives to explore the possibility to make Tariff Structure simpler & more transparent for better clarity for end Users.

8.16.8 As regard to comments of VAFA regarding huge difference in TSP charges relating to Perishable Cargo and General Cargo, the Authority notes from the submission of ISP that commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who transports the cargo. Handling requirements for different type of Cargo are different, and even the infrastructure & facility required also vary. For instance, Perishable Cargo, requires dedicated temperature-controlled terminal/storage units with its set of requirements, including industry certifications like GDP, CEIV etc.

Considering the above, the Authority feels that prevalent practice of handling & treating different category of cargo separately, depending on its specific handling & infrastructure requirements appears logical.

8.16.9 As regard to VAFA comments regarding hike in X-ray machine charges, the Authority notes from the submission of ISP that the increase in charges are necessitated on account of continuous investment in X-ray machines in compliance of BCAS guidelines, and also to take care of continuous maintenance, support and upgradation requirements. The Authority feels that Y-o-Y increase in charges become necessary on account of increase in costs associated with the machines, due to aforesaid factors and impact of general inflation.

Further, as regard to comments of Stakeholder that since cost of X-ray Machines are getting depreciated (with passage of time); therefore, X-ray machine charges may also be reduced. In this regard, it is clarified that after completion of normal lifespan, old assets get replaced with new machines. Accordingly, reducing net value of the assets alone is not the deciding factor for considering lower X-ray charges.

8.16.10 In respect of VAFA's comments regarding movement of perishable cargo as 'Domestic to International' transshipment cargo, the Authority notes that the requirements of relating to re-screening of transshipment of perishable 'domestic to international' cargo is being done in accordance with prevailing security regulations pertaining to X-ray screening of Export Cargo at last port of departure.

As regard to comments of Stakeholders (VAFA & FFFAI) regarding penalty/ discount in TSP/ demurrage charges for delay in delivery of Cargo, the Authority notes from the ISP's counter submission that delivery of Import Cargo to the agents on city side is dependent on many factors, like receipt of e-gate pass, which is generated online by the agents (at their office), final custom clearance from gate officer, availability of the CHA personnel with suitable vehicle for taking physical delivery of cargo on cityside. The Authority feels that for timely clearance of Import of cargo all the players in system are required to work in tandem. The Concerned stakeholders are advised to discuss the matters among themselves and resolve the pending issues.

8.16.11 As regard to suggestions made by DACAAI in its summary of its comments, the Authority notes that the ISP in its counter submission has responded in detail to the points raised by DACAAI. The Authority always insists the ISPs to engage with the stakeholders continuously and discuss and address the issues raised by them.

8.16.12 The Authority notes that the Tariff charged by the ISP in respect of Domestic Cargo Handling is lower than the charges applicable to International Cargo handling. As regard to Stakeholders comments with respect to lack of investments and poor service quality level, the Authority notes that the ISP in its detail counter submission has already responded and furnished details of various improvements made in infrastructure/ equipment added at domestic cargo terminal. Further, ISP has also responded and clarified on the various aspects of ground handling services pertaining to domestic cargo, including service quality matters (Refer Para 4.21.1 under Chapter 4).

8.16.13 The Authority notes the comments of the Stakeholders (ACAAI, FFFAI & DACAAI) relating to requirement of "Single TSP Rate" for handling and processing of all types of Cargo and response thereof from CDCTM.

In this regard, the Authority notes that commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who transports the cargo. Handling requirements for various type of Cargo are different, but even the infrastructure & facility required also varies. For instance, Perishable Cargo requires dedicated temperature-controlled terminal/storage units with its set of requirements, including industry certifications liked GDP, CEIV etc.

ISP further submitted that mix loading of general cargo and special cargo as a standard practice is not permitted due to different handling requirements, they have to be processed separately and charged accordingly. Considering the above, it may not be appropriate to compare handling of Hazardous/ Perishable Cargo with the General Cargo handling.

8.16.14 The Authority notes the comments of CDCTM regarding Revenue and no increase in Tariff considered by the Authority for the Third Control Period at CP Stage. The Authority observes from the historical figures relating to Revenue and Yield/ MT submitted by the ISP for the period FY 2017-18 to FY 2022-23 (as part of its comments on CP) that even during the pre-Covid period (up to FY 2019-20), Revenue Yield had shown an increasing trend; though, in FY 2021-22 yield/ MT had dropped as compared to previous year.

The Authority, at consultation stage, had given the due consideration to the fact that in future, yield from demurrage income is likely to drop as submitted by the ISP, due to factors like, faster clearance of cargo by Customs department and expected faster processing of Cargo by the Cargo Terminal Operators. Therefore, the Authority at consultation stage had considered a decrease of 10% in demurrage yield on Y-o-Y basis. As the demurrage yield approximately account for 20% of overall yield/MT; accordingly, 2% decrease in overall yield/ MT (based on 10% drop in demurrage yield) for the remaining period of the Third Control Period was projected by the Authority at CP stage.

However, the Authority notes the comments of CDCTM that the projected drop in Revenue yield / MT is expected to be higher than the projections made at CP stage. Accordingly, the Authority decides to consider overall decrease in Revenue Yield/ MT @ 4% on Y-o-Y basis (which translates into 20% drop in Demurrage Yield/ MT on Y-o-Y basis) from FY 2023-24 onward, as against 2% decrease in overall Yield /MT on Y-o-Y basis proposed at CP stage, as per the table given below:

Table 27: <u>Revenue from Regulated Services and Yield/ MT computed by the Authority in respect of CDCTM for the Third Control Period</u>

Particulars	FY 2021-22	FY 2022-23 (9 months)	FY 2022-23 (3months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total Cargo Volume (excluding AFS) [refer Table 3] (A)	3,64,198	280576	93525	3,75,448	3,37,943	2,69,053	17,20,743
AFS Volume (refer Table-3)			1200	4800	5040	5292	16332
Revised Yield (₹/MT) considered by the Authority for the Third Control Period (B)	**14038***	**12875.00#**	**13390.00^**	**12720.50**	**12084.48**	**11480.25**	
Total Revenue from Regulated Services excluding AFS (₹ in crores) (C) = (A*B)	511.26	361.24	125.23	482.62	417.03	318.74	2216.11
Revenue from AFS Cargo (₹ in crores) (*refer Table 28*) (D)	-	-	0.15	0.59	0.62	0.65	2.01
Revenue from Regulated Services at revised Tariff (including AFS) (₹ in crores) (E)=(C+D)	511	361	125.38	483.21	417.65	319.39	2218.12

**Actual yield*
 # Yield for FY 2022-23 (based on first 5 months) as submitted by the ISP
^Revised yield with 4% Tariff increase w.e.f. 16.01.2023

8.16.15 The revised Revenue from AFS Cargo after considering one time Tariff increase of 4% in Tariff rates for Cargo handling Services is as under:

Table 28: **AFS Cargo Volumes & TSP Charges proposed by the Authority for the Third Control Period**

Particulars	FY 2022-23 (for 3 months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
AFS Cargo Volume (in MT) (a)	1200	4800	5040	5292	16332
Revised TSP charges/kg with 4% Tariff increase (in ₹/kg) (b)	1.76	1.76	1.76	1.76	
TSP charges/Kg for AFS Cargo (30% lower charges than charges applicable on normal cargo) decided by the Authority [in ₹/kg] (c)	**1.23**	**1.23**	**1.23**	**1.23**	
Revenue from AFS Cargo at revised TSP rates as applicable to Normal Cargo (₹ in crores) (d) = {(a)*(b)}/ 10000	0.21	0.84	0.89	0.93	2.87
Revised Revenue from AFS Cargo after considering 30% lower TSP (₹ in crores) {(a)*(c)/ 10000}	**0.15**	**0.59**	**0.62**	**0.65**	**2.01**

8.16.16 The revenue from Regulated Services and AFS Cargo before Tariff increase projected by the Authority for CDCTM in respect of Third Control Period is given below:

Table 29: **Projected Revenue from Regulated Services and AFS Cargo for the Third Control Period before Tariff increase**

Particulars	FY 2021-22	FY 2022-23 (9 months)	FY 2022-23 (3months)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total Cargo Volume (Excluding AFS Cargo volume) (refer Table 3) (A)	3,64,198	2,80,576	93,525	3,75,448	3,37,943	2,69,053	17,20,743
AFS Volume	-	-	1,200	4,800	5,040	5,292	16,332
Total Cargo Volume	**3,64,198**	**2,80,576**	**94,725**	**3,80,248**	**3,42,983**	**2,74,345**	**17,37,075**
Revised yield (other than AFS Cargo) before Tariff Increase	14,038	12,875	12,875	12,360	11,866	11,391	
Revised yield (from AFS Cargo) before Tariff Increase	-	-	1.69	1.69	1.69	1.69	
Total Revenue from Regulated Services excluding AFS before Tariff increase (₹ in crores) (C) = (A*B)	511.26	361.24	120.41	464.05	400.99	306.48	2,164.44
Revenue from AFS Cargo	-	-	0.20	0.81	0.85	0.89	2.76
Total Revenue before Tariff increase	**511.26**	**361.24**	**120.62**	**464.87**	**401.84**	**307.37**	**2,167.20**

8.17 Based on the Stakeholders comments on the CP no. 12/2022-23 dated 14.11.2022 and review of various regulatory building blocks, the Authority has computed the revised Revenue and Profitability statement for CDCTM for the Third Control period as per Table given below:

Table 30: Projected Revenue & Profitability Statement after Tariff increase computed by the Authority in respect of CDCTM for the Third Control Period

(₹ in crores)

Particulars	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from Regulated Services (Excluding AFS Revenue) (Refer Table-22)	511.26	486.47	482.62	417.03	318.74	2216.11
Revenue from Non-Regulated Services *(refer Table 23)*	71.84	67.04	64.48	62.09	59.85	325.3
AFS Revenue *(refer Table 28)*	-	0.15	0.59	0.62	0.65	2.01
Total Revenue (A)	**583.1**	**553.66**	**547.69**	**479.74**	**379.24**	**2543.42**
Total Operating Expenditure (B) *(Refer Table 15)*	**422.68**	**440.69**	**463.35**	**458.00**	**436.02**	**2220.74**
EBITDA (A-B)	**160.42**	**112.97**	**84.34**	**21.74**	**-56.78**	**322.69**
Depreciation *(Refer Table 6)*	17.08	20.67	25.87	31.95	38.21	133.78
EBIT	143.34	92.30	58.47	-10.21	-94.99	188.91
Interest & Finance Cost *(Refer Table 23)*	4.48	4.36	4.19	4.67	5.14	22.84
PBT	**138.86**	**87.94**	**54.28**	**-14.88**	**-100.13**	**166.07**
Tax @ 25.168%	34.95	22.13	13.66	0.00	0.00	70.74
PAT	**103.91**	**65.81**	**40.62**	**-14.88**	**-100.13**	**95.33**
% PAT to Revenue	**18%**	**12%**	**7%**	**-3%**	**-26%**	**4%**

**Actual figures for the FY 2021-22*

8.18 From the above table, the Authority notes that last two tariff years of the Control Period are showing negative profitability for the ISP and the same is mainly on account of increased depreciation due to high capital expenditure during later part of this Control Period & estimated drop in market share of ISP on account of upcoming new greenfield Airport at Jewar, Noida etc. leading to lower Cargo Volumes. However, CDCTM is expected to earn reasonable Profit After Tax (PAT) of ₹ 95.33 crores for the Third Control Period.

8.17 **Authority's decision regarding Revenue for the Third Control Period**

Based on the material before it and based on its analysis, the Authority decides to consider Total Revenue for the Third Control Period as per Table 30.

CHAPTER 9: SUMMARY OF AUTHORITY'S DECISIONS

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

Chapter	Para	Summary of Authority's Decisions	Page No.
Chapter No.2	**2.9**	The Cargo Handling Services provided by CDCTM at IGIA, Delhi for the Third Control Period is deemed **'Material but Competitive'**. Therefore, the Authority adopts **'Light Touch Approach'** for the determination of the Tariff for the 3rd Control Period.	**12**
Chapter No.3	**3.9**	The Authority decides to consider the Cargo Volume including the Cargo Volume of AFS projected by CDCTM for the Third Control Period as per Table 3.	**19**
Chapter No. 4	**4.20.1**	The Authority decides to consider Additions to RAB for the 3rd Control Period as per Table 8.	**36**
	4.20.2	The Authority decides to consider the Depreciation for the 3rd Control Period as per Table 6.	
	4.20.3	The Authority decides to consider Average RAB for the 3rd Control Period as per Table 8.	
	4.20.4	The Authority decides to consider the Return on Security Deposit as per Table 9.	
Chapter No. 5	**5.10**	The Authority decides to consider the OPEX projected by CDCTM for the Third Control Period as per Table 15.	**43**
Chapter No. 6	**6.11**	The Authority decides to consider 30% lower TSP charges for AFS Cargo (Export & Import Cargo), including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo for the Third Control Period (w.e.f. 16.01.2023 to 31.03.2025).	**59**
Chapter No. 7	**7.6.1**	The Authority decides to consider the FRoR for the Third Control Period as per Table 20.	**65**
	7.6.2	The Authority decides to consider the ARR for the Third Control Period as per Table 22.	
	7.6.3	The Authority decides to consider one time Tariff increase of 4% with effect from 16.01.2023 to 31.03.2025.	
	7.6.4	The Authority decides to consider Tariff Rate Card (including TSP charges applicable to AFS Cargo) w.e.f. 16.01.2023 to 31.03.2025 as per Annexure II.	
Chapter No. 8	**8.17**	The Authority, decides to consider Total Revenue for the Third Control Period as per Table 30.	**84**

CHAPTER 10: ORDER

Upon careful consideration of the material before it, 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) The services relating to Cargo Handling being provided by M/s Celebi Delhi Cargo Terminal Management (India) Pvt. Ltd. at Indira Gandhi International Airport, Delhi is deemed "Material but Competitive". Therefore, the Authority decides to adopt 'Light Touch Approach' for determination of Tariff for the Third Control Period (FY 2021-22 to FY 2025-26).

(ii) M/s Celebi Delhi Cargo Terminal Management (India) Pvt. Ltd. is allowed to levy the revised Tariff for Cargo Handling Services for the Third Control Period (FY2021-22 to FY 2025-26) with effect from **16.01.2023** up to **31.03.2025** as per **Annexure-II**.

(iii) The Authority decides that annual Tariff Proposal for FY 2025-26 (Tariff year 5) will be finalized after review of actual figures as per ACS to be submitted by CDCTM for first four tariff years of the Third Control Period (FY 2021-22 to FY 2024-25).

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

(v) The Tariff rates approved hereinunder are ceiling rates, excluding of all applicable taxes.

(vi) 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,

Shri Kamesh Peri, Chief Executive Officer
M/s Celebi Delhi Cargo Terminal Management (India) Pvt. Ltd.,
CE-05, First Floor, Import Building II, International Cargo Termial,
IGI Airport, New Delhi – 110037.

Copy for information to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi-110003
2. Shri K. Narayana Rao, Director, DIAL, New Udaan Bhavan, Opp. Terminal 3, IGIA, Delhi, New Delhi – 110037.

Annexure I

Amitava Kundu

Subject:	FW: DACAAI written response to MYTP for 3rd control period 2021-26 by Celebi Delhi Cargo Management Terminal.
Attachments:	DACAAI - CELEBI Meeting 30Nov'22.pdf

From: Kamesh Peri <Kamesh.Peri@celebiaviation.in>
Sent: 08 December 2022 14:18
To: info Dacaai <info@dacaai.com>
Cc: Shri Arvind Nayak <arvindnayak@nayakaviation.com>; Dinesh Kumar <dineshk.aviation@gmail.com>; Ravijeet Sehrawat <md@suryacargo.com>; Ananda Agarwala <anand21nov@hotmail.com>; Suraj Agarwal <surajagrawal@monopolycargo.com>; V_porwal@patel-india.com; Ismail Khan <ismailmd@indexlogistics.in>; gaurav@edscargo.com; Deepak More <deepak.more@sdcargo.com>; Amit Bajaj <amitbajaj@mituj.com>; Sajjan Sharma <carexblr@yahoo.co.in>; Ashish Kumar <Ashish.Kumar@celebiaviation.in>; Arvind Aggarwal <Arvind.Aggarwal@celebiaviation.in>; Andy Dias <Andy.Dias@celebiaviation.in>; Anuj Thapliyal <anuj.thapliyal@celebiaviation.in>; Amitava Kundu <Amitava.Kundu@celebiaviation.in>; Rahul Jain <Rahul.Jain@celebiaviation.in>
Subject: RE: DACAAI written response to MYTP for 3rd control period 2021-26 by Celebi Delhi Cargo Management Terminal.

Dear Shri Arvind Nayak,

With reference to your mail of 28Nov, we had agreed for a meeting on 30Nov to discuss the same. We thank you and your colleagues for the visit wherein we had the opportunity to go through all issues threadbare and these have been captured in attached document.

As stated during our meeting, we look forward to working with you & our customer Airlines in collectively find ways to grow our volumes, while addressing all related issues.

Assuring you of our commitment at all times.

Best Rgds,
Kamesh Peri

Kamesh Peri
CEO
+91 11 25601301 +91 9900204805
kamesh.peri@celebiaviation.in

DACCAI concerns Ltr dated 28/11/2022	Meeting dated Nov 30, 2022 between Celebi Management and DACAAI Delegation CELEBI's Explanation and Discussion Points with DACAAI
DACAAI members have experienced severe congestion at domestic Celebi CUT since inception; is grossly inadequate to handle the current quantum of cargo leave alone future cargo projections. What Celebi has planned to address this extreme situation?	**Celebi Domestic CUT Cityside Congestion:** The perceived congestion at the domestic Celebi CUT needs to be understood correctly in view of the following determinants: 1. The terminal is organised in 3 distinct areas: a. The Cityside, b. The Warehouse, and c. The Airside. 2. DACAAI members are served by Celebi only on the cityside. As such, the points mentioned below refer only to the cityside operations. 3. For the development of cargo terminal, the land was provided by the airport and Celebi has constructed the terminal in 2017. Also, the infrastructure/access road leading to cargo terminal is within the scope of airport operator. On our part, we have taken up the issue (along with our customer airline) with the airport operator who is suitably looking into this matter. 4. While the established optimum throughput capacity of the terminal is 295 MT per day (2018) whereas the handled tonnages were just 186 MT per day in 2021 only. In 2022, the average tonnage being handled per day is only 214 MT (Jan-Nov). As such it is to confirm that there is sufficient capacity available at our subject domestic cargo terminal. 5. It is however also pertinent to mention that one of the main reasons for the reported congestion on the cityside of the terminal is on account of the freight forwarders (FF) undertaking activities such as documentation, labelling and marking etc. of cargo at the truck docks (thus adversely impacting the truck turnaround time and congestion), activities which otherwise need to be undertaken by the FFs at their respective warehouses. 6. All our efforts to mitigate the cityside/ truck dock congestion issues by engaging with the FFs to bring their cargo to the terminal in Ready for Carriage (RFC*) condition, for faster and efficient handling, have consistently been ignored by the FFs. This subject was once again discussed in detail during DACAAI's delegation visit of Nov 30, 2022. ***It may kindly be noted that the current non-RFC cargo accounts for more than 55% of the daily loads being handled and besides resulting in avoidable congestion, it also adversely impacts the throughput capacity of Celebi CUT.***

<table>
<tr>
<td>Same space has been used to handle more than 3 times increased loads i.e. 2018-124,926 mt; 2019 - 1,29,092 mt; and 100502 mt in covid year. DACAAI putting pressure on service quality, increased processing time, congestion, mishandling and shifting of cargo to surface. Please furnish the number of flights in 2015 and currently in 2022?</td>
<td>

Cargo Tonnages and Flights:

DACAAIs contention and representation about the tonnages from the said terminal (New Domestic) needs correction and may please be reconciled for records in view of the following:

1. The tonnages at the New Domestic CUT have gone down rather than going up. Please find the table below for tonnages handled by Celebi in at domestic terminals:

<table>
<tr><th colspan="8">DOMESTIC CARGO TONNAGES (in MT) for FYs</th></tr>
<tr><th>Terminal</th><th>2016-17</th><th>2017-18</th><th>2018-19</th><th>2019-20</th><th>2020-21</th><th>2021-22</th><th>2022-23E</th></tr>
<tr><td>Old Dom</td><td>46,250</td><td>58,677</td><td>50,280</td><td>198</td><td>-</td><td>-</td><td>900</td></tr>
<tr><td>New Dom</td><td>-</td><td>66,249</td><td>78,812</td><td>1,00,304</td><td>59,589</td><td>66,536</td><td>81,797</td></tr>
<tr><td>Total</td><td>46,250</td><td>1,24,926</td><td>1,29,092</td><td>1,00,502</td><td>59,589</td><td>66,536</td><td>82,692</td></tr>
</table>

2. From above, it is further clarified that there is enough capacity at Domestic CUT to handle additional cargo provided that the cityside congestion issues is addressed satisfactorily by the freight forwarders. We are committed to work alongside our stakeholders to find joint solutions.

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<td>

Celebi has stated to having made a total investment of INR 500 Crores out of which 200 crores is the Security Deposit for concession. Please provide specific details of amount of year wise investments made for creating specific facilities, expansions equipment etc done in Celebi domestic CUT exclusively?

Celebi has stated that 80,000 sq. mtr. area is for cargo handling. DACAAI requests you to provide specific details as to how much of this area pertains to Domestic cargo handling giving details of area of truck parking & manoeuvring, truck dock area, processing area, XRay area, sterile & nonsterile storage etc separately for outbound & inbound sections?

</td>
<td>

Celebi has been making Investments from time to time for handling domestic cargo.

1. **Dedicated Infrastructure:** Celebi has two dedicated terminals to handle domestic cargo. Among other items, Celebi has provided and maintained following infrastructure on cityside of its domestic terminals:
    a. Truck Docks: 17 nos.
    b. X-Ray Machines: 9 nos.
    c. CCTV Cameras: 91
2. **Terminal Area:** Celebi has recently refurbished and recommissioned its old domestic terminal spanning over 39,000 Sq.ft. for handling of domestic cargo and this terminal in its full functioning, was shown to DACAAI's delegation during their visit of Nov 30, 2022. The total area available for domestic cargo operations handling thus is over 67,000 Sq.ft. We also have a continued investment intent pertaining to additional space & infrastructure to meet future demand requirements.
3. **Handling Capacity:** It may be noted that our domestic CUTs are currently underutilised. Both terminals together can handle over 2,00,000 MT p.a. however, as mentioned above currently the domestic cargo load at Celebi terminal is much lower.

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</table>

New Delhi

Airports Economic Regulatory Authority of India

Whether Celebi has made any investment in Domestic CUT for any of below reasons :- - Increasing the speed & efficiency of processing of cargo? - Reducing the cut-off and delivery time of cargo? - Easing the congestion outside and inside terminal? - Increasing the throughput of domestic CUT?	1. **Domestic Operations:** Celebi commenced domestic cargo handling operations in 2014 from its old domestic terminal and in 2017, Celebi further invested/constructed a new domestic terminal which substantially added to the handling capacity. In addition to the new terminal, Celebi also invested, at its both terminals, in necessary installation including material handling equipment, security systems, etc. which are required for efficient handling of cargo in a safe, secure, and efficient manner. Celebi has incurred considerable cost in retaining (paying license fee to airport operator) and maintaining old domestic terminal after Jet Airways stopped operations in Apr'19 even though the terminal was not used since then. 2. **Highest level of readiness:** Celebi maintained and managed terminal building during Covid period and always kept domestic cargo handling readiness at its highest standards in all terms including human resources, safety gears for personals, cargo handling equipment etc. for recommissioning of cargo operations. 3. **Investments in Maintaining Efficiency:** Celebi has been continuously investing for ensuring operational efficiency at its warehouses. New investments have been made in X-ray machines, digitalised acceptance process, human resources etc. among others and would continue to do in future, as required.
DACAAI has observed that the Departure time which used to be D – 3 when the airlines were self- handling which has gone up to D-6 hours, at times stretches up to D-9 hours. Similarly, arrival cargo which was delivered in A+1 hour is gone up to A+3 hours and stretches to A+4/5 hours. As you are aware, due to this increased transit time major portion of air cargo has shifted to other modes of transport including to other airlines/other terminal	1. **Cargo Acceptance:** It is to reconfirm that the domestic cargo gets accepted at the terminal on D-3 hours basis only, which is in line with the existing service level agreement (SLA) with customer airlines. Airlines continuously and in a stringent manner map Celebi's performance against their SLAs. Celebi's score in terms of fulfilment of airline's SLAs on outbound cargo has been over 99% consistently. 2. **Cargo Delivery:** The Delivery of cargo to the terminal is dependent on airlines' delivery of cargo at the cargo terminal. Thereafter, unloading of the trucks and preparation of the segregation report is done by Celebi for customer airlines as per defined SLAs. The delivery of the inbound cargo to the agents on the city side is undertaken on receipt of the delivery order by the airlines (through the agents), an activity which gets completed by Celebi within 20-30 mins of receipt of the delivery order. Celebi's score in terms of fulfilment of airline's SLAs on Inbound cargo is over 99% consistently. Above, was also explained during DACAAI's delegation visit of Nov 30, 2022.

There are multiple heads of charges with each head having a minimum charge. Charging criteria is creating so much confusion for the end user. The charges are applied differently for each product and most of the time even without special services being rendered like cold storage, strong room, security escort, etc. still higher charges are being collected for no reason. DACAAI requests for a single (reasonable) terminal handling charge for ease of calculation and to spur growth.	**No billing to FFs:** Celebi does not raise any invoice on the freight forwarders for domestic handling and Celebi collects its service charges directly from the customer airlines, as per the terms of our agreement with between Celebi and customer airlines. Celebi's invoicing to customer airlines is limited to three pertinent heads including TSP, build-up, breakdown, and screening, which we feel is required to provide transparency on charges levied. This was explained during DACAAI's delegation visit of Nov 30, 2022.
Various operating airlines are now operating Freighters, how do you plan to handle the cargo for freighter from this CUT?	**Readiness for freighter operations:** Celebi confirms that it has made suitable arrangements to handle freighter operations, which has also been audited and cleared by airlines for commencement of their freighter Operations. The Old Domestic Terminal has been refurbished to specially cater to freighter handling operations and this has been shown in person to DACAAI delegates during their visit to Celebi on Nov 30, 2022.
There is lack of basic public amenities like toilets, drinking water, sitting area, etc. for staff of shippers and agents	**Provision of Facilities for FFs:** DACAAI statement on facilities is incorrect. All facilities including public amenities like toilets, drinking water, seating area etc. for staff of shipper and agents are already in place at both of our domestic terminals. This was explained during DACAAI's delegation visit of Nov 30, 2022 and actual pictures of facilities provided were shown.

Annexure - II

APPROVED TARIFF RATE CARD FOR CELEBI DELHI CARGO TERMINAL MANAGEMENT INDIA PVT. LTD. PROVIDING CARGO HANDLING SERVICES, INCLUDING AFS CARGO, AT IGIA, DELHI FOR THE THIRD CONTROL PERIOD [FY 2022-23 TO FY 2024-25]

Revised Tariff is effective from 16.01.2023

I. (A) Tariff for Export Cargo Handling

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Terminal Storage & Processing (other than AFS Cargo)	General	2.20	Per Kg	Pre Deposit Account (PDA)
		General Minimum Charges	345.28		
		Special	3.94		
		Special Minimum Charges	598.00		
		Valuable	3.94		
		Valuable Minimum Charges	598.00		
		Hazardous	5.68		
		Hazardous Minimum Charges	512.72		
		Pharmaceutical/ Perishable	5.68		
		Pharmaceutical/Perishable Minimum Charges	511.68		
		Express Delivery*: 25% more than the rate for the category the cargo falls under. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under.			

2	Terminal Storage & Processing (for AFS Cargo)	General	1.54	Per Kg	Air Freight Station (AFS)
		Minimum Charges - General	241.70		
		Special	2.76		
		Minimum Charges – Special	418.60		
		Valuable	2.76		
		Minimum Charges – Valuable	418.60		
		Hazardous	3.98		
		Minimum Charges – Hazardous	358.90		
		Pharmaceuticals/ Perishable	3.98		
		Minimum Charges - Pharmaceuticals/ Perishable	358.18		
		Express Delivery*: 25% more than the rate for the category the AFS Cargo falls under. Minimum Charges:25% more than the minimum charge for the category the AFS Cargo falls under.			
3	Demurrage-General		2.14	Per Kg per day, Free Period of 12 Hrs for Agent	PDA
		Minimum Charges	360.88		
			2.60	Per Kg per day, Free Period of 36 Hrs for Airlines	Airlines
4	Demurrage-Special		3.63	Per Kg per day, Free Period of 12 Hrs for Agent	PDA
		Minimum Charges	598.00		
			5.19	Per Kg per day, Free Period of 36 Hrs for Airlines	Airlines
5	Demurrage-Valuable		6.07	Per Kg per day, Free Period of 12 Hrs for Agent	PDA
		Minimum Charges	589.68		

			5.19	Per Kg per day, Free Period of 36 Hrs for Airlines	Airlines
6	Demurrage-Perishable / Pharmaceutical		3.63	Per Kg per day, Free Period of 12 Hrs for Agent	PDA
		Minimum Charges	598.00		
			5.19	Per Kg per day, Free Period of 36 Hrs for Airlines	Airlines
7	X-Ray Machine Charges		1.57	Per Kg	Airlines
		Minimum Charges	189.28		
8	X-Ray Screening & Certification Charges		1.57	Per Kg	Airlines
		Minimum Charges	189.28		
9	Unitization	General	2.05	Per Kg	Airlines
		Special	2.05		
		Bulk	1.18		
10	Documentation and supervision services		2.52	Per Kg	Airlines

** Cargo Acceptance & Loading within 4 hours from ETD for RFC (ready for carriage) AWBs.*

Notes:

1. *Demurrage charges indicated above are also applicable to Cargo pertaining to approved AFS.*
2. *Free period applicable to demurrage charges will be 12 hrs. for Agents & 36 hrs. for Airlines or as per Govt. of India Orders in this regard, issued from time to time.*
3. *TSP and Demurrage Charges are applicable on Gross Weight or Chargeable weight, whichever is higher.*
4. *Facilitation Fee(Customs) merged with TSP Charges w.e.f. 16.01.2023*

(B) <u>Tariff for Other Export Cargo Handling Services (for both scheduled and Non-scheduled operators)</u>

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Repacking	Minimum Charges per Airway Bill	39.47		PDA
		Packaging / Re-packaging charges per package (lots of 50) per shipping bill	19.73		PDA
2	Weight Difference	For the weight difference of more than 2% and up to 5% of the declared weight, penal charges double the applicable TSP charges will be levied. For variation above 5% of the declared weight, the penal charges will be 5 times the applicable TSP charges of the differential weight. No penal charge will be levied for variation up to and inclusive of 2% of the declared weight. This will not be applicable for valuable cargo			
3	DGR/Live Animal Acceptance Fee		5,332.08	Per Checklist	PDA
4	DGD Preparation and Acceptance Fee		10,665.20	Per Checklist	PDA
5	Pet Assistance		1,973.92	Per Checklist	PDA
6	ULD Cleaning Charges		9,438.00	Per ULD	Airlines
7	HAWB Consolidation Charges		1,138.80	Per HAWB	PDA
8	Dry Ice Acceptance Check		1,384.24	Per AWB	PDA
9	Miscellaneous Activity Charges*		1,573.52	Per HAWB	Airlines/ PDA
10	Miscellaneous Packing Charges*		157.04	Per Packet	Airlines
11	Miscellaneous Packing Charges - Metal*		315.12	Per AWB	Airlines

12	ULD Building-rebuilding Charges		2.05	Per Kg	Airlines
13	ULD Customization		3,947.84	Per ULD	PDA
14	SKID charges		653.12	Per SKID	PDA
15	Empty Pallet Stack		944.32	Per Stack	Airlines
16	Withdraw Shipment (X-Ray)		1.57	Per Kg	PDA
		Minimum Charges	189.28	Per Kg	PDA
17	Withdraw Shipment (Demurrage)		2.60	Per Kg per day	PDA

**Not Covered Elsewhere*

Notes:

1. *Consignment of human remains, coffins including baggage of deceased & Human eyes will be exempted from the purview of TSP and demurrage charges*
2. *TSP charges are inclusive of forklift use inside the terminal. No additional forklift charges will be levied*
3. *Charges will be levied on "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 AWB and is actually found more, charges will be levied on the "actual gross weight' or the "actual volumetric weight" whichever is higher.*
4. *Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/or any other such cargo which requires/has special handling/storage instructions*
5. *Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheque, diamonds (including diamonds for industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg and above.*
6. *All invoices will be rounded off to nearest of Rs. 5/- as per IATA TACT Rule book vide Clause No. 5.7.2, rounding off procedure, when rounding off Unit is 5.*

II. (A) Tariff for Import Cargo Handling

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	**Terminal Storage & Processing (for other than AFS Cargo)**	General	11.10	Per Kg	PDA
		General Minimum Charges	291.20		
		Special	19.63		
		Special Minimum Charges	518.96		
		Valuable	19.63		
		Valuable Minimum Charges	518.96		
		Hazardous	19.63		
		Hazardous Minimum Charges	518.96		
		Pharmaceuticals/ Perishable	19.63		
		Pharmaceuticals/ Perishable Minimum Charges	518.96		
		Express Delivery* : 25% more than the rate for the category the cargo falls under. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under.			
2	**Terminal Storage & Processing (for AFS Cargo)**	General	7.77	Per Kg	AFS
		General Minimum Charges	203.84		
		Special	13.74		
		Special Minimum Charges	363.27		
		Valuable	13.74		
		Valuable Minimum Charges	363.27		
		Hazardous	13.74		
		Hazardous Minimum Charges	363.27		
		Pharmaceuticals/ Perishable	13.74		

		Pharmaceuticals/ Perishable Minimum Charges	363.27		
		Express Delivery* : 25% more than the rate for the category the AFS Cargo falls under. Minimum Charges: 25% more than the minimum charge for the category the AFS Cargo falls under.			
3	Demurrage-General		3.29	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	PDA
		Minimum Charges	763.36		
			6.60	Between 96 hrs to 696 hrs per kg	
			9.82	Beyond 696 hrs	
4	Demurrage-Special		6.60	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	PDA
		Minimum Charges	1,486.16		
			13.10	Between 96 hrs to 696 hrs per kg	
			19.61	Beyond 696 hrs	
5	Demurrage-Valuable		13.10	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	PDA
		Minimum Charges	2,933.84		
			26.19	Between 96 hrs to 696 hrs per kg	
			39.32	Beyond 696 hrs	
6	Demurrage-Perishable/ Pharmaceutical		13.10	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	PDA
		Minimum Charges	2,933.84		
			26.25	Between 96 hrs to 696 hrs per kg	
			39.32	Beyond 696 hrs	
7	De-Stuffing Charges		2.05	Per Kg	Airlines
		Minimum Charges	417.04		
8	Documentation and Supervision Services		2.52	Per Kg	Airlines

Note: _*Cargo Delivery within 4 hours from ATA or TOR whichever is later (subject to Customs clearance)_

Notes:

1. *TSP and Demurrage Charges are applicable on Gross Weight or Chargeable weight, whichever is higher.*
2. *Demurrage charges indicated above are also applicable to Cargo pertaining to approved AFS.*
3. *Calculation of free period would start from segregation time reflected in ICEGATE till generation of the Gate Pass.*
4. *The 'Free Period' would be 48 hours or as per Govt. of India Orders in this regard, issued from time to time.*
5. *Prevailing business hours remain unchanged.*
6. *Number of hours applicable for demurrage will be calculated as time between segregation time reflected in ICEGATE and the "Time of Issue of Gate pass". Each 24 hrs cycle will be 01 day and any part thereof will be counted as full day.*
7. *After expiry of the stipulated free period, next 48 hours will be charged on 'per kg per day non-cumulative basis', inclusive of holidays, provided the consignment is cleared within 96 hours from segregation time reflected in ICEGATE.*
8. *After expiry of the stipulated free period i.e., 48 hrs, if the total time between segregation time reflected in ICEGATE 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 time reflected in ICEGATE.*
9. *The tariff charged will be applicable as per the tariff prevailing at the time of invoicing.*
10. *Facilitation Fee (Customs) merged with TSP Charges w.e.f. 16.01.2023*

(B) Tariff for Other Import Cargo Handling Services (for both Scheduled and Non-scheduled Operators)

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Packing Charges		26.63	Per Packet	PDA
2	Delivery Order Charges		2,470.00	Per MAWB	Airlines/PDA
			1,234.48	Per HAWB	Airlines/PDA
3	HAWB Deconsolidation Charges		314.60	Per HAWB	PDA
4	Pet Assistance		1,973.92	Per Checklist	PDA
5	Offloading (Destuff Cargo)		2.25	Per Kg	Airlines
		Minimum Charges	417.04	Per Kg	Airlines
6	Miscellaneous Activity Charges		1,887.60	Per HAWB	Airlines
7	Post Delivery Holding Charges		3.78	Per Kg per day	PDA

MAWB = Master Air Waybill; HAWB =House Air Waybill

Notes:

1. *Consignment of human remains, coffins including baggage of deceased & Human eyes will be exempted from the purview of TSP and demurrage charges*
2. *TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied*
3. *Charges will be levied on "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 AWB and is actually found more, charges will be levied on the "actual gross weight' or the "actual volumetric weight" whichever is higher.*
4. *Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/or any other such cargo which requires/has special handling/storage instructions.*
5. *Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheque, diamonds (including diamonds for industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg and above.*
6. *All invoices will be rounded off to nearest of Rs. 5/- as per IATA TACT Rule book vide Clause No. 5.7.2, rounding off procedure, when rounding off Unit is 5.*

III. Tariff for handling Transshipment Cargo

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Demurrage-General		3.29	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	Airlines (Applicable on International to Domestic TP)
		Minimum Charges	763.36		
			6.60	Between 96 hrs to 696 hrs per kg	
			9.82	Beyond 696 hrs	
2	Demurrage-Special		6.60	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	
		Minimum Charges	1,486.16		
			13.10	Between 96 hrs to 696 hrs per kg	
			19.60	Beyond 696 hrs	
3	Demurrage- Valuable		13.10	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	
		Minimum Charges	2,933.84		
			26.20	Between 96 hrs to 696 hrs per kg	
			39.32	Beyond 696 hrs	
4	Demurrage-Pharmaceutical/ Perishable		13.10	Per Kg per day, Up to 96 Hrs, Free period of 48 hrs	
		Minimum Charges	2,933.84		
			26.20	Between 96 hrs to 696 hrs per kg	
			39.32	Beyond 696 hrs	
5	Demurrage-General		2.60	Per Kg per day, Free period of 36 hours for Airlines	Airlines, (Applicable on International to International & Domestic to
6	Demurrage-Special		5.19	Per Kg per day, Free period of 36 hours for Airlines	

7	Demurrage-Valuable		5.19	Per Kg per day, Free period of 36 hours for Airlines	International TP)
8	Demurrage-Pharmaceutical/ Perishable		5.19	Per Kg per day, Free period of 36 hours for Airlines	
9	Sector Charges		2.36	Per Kg	
10	Quick Ramp Transfer		3.78	Per Kg	
11	Carting charges - Transshipment		3.54	Per Kg	Airlines
		Minimum Charges	243.36		
12	Ramp to Ramp Loose (Incoming Loose and Outgoing Loose)		189.28	Per AWB	
13	TP De-stuffing Charges		2.05	Per Kg	
		Minimum Charges	417.04	Per Kg	

Notes:

1. *TSP and Demurrage Charges are applicable on Gross Weight or Chargeable weight, whichever is higher.*
2. *The 'Free Period' would be 36/ 48 hours to Airlines or as per Govt. of India Orders in this regard, issued from time to time.*

IV. Other Exceptional Charges (for both Scheduled and Non-Scheduled operators)

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Bag handling Charges		2.46	Per Kg	Airlines
		Minimum Charges	880.88	Per Kg	
2	Segregation charges (All amendments / HAWB feeding / Re-weight of import consignments/ HAWB Deconsolidation)		1,071.20	Per HAWB	PDA
3	Overtime Fee for Gate Pass Generation		1,071.20	Per gate pass	PDA
4	Electricity Charge for RKN container		2,283.84	Per Container per day	Airlines
5	Charges collect fee		991.12	Per AWB/ HAWB	PDA
6	Ramp to Ramp Transfer		786.24	Per ULD	Airlines
7	Equipment/ Manpower Charges	10 ton Forklift	4,719.52	Per Hour	Airlines
		05 ton forklift	2,359.76		
		03 ton forklift	1,534.00		
		Crane	9,438.00		
		16 ton forklift	9,438.00		
		Additional Staff (Blue Collar)	786.24		
		Security	1,573.52		
		Gunman	2,359.76		
8	Gola Charges		101.92		PDA
9	Wrong Marking/ Labeling	Minimum Charges Maximum Charges	1,085.76	Per AWB	PDA

10	Damaged shipments "not in ready to carriage condition"		4,247.36	Applicable TC charges	
11	Security Escort Service (Within the Airport)		1,973.92	Per Manhour or part hereof	Airline/ PDA
12	Cool Dolly Charge		2,965.04	Per Dolly per Trip	

Notes:

1. *Consignment of human remains, coffins including baggage of deceased & human eyes will be exempted from the purview of TSP and demurrage charges.*
2. *TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied.*
3. *Charges will be levied on "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 AWB and is actually found more, charges will be levied on the "actual gross weight' or the "actual volumetric weight" whichever is higher.*
4. *Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/or any other such cargo which requires/has special handling/storage instructions.*
5. *Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheque, diamonds (including diamonds for industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg and above.*
6. *All invoices will be rounded off to nearest of Rs. 5/- as per IATA TACT Rule book vide Clause No. 5.7.2, rounding off procedure, when rounding off Unit is 5.*

V. (A) Tariff for Inbound Domestic Cargo

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Terminal Storage and Processing - General & Couriers	General	1.59	Per Kg	PDA
		Special	3.15		
		Couriers	1.59		
		Minimum Charges per AWB	39.32		
2	Handling Charges		1.41		Airlines
3	Documentation & Supervision Charges		2.52		

(B) Tariff for Outbound Domestic Cargo

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable From 16.01.2023 to 31.03.2025	Rate applied on	Levied On
1	Terminal Storage and Processing - General & Couriers	General	1.59	Per Kg	PDA
		Special	3.15		
		Couriers	1.59		
		Minimum Charges per AWB	39.32		
2	Handling Charges		1.41		Airlines
3	Documentation & Supervision Charges		2.52		
4	X-Ray Machine Charges		1.57		
		Minimum Charges	150.80		
5	X-Ray Screening & Certification Charge		1.57		

(C) Tariff for Other Domestic Cargo Handling Services

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable	Rate applied on	Levied On
			From 16.01.2023 to 31.03.2025		
1	Transshipment cargo & Offloaded cargo		1.57	Per Kg	Airlines
2	Demurrage charges	General	1.41	Per Kg per day. Free period of 24 hrs.	Airlines/ PDA
		Special	2.82		
		Couriers	1.41		
3	DGR acceptance check	Per AWB subject to maximum of 20 pieces per AWE.	2,516.80		Airlines
		Additional pieces will be charged per additional piece	100.88		
4	Dry ice acceptance checklist		1,573.52	Per AWB	Airlines
5	Live animal acceptance and handling		2,823.60	per AWB	Airlines
6	Unitization		1.73	per Kg	Airlines
7	Miscellaneous Activity Charges*		1,573.52	per AWB/ packet	Airlines
8	Miscellaneous Packing Charges*		157.04	per AWB/ packet	Airlines
9	Valuable handling		1,001.52	per AWB	Airlines
10	Withdraw Shipment (Demurrage)		1.36	Per Kg	PDA
		Minimum Charges	31.20		
11	Packing Charges - Small		2.52	per piece	PDA
12	Packing Charges - Medium		3.78	per piece	PDA
13	Packing Charges - Large		8.81	per piece	PDA

* *Not covered elsewhere.*

VI. Tariff for EICI Terminal

S. No.			Price (INR) Maximum rate per applicable unit; Subject to Minimum Charge wherever applicable	Rate applied on	Levied On
			From 16.01.2023 to 31.03.2025		
1	X-RAY Machine Charges		1.76	Per Kg	Airlines/ PDA
2	X-RAY Screening & Certification Charges		1.76	Per Kg	
3	Handling Charges - Outbound		2,304.64	Per Ton Up to 1000 Tons	
			2,233.92	Per Ton for more than 1000 Tons	
		Minimum Charges	189.28		
4	Handling Charges - Inbound		1,651.52	Per Ton	
		Minimum Charges	189.28		
5	Access Control		2.52	Per Kg	Airlines