ऐरा/20010/एमवाईटीपी/डीसीएससी/सी/डेल्ही/सीपी-III/2021-26

AERA/20010/ MYTP/DCSC/C/DELHI/CP-III/2021-26

आदेश संख्या 37/2022-23

Order No. 37/2022-23

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

मैसर्स डेल्ही कार्गो सर्विस सेन्टर प्राइवेट लिमिटेड (डी.सी.एस.सी.) 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 DELHI CARGO SERVICE CENTER PVT. LTD. (DCSC) AT INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI FOR THE THIRD CONTROL PERIOD (FY 2021-22 TO FY 2025-26)

जारी करने की तारीख : 06.01.2023

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List of Abbreviations

AERA/Authority	Airports Economic Regulatory Authority of India
AFS	Air Freight Station
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
ACS	Annual Compliance Statement
AWB	Air Way Bill
CAPEX	Capital Expenditure
CISF	Central Industrial Security Force
CAGR	Compounded Annual Growth Rate
CCTV	Closed-circuit television
CCPL	Container Corporation Private Limited
CGF	Cargo, Ground Handling & Fuel
CP	Consultation Paper
CTO	Cargo Terminal Operator
CPI	Consumer Price Index
CHQ	Central Headquarter
CSC	Cargo Service Center
CUT	Common User Terminal
CUDCT	Common User Domestic Cargo Terminal
DAFFPL	Delhi Aviation Fuel Facility Private Limited
DCSC	Delhi Cargo Service Center
DIAL	Delhi International Airport Limited
EBT	Earnings Before Tax
FRoR	Fair rate of return
FY	Financial Year
GTO	Gross Turn over
HQ	Headquarter
HVAC	Heating, Ventilation, and Air Conditioning
IGIA	Indira Gandhi International Airport
ISP	Independent Service Provider
MoCA	Ministry of Civil Aviation
MYTP	Multi-Year Tariff Proposal
MYTO	Multi-Year Tariff Order
MT	Metric Ton
MTOW	Maximum Take Off Weight
NCR	National Capital Region
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
RAB	Regulatory Asset Base
Sqm	Square Meter
SLA	Service Level Agreements
SCP	Second Control Period
SD	Security Deposit

TCP	Third Control Period
TDSAT	The Telecom Disputes Settlement and Appellate Tribunal
TEFR	Techno Economic Feasibility Report
TSP	Terminal Storage and Processing
ULD	Unit Load Device
UP	Uttar Pradesh
WIP	Work in progress
Y-o-Y	Year on Year

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CHAPTER-1: INTRODUCTION

1.1 Background

1.1.1 Delhi Cargo Service Center Pvt. Ltd (DCSC), is a Special Purpose Vehicle incorporated under the Companies Act, 1956, in accordance with Concession awarded to it by Delhi International Airport Limited (DIAL) on 19.11.2009 for a period of 25 years. DCSC provides Domestic and International Cargo Services at IGIA, Delhi. In addition to DCSC, M/s Celebi is the other service provider at Indira Gandhi International Airport (IGIA), Delhi providing Domestic and International Cargo handling services.

1.1.2 The shareholding structure of the DCSC is as follows:

Table-1: Shareholding Structure of DCSC

Name of the Shareholder	Equity Holding (%)
Cargo Service Center India Pvt. Ltd.	54
Global Infrastructure Partners	46
Total	**100**

1.1.3 DCSC has submitted that under the License Agreement with DIAL effective from 19.11.2009, they have been allotted land admeasuring 78,459 Square Meter (unpaved land) and 817 Square Meter paved land at IGIA by DIAL, at a license fee of Rs. 4998/- per square meter and Rs. 6793/- per square meter per annum (as on 01.04.2021) respectively, which is subject to an annual escalation @ 7.5% per annum, due 1st April every year. The Concession Agreement is valid till 31.07.2034

1.2 Background of the Tariff determination exercise

1.2.1 The Authority in accordance with 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 (CGF Guidelines) for Determination of Tariff of DCSC, issued its Order No. 13/2011-12 dated 07.10.2011 adopted the 'Light Touch Approach' to Tariff determination for the Cargo Handling services rendered by DCSC for the 1st Control Period and in the same Order, the Authority determined the Annual Tariff for cargo handling services provided by DCSC for first Tariff year (FY2011-12). The Annual Tariff Orders issued by the Authority for DCSC pertaining to 1st ControlPeriod issued by the Authority are as follows:

(a) For FY. 2012-13 vide Order No. O5/2012-13 dated 21.05.2012;

(b) For FY. 2013-14 vide Order No. 30/2013-14 dated 31.07.2013;

(c) For FY. 2014-15 vide Order No. 18/2014-15 dated 06.02.2015;

(d) For FY. 2015-16 vide Order No. 39/2015-16 dated 04.11.2015.

1.2.2 Thereafter, the Authority, vide its Order No. 50/2015-16 dated 21.03.2016 allowed DCSC to continue the Tariff applicable as on 31.03.2016 up to 30.09.2016. Subsequently, the Authority vide its Order No. 11/2016-17 dated 29.09.2016 extended the Tariff prevailing as on 31.03.2016 up to 31.03.2017. The Authority, vide its Order No. 19/2016-17 dated 31.03.2017, further extended the Tariff as on 31.03.2016 up to 30.09.2017.

Subsequently, the Authority, vide its Order No. 02/2017-18 dated 11.05.2017 decided to adopt 'Light Touch Approach' for determination of Tariff in respect of DCSC for Cargo Services provided at IGI Airport during Second Control Period. Other Tariff Orders pertaining to 2nd Control Period are given as under:

(a) Interim Order No.50/2015-16 dated 21.03.2016 valid up to 30.09.2016;

(b) Interim Order No. 11/2016-17 dated 29.09.2016 valid up to 31.03.2017;

(c) Interim Order No. 19/2016-17 dated 31.03.2017 valid up to 30.09.2017;

(d) Interim Order No. 12/2017-18 dated 29.09.2017 valid up to 31.03.2018;

(e) Interim Order No. 43/2017-18 dated 28.03.2018 valid up to 30.09.2018.

(f) Order No. 22/2018-19 dated 04.10.2018 approving regular Tariff for FY 2018-19, FY2019-20 and FY. 2020-2021.

1.2.3 The Authority issued Order No. 67/2020-21 dated 25.03.2021, as an interim arrangement, to allow DCSC to continue the Tariff prevailing on 31.03.2021 for a further period of 6 months, i.e., till 30.09.2021. Other Interim Orders pertaining to Third Control Period are given below:

(a) Interim Order no. 18/2021-22 dated 15.09.2021 valid up to 31.03.2022

(b) Interim Order no. 46/2021-22 dated 17.03.2021 valid up to 30.09.2022

(c) Currently, Interim Order no. 24/2022-23 dated 23.09.2022 is applicable, whereby Tariff prevailing as on 30.09.2022 has been extended for the period up to 31.03.2023, or, till the determination of regular Tariff, whichever is earlier.

1.3 Multi Year Tariff Proposal (MYTP) for the Third Control Period and Annual Compliance Statement (ACS) submitted by DCSC for the Third Control Period

1.3.1 DCSC submitted MYTP for the Third Control Period (FY 2021-22 to FY 2025-26) vide letter dated 26.08.2022.

1.3.2 During review and analysis of MYTP of the ISP for the Third Control Period, the Authority sought various supporting documents and additional information/ clarification/ justification on regulatory building blocks and other pertinent aspects of the MYTP. In response thereto, DCSC vide various emails (20 nos.) between September, 2022 to November, 2022 submitted the requisite clarifications / additional information.

1.3.3 After having examined the MYTP submission & additional information furnished by DCSC, the Authority has issued the Consultation Paper no. 13/2022-23 for stakeholders' consultation.

1.3.4 DCSC in its submission has proposed 38% increase in Tariff on Y-o-Y basis starting from FY 2022-23 to FY 2024-25 & 41% in FY 2025-26 for Cargo Handling Services for the Third Control Period.

1.3.5 DCSC has submitted the Annual Compliance Statement (ACS) as required under the CGF Guidelines for the FY 2021-22, vide email dated 10.10.2022.

1.3.6 The Authority carefully examined the MYTP for the Third Control Period submitted by DCSC for Cargo Handling Services provided at IGIA, Delhi and issued its Consultation Paper (CP) No. 13/2022-23 dated 25.11.2022, 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: 25th November, 2022.
- Date for submission of written comments by Stakeholders: 14th December, 2022.
- Date for submission of counter comments: 22nd December, 2022.

1.3.7 Pursuant to issuance of CP no. 13/2022-23 dated 25.11.2022, following Stakeholders submitted their comments to the Authority within the stipulated period:

(i) M/s SpiceJet Ltd.

(ii) M/s Delhi Cargo Service Center Pvt. Ltd (DCSC)

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

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

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

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

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

(viii) Delhi Customs Brokers Association (DCBA)

(ix) Delhi International Airport Ltd. (DIAL)

The comments received from the above stakeholders were uploaded on the AERA's website vide Public Notice no. 20/2022-23 dated 15.12.2022. The Authority, in response to Public Notice no. 20/2022-23 dated 15.12.2022, received counter comments from DCSC on 22.12.2022. Thus, on receipt of the Comments and Counter Comments from all the Stakeholders, the Consultation Process concluded on 22.12.2022

No comments/Inputs 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 DCSC, and after considering all the relevant aspects of each of the regulatory building block has finalized this Tariff Order.

1.4 Stakeholders' Comments on the Background of Tariff Determination

1.4.1 **SpiceJet's Comments:** SpiceJet has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. review of Tendering Process as follows:

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 a general perception that service providers have no incentive to reduce its expenses, as any such increase would be passed on to the airlines/stakeholders through the tariff determination mechanism process, and indirectly airlines would be forced to bear most of these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

Sir, 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.*

1.4.2 **DIAL Comments:** DIAL has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Non-Aeronautical Services as follows:

(a) Cargo Handling Services have been held to be Non-Aeronautical Services: The Hon'ble Telecom Disputes Settlement & Appellate Tribunal ('Appellate Tribunal'), in its judgment dated 23.04.2018, has held that cargo handling services are Non-Aeronautical Services in view of the provisions of the Operation Management and Development Agreement dated 04.04.2006 ('OMDA') and the mandate of section 13(1)(a)(vi) of the Airports Economic Regulatory Authority of India Act, 2004 ('AERA Act'). Further the Authority is aware that the Hon'ble Supreme Court, has recently in its judgment dated 11.07.2022, has also upheld this decision of the Hon'ble Appellate Tribunal irrespective of whether such services are performed by DIAL itself or through its delegates. Accordingly, and also since it is indisputable that AERA's regulatory purview is restricted to determining tariff for Aeronautical Services, it cannot | determine tariff for the service of cargo handling i.e. a Non-Aeronautical Service at IGIA.

(b) Issue is sub-judice before the Hon'ble Appellate Tribunal: The airport operators i.e. Delhi International Airport Ltd. ('DIAL') and Mumbai International Airport Ltd. ("MIAL') have challenged the Authority's direction to cargo handling service providers to submit their respective MYTPs for determination of tariff on the ground that this service is Aeronautical in nature in case of DCSC at IGIA. As such, since the matter is currently sub judice, it would not | be appropriate for AERA to determine tariff for these services.

(c) Interim Orders passed by the Hon'ble Appellate Tribunal: The Appellate Tribunal, by way of its interim order dated 08.11.2021, has directed that "no precipitate action shall be taken by the respondent" i.e. the Authority. This interim order was confirmed and made absolute by order dated 01.04.2022. Clearly, the Hon'ble Appellate Tribunal has directed the Authority not to take any precipitative action on the issue of determining tariff for cargo handling services during the pendency of these appeals. Thus, the commencement of the tariff determination process and issuance of the Consultation Paper amounts to a violation of the above interim orders.

(d) AERA's application for vacation of Interims Orders: In the aforesaid proceedings, AERA has also filed an application for vacation of these interim order so as to enable it to perform its function of determining tariff for cargo handling service providers. The Hon'ble Appellate Tribunal, however, has neither allowed this application nor passed any ad-interim orders varying or modifying interim orders referred to a point (c) above. Hence, AERA has itself sought the Hon'ble Appellate Tribunal's permission to determine tariff during the pendency of the aforesaid appeals. As this permission has not been granted till date, AERA cannot proceed with the tariff determination process.

In view of the above, AERA's action to pursue with tariff determination exercise for Cargo services being provided by DCSC at IGIA and the intention to issue the order in this regard is impermissible.

1.5 <u>DCSC's response on the comments of the Stakeholders</u>

1.5.1 **Response to SpiceJet:** DCSC in its response to the comments of SpiceJet regarding review of Tendering Process has submitted that:

The contention of SpiceJet is irrelevant to the Consultation Paper. The contention of SpiceJet that "highest revenue share breeds inefficiencies and tends to disproportionally increase the cost" is devoid of logic and deserves to be dismissed. It is bizarre for SpiceJet to say that "It is a general perception *service provider has no incentive to reduce its expenses." All organizations undertake cost reduction exercises in their own interests as reduction in expenses increases profitability. Such benefits itself constitute the incentive to reduce the costs. DCSC regularly undertakes cost reduction and cost optimization exercises in its own interests.*

1.5.2 **Response to DIAL:** DCSC has not offered any response on the comments of DIAL.

1.6 Authority's Analysis on the Stakeholders' Comments:

1.6.1 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 above said guiding principles for charges for Airport Services and is in accordance with the mandate given to the Authority as per the AERA Act, 2008.

1.6.2 The Authority also notes the comments of SpeiceJet 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.

1.6.3 The Authority further notes the comments of Airport Operator i.e. DIAL, regarding the nature of Cargo Handling Services. In this regard, it is to be noted that as per section 2(a) of AERA Act, 2008 defines "aeronautical service" means any service provided:

(i) for navigation, surveillance and supportive communication thereto for air traffic management;
(ii) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;
(iii) for ground safety services at an airport;
(iv) for ground handling services relating to aircraft, passengers and cargo at an airport;
(v) for the cargo facility at an airport;
(vi) for supplying fuel to the aircraft at an airport; and
(vii) for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.

1.6.4 The Authority notes from the observation of Hon'ble TDSAT in its order dated 23.04.2018 that "*color of revenue from Aeronautical Services cannot get changed to that of Non-Aeronautical Service by an act of delegation or leasing out to the concessionaire*" in the context for Cargo Handling Services at IGIA, Delhi. It is to be noted that the Authority had already conveyed and clarified its position to the Airport Operator/DIAL vide its letter dated 17.03.2021.

1.6.5 The Authority would also like to state that as per provisions of AERA Act 2008, the Cargo Handling Services are considered as aeronautical in determination of Tariffs in respect of Major Airports under Sec. 13(1) (a) of AERA Act 2008. The Authority has to act as a custodian of the interests of the users of the airport while determining the charges and ensure that the stakeholders / users using the services provided at an airport are paying only a reasonable cost for the services availed and the service quality meets adequate standards. Accordingly, the tariffs of Independent Service Providers (ISPs) are being regulated as per explicit provisions of Sec. 13(1) (a) of AERA Act 2008, relevant guidelines/ directions issued from time to time, in interest of the airport users and are done uniformly and consistently for all ISPs at the 'Major' Airports.

1.6.6 It is also paramount to mention that AERA Guidelines were never challenged by any of the Stakeholder, including that by DIAL in past, thereby these guiding principles are well accepted by all the Stakeholders, since 2011. Further, it is to mention that there is no judicial decision overturning the provisions of AERA Act 2008 and relevant guidelines issued from time to time.

1.6.7 Further, AERA has similarly decided charges for Cargo Services at IGIA Delhi for Celebi Delhi Cargo Terminal Management India Private Limited (CDCTM) and issued Order on 29th December 2022 after the elaborate consultation process. DIAL did not give any comment in this regard during the consultation process.

CHAPTER-2: TARIFF SETTING PRINCIPLES

2.1 Principles for Determination of Aeronautical Tariff

2.1.1 The Authority vide its 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 Aeronautical Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports and issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (" the Guidelines").

2.1.2 As per clause 4.4.of the above said Guidelines at major airports, the percentage share of cargo handling for Indira Gandhi International Airport, Delhi is 29.60% (based on data for FY 2019-20) which is higher than the Materiality Index (MI_C) of 2.5% for the above subject service. Hence the regulated service is deemed "material." The calculation is as shown below:

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

$$MI_C = 955858/3228862 \times 100 = 29.60\%$$

2.1.3 The Authority notes that on 'Competition Assessment' that M/s CELEBI is the other service provider for Domestic and International Cargo Operations at IGIA, Delhi. As in the instance case, there are two Service Providers (including DCSC) at IGIA, Delhi, providing Domestic & International Cargo Handling Services; therefore, the regulated service is deemed **'Competitive'** for the Third Control Period.

2.1.4 As per Clause 3.2 (ii) of the Guidelines, wherever the Regulated Service provided is **'material but competitive,'** the Authority shall determine Tariff(s) for Service Provider (s) based on a **'Light Touch Approach'** for the duration of the control period, according to the provisions of chapter V of CGF 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.

2.1.5 As per clause 11.2 of the CGF Guidelines, the ATP is required to be submitted in the manner and form provided AI 8.1. 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 clearly indicating the Tariff proposal by the service provider and agreed to be the users.

2.1.6 The Authority notes that DCSC has submitted evidence of Stakeholders' Consultation for the Third Control Period vide email dated 03.12.2012, after the issuance of Consultation Paper No. 13/ 2022-23 dated 25.11.2022.

2.2 Stakeholders' Comments on Consultation Paper

2.2.1. **DACAAI's Comments:** DACCAI has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Tariff determination Principle for the Third Control Period as follows:

(a) At the outset as user and stakeholder, the proposals made in the Consultation Paper 13/2022- 23 dated 25 November, 2022 in respect of DCSC, Delhi airport are not justified and therefore, not acceptable to DACAAI." That the subject CP 13/2022-23 in respect of DCSC is submitted without holding any SH

Consultation meeting. While a Notice dated 7th November, 2022 from DCSC, calling for SH Consultation Meeting on 17 November, 2022 was received but the meeting was cancelled by DCSC at the 11th hour. Sir, DACAAI has also written to Chairman AERA 'DACAAI Overview on MYT proposals by CTOs – Principles for consideration of AERA' for determining Domestic CUT Tariff vide letter dated 28 October, 2022.

(b) It may be competitive for airlines but for the/trade users it is monopolistic. Vide Para 2.1.3 "The Authority notes that on 'Competition' assessment that M/s CELEBI is the other service provider for Domestic cargo ....therefore, the regulated service is deemed Competitive." In this regard DACAAI based on user experience of 12 years states that the two terminals at Delhi Airport cannot be said to be competitive (in fact these are two monopolies since the airlines and terminals are fixed and a shipper cannot just take his cargo to any terminal/airline as he wishes). As there is no competition in specific terms, therefore, DACAAI urges that AERA may review the competition assessments under its powers.

DACAAI View: DACAAI is of firm view that self-handling by airlines at CUTs is the best model for domestic air cargo processing.

(c) Series of interim/ad hoc AERA tariff orders are made without stakeholder consultation meetings. Under garb of the technicalities of submissions of proposals, the facts have been drowned. In fact, a fair evaluation of process of determination of tariff has not been done.

DCSC had never had any SH consultation meeting, nor there is any User Agreement; a fact that AERA has mentioned vide Para 2.1.5 of the CP 13/2022-23 - "As per clause 11.2 of the CGF Guidelines, the ATP is required to be .... 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 clearly indicating the Tariff proposal by the service provider and agreed to be the users. It is informed that b) and c) AERA requirements are not fulfilled by DCSC. Vide Order no. 24/2022-23 dated 23.09.2022 Tariff prevailing as on 30.09.2022 has been extended for the period up to 31.03.2023, or, till the determination of regular Tariff, whichever is earlier.

2.2.2. **DCSC's Comments:** DCSC has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Stakeholders' Consultation Meeting for the Third Control Period as follows:

The Authority in Para 2.1.6 of the Consultation Paper has stated that "...DCSC has not submitted any evidence of Stakeholders' Consultation for the Third Control Period. Therefore, the Authority advises the ISP to conduct stakeholder's consultation meeting at the earliest for compliance of AERA's CGF Guidelines, 2011." It is stated that DCSC had conducted Stakeholders' Consultation Meeting in terms of the CGF Guidelines on 10th January 2011 and submitted the evidence of the same to the Authority through email on 03.12.2022. The Authority may note that DCSC has complied with the CGF Guidelines and conducted Stakeholders' Consultation for the Third Control Period.

2.3 DCSC's response on the comments of the Stakeholders

2.3.1 **Response to DACAAI:** DCSC in its response to the comments of DACAAI regarding Stakeholders' Consultation Meeting and Competition has submitted that:

(a) Notice of the Consultation meeting has been duly circulated to the various stakeholders and the same was attended by the stakeholders.

(b) DCSC operates its Domestic Cargo terminal at IGI airport in competitive environment, as there are three other Domestic Cargo Terminal Operators operating at IGI airport. DCSC tariff set accordance of the CGF Guidelines 2011 of AERA. DCSC Tariff consist of the charges that are levied on actual service rendered to the customers. DACAAI's assessment that there is no competition at IGI airport Delhi is incorrect and misleading.

(c) DCSC follows the regulations stipulated in the CGF Guidelines 2011 in letter and spirit. DCSC has complied with every regulations prescribed in terms of CGF Guideline 2011. Therefore, the DACAAI's comments is not based on facts and is incorrect.

2.4 Authority's Analysis on the Stakeholders' comments regarding principles for Tariff determination:

2.4.1 The Authority noted the comments of DACAAI and response of ISP thereon on the matter relating to application of Tariff determination principles. As regard to comments of DACAAI 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).

2.4.2 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.

2.4.3 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 DCSC for the Third Control Period is considered as "Competitive".

Accordingly, considering that the services provided by the DCSC 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 DCSC 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.

The ISP, vide email dated 03.12.2022 informed the Authority regarding stakeholders' consultation meeting conducted by the ISP in respect of its Cargo Operation at IGI Airport, Delhi on 02.11.2022. The ISP vide aforesaid email submitted a copy of 'Minutes' of the Meeting and as per the 'Minutes', the representatives from Air Asia, SpiceJet, Lufthansa, Air India, Hong Kong Airlines etc., attended the consultation meeting. The Authority also expect ISP, to address the concerns/ issues of the stakeholders by conducting such Stakeholder meeting from time to time.

2.5 Authority's Decision on principle for determination of Tariff for the Third Control Period

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

2.5.1 The Cargo Handling Services provided by DCSC 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 PROJECTIONS FOR THE THIRD CONTROL PERIOD

3.1 Actual Cargo Volume handled at IGIA. Delhi and Actual Cargo Tonnage handled by the ISP during Second Control Period

3.1.1 The Actual Cargo Volume handled at Delhi Airport as per statistics available on AAI's website and the actual Cargo Tonnage achieved by DCSC during Second Control & first Tariff Year (FY 2021-22) of Third Control Period is given below:

Table 2: Actual Cargo volumes handled at IGIA, Delhi and Actual Cargo Tonnage handled by DCSC during Second Control Period & FY 2021-22

(in MT)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	CAGR from FY 2016-17 up to FY 2019-20
Cargo Volume handled at Delhi Airport							
Dom.	298357	311612	390975	352694	272542	321207	6%
Intl.	559062	651420	651973	603164	464889	603136	3%
Total	**857419**	**963032**	**1042948**	**955858**	**737431**	**924343**	**4%**
Y-o-Y % Change	-	12%	8%	-8%	-23%	25%	
Actual Cargo Volume handled by DCSC							
Domestic	159,582	91,711	126,542	131,704	112,247	133,695	-6.20%
Y-o-Y % change		-43%	38%	4%	-15%	19%	
International	135444	169569	188943	189763	131819	205759	11.90%
Y-o-Y % change		25%	11%	0%	-31%	56%	
Total (Dom. + Intl.)	295,026	261,280	315,485	321,467	244,066	339,454	2.90%
Cargo Volume of ISP as a % of Total Cargo Volume handled at IGIA, Delhi							
Domestic	53%	29%	32%	37%	41%	42%	
International	24%	26%	29%	31%	28%	34%	
Total	34%	27%	30%	34%	33%	37%	

3.1.2 The Authority, observed from the above statistics that DCSC had registered healthy growth rate in International Cargo handling and International Cargo Volumes increased from 135444 MT (FY 2016-17) to 205759 MT (FY 2021-22), with a CAGR of 11.90% (up to pre-Covid Year I.e. FY 2019-20). However, Domestic Cargo Volumes for ISP decreased from 159582 MT (FY 2016-17) to 133695 MT (FY 2021-22) with a CAGR of -6.20% (up to FY 2019-20).

3.1.3 The Authority noted that overall market share of ISP had increased from 34% in FY 2016-17 to 37% in FY 2021-22.

3.1.4 In contrast to increasing trend in Cargo Handling by DCSC seen during the Second Control Period (except during Covid affected year i.e. FY 2020-21), the ISP for Third Control Period had considered lower Cargo Volume Projections on account of various factors, which was discussed in the following sections. The Cargo Volumes projected to be handled at IGIA, Delhi by the DCSC for the Third Control Period given below:

Table-3: Cargo Tonnage Projection by DCSC Delhi for the Third Control Period

(Volume in MT)

Particulars	Third Control Period					
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
International Cargo	205,759	205,759	209,874	214,072	218,353	1,053,817
Domestic Cargo	133,695	133,695	136,369	139,096	141,878	684,733
Total	**339,454**	**339,454**	**346,243**	**353,168**	**360,231**	**1,738,550**
Y-O-Y Growth rate @ 2%		6,823	6,985	7,185	7,398	28,391
Total (A)	**3,39,454**	**3,46,277**	**353,228**	**360,353**	**367,629**	**17,66,941**
Anticipated Drop in Cargo Volumes:						
(i) AFS Cargo		3,650	14,892	15,190	15,494	49,226
(ii) Jewar Airport				59,600	70,400	130,000
(iii) Air Asia		3,468	14,149	14,432	14,721	46,770
(iv) Vistara		14,229	58,054	59,215	60,400	191,898
Total Drop in Cargo Volume (B)	**0**	**21,347**	**87,095**	**148,437**	**161,015**	**417,894**
Total Cargo Volumes (A-B)	**3,39,454**	**3,24,930**	**2,66,133**	**2,11,916**	**206,614**	**1,349,047**

3.1.5 DCSC in its Cargo Volume estimate for the Third Control Period had considered 40MT/ day of AFS Cargo for the Third Control Period, commencing from 01.01.2023.

3.1.6 DCSC in its above submission had stated that it anticipated reduction in projected cargo volumes (both domestic and international) in the later part of the Third Control Period on account of the following factors:

(a) **Cargo Handling of Vistara & AirAsia to be taken over by Air India**: DCSC had submitted that it was handling the Cargo Operations of Air Asia and Vistara Airlines. Air India had their own Domestic Cargo Handling facility at IGI Airport and considering that Vistara and Air Asia were also owned and managed by the Tata Group, in an effort to minimize costs and reliance on outside entities, Vistara and Air Asia's cargo operations would also be taken over by Air India (now owned by Tata Group). As per the ISP, this transition was inevitable and Tata group was contemplating merging the subsidiaries into one entity to enjoy advantages of synergies and economies of scale. DCSC had submitted that it was likely to suffer loss on account of this consolidation, as the entire domestic cargo operations of Air Asia and Vistara would be shifted to the terminal owned and operated by Air India from their own facility at IGI Airport, thereby reducing ISP's market share in cargo handling operations and consequently its Revenues from Cargo business.

(b) **Operationalization of Cargo Hub at Jewar Airport**: ISP had submitted that new Greenfield airport at Jewar Airport (Noida), which was around 70 km from IGIA, Delhi, might start its Cargo operationsduring FY 2024-25. As per the ISP, the Techno Economic Feasibility Report ('TEFR') prepared by Price Waterhouse Cooper provided cargo projections for Jewar Airport and as per their projections, 55% of the total cargo traffic handled by IGI Airport might get diverted to Jewar Airport. Cargo traffic was most likely to split between the airports based on the following factors:

i. **The proximity of the cargo generating centers to the concerned airport:** Due to higher connectivity, hinterland for IGI Airport not only included Delhi NCR but also included UP, Rajasthan, Punjab and other North Indian states. Distance between the airport and the cargo generating centers was expected to be a key factor influencing cargo movement. For instance, cargo generated in Greater Noida region was more likely to move to the airport at Jewar than to IGI airport. The projected cargo traffic for the hinterland was expected to reach 2.5 million tons by FY26 and 3.6 million tons by FY31. In addition to distance, improvement of road connectivity was also expected to divert traffic from IGI airport to the new airport. In NCR region, Gautam Buddha Nagar and Ghaziabad, the 2 major cargo generating centers were partof Jewar Airport's hinterland. Estimates revealed that about 50% of the NCR international cargoat IGIA was being generated in these two districts. Other districts such as Gurgaon, Jhajjar, and Faridabad which were part of IGI hinterland in NCR region contributed ~ 30% of the internationalcargo. As per the ISP, majority of the cargo traffic would be diverted to Jewar Airport.

ii. **Potential investments in air cargo centric industries:** In addition to the current traffic movement, potential investments in air cargo centric industries such as electronics, machine parts, pharmaceuticals, leather etc. would also play a key determining role in determining future cargo movement. The TEFR reveals that as per the investment plans, a total of 2, 00,000 million INR of investment is expected to be realized in the Delhi NCR region. Gautam Buddha Nagar is expected to account nearly 1, 20,000 million INR of investments, which is primarily in the electronics sector. The investment in the Jewar hinterland is expected to drive up the cargo for Jewar. Based on existing investment and future investments, out of the total cargo traffic in the hinterland, Gautam Buddha Nagar may account for 40% of the traffic in future.

iii. Hence, in-accordance with the plans of Jewar Airport, as per ISP, the following Cargo Volumes will be diverted to new Greenfield airport from IGIA, consequently reducing IGIA'smarket share as quoted by them after a detailed study.

Table-4: Impact of Jewar Airport on Cargo Volumes at IGIA, Delhi and DCSC for the Third Control Period (in MT)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Impact on Cargo Volumes beinghandled a IGI Airport, Delhi	-	-	-	149000	176000
DCSC anticipates drop in its market share by 40% of overalllikely loss of Cargo business of IGIA due to Jewar Airport	-	-	-	59600	70400

3.2 Authority's Examination regarding Cargo Volume Projections by DCSC for the Third Control Period at CP stage

3.2.1 The Authority noted that DCSC has considered normal 2% Y-o-Y growth over the FY 2021-22 (base year) for projecting cargo volumes for the Third Control Period.

3.2.2 The ISP after assuming normal 2% Y-o-Y growth in Cargo Volumes, had made adjustments (reductions) in Cargo volume Projections due to various factors mentioned at para 3.1.6.

The Authority noted from the submission of the DCSC that Air India has its own Domestic Cargo Handling facility at IGIA, Delhi. As per the ISP, In order to achieve synergy in domestic cargo handling operations of Air Asia, Vistara and Air India, Tata Group may decide to shift Air Asia & Vistara's Cargo handling from ISP's Cargo Terminal to Air India's own domestic cargo handling facility w.e.f 01.01.2023. However, the Authority felt that there wasn't much clarity about shifting of Air Asia &

Vistara's Cargo Operations to Air India's domestic cargo handling facility; moreover, there wasn't any official communication from Tata Group on this aspect so far. Therefore, the Authority, taking more realistic view, proposed to consider likely impact of shifting of domestic cargo operations of Air Asia & Vistara to Air India's facility w.e.f 01.04.2023 (in place of 01.01.2023 as proposed by ISP). However, the Authority, at Order Stage, may review this aspect in details based on the Stakeholders' inputs before deciding projections for domestic cargo volumes for the DCSC in respect of the Third Control Period.

3.2.3 The Authority, further observed that ISP has also made adjustment in its cargo volumes projections for the Third Control Period on account of operationalization of new Greenfield airport at Jewar (Noida) and reduced its cargo volumes by 16% in FY 2024-25 and by 19% in FY 2025-26.

It is noteworthy that the other ISP at IGIA, Delhi, having more market share than that of DCSC, had considered the drop in its cargo volumes between 10% and 20% of its projected tonnage for the FY 2024-25 and FY 2025-26 respectively due to the operationalization of new greenfield airport at Jewar, Noida. The Authority, also proposed to consider the anticipated drop in Cargo Volumes of DCSC due to operationalization of new Greenfield airport at Jewar, Noida @ 10% and 20% of its projected Cargo Volumes for the FY 2024-25 and FY2025-26 (ref. Table-5). However, the Authority, at Order Stage, may re-assess the likely impact of new Greenfield airport at Jewar on ISP's Cargo Volumes Projections for the Third Control Period.

The revised Cargo Volume Projections proposed by the Authority for DCSC for the Third Control Period is given below:

Table-5: Cargo Volumes Projected by the Authority for DCSC for the Third Control Period at CP stage

(in MT)

Particulars	**Third Control Period**					
	FY 2021-22 (Actual)	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
INTERNATIONAL						
Total International CargoVolume (A)	205759	205759	209874	214072	218353	1053817
% Age Growth Assumed		2%	2%	2%	2%	
Growth in Cargo Volumes(B)		4136	4234	4355	4484	17209
Gross Cargo Volume (C) = (A+B)	205759	209895	214108	218427	222837	1071026
% Anticipated drop in Cargo tonnage due to establishment of Jewar Airport.				10%	20%	
Drop in Cargo tonnage dueto establishment of Jewar Airport. (D)		0	0	21843	44567	66410
Total International Cargo Volumes Projected(incl. AFS) (E) = (C-D)	**205759**	**209895**	**214108**	**196584**	**178270**	**1004616**

AFS Cargo Volume (F)	**0**	**3650**	**14892**	**15190**	**15494**	**49226**
Projected Net InternationalCargo Volume (ExcludingAFS) (G) = (E-F)	205759	206245	199216	181394	162776	955390
Y-o-Y % change		-	3%	-9%	-10%	
DOMESTIC						
Cargo Volumes (H)	133695	133695	136369	139096	141878	684733
% Age Growth Assumed		2%	2%	2%	2%	
Growth in Cargo Volumes (I)		2687	2751	2830	2914	11182
Gross Cargo Volume (J) = (H+I)		136382	139120	141926	144792	562220
Less: drop in Volume onaccount of: (a) Air Asia (K)		0.00	14149	14432	14721	43302
(b) Vistara (L)		0.00	58054	59215	60400	177669
% Drop in Cargo tonnage due to establishment ofJewar Airport				10%	20%	
Drop in Cargo tonnage dueto establishment of Jewar Airport M)				14193	28958	43151
Projected Net DomesticCargo Volumes (N)= (J-K-L-M)	**133695**	**136382**	**66917**	**54086**	**40712**	**431793**
Total Cargo Volumes (excluding AFS)(G+N)	339454	342627	266133	235481	203488	1387183
Total Cargo Volumes(including AFS) (E+N)	**339454**	**346277**	**281025**	**250671**	**218982**	**1436409**
% Y-o-Y growth		2%	-19%	-11%	-13%	

3.2.4 The Authority solicited comments/ views of stakeholders on the issue of anticipated drop in Cargo Volumes for the Third Control Period considered by the ISP on account of operationalization of new Greenfield airport at Jewar (Noida) and due to anticipated shifting of Air Asia & Vistara's Cargo Operations from DCSC's Cargo Terminal to Air India's own Domestic Cargo Handling Facility.

3.2.5 The Authority noted that the ISP, while projecting Cargo Volume for the Third Control Period had also considered the AFS Cargo Volumes likely to be received w.e.f. 01.01.2023. The details of AFS Cargo Volumes and AFS policy was separately discussed in subsequent chapter of Consultation Paper on AFS Cargo.

Considering the above, the Authority proposed to consider the Cargo Volume for DCSC for the Third Control Period as per Table-5.

3.3 Stakeholders' Comments on Consultation Paper regarding Cargo Volume Projection

3.3.1 **SpiceJet's Comments:** SpiceJet has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Cargo Volume projection for the Third Control Period as follows:

(a) *It is humbly submitted that the impact on cargo volume loss, if any, due to apprehension of shifting of Air Asia & Vistara's Cargo Operations from DCSC's Cargo Terminal to Air India's Domestic Cargo Handling Facility may be known only if such an event occurs. In addition, impact on cargo volumes due to operationalization of Cargo Hub at new Greenfield Airport at Jewar (Noida) may only be estimated 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.*

Thus, Authority may please kindly note the following factors:

The possibility of loss of cargo volume due to entire domestic cargo operations of Air Asia and Vistara shifting to the terminal owned and operated by Air India can be known only if such an event occurs, as there is no official communications or proposal from to appropriate authority to shift its domestic cargo handling from DCSC to Air India facility and hence loss of cargo volumes from 1st Jan'2023 appears to be pre-mature by DCSC.

(b) *The loss of cargo volumes on the basis of development of Greenfield Airport at Jewar (Noida) and the assumption that cargo volumes will be bifurcated, may not be able to be realistically predicted. At this juncture it may be premature to estimate the actual loss of volumes. We may be able to gauge the impact only 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. The Authority may thereafter he actual volumes during the 4th Control Period, when a clearer picture emerges.

(c) *The assumption of erosion of cargo volumes of DCSC due to new AFS appears to be excessive. As, there is no historical data or trend to arrive at the loss of volumes as proposed, such loss may not be able to be assessed realistically at this point of time.*

3.3.2 **FFFAI, DCBA Comments:** FFFAI, DCBA have submitted their comments on Consultation Paper No. 13/ 2022-23 w.r.t. Cargo Volume projection for the Third Control Period as follows:

DCSC has anticipated reduction in projected cargo volumes (both domestic and international) in the later part of the Third Control Period on account of the following factors:

1. *Cargo Handling of Vistara & AirAsia to be taken over by Air India.*
2. *Operationalization of Cargo Hub at Jewar Airport.*

(a) *Presently, there is no such orders for said 'taking over' of Cargo Handling operations of Vistara and Air Asia by Air India. Such assumption by DCSC cannot be taken as the basis for seeking hike in the tariff. Hence it is not accepted.*

(b) *DCSC has anticipated decrease in international cargo volumes by 10% and 20% in the FY 2024-25 and FY 2025-26 respectively with the operationalization of Cargo Hub at Jewar Airport. This assumption for hike in tariff needs to be viewed by AERA on real time basis before taking a call for hike in tariff for the said FYs.*

3.3.3 **ACAAI Comments:** ACAAI has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Cargo Volume projection for the Third Control Period as follows:

(a) *DCSC anticipates reduction in projected cargo volumes (both domestic and international) in the later part of the Third Control Period on account of takeover of the Cargo Handling of Vistara & AirAsia by Air India. ACAAI observes that presently, there is no such orders for said 'taking over'* *of Cargo Handling operations of Vistara and Air Asia by Air India. Such assumption by DCSC cannot be taken as the basis for seeking hike in the tariff. Commercial decisions by their customer airlines cannot determine the tariff structure.*

(b) *DCSC has anticipated decrease in international cargo volumes by 10% and 20% in the FY 2024 -25 and FY 2025 -26 respectively with the operationalization of Cargo Hub at Jewar Airport. This assumption for hike in tariff needs to be viewed by AERA on real time basis before taking a call for hike in tariff for the said FYs. In fact, there could be overall growth of the market and increase in volumes for Delhi Airport also.*

3.3.4 **DCSC Comments:** DCSC has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Cargo Volume projection for the Third Control Period as follows:

Cargo Handling of Vistara and AirAsia to be taken over by Air India: *DCSC had projected that Cargo Operations of Air Asia and Vistara Airlines will be taken over by Air India, who has its own Domestic Cargo Handling facility at IGI Airport w.e.f 01.01.2023 which would result in loss to DCSC, who currently handles Cargo Operations of Air Asia and Vistara Airlines. The Authority in Para 3.2.2 of the Consultation Paper has noted that there isn't any official communication from Tata Group in this regard and only considered the impact w.e.f. 01.04.2023 instead of 01.01.2023 onwards as submitted by DCSC.*

The Authority ought to consider that the Tata Group has now officially announced that AirAsia India will be merged with Air India Express and that the process has already begun. Further, on 29.11.2022, the Tata Group has also announced that the Air India and Vistara are also to be merged to drive synergies in the sector and derive benefits of the economies of scale. In any case, even in the absence of a formal merger of Air Asia and Vistara with Air India, it is palpable that shift of cargo load from DCSC to AISATS (handler of Air India) is eminent for AirAsia and Vistara's commercial and economic interest. Moreover, the Tata Group is neither required to issue any official communication to AERA or DCSC for shifting its cargo operations from DCSC to AISATS at IGI Airport nor would require formalization of the merger between its different entities. Also, loss on cargo volume on account of these developments is the shift is imminent based on the DCSC's discussions with its Vistara and AirAsia counterparts. It is based on such discussions DCSC had proposed to consider the reduction of Cargo Volumes handled by DCSC in the Third Control Period from 01.01.2023 onwards.

Operationalization of Jewar Airport: *DCSC had projected a drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport FY 2024-25 onwards. The anticipated drop was in line with the Techno Economic Feasibility Report for Jewar Airport ('TEFR') by M/s Pricewaterhouse Coopers Private Limited which has estimated that cargo at Jewar Airport will account for 40% of the Cargo and may be in a position to cater nearly 55% of the Cargo.*

However, the Authority in Para 3.2.3 of the Consultation Paper has proposed to consider projected reduction in volumes between 10% to 20% for FY2024-25 and FY2025-26, respectively, based solely on the estimations by the other ISP at IGI Airport.

The Authority ought not to ignore DCSC's projections that are unique to it and based on scientific evidence i.e., the TEFR which is based on detailed studies and research by expert bodies. Accordingly, the Authority should not rely upon the projections of another ISP, which are unsupported by any rational reasoning. The ISPs at IGI Airport cater to different client base and estimations of the other ISP, based on its unique business model cannot be applied to DCSC.

DCSC reiterates the projected cargo tonnage submitted by it its MYTP and requests the Authority to consider (i) the adverse impact of Cargo Volumes due to Cargo Handling of Vistara and AirAsia to be taken over by Air India from 01.01.2023 onwards and (ii) the drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport from FY2024-25 onwards for DCSC in the Third Control Period as reflected in Table 3 of the Consultation Paper.

3.4 DCSC's response on the comments of the Stakeholders

3.4.1 **Response to SpiceJet: :** DCSC in its response to the comments of SpiceJet regarding Cargo Volume projection for the Third Control Period has submitted that:

(a) *DCSC had projected that Cargo Operations of Air Asia and Vistara Airlines will be taken over Air India, who has its own Domestic Cargo Handling facility at IGI Airport w.e.f 01.01.2023 which would result in loss to DCSC, who currently handles Cargo Operations of Air Asia and Vistara Airlines.*
DCSC had projected a drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport FY 2024-25 onwards. The anticipated drop was in line with the Techno Economic Feasibility Report for Jewar Airport ('TEFR') by M/s Pricewaterhouse Coopers Private Limited which has estimated that cargo at Jewar Airport will account for 40% of the Cargo and may be in a position to cater nearly 55% of the Cargo.

SpiceJet commented that there is no official communication or proposal form to appropriate authority to shift Domestic cargo handling from DCSC to Air India and hence loss of cargo volume from 1st Jan 2023 appears to be pre-mature by DCSC.

The Authority ought to consider that the Tata Group has now officially announced that AirAsia India will be merged with Air India Express and that the process has already begun. Further, on 29.11.2022, the Tata Group has also announced that the Air India and Vistara are also to be merged to drive synergies in the sector and derive benefits of the economies of scale. In any case, even in the absence of a formal merger of Air Asia and Vistara with Air India, it is palpable that shift of cargo load from DCSC to AISATS (handler of Air India) is eminent for AirAsia and Vistara's commercial and economic interest. Moreover, the Tata Group is neither required to issue any official communication to AERA or DCSC for shifting its cargo operations from DCSC to AISATS at IGI Airport nor would require formalization of the merger between its different entities. Also, loss on cargo volume on account of these developments is the shift is imminent based on the DCSC's discussions with its Vistara and AirAsia counterparts. It is based on such discussions DCSC had proposed to consider the reduction of Cargo Volumes handled by DCSC in the Third Control Period from 01.01.2023 onwards.

(b) *DCSC had projected a drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport FY 2024-25 onwards. The anticipated drop was in line with the Techno Economic Feasibility Report for Jewar Airport ('TEFR') by M/s Pricewaterhouse Coopers Private Limited which has estimated that cargo at Jewar Airport will account for 40% of the Cargo and may be in a position to cater nearly 55% of the Cargo.*
SpiceJet's request to take the minimal impact of Jewar factor is on without any facts and only on the assumption basis. We request to Authority not to consider the request of SpiceJet.

(c) *The cargo volumes for AFS cargo are projected by DCSC on the basis of AFS operator's cargo projection.*

3.4.2 **Response to FFFAI, DCBA**: DCSC in its response to the comments of FFFAI, DCBA regarding Cargo Volume projection for the Third Control Period has submitted same comments as given in para 3.4.1 (a) & (b) and other comments as mentioned below:

DCSC had projected a drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport FY 2024-25 onwards. The anticipated drop was in line with the Techno Economic Feasibility Report for Jewar Airport ('TEFR') by M/s Pricewaterhouse Coopers Private Limited which has estimated that cargo at Jewar Airport will account for 40% of the Cargo and may be in a position to cater nearly 55% of the Cargo. However, the Authority in Para 3.2.3 of the Consultation Paper has proposed to consider projected reduction in volumes between 10% to 20% for FY2024-25 and FY2025-26 *respectively, based solely on the estimations by the other ISP at IGI Airport. DCSC reiterates the projected cargo tonnage submitted by it its MYTP and requests the Authority to consider (i) the adverse impact of Cargo Volumes due to Cargo Handling of Vistara and AirAsia to be taken over by Air India from 01.01.2023 onwards and (ii) the drop in Cargo Tonnage by 40% due to operationalization of Jewar Airport from FY2024-25 onwards for DCSC in the Third Control Period as reflected in Table 3 of the Consultation Paper.*

3.4.3 **Response to ACAAI:** DCSC in its response to the comments of ACAAI regarding Cargo Volume projection for the Third Control Period has submitted same comments as given in para 3.4.2.

3.5 <u>Authority's Analysis regarding Cargo volumes for the Third Control Period</u>

3.5.1 The Authority notes the comments of M/s SpiceJet FFFAI, DCBA and ACAAI regarding the projected drop in Cargo volumes on account of the following factors:

- Establishment of new Greenfield Airport (Jewar International Airport)
- Cargo Operations of Air Asia and Vistara Airlines to be taken over by Air India,

In this regard, considering the difficulties in forecasting the cargo volume in the current scenario, taking into account the likely impact of actual commencement of commercial operations of new greenfield airport (Jewar International Airport) & takeover of Cargo Operations of Air Asia and Vistara Airlines by Air India, due to the said unforeseen situation, the Authority in its Consultation Paper had proposed to determine the Tariff for the Third Control Period initially for two years i.e., FY2023-24 and FY 2024-25 and will assess the actual impact of Cargo Volume, taking into consideration the following:

i. Actual Commencement of Cargo Handling operation at Jewar Airport.
ii. Cargo Operations of Air Asia and Vistara Airlines to be taken over by Air India.
iii. AFS Cargo Volume;

The Authority while examining the comments of the Stakeholders on the issue of cargo operations of Air Vistara and Air Asia takeover by Air India (Refer ISP's comments Para 3.3.4 & 3.4.1) observed from said development that the Cargo Volume, presently being handled by the ISP of both the Airlines may be taken over by Air India Cargo facility. In this backdrop, the loss on Cargo Volume on account of these developments may have no significant impact on the Cargo Volume projections made for the Third Control Period. Therefore, the Authority has considered the drop in Cargo volume as proposed during Consultation Stage.

The Authority takes note of the Techno Economic Feasibility Report (TEFR) submitted by the ISP as part of its comments on the Consultation Paper, and has accordingly recomputed the impact of drop in Cargo Volume of the ISP due to development of Jewar Airport for the FY 2024-25 for the Third Control Period as given in Table below:

<u>Table-6: Cargo Volumes considered by the Authority for DCSC for the Third Control Period</u>

(in MT)

Particulars	Third Control Period					
	FY 2021-22 (Actual)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
INTERNATIONAL						
Total International Cargo Volume (A)	205759	205759	209874	214072	218353	1053817
% Age Growth Assumed		2%	2%	2%	2%	
Growth in Cargo Volumes (B)		4136	4234	4355	4484	17209
Gross Cargo Volume (C) = (A+B)	205759	209895	214108	218427	222837	1071026

Particulars	Third Control Period					
	FY 2021-22 (Actual)	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
% Anticipated drop in Cargo tonnage due to establishment of Jewar Airport.				15%	20%	
Drop in Cargo tonnage due to establishment of Jewar Airport. (D)		0	0	32764	44567	77331.05
Total International Cargo Volumes Projected (incl. AFS) (E) = (C-D)	**205759**	**209895**	**214108**	**185663**	**178270**	**993695**
AFS Cargo Volume (F)	**0**	**3650**	**14892**	**15190**	**15494**	**49226**
Projected Net International Cargo Volume (Excluding AFS) (G) = (E-F)	205759	206245	199216	170472.95	162776	944468.95
Y-o-Y % change		-	3%	-9%	-10%	
DOMESTIC						
Cargo Volumes (H)	133695	133695	136369	139096	141878	684733
% Age Growth Assumed		2%	2%	2%	2%	
Growth in Cargo Volumes (I)		2687	2751	2830	2914	11182
Gross Cargo Volume (J) = (H+I)		136382	139120	141926	144792	562220
Less: drop in Volume on account of: (a) Air Asia (K)		0	14149	14432	14721	43302
(b) Vistara (L)		0	58054	59215	60400	177669
% Drop in Cargo tonnage due to establishment of Jewar Airport				15%	20%	
Drop in Cargo tonnage due to establishment of Jewar Airport M)				21289	28958	50246.9
Projected Net Domestic Cargo Volumes (N)= (J-K-L-M)	**133695**	**136382**	**66917**	**46990**	**40712**	**424696.1**
Total Cargo Volumes (excluding AFS) (G+N)	339454	342627	266133	217463.05	203488	1369165.05
Total Cargo Volumes (including AFS) (E+N)	**339454**	**346277**	**281025**	**250671**	**218982**	**1436409**
% Y-o-Y growth		2%	-19%	-11%	-13%	

3.5.2 The Authority further decides that, the Annual Tariff Proposal for DCSC for last tariff year (FY 2025-26) of Third Control Period will be finalized after reviewing the actual Cargo Volumes achieved up to FY 2024-25 and after studying the impact of points mentioned above 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.

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

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

3.6.1 To consider Cargo Volumetric Projections for DCSC at IGIA Delhi for the Third Control Period as per Table-6.

CHAPTER-4: CAPITAL EXPENDITURE (CAPEX), REGULATORY ASSET BASE (RAB), DEPRECIATION AND SECURITY DEPOSIT (SD)

4.1 Capital Expenditure as per DCSC submissions for the Third Control Period:

4.1.1 DCSC has projected a total CAPEX amounting to Rs.410.12 crores for the Third Control Period (FY2021-22 to FY2025-26) as shown in table below:

Table-7: Capital Expenditure proposed to RAB by DCSC for the Third Control Period

(Rs. in Crore)

Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Part A						
CAPEX proposed on creation of new Infrastructure						
New Cargo Warehouse Facilities		22.29	62.73	0.00	0.00	85.02
Plant and Machinery		12.74	89.76	14.40	7.16	124.06
Utilities		10.34	38.77	29.04	0.00	78.15
Office Block		4.04	0.00	0.00	0.00	4.04
Cold Room		0.00	8.75	0.00	0.00	8.75
Subtotal Part - A	**0.00**	**49.41**	**200.01**	**43.44**	**7.16**	**300.02**
Part B						
CAPEX proposed on Upgradation & Extension of Existing Facility						
Upgradation of ExistingFacilities	10.29	10.59	0.00	6.56	42.84	70.28
Eastern Side Extension of Existing Cargo Warehouse &TD Facility			39.82			39.82
Subtotal Part - B	**10.29**	**10.59**	**39.82**	**6.56**	**42.84**	**110.10**
Total CAPEX (PART A + PART B)	**10.29**	**60.00**	**239.83**	**50.00**	**50.00**	**410.12**

4.1.2 **Justification for the proposed CAPEX:** The Authority sought justifications regarding the proposed CAPEX amounting to Rs. 410.12 Crores for the Third Control Period. DCSC vide emails dated 17.10.2022 & 16.11.2022 submitted the following justifications for the CAPEX projected for the Third Control Period:

a. **Contractual Obligation:** The existing Cargo facility of DCSC has been constructed on a portion of land received from the Airport Operator for constructing the Cargo facilities. Accordingly, a large piece of land is lying vacant in the DCSC premises and this vacant piece of land is at same location where DCSC's existing facility is situated. This vacant piece of land is prime property having an air side access. As per the ISP, as mandated under its Concession Agreement with the Airport Operator, DCSC is required to construct cargo facility in the remaining vacant area.

b. **Improvement in Dwell Time:** The Concession Agreement awarded to DCSC mandates DCSC to manage, operate and maintain the Cargo Terminal in a competitive, efficient and economic manner and take into account the requirements of Users of the Cargo Terminal and Cargo Services. The ISP has submitted that the current warehouse facility for import is divided into two-tier section, which facilitates segregation and storage of imported cargo on both levels. The two-tier section was designed in 2012 and suited the flow of cargo into the warehouse based on the conceptual framework and market demand at that time. In the current scenario, with increasing speed of clearance as compared to 2012, the two-tier section system is not able to keep pace with the faster clearance of cargo. To achieve improved Dwell time and higher throughput at peak hours, DCSC needs to expand international cargo terminal as part of plan for efficient cargo management with lower time of processing and reduced dwell time.

DCSC has submitted that the proposed expansion has also been necessitated because they have witnessed increase in Dwell Time of Cargo, which reduces the facility's capacity of processing Cargo. Increased dwell time/storage of cargo is contrary to the objective of efficient Cargo Handling Services. The storage of Cargo acts as a bottleneck reducing the capacity of the infrastructure and necessitating further Capex investments.

As per the ISP, the proposed expansion will improve efficiency and productivity of Cargo Services at the IGI Airport and will enable DCSC to deliver greater value to its Users. The ISP further stated that it is vital for DCSC to lower the Dwell Time for its Cargo Services to ensure that its services remain competitive.

c. **Remodeling of Facilities for Improved Efficiency:** ISP has submitted that the existing operations are run in hybrid and mixed mode in the same warehouse and terminal facility. In other words, same terminal building is being shared for export, import and transshipment operations. With faster clearances it is the existing model of mixed and hybrid mode is turning out a bottleneck. ISP has highlighted that ideal way to run the operations is to have separately demarcated warehouse facilities for export, import and transshipment facilities in the same complex. DCSC has further conveyed that it has a large piece of vacant land available for construction of a new facility in the same premises as its existing facility. This vacant land has a prime location and has sufficient air side and city side access. DCSC proposes to construct a new facility on the vacant piece of land. The construction of a new facility along with the existing facility will enable DCSC to do away with running operation in hybrid mode and instead run its operations from clearly demarcated for export operations, import operations and transshipment operations. Having separately demarcated warehouse and terminal facilities for export, import and transshipment operations in the same complex makes operations very efficient, fast and eliminates the time-consuming bottlenecks. ISP emphasized that the proposed CAPEX is incurred solely with the intention of increasing the efficiencies and reducing the processing time of cargo handling.

d. **Customer/Business Retention Strategy in View of Upcoming Jewar Airport:** DCSC proposes to improve its Cargo Handling efficiency to ensure competitiveness with Jewar Airport and retain cargo volumes and Users at IGI Airport, even though it projects that there will be diversion in cargo volumes from IGI Airport to Jewar Airport once the same is operationalized. The idea is to minimize the shifting of cargo from Delhi Airport to Jewar Airport, by providing timely and fast services. This requires expansion of current space and addition to existing equipment even for the existing cargo volumes as it is proposed to render efficient and fast service in expectation of the users and with changing scenario. DCSC plans to incur majority of the Capex in FY23 and FY24 to ensure that the improved facilities are operationalized prior to commencement of operations at Jewar Airport.

e. **Modernization, Mechanization and Automation:** ISP has submitted that for the purpose of achieving faster through put and reducing the processing time of the cargo handling it is important that a fair amount of mechanization and automation be introduced. Till recently the requirement for pace of operations and processing was such that it was sufficiently being handled in manual operations. India is expending it aviation foot print and is said to become third largest aviation market of the world. The global airlines are vying for increased flights to and from India. Similarly Indian carriers are rapidly expanding their fleet and destinations. This has resulted marked competition between the carriers for share of their business. To successfully compete for the business, the airlines are seeking faster and efficient operations. In other words, the airlines are offering cargo connections at short cut of times and promising delivery within few hours. ISP has stated that as Cargo Terminal Operator, they have to operate in tandem with the Airline's expectation of efficient Cargo Handling Operations. As per the ISP, it is necessary to have separately demarcated spaces for various operations of the cargo terminal to bring about efficiency in operations. Further, to complement the manual operations with the expansion of facilities, investment in automation and mechanization is also required. As per the ISP, the three equipments namely ETV, ASRS and VNA are fully automated and mechanized solutions for cargo terminal operation and they complement each other.

f. **Replacement CAPEX:** DCSC facility was commissioned more than a decade ago. The warehouse, the utilities, the infrastructure, most of the machinery, material handling equipment etc. were installed at the time of commissioning. ISP has stated that a typical cargo terminal operation runs round the clock, 365 days a year, leading to rapid wear and tear of the warehouse building and equipment. As such, DCSC stated that it is necessary to replace the equipment at the end of its normal life span so as to ensure continuous, un-interrupted and efficient operations and this calls for a regular and necessary expenditure on replacement CAPEX. DCSC has stated that it proposes to incur a significant expenditure, out of the planned expenditure, on replacement CAPEX.

g. **Upgrading IT Infrastructure and System:** DCSC in its submission stated that IT infrastructure and system is a back bone of operations of any organization. In current day world the success of operations depends upon robustness of IT infrastructure and system that is being used. ISP has further stated that it is well known the IT technology and hardware keeps evolving and improving with time, and therefore, it is imperative for any organization to keep itself abreast with the latest technology and system. DCSC has submitted that it plans to upgrade its IT infrastructure and systems in line with the latest available in the market and hasearmarked a significant expenditure for this purpose.

h. **Eastern Side Extension of Existing Warehouse & TD Facility:** ISP has informed that the existing warehouse facility of DCSC has a long length on its eastern side. On this side there are 55 truck docks which are used for loading/unloading import/export cargo trucks. Immediately behind the truck docks is the warehouse floor on which delivered/unloaded cargo is stored before it moves into the next process of screening by X-Ray machines in the case of export cargo or to be loaded into the trucks in the case of import cargo. As per the ISP, typically, this delivered/unloaded cargo stays on the truck dock floor for an average of 5-6 hours. DCSC has highlighted that this area often gets fully occupied and choked with delivered/unloaded cargo during most part of the day operating hours which are traditionally the peak operating hours of the terminal, starting from 10am in the morning till midnight. As a result of this choking on the truck dock floor area, ISP is unable to load/unload the cargo trucks due to lack of space onthe truck dock floor area. This results in long waiting times for trucks and consequent delays in loading/unloading of the cargo. The delay in unloading export cargo has serious consequenceof missing planned flights while delay in loading of import cargo delays the delivery of cargo to the consignee. ISP has submitted that in order to solve this problem, it has planned to extendthe existing warehouse facility from the eastern side. This extension of the existing warehouse facility will result in increase in the truck dock floor area and thus increase the holding capacity for temporary storage of delivered /unloaded cargo. In this way the waiting time of trucks will be eliminated and thus more efficiency will be brought to the operations. The existing facility has a setback width of approximately 37 meters from the boundary wall of the premises. Currently this setback width forms the compound of the facility which does not have any particular productive use. ISP has further submitted that they have planned to extend the existing warehouse facility into this setback area by approximately 20 meters towards the eastern boundary wall. This extension will increase the warehouse truck dock width by approximately 20 meters across the entire length of the existing warehouse building. The increase in truck dock width/area will solve the problem of truck waiting and consequent delays in cargo handling.

4.1.3 DCSC has planned proposed CAPEX during the Third Control Period under following two broad categories:

- **PART A CAPEX proposed on new Cargo Facility.**
- **PART B – Upgradation/ Extension of Existing Cargo Facility.**

Part A – Capex proposed on Cargo Facility: DCSC submitted that proposed CAPEX (Part A) is required for creating new Cargo Handling Infrastructure as described in preceding paragraphs and which includes:

1. Pre - Construction Activities
2. New Warehouse Facility
3. New Office Block
4. New Cold Room
5. New Plant and Machinery
6. New Utilities

S.No.	Description	Justification of the Works
1	Pre – Construction Activities	The pre-construction activities include the appointment of the Architect, Appointment of the Project Manager Consultant (PMC), site clearance, Soil Testing and GPR survey and Land survey to initiate the construction activity.
2	*Warehouse Facilities – New*	As envisaged under the Concession Agreement, DCSC has initiated constructing the remaining 11500 SqM for international cargo. This construction of a warehouse, on the vacant portion of land transferred to DCSC by the Airport Operator, is required for future expansion and to also to meet the obligations under the Concession Agreement.
3.	*Office Block*	Office block is needed to house the offices of administration operation security management etc. staff of the company. Besides adequate office space also needs to be given to Customs and CISF and airlines to house their staff who are required to operate from the facility. The office block will also house the services like HVAC, Electric Panels, housekeeping and common facilities like toilets, washrooms, canteens, rooms for trade to sit and carry out their work and documentation

S.No.	Description	Justification of the Works
4.	Cold Room	Cold Room is part of Warehouse Facility which required for Handling and storage of temperature sensitive cargo, pharma, meat and vegetable which require a special handling.
5.	Plant and Machinery	Machinery and equipment is required to handle the export and import cargo at the facility. The use of cargo handling machinery and equipment is necessitated for the purpose of faster handling of cargo. Besides cargo that is heavy cannot be handled manually but can be handled only with the help of machines. Use of machinery and equipment also increases the Handling capacity of a facility many times over.
6.	New Utilities	To run the cargo terminal, it is necessary to have the utilities to support the operations. The utilities consist of Electrical, Equipment, Water Storage, Fire Hydrant and Tanks, CCTV and IT Networks.

A table giving detailed description of CAPEX proposed for new facilities is given below:

Table-8: Additions proposed for new Cargo warehouse by DCSC for the Third Control Period

(Rs. in Crore)

Sr. No	Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
	Part A						
	New CAPEX						
1	**Pre - Construction Activities for new Cargowarehouse**						
1.1	**Pre - Construction Activities**		**0.86**	**0.00**	**0.00**	**0.00**	**0.86**
i.	Appointment of Architect		0.50				**0.50**
ii.	Appointment of PMC		0.25				**0.25**
iii.	Site clearance		0.05				**0.05**
iv.	Soil Testing		0.01				**0.01**
v.	GPR survey and Landsurvey		0.05				**0.05**
2	**Cargo Terminal Facilities**						
2.1	**Warehouse Facilities**		**21.43**	**62.73**	**0.00**	**0.00**	**84.16**
i.	Civil Work		17.10	14.72			**31.81**
ii.	PEB Structural Works			24.73			**24.73**
iii.	Flooring			23.28			**23.28**
iv.	Sewer line /Plumbing		1.11				**1.11**
v.	Rain Water Harvestingand Drainage System		3.22				**3.22**

Sr. No	Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
3	**Plant and Machinery**		**12.74**	**89.76**	**14.40**	**7.16**	**124.06**
i.	Screening X RayMachines			11.00			**11.00**
ii.	Screening -ETD		2.45				**2.45**
iii.	Dock Levelers		2.40				**2.40**
iv.	Ball & Castor Desk		2.93				**2.93**
v.	Scissor Lift		3.00				**3.00**
vi.	Lazy Dollies/PRD		1.96			6.21	**8.17**
vii.	ETV - Elevating TransferVehicles			30.00			**30.00**
viii.	Civil foundation work			20.76			**20.76**
ix.	Weighing Machines				2.98		**2.98**
x.	Cargo Storage Racks				6.93	0.95	**7.88**
xi.	Crash guard				4.50		**4.50**
xii.	Cargo Hoist			27.00			**27.00**
xiii.	Passenger Lift			1.00			**1.00**
4	**Utilities**		**10.34**	**38.77**	**29.04**	**0.00**	**78.15**
i.	Electrical Works &Equipment's		10.19	4.67			**14.86**
ii.	Water Storage, Fire Hydrant & Tanks , STP			7.64			**7.64**
iii.	CCTV Control Room &IT Server, Storage, Networking and Communication			15.00			**15.00**
iv.	Automatic Storage Retrieval System /VeryNarrow System			11.46	29.04		**40.50**
v.	RO plant, water coolerand plumbing		0.15				**0.15**
5	**Office Block**		**4.04**	**0.00**	**0.00**	**0.00**	**4.04**
i.	Administrative &Operation Offices		1.71				**1.71**
ii.	HVAC		1.28				**1.28**
iii.	Electrical Work		0.52				**0.52**
iv.	Furniture		0.52				**0.52**
6	**Cold Room**		**0.00**	**8.75**	**0.00**	**0.00**	**8.75**
i.	Cold Room			8.75			**8.75**
	Subtotal Part - A: (CAPEX on new facility)	**0.00**	**49.40**	**200.01**	**43.44**	**7.16**	**300.02**

PART B – Upgradation/ Extension of Existing Cargo Facility: DCSC in its submission stated that proposed CAPEX (Part B) is required to be incurred for replacing the equipment which are reaching their end-of-life normal span and upgrading the existing infrastructure as described in preceding paragraphs and which includes:

1.	*Warehouse Facilities - Existing Warehouse*	The restructuring of the existing warehouse is required to improve the dwell time for handling of export and delivery of import cargo to consignee/agent.
2.	*Eastern side extension of Warehouse & TD facility*	It is planned to extend the existing warehouse facility into this setback area by approximately 20 meters towards the eastern boundary wall. This extension will increase the warehouse truck dock width by approximately 20 meters across the entire length of the existing warehouse building. The increase in truck dock width/area will solve the problem of truck waiting and consequent delays in cargo handling.

A table giving detailed description of above items is given below:

Table-9: Upgradation of Existing Facility proposed by DCSC for the Third Control Period

(Rs. in Crore)

Part B							
Upgradation of Existing Facility - CAPEX							
Sr. No	**Description**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
1.	**Upgradation of ExistingFacility**	**10.29**	**10.59**	**0.00**	**6.56**	**42.84**	**70.28**
a	Waterproofing Work - Repairs& Replacement		1.09				**1.09**
b	Washroom construction andSewage line Re-laying		0.53				**0.53**
c	Repairing of Roof Structure ofCargo Terminal Building		2.95				**2.95**
d	Air Cooler System for Warehouse - Repairs & Replacement		0.50				**0.50**
e	Fire Hydrant Line and Equipment - Repairs & Replacement		2.00				**2.00**
f	Replacement of MHE					34.27	**34.27**
g	Cold Room Modification,Repair & Replacement				6.56		**6.56**
h	Upgrading IT system					5.00	**5.00**
i	Upgrading CCTV CameraSystem and Control Room		2.00				**2.00**

Part B							
Upgradation of Existing Facility - CAPEX							
Sr. No	Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
j	Upgrading & ReplacementElectrical Panel System					3.57	**3.57**
k	Cooler Tower Replacement		0.55				**0.55**
l	Repair of Existing Flooring		0.97				**0.97**
m	Office Equipment - Replacement	0.44					**0.44**
n	Furniture and Fixture - Replacement	0.08					**0.08**
o	Infrastructure Improvement	1.25					**1.25**
p	Electrical Equipment and Computers - Replacement	0.33					**0.33**
q	Plant & Machinery - Replacement	8.19					**8.19**
2	**Eastern Side Extension of Existing Warehouse & TD Facility**			**39.82**			**39.82**
	Subtotal Part - B: (CAPEX on Existing Facility)	**10.29**	**10.59**	**39.82**	**6.56**	**42.84**	**110.10**

4.1.4 The total CAPEX planned by the ISP, as per details given in above two tables, during the Third Control Period is summarized below:

Table-10: Summary of Total CAPEX proposed by DCSC for the Third Control Period

(Rs. in Crore)

Sr. No	Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
1	Subtotal Part - A: New CAPEX	0.00	49.40	200.01	43.44	7.16	300.02
2	Subtotal Part - B: CAPEX onExisting Facilities	10.29	10.59	39.82	6.56	42.84	110.10
	Total – CAPEX for the ThirdControl Period	**10.29**	**60.00**	**239.83**	**50.00**	**50.00**	**410.12**

4.2 **DCSC submission on Opening RAB, Additions to RAB and Average RAB and Security Deposit for the Third Control Period:**

4.2.1 Based on the financial data submitted by DCSC, computations of Opening RAB & Average RAB for the Third Control Period are given in the table below:

Table-11: RAB as per DCSC Submissions for the Third Control Period

(Rs. in Crore)

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening Regulatory Asset Base (RAB)						
Furniture & Fixtures	0.34	0.29	0.65	0.58	0.52	
Office Equipment	0.28	0.51	1.68	1.53	1.43	
Infrastructure improvements(Office & Cargo Premises)	117.98	108.81	129.08	216.66	200.63	
Electrical equipment &Computers (including software)	3.38	1.75	11.91	29.37	27.22	
Plant & Machinery	10.54	15.47	25.36	122.63	149.10	
Total Opening RAB (Excluding Goodwill)	**132.53**	**126.83**	**168.69**	**370.77**	**378.90**	
Security Deposit - DIAL	**69.39**	**70.89**	**101.28**	**101.28**	**101.28**	
Total Opening RAB (ExclGoodwill)	**201.92**	**197.72**	**269.97**	**472.05**	**480.18**	
Additions /WIP Capitalization						
Furniture & Fixtures	0.08	0.52	0.00	0.00	0.00	0.60
Office Equipment	0.44	1.67	0.00	0.00	0.00	2.11
Infrastructure improvements (Office & Cargo Premises)	1.25	32.87	110.18	6.56	0.00	150.86
Electrical equipment &Computers (including software)	0.33	12.19	19.67	0.00	8.57	40.76
Plant & Machinery	8.19	12.74	109.97	43.44	41.43	215.77
Total WIP Capitalization	**10.29**	**59.99**	**239.82**	**50.00**	**50.00**	**410.10**
Security Deposit - DIAL	**1.50**	**30.39**	**0.00**	**0.00**	**15.64**	**47.53**
Total Addition	**11.79**	**90.38**	**239.82**	**50.00**	**65.64**	**457.63**
Disposals /Transfers						
Office Equipment	0.06	0.00	0.00	0.00	0.00	
Infrastructure improvements (Office & Cargo Premises)	0.01	0.00	0.00	0.00	0.00	
Electrical equipment & Computers (includingsoftware)	0.02	0.00	0.00	0.00	0.00	
Plant & Machinery	0.12	0.00	0.00	0.00	0.00	
Total Disposals /Transfers	**0.22**	**0.00**	**0.00**	**0.00**	**0.00**	
Depreciation Charge						
Furniture & Fixtures	0.13	0.15	0.08	0.06	0.03	0.45
Office Equipment	0.15	0.50	0.15	0.11	0.08	0.99
Infrastructure improvements (Office & Cargo Premises)	10.41	12.60	22.60	22.59	22.58	90.78

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Electrical equipment & Computers (includingsoftware)	1.95	2.02	2.22	2.15	3.07	11.41
Plant & Machinery	3.14	2.85	12.70	16.97	21.55	57.21
Total Depreciation Charge	**15.77**	**18.13**	**37.74**	**41.87**	**47.31**	**160.82**
Security Deposit - DIAL						
Total Depreciation Charge	**15.77**	**18.13**	**37.74**	**41.87**	**47.31**	
Closing Regulatory Asset Base (RAB)						
Furniture & Fixtures	0.29	0.65	0.58	0.52	0.49	
Office Equipment	0.51	1.68	1.53	1.43	1.35	
Infrastructure improvements (Office & Cargo Premises)	108.81	129.08	216.66	200.63	178.05	
Electrical equipment &Computers (including software)	1.75	11.91	29.37	27.22	32.72	
Plant & Machinery	15.47	25.36	122.63	149.10	168.98	
Total Closing RAB	**126.83**	**168.69**	**370.77**	**378.90**	**381.59**	
Security Deposit - DIAL	**70.89**	**101.28**	**101.28**	**101.28**	**116.92**	
Total Closing RAB	**197.72**	**269.97**	**472.05**	**480.18**	**498.51**	
Average RAB	**199.82**	**233.84**	**371.01**	**476.11**	**489.34**	

4.3 Depreciation proposed by DCSC for the Third Control Period:

4.3.1 DCSC has submitted the projected Depreciation for the Third Control Period as follows:

Table-12: Depreciation proposed by DCSC for the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Furniture & Fixtures	0.13	0.08	0.08	0.06	0.03	**0.38**
Office Equipment	0.15	0.17	0.55	0.91	0.88	**2.65**
Infrastructure improvements (Office premises & Cargo Premises)	10.41	11.60	22.97	22.97	22.96	**90.90**
Electrical equipment & Computers (including software)	1.95	0.80	1.92	1.85	3.49	**10.01**
Plant & Machinery	3.14	5.06	9.99	14.71	18.59	**51.49**
Total Depreciation Charge	**15.77**	**17.71**	**35.51**	**40.49**	**45.93**	**155.42**

4.4 Authority's Examination regarding CAPEX, Depreciation, Average RAB and Security Deposit for the Third Control Period at CP stage

4.4.1 The Authority noted that the ISP had projected a CAPEX of Rs. 300.02 Crores for creation of new Cargo Warehouse & allied infrastructure during the Third Control Period for its International Cargo Operations. However, the Authority reviewed the requirement of the said CAPEX and sought detailed information about commencement of the proposed CAPEX. The Authority also had a discussion with the ISP through virtual platform on 17.11.2022.

4.4.2 During the discussions with the ISP, the Authority raised the issue regarding the timing of the CAPEX on capacity addition, as ISP in its Cargo Volume Projections had considered significant decrease in cargo volumes for the Third Control Period, particularly during FY 2024-25 to FY 2025-26. ISP, in its response stated that as per Concession Agreement with DIAL, it was contractually mandated to develop the subject facility. ISP vide email dated 21.11.2022 further submitted that in order to meet the expected increase in the Cargo volumes in next Control Period, they were required to make the infrastructure ready in Third Control Period to cater to future demand.

4.4.3 The Authority noted the justification towards proposed CAPEX submitted by DCSC, wherein ISP had stated that the current warehouse facility for import, having two-level structure, which was designed in 1st Control Period based on the conceptual framework and market demand at that time and the same is not able to keep pace with the requirement of faster clearance of cargo demanded by the Users [refer para 4.1.2(b)]. The Authority was aware that lower dwell time for Cargo clearance was important factor for the ISP to remain competitive and offer efficient services to Cargo Users in fast paced delivery system of Air Cargo Industry. It was also noted that to reduce the dwell time & improve efficiency and productivityof Cargo Services, the proposed expansion of International Cargo Warehouse seemed reasonable and proposes to consider CAPEX of Rs. 300.02 Crores on New Facility during the Third Control Period.

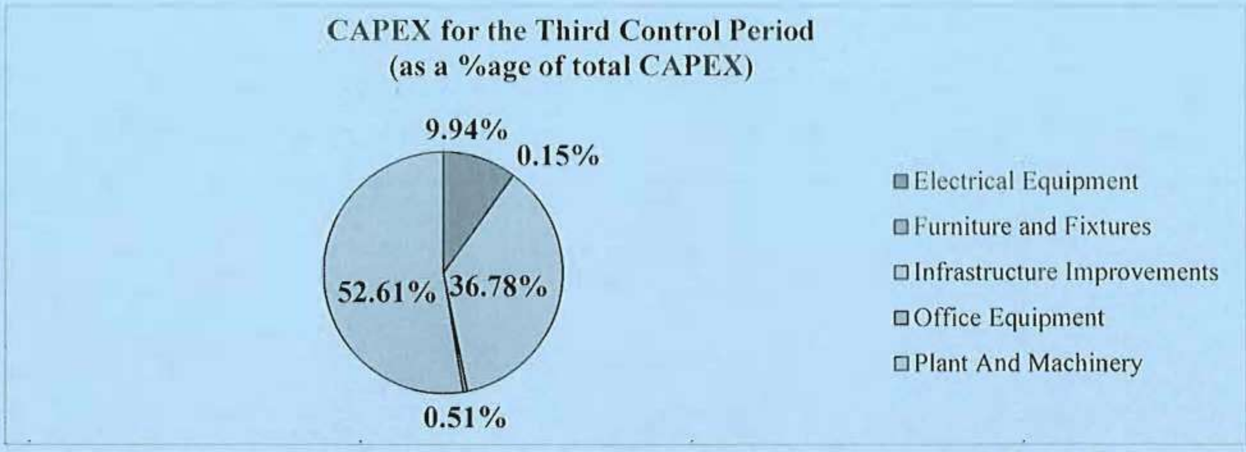
4.4.4 The Authority noted that ISP has projected lower Cargo Volumes, particularly during the later part of the Third Control Period, on account of establishment of new Greenfield Airport at Jewar (Noida); however, at the time when Cargo Volumes are projected to drop significantly, ISP had projected major CAPEX of Rs. 300.02 Crores for creating new facility to handle the International Cargo Volumes and to reduce the dwell time. In the circumstances mentioned above, it was incumbent upon DCSC to make all out efforts to retain its market share and make full use of available capacity so as to offer competitive services to Users.

4.4.5 The Authority also noted that DCSC has proposed Rs. 110.10 Crores for CAPEX that was required to be incurred for replacing the old equipment which had outlived its normal life span and on upgrading/expansion of the existing Cargo handling infrastructure.

4.4.6 The Authority observed that the Opening RAB (as on 01.04.2021) for the Third Control Period was Rs.132.53 Crores and the Closing RAB as on 31.03.2026 is projected to reach Rs. 379.71 Crores. Pursuant to significant Capital Additions during the Third Control Period, depreciation on fixed assets, particularly during the later part of the Control Period, will significantly increase, affecting profitability for the ISP in the short run.

4.4.7 The Authority also noted that ISP had proposed separate CAPEX of Rs. 2.60 Crores for smooth handling of AFS Cargo.

4.4.8 Breakup of Capital Addition proposed for the Third Control Period (as per Table-6) under different heads was shown in pictorial form below:



4.4.9 The Authority, from the revised submissions made by DCSC in Form-9, vide email dated 07.11.2022, observed that the ISP had considered Security Deposit as a part of Regulatory Asset Base, whereas, the Authority based on its consistent approach in respect of SD for ISPs, did not treat it as a part of RAB and computed return on SD separately.

4.4.10 The Authority noted that the ISP in its submission had proposed additional CAPEX of Rs. 2.60 crores separately for minor addition/ modification to facilitate the handling AFS cargo. The Authority felt that such minor addition/ modifications may be required to facilitate the AFS Cargo Handling; therefore, instead of treating CAPEX on AFS Cargo separately, the same has been added to CAPEX under the head 'Plant & Machinery' proposed for the Third Control Period (ref. Table-12).

4.4.11 The ISP in its submission had also considered the additional depreciation of Rs. 0.66 Crores on additional CAPEX (on AFS cargo handling) separately. The Authority, instead of treating it separately, had added it in the respective head of Depreciation i.e. Plant and Machinery (ref. Table-12).

4.4.12 The Authority, based on review & analysis of Opening RAB, Additions to RAB under various CAPEX schemes indicated above, proposed the following RAB in respect of DCSC for the Third Control Period, after exclusion of SD:

Table-13: CAPEX, Average RAB and Depreciation proposed by the Authority for DCSC for theThird Control Period at CP stage

(Rs. in Crore)

Particular	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening Regulatory Asset Base(RAB)						
Furniture & Fixtures	0.34	0.29	0.65	0.58	0.52	
Office Equipment	0.28	0.51	1.68	1.53	1.43	
Infrastructure improvements(Office premises & Cargo Premises)	117.98	108.81	129.08	216.66	200.63	
Electrical equipment & Computers (including software)	3.38	1.75	11.91	29.37	27.22	
Plant & Machinery	10.54	15.47	25.32	122.41	148.68	
Total Opening RAB (A)	**132.53**	**126.83**	**168.65**	**370.55**	**378.48**	

Particular	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Additions /WIP Capitalization						
Furniture & Fixtures	0.08	0.52	0.00	0.00	0.00	0.60
Office Equipment	0.44	1.67	0.00	0.00	0.00	2.11
Infrastructure improvements(Office premises & Cargo Premises)	1.25	32.87	110.18	6.56	0.00	150.86
Electrical equipment & Computers (including software)	0.33	12.19	19.67	0.00	8.57	40.76
Plant & Machinery	8.19	12.74	109.97	43.44	41.43	215.77
Total Additions (B)	**10.29**	**59.99**	**239.82**	**50.00**	**50.00**	**410.10**
Disposals /Transfers (Net ofDepreciation on disposal)						
Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00	
Office Equipment	0.06	0.00	0.00	0.00	0.00	
Infrastructure improvements(Office premises & Cargo Premises)	0.01	0.00	0.00	0.00	0.00	
Electrical equipment & Computers (including software)	0.02	0.00	0.00	0.00	0.00	
Plant & Machinery	0.12	0.00	0.00	0.00	0.00	
Total Disposals /Transfers (C)	**0.22**	**0.00**	**0.00**	**0.00**	**0.00**	
Depreciation Charge						
Furniture & Fixtures	0.13	0.15	0.08	0.06	0.03	0.45
Office Equipment	0.15	0.50	0.15	0.11	0.08	0.98
Infrastructure improvements (Office premises & CargoPremises)	10.41	12.60	22.60	22.59	22.58	90.79
Electrical equipment & Computers (including software)	1.95	2.02	2.22	2.15	3.07	11.40
Plant & Machinery	3.14	2.89	12.88	17.17	21.78	57.86
Total Depreciation Charge (D)	**15.77**	**18.17**	**37.92**	**42.07**	**47.54**	**161.47**
Closing Regulatory Asset Base (RAB)						
Furniture & Fixtures	0.29	0.65	0.58	0.52	0.49	
Office Equipment	0.51	1.68	1.53	1.43	1.35	

Particular	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Infrastructure improvements(Office premises & Cargo Premises)	108.81	129.08	216.66	200.63	178.05	
Electrical equipment & Computers (including software)	1.75	11.91	29.37	27.22	32.72	
Plant & Machinery	15.47	25.32	122.41	148.68	168.33	
Total Closing RAB (E = A+B-C-D)	**126.83**	**168.65**	**370.55**	**378.48**	**380.94**	
Average RAB F = {(A+E)/2}	**129.68**	**147.74**	**269.60**	**374.51**	**379.71**	

4.5 Security Deposit

4.5.1 The Authority noted that as per Concession Agreement, the ISP was required to pay interest free Security Deposit to the Airport Operator and SD was required to be reset, from time to time, depending on the level of Gross Revenue. As per ISP's submission, at the end of every financial year, the amount of SD should be reset to 25% of the Gross Revenue of Previous Year or Security Deposit of the Previous Year, whichever was higher.

4.5.2 The Authority noted that the ISP had considered SD as part of RAB. The SD as per the Authority can't be construed as part of RAB because it did not represent any underlying Asset which could be used for business operations; therefore, SD need to be segregated from the RAB which is in line with the stand taken by the Honorable TDSAT in the matter of DAFFPL vs AERA.

4.5.3 The Authority noted that the rate of Return on SD proposed by the ISP was inconsistent with the AERA's approach regarding Rate of Return on Security Deposit for ISPs as the ISP had considered return on Security Deposit @19%.

In view of the above, the Authority proposed to exclude SD from RAB and provide 5% Return on SD as per Table-13

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

Table 14: Return on Security Deposit proposed by the Authority for the Third Control Period at CP stage

(Rs. in crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue (A)	**282.85**	**405.04**	**371.74**	**288.69**	**231.27**	**216.61**	
25% revenue of the Previous Year (B)= (A of Preceding year *25%)		70.71	101.26	92.94	72.17	57.82	

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Security Deposit of Preceding Year (C)		69.39	70.71	101.26	101.26	101.26	
Higher of the B & C		70.71	101.26	101.26	101.26	101.26	
Security Deposit payable (E)		70.71	101.26	101.26	101.26	101.26	
Return on SD @ 5% of (E)		**3.54**	**5.06**	**5.06**	**5.06**	**5.06**	**23.80**

4.6 Stakeholders' Comments on Consultation Paper regarding CAPEX

4.6.1 **SpiceJet's Comments:** SpiceJet has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Deferment of Capital Expenditure – Regulatory Base Assets for the Third Control Period as follows:

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, as DCSC has itself projected that it would not be able to reach the volume levels of pre-Covid 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 DCSC 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 DCSC 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 it may 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.

While we appreciate AERA's proposal to extend Tariff Rates prevailing as on 31.03.2021 to continue up to the end of FY 2024-25, at the same time is suggested that since the subsequent control period (4thControl Period) would commence shortly thereafter from FY 2026-27, and as tariff determination process is a detailed and time consuming procedure, and as the actual impact would only be evident in the last year of 3rd control period (2025-26), it is humbly suggested that it may be more practical to extend the Tariff Rates prevailing as on 31.03.2021 to continue up to the end of FY 2025-26, and that a fresh analysis be done for the 4th control period, including the timing of the capex for the proposed new cargo warehouse additions proposed at Rs. 300.02 Crores, based on ground realities at that time.

4.6.2 **DACAAI's Comments:** DACAAI has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. make shift CUDCT made in 2010 by DCSC for the Third Control Period as follows:

The make-shift CUDCT made in 2010 by DCSC continues to be interim/make-shift till date! We are being asked to pay for a facility that is interim and make shift in nature.
Reference may be drawn to Order 16/2010 dated 22.3.2010/24.3.2010 – (2.1(4) DIAL stated that

"DCSC is operating CUDT till green field terminal is developed and commissioned by DCSC expected by January, 2011. DCSC assured (para 3.4(ii) that operations will be shifted to the green field terminal once it is ready by 30.11.2011 as per project plan of the company." AERA observed that during SH meeting on 24.2.2011, most users (including DACAAI) expressed disagreement with rates and complained of bad quality of service. However, mainly considering 'interim terminal' only for 19 months of which 10 months already elapsed, approved the tariff from 1.5.2010 to 30.11.2011. Order no.10/2010-2011 dated 10.12.2010 wherein DACAAI inter alia, had pointed out the CUDCT being new facility, charging by DCSC was without AERA approval. A direction 3/2010 was issued to DCSC to stop Charging. DIAL had clarified "that greenfield terminal will offer better infrastructure which will come by Nov 2011. That the interim terminal is only for 19 months." AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period. DCSC's clarifications vide letter dated 25.9.2014 to AERA. Quote..... "Regarding make shift arrangement DCSC clarified that there is vacant land available and they have plans to build new terminal for domestic cargo but it depends on the growth in the volumes of cargo. (e) DCSC clarified that while they have the SLA(s) with airlines however the same is not feasible with the customers." From above, the fact remains that till date we are operating domestic cargo processing from the same interim/make shift facility that was created in 2010 handling three times the tonnage without regard to service quality at all. It may be emphasized, if volumes increase, the charges should come down but in this case, charges always increased. With increased volumes the DCSC collected increased revenues even when all the initial investments have been depreciated over 12 years. AERA may please look into how ROI has been allowed on depreciated assets.

4.6.3 **FFFAI, DCBA Comments:** FFFAI, DCBA have submitted their comments on Consultation Paper No. 13/ 2022-23 w.r.t. Capital Expenditure – Regulatory Base Assets for the Third Control Period as follows:

DCSC has projected a total CAPEX amounting to Rs.410.12 crores for the Third Control Period (FY 2021-22 to FY 2025-26). This will be utilized for remodeling of the existing infrastructure, Upgradation of the IT infrastructure and system and other modernization and mechanization/automation activities.

Our Comments

DCSC, during the submission of their ATP for FY 2018 19 (circulated by AERA vide Consultation Paper 14/2018-19 dated 16-08-2018) has submitted various development activities including creation of new infrastructure and other operational and IT upgradations as one of the justification for hike in the tariff.

This Consultation paper fails to inform/brief the stakeholders on the update of those development activities but now submits another CAPEX details of Rs 410.12 crores again justifying the hike in tariff schedule.

AERA may seek an update of CAPEX projections from DCSC before considering the hike in tariff rates as sought by DCSC vide this consultation paper.

4.6.4 **ACAAI Comments:** ACAAI has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Capital Expenditure – Regulatory Base Assets for the Third Control Period as follows:

DCSC, during the submission of their ATP for FY 2018 19 (circulated by AERA vide Consultation Paper 14/2018-19 dated 16-08-2018) has submitted various development activities including creation of new infrastructure and other operational and IT upgradations as one of the justifications for hike in the tariff. This Consultation paper fails to inform/brief the stakeholders on the update of those development activities but now submits another CAPEX details of Rs 410.12 crores again justifying the hike in tariff schedule.

AERA may seek an update of CAPEX projections from DCSC before considering the hike in tariff rates as sought by DCSC vide this consultation paper on projected CAPEX amounting to Rs.410.12 crores for the Third Control Period (FY 2021-22 to FY 2025 -26), which as per DCSC is proposed to be utilized for remodeling of the existing infrastructure, Upgradation of the IT infrastructure and system and other modernization and mechanization/automation activities.

The Authority ought not to ignore DCSC's projections that are unique to it and based on scientific *evidence i.e., the TEFR which is based on detailed studies and research by expert bodies. Accordingly, the Authority should not rely upon the projections of another ISP, which are unsupported by any rational reasoning. The ISPs at IGI Airport cater to different client base and estimations of the other ISP, based on its unique business model cannot be applied to DCSC.*

4.6.5 **DCSC Comments:** DCSC has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. treatment of Security Deposit as a part of Regulatory Base Assets for the Third Control Period as follows:

DCSC in its MYTP had considered the Security Deposit paid to the Airport Operator, i.e., DIAL as per the Concession Agreement between DIAL and DCSC as part of its RAB. The Authority in Para 4.5 has proposed that Security Deposit can't be construed as part of RAB because it does not represent any underlying Asset which can be used for business operations in line with stand taken by the Honorable TDSAT in the matter of DAFFPL vs AERA.

AERA ought to consider that as per the Concession Agreement, the Security Deposit is a condition precedent to securing the rights to the concession of performing cargo operations at IGIA. Clearly, being a condition precedent, the Security Deposit is directly related to the cargo operations and is liable to be treated as a part of RAB as Security Deposit is an enabling asset. The fact that this is a refundable deposit make this deposit to have a terminal value as is characteristic of any asset.

The necessity to calculate RAB is to arrive at a figure of investment into the project so that FRoR can be applied to the said figure and a return on investment determined. It may be stated here that Security Deposit forms an integral part of the project cost for which DCSC has arranges funds from the same sources as it arranges funds for funding other assets. In other words, the payment of Security Deposit is a bonafide Application of Funds. It is pertinent to mention here that while calculating FRoR the Authority takes into consideration the cost of various Sources of Capital into consideration so that a reasonable return on investment can be arrived at. The Security Deposit is also funded from the same Sources of Capital. Therefore, to apply a lower FRoR to Security Deposit will be unfair to DCSC.

The Authority ought to consider that the Asset Base consists of both Tangible and Intangible Assets. The Security Deposit by DCSC represents an investment made by DCSC toward the Cargo Operations to procure an enabling asset which is essential for operating at the IGI Airport. The Security Deposit is a prerequisite condition for conducting operations under the Concession Agreement and without this enabling asset, DCSC cannot operate at the IGI Airport. This Security Deposit is part of the RAB and acts as a source for DCSC for the acquisition of other tangible assets at the IGI Airport.
Hence, based on the above-mentioned factors, the Authority is requested to treat Security Deposits by DCSC as part of RAB and allow the same Fair Rate of Return ('FROR') which is applicable to other assets.

4.7 DCSC's response on the comments of the Stakeholders

4.7.1 **Response to SpiceJet: :** DCSC in its response to the comments of SpiceJet regarding Deferment of Capital Expenditure – Regulatory Base Assets for the Third Control Period has submitted that:

The Concession Agreement awarded to DCSC mandates DCSC to manage, operate and maintain the Cargo Terminal in a competitive, efficient and economic manner and take into account the requirements of users of the Cargo Terminal and Cargo Services.
In the current scenario, with increasing speed of clearance as compared to 2012, the two-tier section system is not able to keep pace with the faster clearance of cargo. To achieve improved Dwell time and higher throughput at peak hours, DCSC needs to expand for international cargo terminal as part of our expansion plan and efficient cargo management and lower time of processing.
DCSC proposes to improve its Cargo Handling capacity to ensure competitiveness with Jewar Airport and retain cargo volumes and Users at IGI Airport even though it projects that there will be shift in cargo volumes from IGI Airport to Jewar Airport once the same is operationalized. DCSC plans to

incur majority of the Capex in FY23 and FY24 to ensure that the improved facilities are operationalized prior to commencement of operations at Jewar Airport.
The storage of Cargo acts as a bottleneck reducing the capacity of the infrastructure and necessitating further Capex investments. Further, the proposed expansion will improve efficiency and productivity of Cargo Services at the IGI Airport and will enable DCSC to deliver greater value to its Users. It is vital for DCSC to lower the Dwell Times for its Cargo Services to ensure that its services remain competitive with the services provided at AFS.
Hence, SpiceJet suggestion to hold the capex for the 3rd Control Period in unjustified and also ignoring the facts of requirement of capex at DCSC terminal.

4.7.2 **Response to DACAAI:** DCSC in its response to the comments of DACAAI regarding make shift CUDCT for the Third Control Period has submitted that:

Firstly, it is stated that DCSC is not operating a CUDCT but a full fledge Domestic Cargo Terminal at IGI Airport Delhi. DCSC Cargo Terminal at IGI airport Delhi is full fledge Cargo Terminal that has been built on permanent location and with substantial capital expenditure. DCSC takes pride in the fact that it operates the largest Domestic Cargo Terminal in the country. Domestic Cargo Terminal is built on approx. 5000 SqM of area and has full access to the air side. The DCSC Domestic Cargo Terminal at IGI airport is a double story building which has 31 truck docks on city side and has 12 Dual View X-ray machines for screening of cargo. DCSC Domestic Cargo Terminal has offices of airlines /cargo agent at first floor.
DCSC has invested heavily into creating its Domestic Cargo Terminal infrastructure at Delhi Airport. The facility is a permanent facility not a make-shift facility also the facility is not a CUDCT.

It may be pointed out that DCSC Domestic Cargo Terminal at IGI airport has the largest numbers of Dual View X-Ray machines amongst all Domestic Cargo Terminal of the country.

DACAAI has given the reference to different AERA Orders which have expired and have no relevance to the current Consultation Paper on MYTP application for determination of tariff for DCSC for 3rd Control Period. So, we request to Authority to ignore the comments of DACAAI in full.

Our services are as per the contract with our customers and contracts contains a detail description of services and SLAs.

4.7.3 **Response to FFFAI, DCBA and ACAAI:** DCSC in its response to the comments of FFFAI, DCBA and ACAAI regarding Capital Expenditure – Regulatory Base Assets for the Third Control Period has submitted that:

The purpose of the present Consultation Paper is to determine tariff for 3rd control period starting from FY 2021-22 to FY 2025-26. The determination of tariff is done on the basis of MYTP application filed by DCSC. The MYTP application is filed by DCSC for 3rd Control Period starting from FY 2021-22 and ends on Fy 2025-26 for the determination of proposed Capex and Opex. The methodology of determination of tariff is given in detailed in AERA's CGF Guidelines, 2011. The guidelines takes into the consideration the existing regulatory assets base (RAB) and proposed Capex to determine the Aggregate Revenue Requirement (ARR). The existing / opening RAB is based on the audited figures of the capex that is incurred by the DCSC. Thus, opening figure of the RAB already contains the depreciated value of the capex incurred in the previous control period. DCSC has submitted a detailed description of the capex items and the same forms and integral part of this Consultation Paper. FFFAI, DCBA and ACAAI is urged to go through the details for this understanding.

4.8 Authority's Analysis on the stakeholders' comments on CAPEX

4.8.1 The Authority notes the comments of M/s SpiceJet on deferment of proposed CAPEX, and the response of DCSC thereon, out of CAPEX proposed for the Third Control Period amounting to ₹ 410.11 crores, mainly projected to incur ₹ 150.86 crores on infrastructure improvements and ₹ 215.77 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.

The Authority also notes that the ISP has incurred actual CAPEX of Rs. 16.15 Crores out of the total Capex of Rs. 59.99 Crores proposed for the FY 2022-23 and the remaining amount is to be incurred till the end of the Financial Year.

4.8.2 With regard to 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 / response of the DCSC on the various issues raised by the stakeholder.

In this regard, the Authority observes that DCSC in its response disagreed with the views of the stakeholder and stated that the 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.

4.8.3 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 DCSC during second control period, as sought by the Authority.

4.8.4 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 Cargo Volume.

4.8.5 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. (refer para 4.4.3)

4.8.6 The Authority notes the comments of FFFAI, DCBA regarding the execution of the projects as envisaged in the Second Control Period and response of the ISP on the same. The Authority observed that the ISP has executed most of the projects as envisaged in the Second Control Period which are clearly reflected in the opening RAB based on the Audited figures of the CAPEX incurred by DCSC and also mentioned in ACS submitted for the SCP.

It is further submitted that the Authority, in the Second Control Period had considered an amount of Rs. 86.6 Cr. to be incurred for the development of various projects by the ISP, out of which Rs. 65.13 Cr. has been incurred by the ISP and the remaining amount shifted to the Third Control period.

4.8.7 The Authority notes that the rate of Return on SD proposed by the ISP is inconsistent with the AERA's uniform approach taken regarding Rate of Return on Security Deposit for ISPs as the ISP has considered return on Security Deposit @19%.

The Authority also notes the comment of the ISP w.r.t. return on Security Deposit 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 does not represent any underlying Asset which can be used for business operations; therefore, SD need to be segregated from the RAB which is in line with the stand taken by the Honorable TDSAT in the matter of DAFFPL vs AERA.

As a result, the Authority decides to exclude SD from RAB and provide 5% Return on SD as per Table-15 which is a consistent and uniform approach being followed by the Authority.

Further, this is also to be noted that as per Concession Agreement, the ISP is required to pay interest free Security Deposit (SD) to the Airport Operator and SD is required to be reset, from time to time, depending on the level of Gross Revenue. As per ISP's submission, at the end of every financial year, the amount of SD should be reset to 25% of the Gross Revenue of Previous Year or Security Deposit of the Previous Year,whichever was higher. Due to change in revenue SD has also undergone a change and has been accordingly recomputed as follows:

Table 15: Return on Security Deposit Considered by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue (refer Table-27) (A)	**282.85**	**405.04**	**371.74**	**288.69**	**231.27**	**216.61**	
25% revenue of the Previous Year (B)= (A of Preceding year *25%)		70.71	101.26	92.94	72.17	57.82	
Security Deposit of Preceding Year (C)		**69.39**	**70.71**	**101.26**	**101.26**	**101.26**	
Higher of the B & C		**70.71**	**101.26**	**101.26**	**101.26**	**101.26**	
Security Deposit payable (E)		**70.71**	**101.26**	**101.26**	**101.26**	**101.26**	
Return on SD @ 5% of (E)		**3.54**	**5.06**	**5.06**	**5.06**	**5.06**	**23.8**

4.8.8 In view of the above analysis and considering the necessary/ efficient 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 and Security Deposit as taken at Consultation stage.

4.8.9 The ISP has conducted the Stakeholders' meeting on 02.11.2022. However, 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.

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

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

4.9.1 To consider Additions to RAB (CAPEX), Depreciation and Average RAB as per Table-13 for the Third Control Period.

4.9.2 To consider Security Deposit and Return on Security Deposit as per Table-15 for the Third Control Period.

CHAPTER-5: OPERATION & MAINTENANCE EXPENDITURE

5.1 Operation and Maintenance Expenditure Projection of DCSC for the Third Control Period

5.1.1 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 andstatutory operating costs.

5.1.2 Operation and Maintenance Expenditure submitted by DCSC 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

5.1.3 DCSC, while projecting Operation & Maintenance Expenditure for the Third Control Period has considered the following assumptions/factors:

5.1.4 ISP has considered Royalty Share payable to the Airport Operator (DIAL) as provided in concession agreement @24% on Gross Turnover (GTO) and @45% on Revenue from X-ray Screening.

5.1.5 The yearly increment in Payroll Costs have been considered at 15% Y-o-Y for the Third Control Period.

5.1.6 The annual escalation in License Fee has been considered @ 7.5% as per the License Agreement.

5.1.7 Utility Expenses are projected to be increased by 15% Y-o-Y basis from FY 2022-23 onward during the Third Control Period.

5.1.8 Other Administrative Charges are also projected to be increased by 15% Y-o-Y basis from FY 2022-23 onward during the Third Control Period.

5.1.9 The ISP has considered 15% increase on Y-o-Y basis in Repair and Maintenance Expenses also from FY 2022-23 onward during the Third Control Period.

5.1.10 Operating & Maintenance Expenses for the Third Control Period projected by DCSC based on above assumptions is given below:

Table-16: O&M Expenditure Projected by DCSC for Delhi for the Third Control Period

(Rs. in Crore)

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	CAGR
Payroll Expenditure	45.92	52.81	60.73	69.84	80.31	309.61	15.00%
Admin & General Expenses	62.44	71.59	78.92	87.09	96.21	396.26	11.41%
Repair & Maintenance Expenditure	6.96	8.01	9.21	10.59	12.18	46.95	15.00%
Utilities & Outsourcing Expenses	7.00	8.05	9.25	10.64	12.24	47.18	15.00%
Concession Fees	103.39	78.88	105.77	124.85	136.01	548.91	7.09%

Financial Year	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	CAGR
Total Operating and Maintenance Expenditure	**225.72**	**219.34**	**263.89**	**303.01**	**336.95**	**1348.91**	**10.53%**
Y-o-Y increase in OPEX for the Third Control Period							
Payroll Expenditure		15%	15%	15%	15%		
Admin & General Expenses		15%	10%	10%	10%		
Repair & Maintenance Expenditure		15%	15%	15%	15%		
Utilities & Outsourcing Expenses		15%	15%	15%	15%		
Concession Fees		-24%	34%	18%	9%		
Total Operating and Maintenance Expenditure		-3%	20%	15%	11%		

5.1.11 Following justifications have been provided by DCSC regarding OPEX considered for the Third Control Period:

The Operation and Maintenance (O&M) expenditure of ISP mainly comprises of the following expenses:

a) Concession Fees
b) Employee expenses
c) Repair & Maintenance
d) License fees
e) Other Administrative & General Expense

5.1.12 **Concession Fees**: The ISP has submitted that the Concession Fee @ 24% of the Gross Revenue (as stated in Clause 3.1.1 of the Concession Agreement) is payable to the Airport Operator. However, in respect of Revenues from X-ray Screening of Cargo, DCSC is required to pay a concession fee @ 45% to DIAL. As such, the blended rate of Concession fee payable by DCSC comes to 25.8% approx. which has been taken into consideration for the MYTP Submission.

5.1.13 **Employee Expenses:** As regard to payroll expenses, ISP has submitted that it represents the salaries, wages, employee benefits, employee training and employee welfare expenses incurred for the employees, directly employed by the company for services rendered to the Company. The ISP has further stated that DCSC has a policy of employing its manpower on its payroll and therefore does not outsource the manpower from contractors. The reason behind this is that the operations of a cargo terminal is a specialized job which requires very high skilled manpower. This skill is gained over time by an employee and thus it is important to retain the skilled manpower and the knowledge of operations in the company. It is also stated that the operations of the ISP being highly skilled in nature, there is a perennial shortage of skilled manpower. The manpower is in short supply and in high demand, therefore the compensation and wage revision are also higher than normal industry standards. Besides to keep the competition at bay and retain the skilled workforce within the company it is imperative that the company reward the employees with annual compensation increments at a rate which is higher than the usual inflation rate.

It is important to state here that during pandemic the employee compensation and increment had being sluggish and to compensate that the employee's compensation has been accelerated in the coming years so as to keep them within employees' expectation and thus retain the manpower. It is also important to state here that in cargo operation business, employees' trainings form an important, and sometimes, a statutory responsibility on the company. During COVID the rigor on training had dropped. To update the skills and the latest knowledge level of the employees the company will have to accelerate the training program with increased spending on such programs. As per company policy, employees are required to wear the company provided uniform when at work. During the pandemic the uniforms were not replace as such the company will have to spend a significant sum on such replacement of the uniforms in coming years. The ISP has further highlighted that the company has a policy of providing food and snacks to the employees during work hours. Apart from this the company is offering to pay salary revision which are ordered by the government under Minimum Wage Act. All such measures are necessary to retain the skilled manpower in cargo industry, which sees high attrition rates. Therefore, company has adopted a policy to have a robust employee compensation and employee welfare policy. It is stated that despite reduction in business volume the company does not resort to retrenchment as it believes that retaining skilled workforce is more important to face the competition and delivery the quality services than cutting corners on employees' cost.

5.1.14 **Repair & Maintenance:** ISP submitted that DCSC's Cargo Terminal was commissioned 2012. A major part of building and equipment were procured during the commissioning period and have outlived their lives. Apart from that during the COVID period not much attention could be given to regular maintenance of the assets. As per the ISP, at Cargo Terminal, Cargo Operations runs 24 X 7 basis; accordingly, the installed equipment and machinery are in use during the day and night. Cargo operations at terminal are time bound functions. The ISP needs to make expenses on maintain the efficiency of equipment like X-Ray machine, Forklifts, Scissor Lift, Cargo Hoist, HVAC and maintain the cold room for temperature sensitive cargo. These machines also require overhauling and need for maintenance of spare parts. ISP submitted that due to pandemic, major repairs were deferred and now the expenses are being taken up, as such, the assets need higher expenditure on maintenance and replacement of spare parts. During COVID time the inventory of repair & maintenance spares had also dropped down to levels which can prove to be detrimental to operation of the company. As such it is important to bring back the inventory and spares to a comfortable level which can assure uninterrupted operation. Annual Maintenance Contracts (AMC) is a critical and important means to assure timely maintenance to our assets. During COVID most of the AMCs had lapsed or could not be renewed. DCSC submitted that due to existing inflationary environment, ISP is experiencing that the renewals of most of the AMCs are being done by the vendors at double digit incremental prices. Besides this, cost of spares and service by the vendors/contractors have also increased in double digit percentage. As per the ISP, these are some of the main reasons for increased cost considered by them under this head of expenditure.

5.1.15 **License Fees:** ISP informed that expenses under this category represent space rentals paid by DCSC to DIAL in respect of the space occupied and applicable rates have been defined in Concession Agreement dated 19th November 2009. The annual increase in license fee rate is @7.5% effected on 1st April of every year. Besides, DIAL has increased the space rental of Domestic Cargo Terminal comprising of 4,800 SqM by 118% percentage from Rs.5,372/- to Rs.11,737/- Per SqM per annum.

5.1.16 **Other Administrative & General Expenses:** It includes the following expenses:

a) **Electricity & Water Expenses:** These two heads have witnessed significant increase rangingfrom 24% to 50% in rates.

b) **Material Handling Equipment (MHE) and Machinery Hire Expenses:** The supply of Material Handling Equipment and Machinery is severe shortage due to post COVID reboundof economy and launch of many infrastructure and industrial projects. There is a huge gap between demand and supply of Material Handling Equipment (MHE). Consequently, the rental and lease charges of hiring of MHE are witnessing increase of nearly 20% hike in rates.

c) **Outsourced Services (Security and Housekeeping):** This is an expenditure which is borne on hiring security and housekeeping service from contractors. Post COVID the availability ofskill staff for such services is in short supply and consequently the rates of the contracts charging higher than the double percentages than previous years.

d) **IT and Communication Expenses:** Post COVID most of the physical paperwork and communication has been replaced by digital process. The company had to spend significant amount on upgrading its hardware and software for the purpose. The maintenance of such hardware and software services entails increased expenditure by the way of digital processingand digital communication. The company was using an old IT software platform which was obsolete and out of service from the vendor as the IT technology has considerably evolved inthe past few years. The company had to upgrade its IT platform to the new technology whichrequires higher maintenance and upkeep.

e) **Vehicle charges:** The Company is required under the Customs Regulations to providevehicles to the Customs officers and staff. Company hires such vehicles along with drivers and fuel. It has been seen that due to the inflationary situations the cost of vehicles, the salary of drivers, maintenance and insurance of vehicles and fuel prices have sky rocketed in the recent past. This has resulted in steep charges of such vehicles.

f) **Consumables & Stationary:** The cost of consumable and stationery has gone considerably up due to inflationary situation prevailing in the country post COVID.

g) **Municipal Property Tax:** Municipal Corporation of Delhi (MCD) has proposed to increasethe base value of the property tax by 120 % over base value rates of previous year which willresult in significant increase in property tax amount in coming years. In addition to this MCDalso introduced charging Trade License Fee applicable to our business. This is a fee which ischargeable on the basis of area of the facility. As per the ISP, this is completely a new tax which has been introduced from current year and which is quite significant amount.

h) **Business and Sales Promotion:** Business and Sales Promotion is an important and necessarypart of our business. During COVID no such activity could be carried out. It is proposed to accelerate this activity so as to regain and recover the touch with the business community.

i) **Legal and Processional Charges:** These charges are borne for advisory and professional services. Like other expenses these charges too witnessed double-digit inflation.

5.2 Authority's Examination on O & M Expenditure projected by DCSC for the Third Control Period at CP stage

5.2.1 **Payroll Expenses**: The Authority noted that DCSC had projected 15% Y-o-Y increase in Payroll Cost for the Third Control Period, the Authority sought clarifications regarding projected increase w.r.t. payroll cost, in response to the query, the ISP vide email dated 14.09.2022 had submitted that payroll cost was likely to increase at a rate of 15% based on current industry trends.

The Authority noted from the submission of ISP that it employed highly skilled and trained manpower for its Cargo Operations, and as per ISP, there was a shortage of skilled & trained manpower; therefore, in order to retain skilled workforce higher pay compensation is required. Further, Payroll Expenses during current Control Period was expected to be higher on account of Employees' Training, provision of Uniform & Welfare measures which, during Covid Pandemic, were deferred and same are being taken up by the ISP during the current Control Period.

5.2.2 **Repair & Maintenance Expenses:** The Authority noted from the submission of ISP that the Cargo Terminal was built in 2012. Building & equipment, which operates on 24x7 basis, requires regular repairs to keep it functioning in proper manner. The Authority felt that in an Industry which operated on 24x7 basis, proper repair & maintenance was a key requirement to provide unhindered services to the Users. Further, as per the ISP, no major repairs were carried out during Covid Period; however, such repairs could not be deferred any longer. DCSC further stated that another major factor for projected increase in R&M Expenses was increase in rates of AMC for various Service / Maintenance Contracts, cost of spares/ services, which had seen significant increase post Covid Period.

5.2.3 **Concession Fee & License Fee (Admin. & General Expenses):**

(a) **Concession Fee:** The Authority noted from the DCSC's submission that, in accordance with Concession Agreement, the ISP was required to pay Concession Fee @ 24% of the Gross Revenue to DIAL (Airport Operator). In addition, Revenues generated from X-ray and Screening of Cargo, ISP was required to pay a separate Concession Fee @ 45% to DIAL. As per the ISP, the blended rate of Concession fee payable by DCSC @25.8% approx. (based on the actual figures for FY 2019-20 i.e. Pre-Covid year), the same average rate of concession fee had been considered by the Authority for projecting concession fee for the Third Control Period.

Table-17 Concession Fee Proposed by the Authority for DCSC for the Third Control Period at CP stage

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Total Revenue (Refer Table-27)	405.04	369.89	283.03	245.33	212.37	1515.65
Concession fee @25.8%	104.50	95.43	73.02	63.30	54.79	391.04

(b) **License Fee:** ISP, as per concession agreement with Airport Operator, was required to pay license fee in respect of Land/Space received from the DIAL. The Authority observed from ISP's submission that the license fee for 73,660 SqM area (unpaved land) was Rs. 4997/- per SqM per annum in FY 2021-22 and same was increasing @7.5% Y-o-Y for the rest of the Control Period. The Authority further noted that in case of unpaved land, the base rate in respect of piece of land admeasuring 4799 SqM, the applicable license fee had been increased to Rs.11,137/- per SqM per annum (122.87% increase) from Rs. 4997/- per SqM p.a. w.e.f. 1.4.2022, which would befurther increased annually @ 7.5%. As regard to paved land in possession of the DCSC admeasuring 817 SqM in area, ISP was required to pay license fee @ Rs. 6793/- per SqM perannum with 7.5% Y-o-Y escalation.

5.2.4 **Other Administrative & General Expenses:** The major expense heads under this category included lease & hire charges, housekeeping expenses, security expenses, insurance costs etc. The ISP had submitted that post Covid, the cost of services related to security, housekeeping had increased significantly due to shortage of required manpower. Similarly, as per ISP, the hiring & leasing cost of Equipment had also increased after the pandemic, resulting in higher provisions for these expenses.

Another major factor for projected increase in Admin. & General Expenses was increase in base value of property tax by 120% as compared to previous year's rate for assessment of Property Tax by the Municipal Corporation of Delhi (MCD), which was a significant additional cost to the company. ISP further submitted that MCD had introduced new tax in form of License fee for their business, which was bidbased on the area of the facility. Besides above, as per DCSC, cost of other services like Legal & Professional charges, IT services, consumables & stationery etc. had also increased due to general inflation, which were major cost drivers under Admin. & General Expenses.

5.2.5 **Utilities Expenses:** ISP in respect of increase in Utilities Expenses for the Third Control Period submitted that the rates of Electricity & Water Charges had significantly increased by 24% to 50%.

5.2.6 The Authority noted that DCSC on one hand is projecting lower Cargo Volumes for the Third Control Period due to factors like increase in market competition etc. on the other hand, ISP has considered Y-o-Y increase of around 15% in all operating expenses (other than concession fee & license fee where rates are as per concession agreement) which were on higher side, as compared to its competitor.

Therefore, it was incumbent on the ISP to improve operating efficiency and rationalize its operating expenses so as face market competition from new Greenfield airport (Jewar, Noida) and other service provider at IGIA, Delhi etc. and offer services to its clients at competitive rates.

5.2.7 The OPEX proposed by the Authority for DCSC in respect of Third Control Period was given below:

Table-18: OPEX proposed by the Authority for DCSC for the Third Control Period at CP stage

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	CAGR
Pay Roll Costs	45.92	52.81	60.73	69.84	80.31	309.61	15%
Administrative & General Expenses	62.44	71.59	78.92	87.09	96.21	396.26	11%
R & M Expenditure	6.96	8.01	9.21	10.59	12.18	46.95	15%
Utilities Expenses	7.00	8.05	9.25	10.64	12.24	47.18	15%
Concession Fees (refer Table 17)	104.50	95.43	73.02	63.30	54.79	391.04	-15%
Total Operation & Maintenance Expenditure	**226.82**	**235.89**	**231.13**	**241.46**	**255.73**	**1191.04**	3%
Y-o-Y change in OPEX		4%	-2%	4%	6%		

5.3 Stakeholders' Comments on Consultation Paper regarding OPEX

5.3.1 **SpiceJet's Comments:** SpiceJet has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. OPEX for the Third Control Period as follows:

(a) *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 a general perception that service providers have no incentive to reduce its expenses, as any such increase would be passed on to the airlines/stakeholders through the tariff determination mechanism process, and indirectly airlines would be forced to bear most of these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

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.

(b) *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 DCSC 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 DCSC not related to safety or security.*

Further, we submit that:

(i) Payroll Costs: The Y-o-Y increase may please not be more than approx. 6%, in line with recent proposals of AERA in other consultation papers, rather than the proposed CAGR of 15%

(ii) Administrative & General Expenses, R & M Expenditure, Utility Expenses: The Y-o-Y increase may please not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers, rather than the proposed CAGR of between 11% to 15%.

(iii) It may also please be clarified that although it is projected that the Concession Fee (and revenues) would keep continually falling drastically at CAGR of -15%, but still the Opex items like Payroll, Administration & General Expenses, R&M Expenditure and Utility Expenses are projected to continually increase at a CAGR between 11% to 15%. This is in contrast to claims of cargo volume loss by DCSC in 2024-25 due to Greenfield Jewar Airport, loss due to shifting of Vistara & Air Asia to Air India facility in 2023 and new loss due to AFS facility.

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 DCSC not related to safety or security, without any escalations in payroll and other costs.

5.4 DCSC's response on the comments of the Stakeholders

5.4.1 **Response to SpiceJet: :** DCSC in its response to the comments of SpiceJet regarding OPEX for the Third Control Period has submitted that:

(a) SpiceJet has repeated what it has said in Point No 1.,it is vehemently denied that any charges on account of concession fees are passed on to our customers as all expenses are absorbed into our costs.

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

The comments of SpiceJet on payroll cost, administrative general expenditure, concession fees, *repair and maintenance lack merit and thus deserve to be ignored.*

5.5 Authority's analysis regarding OPEX for the Third Control Period

5.5.1 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.

5.5.2 The Authority notes from the submission of DCSC that during pandemic period, payroll expenses were low and many welfares activities / trainings etc. were deferred. Now with the improvement in the situation from the pandemic, 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 Cargo Handling is a specialized job and requires skilled & trained manpower at the Cargo Terminals. Further, during 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 in a very holistic manner and paid as per the industry practice.

5.5.3 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 10% to 15% from FY2022-23 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 projected OPEX for the Third Control Period and wherever required, requisite clarifications/ justifications were obtained from the ISP (refer para 5.2).

5.5.4 This is to be further noted that the Authority has considered additional OPEX w.r.t. 'Payroll costs' and 'Repair and Maintenance' of Rs.6.78 Crore and Rs. 2.06 Crore, respectively (refer Chapter-6, para 6.7.10), to cater the AFS volume for the Third Control Period, resulting into revision of OPEX. Concession fees (a percentage share of Gross Revenue) has also been revised due to revision in Gross Revenue for the Third Control Period. Accordingly, Revised OPEX is given in the table below:

Table-19: OPEX considered by the Authority for DCSC for the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	CAGR
Pay Roll Costs	45.92	53.21	62.57	71.95	82.74	316.39	16%
Administrative & General Expenses	62.44	71.59	78.92	87.09	96.21	396.25	11%
Repair & Maintenance Expenditure	6.96	8.13	9.77	11.23	12.92	49.01	17%
Utilities (Electricity) Expenses	7.00	8.05	9.25	10.64	12.24	47.18	15%
Concession Fees (refer Table-27)	104.50	95.91	74.48	59.67	55.89	390.45	-14%

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	CAGR
Total Operation & Maintenance Expenditure	**226.82**	**236.89**	**234.99**	**240.58**	**260.00**	1199.28	3%
Y-o-Y change in OPEX		4%	-1%	2%	8%		

5.6 Authority's decision regarding O&M Expenditure

Based on the material before it and its analysis, the Authority decides the following regarding O&M Expenditure for the Third Control Period:

5.6.1 To consider the O&M Expenditure for the Third Control Period as given in Table-19.

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 was placed at **Annexure-I** of the Consultation Paper.

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 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 MYTP Submissions by DCSC for the Third Control Period

6.2.1 DCSC, has submitted separate proposal (MYTP & ATP) in respect of AFS Cargo. As part of its MYTP/ATP for AFS Cargo, ISP has proposed separate Tariff Card applicable for International Cargo Services in respect of Cargo pertaining to Air Freight Station (AFS) at Indira Gandhi International Airport (IGIA), Delhi.

6.2.2 DCSC has projected 3650 MT tonnage of Cargo volumes from AFS starting with 4th Quarter of FY2022-23 and 2% Y-o-Y growth in AFS tonnage for the rest of Third Control Period as per Table below:

Table-20: Projected AFS Cargo as per DCSC Submissions for the Third Control Period

(in MT)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	CAGR
AFS Cargo Tonnage	0	3650	14892	15190	15494	2%
Total Cargo Volume (incl. AFS Volume) (ref. Table-5)			281,025	250,671	218,982	
AFS Cargo as a % of Total Cargo Volume			5.29%	6.06%	7.08%	
Y-o-Y % increase				**2%**	**2%**	

6.2.3 DCSC has proposed a separate CAPEX of Rs. 2.60 Crores for the development of Cargo Infrastructure and procurement of Cargo Handling Equipment to handle AFS Cargo for the Third Control Period.

6.2.4 In addition to separate CAPEX for AFS Cargo, DCSC has also proposed a OPEX of Rs. 9.45 Crores and Rs. 4.05 Crores against Concession Fee to handle AFS Cargo for the Third Control Period.

6.2.5 DCSC has considered FRoR at 19% in respect of ARR calculations pertaining to AFS Cargo for the Third Control Period.

6.2.6 The Cargo Operator has proposed a TSP charge of Rs. 2.97/ kg for handling AFS Cargo (Export) during FY23 (w.e.f. 01.01.2023). Thereafter, ISP has proposed enhanced TSP charges i.e. Rs. 3.17/ kg (6.73% increase) for remaining period of the Third Control Period.

6.2.7 The separate MYTP submission and Tariff for AFS Cargo volumes by DCSC for the Third Control Period was placed at **Annexure-II** of Consultation Paper no. 13/ 2022-23.

6.3 Authority's Examination on AFS Cargo for the Third Control Period at CP stage

6.3.1 The Authority examined the proposal of DCSC for handling Built-up Pallets pertaining to AFS, aspart of its MYTP submission and, drawn inference 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 direction, 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.

6.3.3 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 were placed at **Annexure-III** of Consultation Paper no. 13/ 2022-23.

6.3.4 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's 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.

6.3.5 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:

a. Acceptance of Cargo from shippers/agents
b. Weighing and measurement of Cargo
c. Palletization, Unit Load Device (ULD) build-up for export cargo
d. 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.

6.3.6 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 continue to be undertaken by the CTOs at their terminals for AFS Cargo.

6.3.7 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	✓	✓	Charges Levied
2	Screening of Cargo	✓	x	Charges not levied
3	Warehousing of Cargo	✓	✓	Charges included in TSP
4	Palletization of Cargo	✓	x	Charges not levied
5	Release of Cargo to Airlines' ground handling agencies	✓	✓	Charges included in TSP

6.3.8 The Authority was 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 Terminal would be comparatively less cumbersome & cost-effective when compared with dealing & processing cargo coming in loose packets from different shippers/ agents. The CTOs were expected to save on processing time and lower manpower deployment resulting in cost savings in AFS Cargo Handling as could be seen from the followings:

i. CTOs would be required to perform similar activities for processing of AFS Cargo (coming in form of Pallets/ULDs with Security & Customs clearances) at their terminals when compared with handling General Cargo. There would be some activities which would 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, frequency of activities was supposed to go down considerably. 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 would 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 would arrive in palletized form/ULDs with security clearance, therefore CTO would 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 was likely to be held at Cargo Terminal for shorter duration, as compared to general cargo, due to lesser processing involved, thereby CTO was expected to save time and reduce processing time/ transaction time on processing of AFS Cargo.

iii. As CTOs would mainly be dealing with Pallets/ ULDs in case of AFS Cargo, the Authority felt that CTOs would 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.

From the above analysis, the Authority felt that in case of AFS Cargo handling, CTOs were expected to undertake similar activities but with less frequency at their Terminals vis-à-vis handling of General Cargo directly accepted from Customers/Shippers. Therefore, considering 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 on AFS Cargo, as significant activities pertaining to export cargo will be performed at AFS' facility itself, and, therefore considering the various cost and time saving aspects, AFS Cargo qualified to be charged a lower TSP rate when compared with TSP rates applicable on general cargo.

6.3.9 The Authority observed the view of AFS Operator that no / less activities are to be performed by CTOs for processing AFS Cargo and, thus, no TSP charges/ 50% of General TSP charges should be levied but did not agree with it, as, the Authority noted that even in the case of AFS Cargo, the activities, similar to handling in General Cargo were still to be performed by the CTOs, such as: acceptance of Build-up-Pallets / ULDs at Cargo Terminal (city-side), unloading from trucks at truck dock area, moving cargo to storage racks/ security hold area, transporting of cargo from build-up station/SHA to release bay, shifting ULDs from release bay to Ground Handler's dollies, digital messages to customer's airlines etc. Therefore, the Authority felt that CTOs were entitled to levy TSP charges to AFS Operators, not to the extent normally charged to general cargo but a lower rate, as proposed by the Authority in the ensuing Para.

6.3.10 From the above Para, the Authority the Authority observed that the contention of AFS Operator not to pay TSP charges as a whole or pay only 50% of TSP Charges was not justified and CTOs were entitled to receive TSP charges to a certain extent from AFS Operator.

6.3.11 Further, the Authority was conscious of MoCA's policy initiative on AFS, which had larger national intent and it aimed to strengthen and develop air cargo logistics in the country and same was expected to reduce to bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters.AERA supported the progressive step taken by the Govt. to improve air cargo logistics in the country and AFS Cargo needed to be incentivized by way of lower TSP charges.

6.3.12 The Authority noted that ISP for its overall Cargo Volume projections for the Third Control Period had considered AFS Cargo volume at 40 MT per day or 14600 MT annually. From FY 2023-24 onward, ISP had assumed a growth of 2% in AFS Cargo Volume.

6.3.13 The Authority, considering that the process of Tariff determination for DCSC in respect of Third Control Period, including issuance of Consultation Paper and Tariff Order would take some time and revised Tariff for the Third Control period was expected to be implemented in January, 2022; accordingly, the Authority proposed to consider AFS Cargo Volumes from the last quarter of FY 2022-23 as per Table-20.

6.3.14 The Authority observed that the projected AFS volume forms just 5.29% to 7.08% of Total Cargo Volume projected for FY 2022-23 to FY 2025-26. The Authority felt that the AFS facility was still a new concept in the Indian aviation sector and it would take a while for its acceptance in International AirCargo Logistics chain. Considering the above, the volumes projected by the ISP for AFS Cargo seemed reasonable.

6.3.15 The Authority observed that ISP had considered increase in market competition due to coming up of new greenfield airport at Jewar, Noida and anticipated takeover of Air-Asia & Vistara's Cargo operations by Air India, resulting in lower Cargo Volumes projections during the Third Control Period. The Authority felt that considering the decreasing trend in projected Cargo volumes, the ISP should tap additional Cargo Volumes from AFS Operators, so as to maintain its market share.

6.3.16 The Authority noted that handling 'Pallets from AFS' requires less activities on the part of CTO and same can be handled with little modifications/additions in current infrastructure (viz. slave dollies/scissor lifts etc.). Therefore, DCSC proposing higher TSP charges for AFS Cargo in its separate MYTP submission and treating AFS Cargo as a separate segment was 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 separate MYTP proposal for AFS Cargo during the Third Control Period, rather proposed consider AFS Cargo & related CAPEX/OPEX etc. as a part of ISP's overall Cargo Operations.

6.3.17 As per the Authority, the proposed additional CAPEX of Rs. 2.60 crores for minor addition/ modifications in current infrastructure to facilitate the handling AFS cargo maybe required; hence, the Authority, instead of treating aforesaid CAPEX separately, proposed to consider CAPEX of Rs. 2.60 crores under the head 'Plant & Machinery' for the Third Control Period. Similarly, additional depreciation of Rs. 0.66 Crores on additional CAPEX is also proposed to be considered as part of overall depreciation for the Third Control Period (ref. Chapter-4).

6.3.18 The Authority noted that the ISP had proposed OPEX i.e. Rs. 9.45 crores for the Third Control Period to handle AFS Cargo. However, during the discussion with the DCSC, it was informed by the ISP that it had not proposed additional OPEX but had apportioned Rs. 9.45 Crores from the Total OPEX for Cargo Handling Operations.

6.4 Authority's examination regarding TSP Charges on AFS Cargo at CP stage

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 less intensity thereby saving on time and cost of manpower deployment.

6.4.2 The Authority was conscious of MoCA's policy initiative on AFS, which had larger national intent to strengthen and develop air cargo logistics in the country and same was 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 feels that AFS Cargo need to be incentivized by way of lower charges vis-à-vis rates applicable to general cargo.

6.4.3 Considering the above and taking note of inputs received through extensive deliberations on the issue, the Authority proposes 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 invites specific views/ comments of the Stakeholders on the proposals of the Authority regarding lower TSP charges proposed for AFS Cargo, particularly considering that AFS is a relatively new concept in Indian Civil Aviation. The Authority shall consider the views/ suggestions received from the Stakeholders during the consultation process before issuing the Tariff Order.

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

6.5 Stakeholders' Comments on Consultation Paper regarding AFS

6.5.1 **FFFAI, DCBA and ACAAI Comments:** FFFAI, DCBA and ACAAI have submitted their comments on Consultation Paper No. 13/ 2022-23 w.r.t. AFS as follows:

Though DCSC has proposed a TSP charge of Rs. 2.97/ Lg for handling AFS Cargo (Export) during FY23 (w.e.f. 01.01.2023). Thereafter, enhanced TSP charges i.e., Rs. 3.17/ kg (6.73% increase) for remaining period of the Third Control Period, however AERA, vide the said consultation paper has proposed 30% lower TSP charges for AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc.,

The process for handling of AFS cargo, as submitted by DCSC includes warehousing of cargo (transporting cargo to Storage racks/SHA) and its palletization.

• The AFS Cargo will transported in palletized form/ULDs with security clearance from the AFS to Airport premises after x ray scanning, as required under extant BCAS norms. Hence DCSC will mainly be dealing with Pallets/ ULDs in case of AFS Cargo, wherein no warehousing/palletization of cargo is required at Airport premises.

• Payment of TSP charges, twice, one each to AFS and CTO will lead to complexity of the Air cargo clearance procedure and avoidable harassment to the shipper/its authorized representative(s). Hence shippers may be given the option to pay TSP charges to AFS operator only are physically handling the cargo and CTO may be permitted to handle loaded pallets/ULDs only as forwarded by AFS for the Airlines to be loaded in their respective Aircraft.

• CTO may charge Rs 1250/- per pallet (up to 1500 kgs) and 50% of the General cargo TSP charges for pallets more than 1500 kgs i.e., [(Total weight of the pallet — 1500 kgs) X S0% 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

FFFAI, DCBA and ACAAI are of the opinion that above recommendations will go a long way in further developing the AFS concept and de- congestion of the Airport premises which will be utilized for only movement of the cargo and AFS facility will be utilized for storing and processing of the cargo.

The AFS commissioning has larger national intent to strengthen and develop air cargo logistics in the country which will reduce the bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters. This needs to be incentivized by way of lower charges vis-à-vis rates applicable to Air cargo being handled by CTOs.

6.5.2 **CCPL's Comments:** CCPL has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. AFS as follows:

(a) 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 Pharma, Live animal, valuable, Hazardous, Valuable, Newspaper & TV reels and Perishable Cargo. (Reference Tariff for Export cargo at Page 110 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.

• 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 DCSC may be permitted to handle loaded ULDs only as forwarded by AFS for the Airlines to be loaded in their respective Aircrafts.

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.

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.

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.

(b) 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:

Sl. 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	✓	✓	×
2	Carting order to Agent	AIRLINES	✓	✓	×
3	TSP Charges receipt	TERMINAL OPERATOR	✓	✓	×
4	Gate Checking of Goods /docs	TERMINAL OPERATOR	✓	✓	×
5	Docs receipt of goods	TERMINAL OPERATOR	✓	✓	×
	a) Good store be off loaded from trucks	TERMINAL OPERATOR	✓	✓	×
	b) Weight check of Goods	TERMINAL OPERATOR	✓	✓	×
	c) Truck Dock (TD) Entry	TERMINAL OPERATOR	✓	✓	×
6	Cargo X Ray /Screening	TERMINAL OPERATOR	✓	✓	×
7	Packages brought for examination after locating from lot as per Customs requirement	TERMINAL OPERATOR	✓	✓	×
8	Opening and repacking of boxes	TERMINAL OPERATOR	✓	✓	×
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	✓	✓	×
11	Docs handed over to Airlines	TERMINAL OPERATOR	✓	✓	×
12	ULD(BUP) off loading and location	TERMINAL OPERATOR	×	✓	✓

(c) *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.*

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 24X7basisforacceptanceof 30-40MT 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/RA3validationsarerequiredto be carried out at regular intervals through the BCAS security validators.*
  Acquiring RA/RA3credentials for the AFS in itself involves huge investment.

6.5.3 **DCSC's Comments:** DCSC has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. AFS as follows:

Philosophy for AFS Cargo Tariff: The Authority had directed DCSC to submit rate card for handling AFS Cargo on the pretext that the Ministry of Civil Aviation ('MoCA') promulgated the Policy Guidelines on Air Freight Station ('AFS Policy') to (i) "create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country"; and (ii) "de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time." Clearly, for the policy to be implemented and to meet its objective, the existing cargo terminals should have achieved their saturations levels. In the present case, however, the existing cargo terminals have not breached their capacities and rather can even increase their existing capacity by expanding the infrastructure. In fact, as agreed by AERA, the volume of cargo to be handled by DCSC will fall considerably in the future on account of the reasons stated above. Clearly, the Authority's stance in Para 6.1.1 of the Consultation Paper that the Air Cargo Terminal at IGI Airport is congested necessitating the requirement of AFS Operators is factually incorrect and being misused by AFS Operators for their convenience to create confusion amongst Air Cargo Terminal Users about the capacity of the Air Cargo Terminal of DCSC. As such, the tariff rate card proposed for AFS Cargo is presently premature and consequently, not required.

Operating Expenses for AFS Cargo: The Authority's proposal of AFS Cargo also does not capture the wide gamut of activities performed by DCSC for handling the AFS Cargo which has resulted in the Authority arriving at the incorrect conclusion in Para 6.3.8 of the Consultation Paper that "...the CTOs are expected to save on processing time and lower manpower deployment resulting in cost savings in AFS Cargo Handling."

DCSC at the time of Terminal Visit by the Authority's officials on 14.06.2022 had presented an overview of the Cargo Flow Process in the case of AFS Cargo and demonstrated that for handling AFS Cargo, DCSC has to undertake certain additional activities, which would involve additional deployment of equipment and manpower. A copy of the presentation is enclosed as Annexure 1.

Briefly stated, the Cargo Operation activities at Cargo Terminal are divided into two sections:
(i) City side activity
(ii) Air side activity

Sl No	Activity/ Process in Export Cargo Handling at CTO	Cityside Activity	Airside Activity	Remarks
1	Acceptance of Cargo	✓	×	Charges Levied on Agent/Shipper
2	Screening of Cargo	✓	×	Charges Levied on Airlines
3	Warehousing of Cargo	×	✓	Charges Levied on Airlines
4	Palletization of Cargo	×	✓	Charges Levied on Airlines
5	Release of Cargo to Airlines/ ground handling agencies	×		Charges included above charges

The Comparative Chart for activities performed by DCSC for acceptance of General Cargo and AFS Cargo is as follows:

Sl. No	Elements	GEN Cargo	AFS
1	Unloading from trucks	✓	✓
2	Ready for Carriage checks	✓	✓
3	Weight and Volume checks	✓	✓
4	Document verification and CTO system updation	✓	✓
5	Digital messages to stakeholders / authorities	✓	✓
6	Barcode labelling and scanning	✓	✓
7	Transporting cargo to Security Hold Area (SHA)	✓	✓
8	Physical security and vigilance of cargo	✓	✓
9	Dimensions / Contour and bulge checks	×	✓

As can be seen from the above Tables, DCSC has to perform more activities for processing AFS Cargo that it has to perform for the General Cargo. Further, since AFS Cargo will be received in palletized/ Unit Load devices (ULDs) form, DCSC will have to deploy extra manpower and specialized equipment, including weighing scales, seizure lift, fixed lazy dollies, movable lazy dolly, caster deck etc. for processing AFS Cargo

The activities of Screening, Warehousing and Palletization of Cargo are airside activities performed for Airlines for which DCSC does not levy any charges to Agent/Shipper. Thus, any cost savings from performing fewer activities related to Screening, Warehousing and Palletization of Cargo are accrued to the Airlines and not by the ISP handling AFS Cargo.

Hence, DCSC, as a Cargo Terminal Operator cannot be made to bear the brunt of lower costs and subsidize the AFS Cargo. Any discount which may be passed on the consumers ought to be provided by the AFS Operator and the Airlines utilizing such AFS Operator.

DCSC had proposed Expenses of Rs. 13.50 Crores for AFS Cargo in Table No. 18 of the MYTP application. The breakup of the expenses is as follows:

Payroll Cost	*: 6.78 Cr*
Land License Fee	*: 0.60 Cr*
Repair & Maintenance	*: 2.06 Cr*
Concession Charges	*: 4.05 Cr*
Total	***: 13.50 Cr***

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The Concession Fees and Land License Fee payable by DCSC is already included in the Aggregate Revenue Requirement by the authority and apportioned to the total operating cost of the Cargo Handling operations. However, the Payroll Cost and Repair & Maintenance Cost of Rs. 8.84 Crores stated above are an additional cost incurred by DCSC for solely for AFS Cargo. The aforementioned expenses should be considered on a standalone basis for AFS Cargo and ought not be included in the total operating cost of the Cargo Handling operations as has been proposed by the Authority in Para 6.3.18.

Tariff Proposed by the Authority: *DCSC had submitted a standalone MYTP for the AFS Cargo, outlining the Regulatory Asset Base, Depreciation, Expenses, Fair Rate of Return and Aggregate Revenue and on the basis of such factors DCSC had submitted a rate card for AFS Cargo.*

The Authority in Para 6.5 of the Consultation Paper has proposed 30% lower TSP Charges for AFS Cargo as compared to normal approved TSP Charges compared for the Third Control Period without considering the MYTP submission in this regard by DCSC and based on incorrect understanding of the operations undertaken by DCSC for processing AFS Cargo. Further, the Authority's proposal of a blanket 30% reduction in TSP Charges for AFS Cargo is not supported by any reasoning.

The Authority ought not to ignore the tariff filings by DCSC for AFS Cargo which is based on the tariff determination formula provided in the Guidelines.

The Authority in Para 6.4.2 of the Consultation Paper has noted that AFS Cargo must be incentivized in view of the policy initiative of MoCA by way of lower charges vis-a-vis rates applicable to general cargo.

The Authority has failed to consider that any incentives for development of AFS Cargo Facilities must come from MoCA. ISPs cannot be burdened with the costs associated with implementing MoCA's policy of promoting AFS Cargo. The Authority mandate of determining tariff and not for implementation of MoCA's policies ought to consider the MYTP submitted by DCSC for fixing tariff for AFS Cargo.

DCSC requests the Authority to approve the rate card for AFS Cargo submitted by DCSC as part of its MYTP.

6.6 DCSC's response on the comments of the Stakeholders

6.6.1 **Response to FFFAI, DCBA,ACAAI and CCPL :** DCSC in its response to the comments of FFFAI, DCBA, ACAAI and CCPL regarding AFS has submitted that:

It is mentioned by FFFAI that export cargo volume handled by the DCSC increased since AFS will be tapping the market outside Delhi. The idea seems to be borrowed by ACAAI lock stock and barrel from Continental Carrier's comments submitted on 9th December 2022 with AERA. FFFAI, DCBA and ACAAI contention is faulty on several counts as follows:

a) It claims that AFS will be tapping the market outside Delhi. It is submitted that Delhi is hardly a source of cargo export or distribution of imports that DCSC handles. DCSC receives its cargo from shippers as near as Noida, Greater Noida, Ghaziabad, and as far from Hyderabad, Himachal, and Nagpur. A cargo terminal at an airport like Delhi is supposed to work as a gateway airport to import and export cargo to and from the country. As such the entire Country forms the hinterland for cargo flowing in and out of Delhi. Airlines market cargo transportation mainly in manufacturing /consumption pockets of the country. Such cargo is trucked to and from the economically feasible gateway airport for export and import. As such to suggest that DCSC receives cargo mainly from Delhi is not only a misnomer but misleading too.

b) The capacity utilization of our cargo terminal is not dependent on the availability of the cargo in *the hinterland but is mainly determined by the carrying capacity of the aircraft. The aggregate capacity of the airport is determined by the sum of the carrying capacity of the flight handled by the airport in a day/month/year. We all know that number of flights in a day/month/year do not change drastically during a given period but changes very slowly and gradually as it depends on a host of factors that are airport slot availability of the aircraft, availability of routes, passenger demands, bilateral rights, carrying capacity, etc. Therefore, to suggest that AFS operator will increase cargo throughput at Delhi airport is not only misnomer but is devoid of the facts and correct understanding of the dynamic on which cargo traffic depends.*

6.6.2 **Response to CCPL :** DCSC in its response to the comments CCPL regarding AFS has submitted that:

(a)Cargo is classified in General & Special cargo for the purpose handling. Special cargo is described as under:

a) Pharma Items

b) Line Animals

c) Hazardous /Dangerous Goods

d) Valuable / Vulnerable Goods

e) Perishable

f) Newspaper and TV reel Consignment

From the above it is seen that special cargo needs special handling/ storage instructions. It may be stated that the need for special handling arise from the nature of the cargo. For example, perishable and temperature sensitive cargo need to be handled in a special cold room. Similarly, cargo classified as dangerous goods (as per IATA classification) needs to handle in a special manner so that the safety aspect for the cargo handling is not compromised. For example, dangerous goods like lithium batteries which are classified as dangerous goods have to be handed in special manner otherwise, they can become safety hazardous to the aircraft. Similarly, chemicals have to be handled in a special manner so as to avoid them mixing up and form and explosive substance. In fact, IATA Dangerous Goods Manual describes the way such goods have to handle.

It is mandatory for the shipper to declare the content of the consignment and therefore determined the nature of such consignment. DCSC goes by the description of the goods given by the shipper on the AWB on the basis of which charges are levied.

Bundling up of the ULDs in the consolidated form does not do away with the goods requirement of the declaring the nature of the goods. Particularly if such goods are in nature of special that require special handling. Any concealment/misdeclaration of the description of the goods may be detrimental to the safety the aircraft. As such concealment or misdeclaration will result in wrong handling of the goods. Therefore, it is necessary to declare the contents and their nature even if a consolidated ULD is made. DCSC charges are levied on the basis on the declaration made by the nature of goods in the AWB. It is emphasized that there is no duplication of charges in such practices. Continental Carrier's suggestion arises more out of commercial consideration ignoring /overlooking /overriding the special handling/safety / security concerns. Such recommendation is highly impractical and also a safety /security hazard as it completely ignores the special handling requirement of the cargo at the cost of safety/security. DCSC's charges are based on the services rendered and the levy of the charges are bonafide. It is strongly recommended that the suggestion of Continental Carrier be rejected in full.

It is also reiterated that DCSC charges TSP for the service rendered from the person/agency who *tenders cargo to it. Such charges are based on approved Tariff Order by AERA.*

(b) DCSC levies tariff for various services that it renders its customers thus deriving a gross yield for its service. AERA which determines the tariff also takes into consideration the yield. DCSC levies TSP charges in the course of it services. TSP stands for Terminal Storage and Processing are not Terminal, Storage, and Processing. TSP is comprehensive activity and cannot be split into parts. The assumption to breakup Terminal Storage and Processing into various components is impossible as it is an integrated function.

However, for the purpose of explanation the process of the AFS cargo has been given in our MYTP application and it is strongly proposed that tariff for handling AFS cargo be established on the basis of our MYTP application and not arbitrarily allowing 30% discount on the existing tariff.

(c) Continental Carrier Pvt Ltd has provided a list of activities that are supposedly needed to be done at AFS. Such list is not relevant to the matter of determination of tariff for DCSC. Moreover, it is submitted that AFS is outside the preview of the AERA and as such reference to the list of activities and their corresponding cost is irrelevant to the present context. Continental Carrier has also assessed that these activities carried out by AFS constitutes 85% of the process without even giving the list of the corresponding activities by the CTO. It is not clear how they have arrived at the figure of 85% and from the face of it looks that such figure is arrived by their commercial interests which rather than fair play. We strongly oppose the demand to allowing discount on exiting tariff and propose that AFS tariff should be determined as per the MYTP application submitted by DCSC. From above it is clear that CCPL recommendations are not based on facts and reality. As such all the recommendations should be rejected in total. We also propose that AFS tariff should be established on the basis of MYTP application submitted by DCSC.

We request you to dismiss the comments of the Continental Carriers Private Limited and issue the Tariff order for Third Control Period in favor of DCSC with the increase in tariff as sought by DCSC.

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

6.7.1 The Authority notes the comments of FFFAI, DCBA, ACAAI and proposing lowering of TSP charges levied by CTO to Rs 1250/- per pallet (up to 1500 Kg.) and 50% of the General cargo TSP charges for pallets more than 1500 Kg. i.e.:[(Total weight of the pallet — 1500 Kg.) x 50% of General Cargo TSP rate] in respect of AFS Cargo, and M/s CCPL in its comment has submitted that TSP rates should be lowered by 85%, 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 submitted that 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.

6.7.2 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 6.5.2) 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.

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.

6.7.3 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.

6.7.4 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.

6.7.5 The Authority also notes that CCPL has given comments on further reducing the rates for the Cargo of AFS without giving any justification for the same requested for lowering of TSP Charges on AFS Cargo to the extent of 85%, 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.

6.7.6 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".

As per the submission of ISP, special cargo needs special handling/storage instructions. For example, perishable and temperature sensitive cargo need to be handled in a special cold room. Similarly, cargo classified as dangerous goods (as per IATA classification) needs to handle in a special manner so that the safety aspect for the cargo handling is not compromised. Commodity wise handling requirement is defined by general industry practice and specifically by respective Airline who transports the cargo. In this regard, the Authority agrees with the submission of DCSC referring IATA's classifications of Cargo under dangerous goods and handling of the same as per IATA dangerous goods manual among other things.

Considering the above, the Authority feels that current industry practice of handing different category of cargo separately, depending on 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 due to safety concern. 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 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.

6.7.7 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.

6.7.8 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.

6.7.9 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 volume 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 Third Control Period).

6.7.10 Authority has noted the comments made by the DCSC relating to AFS and makes following points: -

(i) The Authority has noted the comments made by the Service Provider that present capacity is sufficient to handle the projected AFS volume and that AFS volumes are not going to play any role in decongestion at the Airport. It is relevant to bring out here that AFS mechanism for cargo handling is quite common in many countries due to congestion at the Airport. Further such policy framework take time to stabilize and fructify in terms of its objectives and long-term impact of the Policy Guidelines on 'Air Freight Station' of Ministry of Civil Aviation (MoCA) shall show its benefits in future.

(ii) DCSC has made a contradictory statement in its comments to the fact that on the one hand DCSC has made the point that there is no congestion at their cargo facility, on the other hand they have made huge provision for capital expenditure in the Third Control Period.

(iii) The Authority further notes the comments of the ISP regarding the Payroll Cost and Repair & Maintenance Cost of Rs. 6.78 Cr. And Rs. 2.06 Cr. respectively, to be incurred solely for AFS Cargo. The Authority has considered additional OPEX of Rs. 8.84 Cr. for a seamless operation w.r.t. AFS Cargo, the said OPEX has appropriately been factored in the respective heads of the O&M expense in Chapter-5. (ref. para 5.5.4)

(iv) The Authority has examined the ISP's comments that CTO has to perform all activities for AFS cargo as done for general cargo, there is no justification for lower TSP charges for AFS cargo. The Authority would like to state in this regard that it had done mapping of the activities to be undertaken by the CTO in case of AFS cargo vis-à-vis general cargo which is available (refer paras 6.3.7 and 6.3.8). The

Authority has concluded that though in case of AFS Cargo, many of the activities, similar to handling in general cargo are still to be performed by the CTOs but those are not to the extent as performed for general cargo. In this background, 30% lower TSP charges for AFS cargo have been kept after a thorough examination of the facts on the ground.

6.8 Authority's decision regarding TSP Charges on AFS Cargo

6.8.1 Based on the material before it and its analysis, the Authority decides 30% lower TSP charges for AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to General Cargo, for the Third Control Period.

CHAPTER-7: AGGREGATE REVENUE REQUIREMENT

7.1 ARR projections by DCSC for the Third Control Period

7.1.1 DCSC has submitted the Aggregate Revenue Requirement (ARR) for the Third Control Period as per the Table given below:

Table -21: Aggregate Revenue Requirement as per DCSC Delhi for the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB	199.82	233.84	371.01	476.11	489.34	1770.13
Return on RAB (A)	37.97	44.43	70.49	90.46	92.98	336.32
O & M Expenses (B)	225.72	219.34	263.89	303.01	336.95	1348.91
Depreciation (C)	15.77	18.13	37.74	41.87	47.31	160.82
Tax (D) @ 34.944 %	21.79	23.87	37.86	48.59	49.94	182.05
ARR per Year (A + B + C +D)	**301.24**	**305.77**	**409.98**	**483.93**	**527.18**	**2028.10**
Discount Rate	19%	19%	19%	19%	19%	
PV Factor	1.00	1.00	0.84	0.71	0.59	
PV ARR (E)	**301.24**	**305.77**	**344.52**	**341.74**	**312.83**	**1606.10**
Revenue from Regulated Service Before Tariff Increase	405.14	350.29	280.76	218.67	213.20	1468.06
% Tariff Increase Proposed	0%	38%	38%	38%	41%	
Revised Revenue with Proposed Tariff Increase	405.14	483.40	387.45	301.76	301.39	1879.14
PV Factor	1.00	1.00	0.84	0.71	0.59	
PV of Revenue after Tariff Increase	**405.14**	**483.40**	**325.59**	**213.10**	**178.85**	**1606.07**

7.1.2 DCSC has proposed 38% increase in Tariff on Y-o-Y basis starting from FY 2022-23 to FY 2024-25 & 41% in FY 2025-26 in respect of various Cargo Handling Services for the Third Control Period.

7.1.3 DCSC has submitted the following justifications for proposed Tariff increase:

a) The Tariff for Cargo operations for DCSC Delhi were last revised in FY 2018-19 vide AERA Order no.15/2018-19 dated 16.08.2018.

b) Since the last Tariff increase was given in FY2018-19 for Delhi, and referring to last two turbulent years DCSC has requested for an increase to compensate for inflation and to get returnon capital investments. Tariff proposed by DCSC for the Third Control Period was placed at **Annexure-IV** of Consultation Paper no. 13/ 2022-23.

7.1.4 The current and proposed Yield/MT proposed by the ISP in respect of the Third Control Period is as follows:

Table-22: Existing and proposed Yield/ MT as per DCSC for the Third Control Period

Particulars	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 202526
Average Demurrage Yield (Rs/MT)	2,306	2,306	2,306	2,306	2,306
Average Operational Yield (Rs/MT)	9,626	9,626	9,626	9,626	9,626
Total Yield (Rs/MT)	**11,932**	**11,932**	**11,932**	**11,932**	**11,932**
Less:					
Reduction of Demurrage Yield (% age)		50%	60%	70%	70%
Reduction of Demurrage Yield (Rs/MT)		1,153	1,384	1,614	1,614
Yield/ MT at existing Tariff (A) (in Rs.)	**11,932**	**10,779**	**10,548**	**10,318**	**10,318**
Y-o-Y increase in Yield (%)		38%	38%	38%	41%
Y-o-Y increase in Yield (per MT) (B)		4,096	4,008	3921	4230
Yield/MT proposed after Tariff Increase (C)=(A+B) (in Rs.)	**11,932**	**14,875**	**14,556**	**14239**	**14548**

**Actual figures as per ACS for FY2021-22*

7.2 Authority's Examination on ARR for the Third Control Period at CP stage

7.2.1 The Authority observed the submission of DCSC regarding the last Tariff increase given in FY2018-19. It was noteworthy that the Tariff for DCSC was last increased by 3% in FY2020-21 vide Order No. 02/2020-21 and earlier for FY2018-19 & FY2019-20 by 25% and 20% respectively.

7.2.2 The Authority observed that the ISP had considered FRoR @19% for the purpose of calculation of Return on RAB (Regulatory Asset Base) and to arrive at present value of ARR and Present Value of Revenue (after Tariff increase). Whereas, the Authority, in case of all other ISPs providing services at various major airports had considered rate of Return on Investments @ 14%. Accordingly, in the case of DCSC also, the Authority proposed to consider FRoR @ 14% for the Third Control Period.

7.2.3 The Authority noted from the Table-18 that the ISP had not taken the effect of increase of 38% in Tariff Rates proposed in FY2022-23 on the revenue of subsequent Tariff years. Similar error had been observed in other Tariff years, wherein ISP had ignored the effect of increase in Tariff rates in previous years, while working out revenues for respective years (i.e. in FY 2023-24 and FY 2024-25), such errors were resulting in wrong computation of revenue after Tariff Increase.

The Authority had discussed the abovementioned error with the ISP on number of occasions, however, the ISP had not submitted the rectified ARR computation.

7.2.4 The Authority from the Table-19 observed that the ISP had proposed a drop of 50% in yield from demurrage revenue in FY2022-23 as compared to FY 2021-22. Similarly, ISP has considered a drop of 60% and 70% in yield from demurrage in FY2023-24 and FY2024-25 respectively vis-à-vis base year's (FY 2021-22) demurrage yield.

The Authority further observed the reduction projected in demurrage yield was resulting in a drop of 10% in overall cargo yield in FY 2022-23 and thereafter by 2% Y-o-Y in FY2023-24 and FY 2024-25. The Authority proposed to consider the Yield/ MT at existing Tariff (after considering the impact of reduction in demurrage yield) as per Table-19 and computed the Revenue at existing Tariff as follows:

Table-23: Revenue (excluding revenue from AFS Cargo) at existing rates computed by the Authority for the Third Control Period at CP stage

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Yield/ MT at existing Tariff (in ₹) (a)	11,932	10,779	10,548	10,318	10,318
Cargo Volume (Excluding AFS Cargo Volume) (Ref. Table-5) (in MT) (b)	339454	342627	266133	235481	203488
Revenue at Existing Tariff {c= (a*b)/10000000} (₹ in Crores)	405.04	369.32	280.72	242.97	209.96

7.2.5 The Authority proposed 30% lower TSP charges for AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal approved TSP charges applicable to "other than AFS Cargo" prevailing as on 30.09.2022 in respect of DCSC for the Third Control Period.

7.2.6 The Authority, based on the careful review & analysis of MYTP and considering the inputs provided by stakeholders on the aspects of AFS Cargo (Ref. Chapter-6) during the series of meetings held earlier in AERA office, proposed that AFS was needed to be incentivized by way of lower TSP rates so that AFS concept could be successfully operationalized in Delhi, as envisaged in the AFS policy document, 2014. Accordingly, the Authority proposed 30% lower TSP charges (with respect to prevailing TSP chargesas on 30.09.2022) for AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc. as on 30.09.2022 w.e.f. 01.01.2023 for International Export & Import Cargo originated from/destined to AFS as given below:

Table-24: AFS Revenue proposed by the Authority for DCSC for the Third Control Period at CP stage

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
AFS Tonnage (in MT) (A)	3650	14892	15190	15494	49225
Genl. TSP Charges (Rs./ MT) (B)	2220	2220	2220	2220	
AFS revenue (Rs.in Cr.) (C)= (A*B)/(10000000)	0.81	3.31	3.37	3.44	10.93
TSP charges/MT for AFS Cargo (30% lower charges) proposed by the Authority (Rs./ MT) (D)	1554	1554	1554	1554	
Revenue from AFS Cargo after considering 30% lower TSP charges (Rs. in crores) (E =(A*D)/(10000000)	**0.57**	**2.31**	**2.36**	**2.41**	**7.65**

7.2.7 The Authority, based on its analysis on the various regulatory building blocks proposed the following ARR in respect of DCSC for the Third Control Period:

Table-25: ARR proposed by the Authority for DCSC Delhi for the Third Control Period at CP stage

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (Refer Table-13)	129.68	148.95	269.60	374.51	379.71	
Return on RAB @14% (A)	18.15	20.85	37.74	52.43	53.16	182.34
O&M Expenses (B) (Refer Table 18)	122.33	140.46	158.12	178.17	200.94	800.02
Concession Fees (C)	104.50	95.43	73.02	63.30	54.79	391.04
Depreciation (D) (Refer Table-13)	15.77	18.17	37.92	42.06	47.54	161.47
Security Deposit (Refer Table-13)	70.71	101.26	101.26	101.26	101.26	
Return on Security Deposit (F) (Refer Table-14)	3.54	5.063	5.06	5.06	5.06	23.79
Tax @ 34.944% (E) (Refer Table-29)	0.00	39.05	3.45	0.00	0.00	42.50
Aggregate Revenue Requirement (A+B+C+D+E+F) = (G)	264.30	319.02	315.32	341.02	361.49	1601.16
Discount Rate @ 14%	14%	14%	14%	14%	14%	
PV Factor	1.14	1.00	0.88	0.77	0.67	
PV of ARR (G)	**301.31**	**319.02**	**276.60**	**262.41**	**244.00**	**1403.33**
AFS Revenue with 30% lower TSP rates (Refer Table-24)	0	0.57	2.31	2.36	2.41	7.65
Revenue from Regulated Services at current Tariff rates (refer Table-23)	405.04	369.32	280.72	242.97	209.96	1508.00
% Tariff increase /decrease proposed	0.00	0.00	0.00	0.00	0.00	0.00
Proposed Revenue without change in Tariff (Excluding Revenue from AFS) (H)	405.04	369.32	280.72	242.97	209.96	1508.00
AFS Revenue with 30% lower Tariff (I)	0.00	0.57	2.31	2.36	2.41	7.65
Total Revenue (J) = (H+I)	405.04	369.89	283.03	245.33	212.37	1515.65
PV of Total Revenue	**461.74**	**369.89**	**248.27**	**188.77**	**143.34**	**1412.01**

7.2.8 The Authority had computed PV of ARR as ₹ 1403.33 Crore in respect of DCSC for the Third Control Period as indicated in the Table-25.

7.2.9 The Authority was aware that Civil Aviation Sector had still not fully recovered from the adverse impact of Covid pandemic. Further, the Authority felt that AFS was a relatively new concept in Indian Civil Aviation and at this juncture, it was difficult to realistically assess the volumes likely to be generated from AFS Cargo. Further, at this stage, the quantitative impact of new Greenfield Airport at Jewar (Noida) International Airport on the Cargo business of IGIA, Delhi was also difficult to assess in a realistic manner.

The Authority also noted that the Present Value (PV) of Revenues at current Tariff rates was more than PV of Aggregate Revenue Requirement (ARR) for the Third Control Period; considering the above, the Authority therefore proposed not to consider Tariff increase/ decrease for DCSC at this juncture.

7.2.10 The Tariff Rates (prevailing on 31.03.2021), as approved by the Authority vide Order no. 02/2020-21 dated 06.05.2020 for the Second Control Period, which had 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 amend the prevailing Tariff Rate Card for inclusion of TSP & Other Charges applicable to AFS Cargo, w.e.f. 01.01.2023 to 31.03.2025, as per **Annexure-V** of Consultation Paper no. 13/ 2022-23.

7.2.11 As regard to Annual Tariff Proposal (ATP) for FY 2025-26, the Authority, also proposed to review the actual figures of the Third Control Period up to FY 2024-25, including the impact of new Greenfield airport at Jewar (Noida) and AFS Cargo, as per the ACS to be submitted by the ISP. The Authority expected that by the end of FY 2024-25, there will be adequate data relating to Cargo Volumes and Revenue Yield which would help in determining ATP for FY2025-26 in a realistic Manner.

7.3 Stakeholders' Comments on Consultation Paper regarding Tariff

7.3.1 **SpiceJet's Comments:** SpiceJet has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. Tariff increase, FRoR and ARR as follows:

(a) Sir, you will appreciate that airlines which are the 'catalyst' for the global economy including the aviation sector, have been adversely impacted due to significant headwinds, including travel and fare restrictions during COVID-19, increase in prices of Aviation Turbine Fuel (ATF) and fluctuation in foreign exchange etc.

While the airline operations showed an upward trend from December 2020, however the brutal second wave of COVID-19 in March 2021 and subsequent emerging variants of COVID-19, as well as the geo-political instability caused due to the Russian — Ukrainian conflict which have resulted in adverse impact on global supply-chains, increase in inflation, triggered increased interest rates, devaluation of Rupee, decrease in consumer spending as well as looming recession fears and job cuts have again impacted the operations to a certain extent and resultantly prolonged the process of financial recovery.

It appears as per the recent industry outlook reports issued by CAPA, airlines in India are estimated to make a loss of approx. USD 1.4-1.7 Billion in the current fiscal year FY 23. It also appears from the industry reports that the traffic recovery (number of flights and passengers) would take almost another one to three years for airline operations to reach pre COVID-19 levels. In the current situation, airlines in India are staring at significant losses and with limited financial support from the Government, airlines are constrained to implement severe cost control measures to sustain their operations. On the other hand, the same report mentions that Indian airports are expected to report significant profits in the region of USD 420 million for the FY23. In the given circumstances, it is humbly submitted that it is imperative that AERA does not take any steps, including by way of approving the proposed high tariffs, during the Third Control Period, which would precipitate further adverse financial impact on the airlines.

In this regard, we appreciate AERA's proposal to extend Tariff Rates prevailing as on 31.03.2021 to continue up to the end of FY 2024-25. In addition, it is suggested that since the subsequent control period (4t Control Period) would commence shortly thereafter from FY 2026-27, and as tariff determination process is a detailed and time consuming procedure, it may be more practical to *extend the Tariff Rates prevailing as on 31.03.2021 to continue up to the end of FY 2025-26, and that a fresh analysis be done for the 4th entire control period, given the uncertain scenario described above.*

(b) 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 14%, which is the net of income tax return to the service provider, for the Third Control Period. However, while such fixed/ assured return favors 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 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.

In the present scenario any assured return on investment to any services providers like DCSC, 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 DCSC and requested to revise all the Tariff Orders (including past orders) by capping the returns to a maximum of three (3) %.

(c) We humbly request AERA to kindly consider our submission as mentioned above, and review the proposed tariffs in light of the same. It is in the interest of all the stakeholders not to implement unnecessary Capex and reduce Opex for efficiencies where possible. We request the Authority to extend the current tariffs end of FY 2025-26, and evaluate the situation in the consultation paper for the 4" control period, such that the ARR is reduced, thereby keeping the tariff low and thus encouraging middle class people to travel by air, which will help in sharp post COVID-19 recovery.

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

7.3.2 **DACAAI's Comments:** DACAAI has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. transparency on following aspects:

(a). The mandated services for which TSP is charged by DCSC are deficient and in most cases not provided at all:

AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period, under 6.4(a) Specifies the elements of services and infrastructure charged under TSP for shipper/consignee/agent are as under:

Services

a) Acceptance of cargo ……………………………………. Manpower is provided by user

b) Weighment of cargo... Manpower is provided by user

c) Checking airworthiness of cargo done by...... By DCSC

d) Offloading of RFC cargo from truck……………… Manpower provided by user

e) Delivery of cargo on to the truck ………………….. Manpower provided by user

f) Traffic management at the truck parking and maneuvering area .... By DCSC

City Side Infrastructure

a) Truck dock area for offloading/delivery........ Inadequate space

b) Space for consolidation of cargo prior handover/Ready for Carriage (RFC) Check...... Space not provided *c) Weighing scales... Provided by DCSC*

d) Truck maneuvering area and other facilities. Provided by DCSC such as drinking water, washroom

As user we find that there is acute shortage of manpower and lack of space at the interim facility. We still insist any levy of charges should start only when the facility is complete and services are provided as mandated.

(b) Simplification/rationalization of tariff with ease of collection by having a single reasonable terminal charge. The facility has to be transparent and user friendly:

DACAAI has made representations from time to time, on the methodology of terminal charges which is very complicated with multiple heads; each head with minimum, inflating charges. Besides, all charges are paid to service provider in advance in PDAs.

The terminal charges on domestic cargo on an average constitute approximately 20% of the air freight which is very high making air cargo unviable. Whereas, the government is working to increase flights, offering huge flight space, working to reduce the logistics costs; the present tariff methodology is having opposite effect. AERA is, therefore, requested to decomplicate/rationalize the same for ease of calculation and fix one single, reasonable terminal handling charge per kilogram.

(c) DCSC claims that the dwell time has improved whereas DACAAI feels it has increased drastically: DACAAI has been voicing poor service quality at DCSC, increased processing times for domestic cargo. DACAAI request for SLAs has not been implemented.
Quote..... AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period. DCSC's clarifications vide letter dated 25.9.2014 to AERA. ......(e) DCSC clarified that while they have the SLA(s) with airlines however the same is not feasible with the customers." As DCSC maintains that the dwell times are good enough, DACAAI would like DCSC to give authentic proof for improvements brought by them in processing time

(d) The report does not give the following information which is essential for transparency:

i) Actual tonnage handled by DCSC from 2010 to 2021-22;
ii) Actual year-wise investments made exclusively on domestic interim CUDCT;
iii) Actual revenues earned by DCSC from 2010-2021-22 including rentals and other;
iv) Actual processing time of inbound and outbound domestic cargo.

(e) Para 1.3.4 of CP - DCSC in its submission has proposed 38% increase in Tariff on Y-o-Y basis starting from FY 2022- 23 to FY 2024-25 & 41% in FY 2025-26 for Cargo Handling Services for the Third Control Period.

DACAAI View: DCSC has already been granted hefty hikes by AERA during the previous 12 years (para 1.2.1 of subject CP) which is detrimental to the trade; without additional investments or considering viability of air cargo in spite of multi-fold increase in cargo volumes. Therefore, there is no justification for any further increase. In fact AERA may consider the terminal charges to be reduced considerably.
For deficiency in service quality, AERA granted 15% rebate vide Order 16/2010-11 dated 22.3.2011/24.3.2011. Since even up to 2022 the service quality remains same DACAAI urges upon AERA to give appropriate relief and rebate to take care of user's interest.

7.3.3 **FFFAI, DCBA and ACAAI Comments:** FFFAI, DCBA and ACAAI have submitted their comments on Consultation Paper No. 13/ 2022-23 w.r.t. various charges as follows:

(a) DCSC has proposed to levy the above charges @ Rs 2.47/- per kg (minimum of Rs 89/- per AWB) for General cargo & Rs 2.47/- per kg (minimum of Rs 200/- per AWB) for Special cargo respectively.

In the absence of details of the services/activitie5, proposed to be provided for levy of this charge, the same may be rejected and deleted from the tariff chart.

(b) *The tariff chart indicates levy of Domestic Security handling charges exclusive of X- Ray/physical examination on Agent/Shipper/Airlines @ Rs 2.07 per kg (Minimum rate Rs 165/-per AWB). In the absence of details of the services/activities, proposed to be provided for levy of this charge, the same may be rejected and deleted from the tariff chart.*

(c) *Provision of the Misc charges has been made in the tariff chart for levy @ Rs 2.89 per kg (Minimum rate Rs 180 /- per AWB) and Rs 1854/- per AWB for Misc activities on city side on Agent/Shipper/Consignee/Airlines. In the absence of details of the services/activities, proposed to be provided for levy of these charges, the same may be rejected and deleted from the tariff chart.*

(d) *DCSC has proposed levy of 'detention charges' per day per kg along with Demurrage charges @Rs 8.28 per kg on Import shipments, not cleared by the consignee within the free period.*

Since Demurrage charges is levied on the cargo lying with CTO beyond the 'free period' on per kg per day basis, the purpose behind levy of 'detention charges' is not understood. It is just the duplication of charges. It is recommended that only single charge, 'Detention' or 'Demurrage's charge be retained as per the earlier practice in vogue for handling of Import cargo beyond the 'free period' by CTO at their Air cargo Terminal.

(e) *DCSC has proposed levy of TSP charges w.r.t subject cargo @ Rs 4.95 per kg (minimum of Rs 4960 per AWB) for export cargo and Rs 1g.18 per kg (minimum of Rs 18184 per AWB) for import cargo.*
Since already TSP charges @ Rs 2.22 per kg (minimum Rs 173 per AWB) and Rs 9.84/- per kg (minimum Rs 496/- per AWB) has been proposed to be levied on import and export cargo respectively for General cargo, clarification is sought whether these TSP charges (on Special Cargo-Project/Heavy Cargo) are additional charges ORTSP charges for General cargo will not be levied on Special Cargo-Project/Heavy Cargo.

Earlier, vide AERA order No 22/2018-19, the heavy/project cargo was defined as cargo having gross weight/volumetric weight of 1MT and above, whereas, vide this said consultation paper, the weight benchmark' is 3MT for the heavy/project cargo, thereby justifying the increase in subject charges from @ Rs 4.30 per kg (minimum of Rs 4301 per AWB) for export cargo and Rs 15.77 per kg (minimum of Rs 15772 per AWB) for import cargo, approved by AERA vide Order No 22/2018-19 .
On receipt of the clarification, the comments /observations will be duly submitted.

(f) *DCSC has proposed levy of Special Handling charges on export 'Pharma' shipments for maintaining the product temperature, on request & Special Handling charges on export 'Pharma' shipments for maintaining the product temperature on request) @ Rs 3306/- per pallet & Rs 248/- per AWB respectively on Agent/Shipper/Airlines.*

In this regard, it is informed that DCSC has already proposed to levy TSP charges @ Rs 4.96 per kg (minimum Rs 447/- per AWB) on export Pharma shipments, which is almost 150% more than the TSP charges leviable on General cargo.
These additional charges will be added burden on the shipper and will lead to avoidable increase in the transportation cost of the pharma shipments.
Further, since CTO is charging special TSP for export pharma shipments, it is their responsibility to ensure maintenance and checking of the requisite temperature for the pharma shipments.
In view of the above, these special charges are rejected by Federation of Freight Forwarders Association in India (FFFAI) and may accordingly be removed from the tariff chart.

(g) *Express services for handling of Import shipments charges, proposed to be levied by DCSC @ Rs*

11.67 per kg (minimum Rs 827/- per AWB OR 25% more than the TSP rate for the category of the cargo falls under, whichever is higher) are neither feasible nor acceptable since AERA, while recommending the said charges, has not stipulated the type of express services along with the time period stipulation, DCSC proposes to provide to its stakeholders. These charges, newly introduced by DCSC in this consultation paper, lacks justification and is accordingly rejected.

(h) DCSC has proposed levy of 'Storage charges' as per the slab period of 10 days on 'per kg' on Import shipments.
Since Demurrage charges is levied on the cargo lying with CTO beyond the 'free period' on per kg per day basis, the purpose behind levy of 'Storage charges' is not understood. It is just the duplication of charges. It is recommended that only single charge, 'Detention', 'Storage' OR 'Demurrage' charge be retained as per the earlier practice in vogue for handling of Import cargo beyond the 'free period' by CTO at their Air Cargo Terminal.

(i) DCSC has proposed levy of X ray charges and Demurrage charges on 'Withdraw shipments' @ Rs 2.04 per kg (minimum Rs 204/- per AWB) & Rs 2.33 per kg per day (minimum Rs 232/- per AWB) respectively, whereas for normal export cargo these charges are Rs 1.90 per kg (minimum Rs 190/- per AWB) & Rs2.16 per kg per day (minimum Rs 216/- per day) respectively.
The levy of the x-ray charges on 'withdraw' shipments is not justified since there is no requirement of x-ray screening for 'withdraw 'export shipments.
In view of the above, these charges are rejected by FFFAI and may accordingly be removed from the tariff chart.

(j) It is informed that DCSC is levying 'repacking charges' on those consignments (10% of the packages) also which are cleared by the Customs under 'green channel' of RMS (Risk Management System) wherein there is no opening/closing of the packages as no examination is carried out by the Customs.
AERA may consider insertion of 'foot note' indicating that 'repacking charges' to be levied on those package(s) only, opened physically by the CTO for Customs examination.

(k) The tariff chart must stipulate the time period for each activity/service proposed to be provided by the DCSC. The tariff chart should also include penalty/discount in TSP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of DCSC, to the consignee. This tariff chart should form the part of the SLA with the trade bodies/associations.

(l) On perusal of the said consultation paper, it is observed that DCSC has submitted plethora of 'other charges' for handling of both domestic and international cargo in addition to the TSP/Demurrage charges. These charges, if approved by AERA, will lead to the confusion and avoidable duplication of the levy of charges, as already pointed out above.

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, FFFAI is of the opinion that Cargo Service Centre Pvt. Ltd. (DCSC) at Indira Gandhi International Airport (IGIA), Delhi ,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. This policy will avoid levy of ambiguous charges viz., Misc. charges/activities, Quick ramp transfer, customs facilitation fee, express delivery etc.

The service standard of the Custodians has really come down instead of improving therefore no body can justify as to why the Rates should be increased. In fact considering the present the scenario of the kind of services being provided by the Custodians at present, we would rather suggest that the rates in fact should be reduced.

7.3.4 **VAFA Comments:** VAFA has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t.

various charges as follows

(a) *"When the Perishable exporters industry is in the process of finding its feet in global market during the post Covid period for their products, subsidies in the form of freight reduction and discounts in CTO cargo handling tariff chart was expected AERA while seeking comments from the various stakeholders on the consultation papers."*

(b) *"While on the one hand, our members are having issue(s) with the CTOs on non- maintenance of the cool chain while transporting/loading the perishables on Aircrafts, resulting in deterioration of the product quality, on the other hand, this hike in tariff by CTOs has left our members aggrieved on the part of AERA."*

(c) *Before we submit our observations on the subject Consultation Paper, it Is requested that AERA may include penal/deterrent action on CTOs in the AERA orders for non- maintenance of the cool chain, as desired by the exporters, so that quality deterioration is avoided, and our products are not rejected/returned back in the global market.*

(d) *DCSC has proposed to levy the above charges @ Rs 9.92/- per kg (Rs 1654/- per AWB) leviable on Agent /Shipper/Consignee/Airline.*
In the absence of details of the services/activities, proposed to be provided for levy of this charge, the same may be rejected and deleted from the tariff chart.

(e) *Levy of 'Documentation & Supervision Services' charges for handling Domestic (inbound/outbound) cargo.*
DCSC has proposed to levy the above charges @ Rs 2.47/- per kg (minimum of Rs.200/- per AWB) for Special cargo (which Includes perishable cargo) leviable on Agent/Shipper/Consignee/Airline. In the absence of details of the services/activities, proposed to be provided for levy of this charge, the same may be rejected and deleted from the tariff chart.

(f) *The tariff chart indicates levy of Domestic Security handling charges exclusive of X- ray/physical examination on Agent/Shipper/Airlines @ Rs 2.07 per kg (Minimum rate Rs 165/- per AWB). In the absence of details of the services/activities, proposed to be provided for levy of this charge, the same may be rejected and deleted from the tariff chart.*

(g) *Provision of the Misc. charges has been made in the tariff chart for levy @ Rs 2.89 per kg (Minimum rate Rs 180 /- per AWB) and Rs 1854/- per AWB for Misc. activities on city side on Agent/Shipper/Consignee/Airlines. In the absence of details of the services/activities, proposed to be provided for levy of these charges, the same may be rejected and deleted from the tariff chart.*

(h) *DCSC has proposed levy of X ray charges and Demurrage charges on 'Withdraw shipments* @ Rs 2.04 per kg (minimum Rs 204/- per AWB) & Rs 2.33 per kg per day (minimum Rs 232/- per AWB) respectively, whereas for normal export cargo these charges are Rs 1.90 per kg (minimum Rs 190/- per AWB) & Rs2.16 per kg per day (minimum Rs 216/- per day) respectively.*
The levy of the x-ray charges on 'withdraw' shipments is not justified since there is no requirement of x-ray screening for 'withdraw 'export Shipments.
In view of the above, these charges are rejected by our members and may accordingly be removed from the tariff chart.

(i) *Further, it is informed that DCSC Is levying 'repacking charges' on those consignments (10% of the packages) also which are cleared by the Customs under 'green channel' of RMS (Risk Management System) wherein there is no opening/closing of the packages as no examination Is carried out by the Customs. AERA may consider Insertion of 'foot note' indicating that 'repacking charges' to be levied on those package(s) only, opened physically by the CTO for Customs examination.*

(j) *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.

(k) The tariff chart must stipulate the time period for each activity/service proposed to be provided by the DCSC. The tariff chart should also include penalty/discount in TCP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of DCSC, to the consignee. This tariff chart should form the part of the SLA with the VAFA- VEGETABLES AND FRUITS EXPORTERS ASSOCOIATION.

(l) On perusal of the said consultation paper, it is observed that DCSC has submitted plethora of 'other charges' for handling of both domestic and International cargo in addition to the TSP/Demurrage charges. These charges, If approved by AERA, will lead to the confusion and avoidable duplication of the levy of charges, as already pointed out above.

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, FFFAI is of the opinion that Cargo Service Center Pvt. Ltd. (DCSC) at Indira Gandhi International Airport (IGIA), Delhi ,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. This policy will avoid levy of ambiguous charges viz., Misc. charges/activities, Quick ramp transfer, customs facilitation fee, express delivery etc.

(m) During and post Covid 19 pandemic, Ministry of Civil Aviation (MoCA) encouraged the movement of perishable cargo with a subsidy of 50% in freight charges through Air.

However, as per the said consultation paper, it is observed that perishable cargo has been treated as a 'Special' cargo thereby levying TSP/ Demurrage charges much more than the General Cargo. On similar lines, keeping the MoCA initiative(s) in sight, AERA may consider 50% reduction in TSP/Demurrage and other charges, cargo in the tariff chart for DCSC for the growth of perishable.

7.3.5 **DCSC Comments:** DCSC has submitted its comments on Consultation Paper No. 13/ 2022-23 w.r.t. FRoR as follows

DCSC had proposed FRoR @ 19% for the purpose of calculation of Return on RAB in the Third Control Period. However, the Authority in Para 7.2.2 of the Consultation has proposed to consider FRoR at 14%. However, the Authority has failed to consider the debt and equity gearing proposed by DCSC for the Third Control Period.

AERA vide its Consultation Paper No. 14/2018-19 dated 16.08.2018 which was issued in respect of Annual Tariff Proposal for FY 18, FY 19 & FY 21 of DCSC, determined FROR as 13.07%.

As working of FRoR of 13.07% was not available with DCSC at that time, however, based on AERA CGF Guidelines, the cost of equity was back calculated as 16.39 % FY 18, FY 19 & FY 21 as mentioned in the below table:

(Figures in Crs)

Particulars	*FY16-17*	*FY17-18*	*FY18-19*	*FY19-20*	*FY20-21*	*Total*
Equity (A)	*63.73*	*72.87*	*74.34*	*128.64*	*207.31*	*546.90*
Debt (B)	*133.91*	*137.83*	*128.73*	*115.33*	*99.50*	*615.30*

Particulars	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	Total
Total C = (A+B)	*197.64*	*210.70*	*203.07*	*243.97*	*306.81*	*1,162.20*
Gearing (G) =(B/C)	*67.75%*	*65.41%*	*63.39%*	*47.27%*	*32.43%*	
Cost of Equity (Ke)	*16.39%*	*16.39%*	*16.39%*	*16.39%*	*16.39%*	
Cost of Debt (Kd)	*10.27%*	*10.38%*	*10.38%*	*10.38%*	*10.37%*	
Weighted Average Gearing (WG) = $\{\sum^{5}_{T=1} (C^*G)/\sum^{5}_{T=1}C\}$	*55.3%*					
FRoR = $\{(WG^*K_d) + (1-WG)^*K_e\}$	***13.07%***					

Note : Above mentioned data is based on the actual figures.

The Authority while considering FROR of 14% for the Third Control Period has failed to consider that DCSC does not plan to incur any debt in the Third Control Period and shall be financing the Capital Expenditure purely through Equity i.e., 19%. Considering that the cost of debt is nil, the rate of return on equity should be considered as the FRoR even as per the formula provided in the Guidelines.

In fact, the FRoR of 14% proposed by the Authority is lower that the Return of Equity allowed by the Authority to DCSC in the Second Control Period. The Authority at the very least should allow FRoR of 16.39% in the Third Control Period in line with the Cost of Equity allowed for the Second Control Period as is demonstrated in the table below.

Particulars	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	Total
Equity (A)	*268.43*	*310.24*	*464.57*	*545.43*	*629.07*	*2,217.74*
Debt (B)	*0*	*0*	*0*	*0*	*0*	*0*
Total C = (A+B)	*268.43*	*310.24*	*464.57*	*545.43*	*629.07*	*2,217.74*
Gearing (G) =(B/C)	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	
Cost of Equity (Ke)	*16.39%*	*16.39%*	*16.39%*	*16.39%*	*16.39%*	
Cost of Debt (Kd)	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	
Weighted Average Gearing (WG) = $\{\sum^{5}_{T=1} (C^*G)/\sum^{5}_{T=1}C\}$	***0.00%***					
FRoR = $\{(WG^*K_d) + (1-WG)^*K_e\}$	***16.39%***					

7.4 DCSC's response on the comments of the Stakeholders

7.4.1 **Response to SpiceJet:** DCSC in its response to the comments of SpiceJet regarding Tariff increase has submitted that:

(a) All business operations in entire world business operations suffered because of Covid pandemic and no one was spared by it. But it is a well-known fact that during Covid period air cargo was the mainstay of the aviation industry. In fact, the aviation industry did exceedingly well in cargo operations during Covid period than they did in pre-Covid period. It will not be out of the place to mention here that airlines across the world increased the air-freight rates, even upto 4-5 times the normal rates, during Covid period on the back of robust demand. The freight rates continue to be on the higher level than the normal even now thus making extraordinary profit out of the air cargo operations.

SpiceJet's contention while quoting some unknown CAPA reports that airlines in India are estimated to make a loss of approx. USD 1.4-1.7 Billion in the current fiscal year FY 23 and it will take almost one to three years for airline operations to reach pre covid levels is patently wrong. We wish to draw your attention to a report dated Feb 16, 2022 which states "SpiceJet turns profitable after 7 quarters..." (Please see attached press clip). We also wish to draw your attention to the press clip in Indian Transport and Logistic News of July 1, 2021 which says "SpiceJet reports cargo revenue of Rs. 1,117 Cr, profit of Rs 130 Cr in FY21" (Please see attached press clip). Bothe these press clips expose the false contention of SpiceJet that they are reeling under a financial stress.
It is a common knowledge that the whole world is hit by the inflation and the costs have increased for all. DCSC is no exception as costs have increased for DCSC also. Surprisingly SpiceJet expects us to subsidize their operations. This is ironical in as much as we all know that sky rocketing tickets prices that airlines are currently charging due to high demand from passengers' demand that has nearly come back to normal levels.
The justification of tariff increase for DCSC is given in the numerous pages of the Consultation Paper and it is based on merits of its case, established regulations and guidelines. The increase in tariff is not arbitrary but is based on certain well laid out procedures.
DCSC is a service provider who must invest in infrastructure to provide best services to its customers. It is imperative that DCSC invests in expanding and creating cargo handling facility so that it is not only in position to deliver best services but also ready with expanded capacity to answer the rising demand and growth. In other words, DCSC needs to be ready for providing adequate services to its customers at any time and be able to answer the need of growing cargo volumes.
For this DCSC should have adequate revenue inflows and yield. It is imperative for DCSC to have sustainable revenues so that it can continue offering good services and at the same time be ready for meeting the growing demand of the users.
The justification of increase in tariff is abundantly provided in Consultation Paper to which SpiceJet has not commented but instead made a generic statement requesting to extend Tariff Rates prevailing as on 31.03.2021 to continue up to the end of FY 2024-25.

(b) Consideration of return on RAB is well established and is in accordance with the regulations. SpiceJet has at many places referred to the hit that aviation industry has received due to Covid. It is stated here that Covid affected all industries adversely. While all affected industries took appropriate steps to rehabilitate themselves SpiceJet, on the contrary, expects to rehabilitate itself at our expense. It is their own responsibility to rehabilitate themselves rather than seek rehabilitation at our cost.
Further, based on the justification and clarification made above it is clear that the comments made by SpiceJet are baseless and to be ignore.
We request you to dismiss the comments of the SpiceJet Limited and issue the Tariff Order for Third Control Period in favor of DCSC with the increase in tariff as sought by DCSC.

7.4.2 **Response to DACAAI**: DCSC in its response to the comments of DACAAI regarding transparency on various aspects has submitted that:

(a) Our charges are determined in accordance with the principles laid down in CGF Guideline 2011. Our charges are transparent for all services that we render to the customer. Our services are as per the contract with our customers and contracts contain a detailed description of services and SLAs.

We reiterate that DCSC Domestic Cargo Terminal is built in approx. 5000 SqM. with air side access. DCSC Domestic Cargo Terminal at IGI airport is a double story building which has 31 truck docks on city side and has 12 Dual View X-ray machines for screening of cargo. We proudly state that DCSC has the country's largest Domestic Cargo Terminal at Delhi airport with the highest numbers of manpower deployed in the Terminal as compared to the other Cargo Terminal of the country. It is again stated that our Terminal at Delhi is most organized infrastructure for cargo in the county. But on the other hand we observe that shipper brings cargo in un-organized way. They bargain with the airlines in respect of air freight only after parking their truck at truck *dock of DCSC. Till the time bargaining of air freight price is not finalized by the shipper, it is not known to DCSC that the said cargo will be booked with which airlines. Hence, this activity of the bargaining after bringing cargo at DCSC truck dock not only create a hurdle in cargo handling to DCSC but also block the space of truck docks. After finalization of the cargo booking to respective airlines DCSC starts further activities for acceptance, screening of the cargo.*

For purpose of better understanding, the prerequisites of conducting Ready for Carriage (RFC) check by DCSC is as under:

i) The cargo should be prebooked with the airline.

ii) The airline should issue a Carting Order for the booked cargo.

iii) On the basis of the Carting Order the cargo agent should book the slot with the Cargo Terminal Operator.

iv) After booking the slot the cargo agent should make the Cargo Terminal charges.

v) The agent should bring the cargo at allocated slot along with the AWB issued by the airline.

vi) The above AWB should capture the correct number of pieces and exact weight of the consignment.

vii) The cargo should be accompanied by the Security Declaration by the agent.

viii) Such cargo should be properly labeled and special instructions (in any) should be pasted on the consignment packages.

ix) The cargo tendered should be pre-weighed and properly counted and such details should be properly captured in the AWB.

Only after meeting the above conditions the respective cargo should be unloaded from truck and the same can be presented to DCSC conducting Ready for Carriage (RFC) check.

It is regretted that none of the cargo agents bring cargo in aforesaid manner. On the contrary they bring cargo terminal in completely un-organized manner and start organizing their cargo right on Cargo Terminal premises itself. This practice creates a huge hurdle in smooth operation of the terminal for which cargo agents are to be squarely blamed.

We have raised this matter with DACAAI on number of occasions to persuade their members to bring cargo in Ready for Carriage (RFC) mode but DACCAI reluctance to carry out any changes is causing hardship in the smooth functioning of cargo handling by DCSC.

But despite of all these shortcomings, DCSC is performing its duty every day and night in the most efficient way and to our best practices domestic cargo volumes handled by us at our facility at IGI Airport Delhi are growing.
We hereby reject the comments of DACAAI made in this context as it is incorrect and without any substance

(b) DCSC tariff sheet contains description of element of services and corresponding charges for such services. While some of the services are necessary in the course of handling cargo there are services that are optional for the users. Because some services are pertaining to certain type of cargo. And tariff is charged in accordance the type of the cargo. In other words DCSC tariff chart is not only a table of tariff but also description of the services that enables a user to pick a service The exhaustive description of services also provides the users a complete transparency about the services rendered and charge levied.

It is so stated that DCSC charges can be levied on various users /stakeholders depending upon the nature of contract and nature of service contracted.

However, it is emphasized that there is no duplication of the charges on the users as users pay only for the services rendered. A "single rate per kg" policy will not let the customer know what he is paying for and in this levy he may pay for services not contracted. Adoption of such procedure is strongly opposed as it is neither in the interest of the user not in the interest of service provider.

(c) *We wish to state that our terminal is most efficient terminal with the least connecting and delivery times across the country. This is the reason why Domestic cargo volumes handled by us at our facility at IGI Airport Delhi are growing. Besides dwell time is also monitored by Airport Operator (DIAL) in its monthly meeting. In that meeting it was observed that our dwell time is decrease and throughput has been increased from last few years. DACAAI also has not bringing any case of delay in processing of the cargo till date to us and we are surprised that they have brought this issue here without even raising this issue in any forum.*

(d) *It is stated that we have submitted all the necessary information to the Authority, including that was sought by the Authority time to time and that was necessary for the purpose of determination of tariff for MYTP application for the 3rd Control Period. All the relevant information is mentioned Consultation Paper issued by AERA.*

(e) *DCSC has invested heavily invested into creating its Domestic cargo infrastructure at Delhi Airport. DCSC takes pride in the fact that it operates the largest Domestic Cargo Terminal in the country. Domestic Cargo Terminal is built on approx. 5000 SqM of area and has full access to the air side. The DCSC Domestic Cargo Terminal at IGI airport is a double story building which has 31 truck docks on city side and has 12 Dual View X-ray machines for screening of cargo. The relevant details are mentioned in the MYTP application for determination of tariff proposal for DCSC for 3rd Control Period.*

Our charges are determined in accordance with the principle laid down CGF guideline 2011. Our charges are transparent for all services that we render to the customer. Our services are as per the contract with our customers and contract contains a details description of services and SLAs.
We request you to dismiss the comments of the DACAAI and issue the Tariff order for Third Control Period in favour of DCSC at the earliest with the increase in tariff as sought by DCSC.

7.4.3 **Response to FFFAI, DCBA and ACAAI :** DCSC in its response to the comments of FFFAI, DCBA and ACAAI regarding various charges has submitted that:

(a) *Documentation & Supervision Services are charges optional in nature. These charges are levied only in the case if any airline wants to use our resources for documentation and supervision. This charge for the services are bonafide for the service rendered and have been in the existence in the past Tariff Orders as well. FFFAI, DCBA and ACAAI suggestion that the said charges may be rejected and deleted from the tariff chart is not based on the correct understanding of the service that we provide to the customers on their demand.*

(b) *Security Handling Charges are based on the security screening protocols as mandated by the Bureau of Civil Aviation Security (BCAS). Based on airlines request physical examination may be waived in some consignment. In such case a lower charge of Rs.2.07 per kg is applicable instead of charge of Rs.3.72 per kg. In no case both charges (Inclusive / Exclusive) can be applied simultaneously. The idea behind a lower rate is to give benefit to the customer. This charge for the services are bonafide for the service rendered and have been in the existence in the past Tariff Orders as well. FFFAI, DCBA and ACAAI suggestion that the said charges may be rejected and deleted from the tariff chart is not based on the correct understanding of the service that we provide to the customers on their demand.*

(c) *Our business is a regulated business in as much as the tariff for each service element is determined by a process by AERA. However, as is applicable to any other business customers' requirements of service evolve over time and there are a few activities that may not be contemplated under the Tariff Order when it was determined. In order to handle such service a residual service head under the name of Miscellaneous Charges is mentioned in the tariff so that the absence of tariff for unforeseen* *services does not become a bottleneck for the provision of such services. This charge for the service is bonafide for the service rendered and has been in the existence in past Tariff Orders as well. FFFAI, DCBA and ACAAI suggestion that the said charges may be rejected and deleted from the tariff chart is not based on the correct understanding of the service that we provide to the customers on their demand.*

(d) *Detention and Demurrage charges are mentioned in the charging head of "Courier Services" and these charges are different in nature as supported by the comments below:*

a) If the consignee is unable to take delivery of the shipment on account of detention of consignment by the authority i.e Customs, then the charges are levied under the head "Detention charges".
b) However, if a consignee voluntarily fails to take the delivery of the consignment then the charges are levied under the head "Demurrage charges".
It is evident from above that the above charges are mutually exclusive in nature and the above-mentioned charges cannot be levied simultaneously on the same shipment. Therefore, it is not a duplication of charges.

(e) *Levy of TSP charges w.r.t subject cargo @ Rs 4.95 per kg (minimum of Rs 4960 per AWB) for export cargo and Rs 18.18 per kg (minimum of Rs 18,184/- per AWB) for import cargo are applicable for Project / Heavy cargo where special handling is required. This charge is only applicable on the Project /Heavy cargo not on the other normal shipment. The definition of Project /Heavy cargo is mentioned in our existing Tariff Order as well.*
Definition of Special (Project/Heavy Cargo) in AERA order No.22/2018-19 is mentioned as under: "Special (Project/Heavy Cargo) are such cargo which requires/have special handling/storage instruction. It also include heavy cargo in which any single individual piece having gross weight or volume weight is 3 ton or above".
Further, we would like to state that only one charge is applicable on any shipment based on the nature of the cargo. In other words, if the TSP charges w.r.t subject cargo @ Rs 4.95 per kg is levied than the TSP of Rs.2.22 per kg is not applicable on the same piece of Cargo.

(f) *The Charge "Special Handling (Pharmaceutical to maintain product temperature on request) is an optional service, not a compulsory service. This is an additional charge which is levied only in cases where the customer asks for special handling (special pallet built up) to cover the consignment so that product temperature is maintained. Kindly note that in our cold chain infrastructure we maintain the temperature of the environment but if there is a request where the shipper asks for maintaining the temperature of the product and for which special pallet built up is required.*
This charge for the services is bonafide for the services rendered and has been in the existence in the past Tariff Order as well. As such FFFAI, DCBA and ACAAI suggestion that the said charges may be removed from the tariff chart is not based on the correct understanding of the service that we provide to the customers on their demand.

(g) *The charge of "Express Services" is an optional service, not a compulsory service. It is applicable only on the demand/request of the customer. In this service, the customer is not served as per his number in the queue but is made to jump the queue and be served ahead of the general queue.*
This charge for the services is bonafide for the services rendered and has been in the existence in the past Tariff Order as well. As such FFFAI, DCBA and ACAAI statement that the said charges lack justification & are accordingly rejected is not based on the correct understanding of the service that we provide to the customers on their demand.

(h) *"Storage Charges" is a facility given to the importer to avoid heavy damages. In case an importer wants to store goods after clearance from Custom Authorities in order to let him store in our warehouse, we offer him an option to store in our warehouse at a charge which is applicable for a block of 10 days and is economical to the importer. In no case, it is a duplication of charges.*

(i) *In normal export process a shipment is transferred from city side to air side through X-Ray machine. X-Ray machine determines the contents is secured as per the BCAS norms. The passage for cargo* *from city side to air side is only through X-ray machine and through the screening process. In case a situation warrants the cargo to come back from air side to city side as the Authorities (BCAS, Customs, CISF) require the consignment to be brought out through the X-ray machine and screening process. Then, this charge is applied. This charge for the services are bonafide for the service rendered and has been in the existence in the past Tariff Orders as well.*

As per FFFAI's suggestion that the said charges may be rejected is not based on the correct understanding of the service that we provide to the customers on their demand.

(j) DCSC applies such charges only on such consignment/packets that are opened by the Customs official for examination. DCSC does not apply such charges on such shipment which are not opened by the Customs officials for examination. It is explained that DCSC follow a principle of levying charges for the activities rendered.

(k) DCSC enters into a detailed contract with its customers. Such contracts are based on IATA Standard Ground Handling Agreement (SGHA) which prescribes the service level and service elements. The service level or level defaults in services are dealt with adequately in the contracts. As such, there is already a service-level default safeguard built into the contracts.

(l) DCSC tariff sheet contains description of element of services and corresponding charges for such services. While some of the services are necessary in the course of handling cargo there are services that are optional for the users. Because some services are pertaining to certain type of cargo. And tariff is charged in accordance the type of the cargo. In another words DCSC tariff chart is not only a table of tariff but also description of the services that enables a user to pick a service The exhaustive description of services also provides the users a complete transparency about the services rendered and charge levied.

It is so stated that DCSC charges can be levied on various users /stakeholders depending upon the nature of contract and nature of service contracted.

However, it is emphasized that there is no duplication of the charges on the users as users pay only for the services rendered. A "single rate per kg" policy will not let the customer know what he is paying for and in this levy he may pay for services not contracted. Adoption of such procedure is strongly opposed as it is neither in the interest of the user not in the interest of service provider. We request you to dismiss the comments of FFFAI, DCBA and ACAAI and issue the Tariff order for Third Control Period in favour of DCSC at the earliest with the increase in tariff as sought by DCSC.

7.4.4 **Response to VAFA :** DCSC in its response to the comments of VAFA regarding various charges has submitted that:

(a) VAFA Fresh Vegetables & Fruits Exporters Association's contention is to seek subsidies and discounts. However, AERA's consultation on MYTP is based on sound principles mentioned in GCF Guidelines. It is common knowledge that every industry suffered because of the COVID pandemic. It is imperative for the industries to bounce back again in the post-COVID era on the strength of the economic recovery. As such to expect one industry to subsidize another industry is unjustified and unfair.

(b) The scope of the present Consultation Paper is to seek comments on the MYTP from various stakeholders. VAFA has complained that the so called "non-maintenance of the cool chain while transporting /loading the perishable on Aircrafts, resulting in deterioration of the product, on the other hand, this hike in tariff by CTOs has left our members aggrieved on the part of AERA". It is pointed out here that transportation and loading of cargo is not in the scope of the Cargo Terminal Operator (CTO). It falls in the scope of the Ground Handling Agency (GHA). As per the cooling facility & cold chain infrastructure of DCSC is concerned we take pride in the fact that we have the country's best cold chain infrastructure. We have never come across even one complaint from

VAFA, on this account so far.

(c) *Provision of cold chain for cargo forms an essential part of our infrastructure. As such providing cool chain services are an essential part of a business contract with our customers. Such contracts are governed by minimum Service Level Agreements (SLA). Any breach of SLAs with a customer is duly covered in the contract.*

(d) *Dry Ice Checklist service is provided under Acceptance "Checklist for Dry Ice (Carbon Dioxide, Solid) as prescribed in the IATA Dangerous Goods Regulation, Edition 63 of 2022"*
Dry Ice Checklist is a function that is required by some carriers. It is an optional service, not a compulsory service. This charge for the services are bonafide for the service rendered and has been in the existence in the past tariff order as well. As such VAFA's suggestion that the same may be rejected or deleted is not based on the correct understanding of the service that we provide to the customers on their demand.

(e) *Documentation & Supervision Services are charges optional in nature. These charges are levied only in the case if any airline wants to use our resources for documentation and supervision. This charge for the services are bonafide for the service rendered and have been in the existence in the past Tariff Orders as well. As per VAFA's suggestion that the same may be rejected or deleted is not based on the correct understanding of the service that we provide to the customers on their demand.*

(f) *Security Handling Charges are based on the security screening protocols as mandated by the Bureau of Civil Aviation Security (BCAS). Based on airlines request physical examination may be waived in some consignment. In such case a lower charge of Rs.2.07 per kg is applicable instead of charge of Rs.3.72 per kg. In no case both charges (Inclusive / Exclusive) can be applied simultaneously. The idea behind a lower rate is to give benefit to the customer. This charge for the services are bonafide for the service rendered and have been in the existence in the past Tariff Orders as well. As per VAFA's suggestion that the same may be rejected or deleted is not based on the correct understanding of the service that we provide to the customers on their demand.*

(g) *Our business is a regulated business in as much as the tariff for each service element is determined by a process by AERA. However, as is applicable to any other business customers' requirements of service evolve over time and there are a few activities that may not be contemplated under the Tariff Order when it was determined. In order to enable such service a residual service head under the name of Miscellaneous Charges is mentioned in the tariff so that the absence of tariff for unforeseen services does not become a bottleneck for the provision of such services. This charge for the service is bonafide for the service rendered and has been in the existence in past Tariff Orders as well. VAFA's suggestion that the same may be rejected or deleted is not based on the correct understanding of the service that we provide to the customers on their demand.*

(h) *In normal export process a shipment is transferred from city side to air side through X-Ray machine. X-Ray machine determines the contents is secured as per the BCAS norms. The passage for cargo from city side to air side is only through X-ray machine and through the screening process. In case a situation warrants the cargo to come back from air side to city side as the Authorities (BCAS, Customs, CISF) require the consignment to be brought out through the X-ray machine and screening process. Then, this charge is applied. This charge for the services are bonafide for the service rendered and has been in the existence in the past Tariff Orders as well. As per VAFA's suggestion that the same may be rejected is not based on the correct understanding of the service that we provides to the customers on their demand.*

(i) *DCSC applies such charges only on such consignment/packets that are opened by the Customs official for examination. DCSC does not apply such charges on such shipments which are not opened by the Customs officials for examination. It is explained that DCSC follows a principle of levying charges only for the services rendered.*

(j) Screening of domestic and International Transhipment cargo at IGI airport is done under BCAS regulation. DCSC is duly bound to follow the regulations laid down by the Authorities. DCSC provides services within the ambit of such regulation and charges for the services rendered. This charge for the services are bonafide for the services rendered and has been in the existence in the past Tariff orders as well.

(k) DCSC enters into a detailed contract with its customers. Such contracts are based on IATA Standard Ground Handling Agreement (SGHA) which prescribes the service level and service elements. The service level or level defaults in services are dealt with adequately in the contracts. As such, there is already a service-level defaults safeguard built in the contracts.

(l) DCSC tariff sheet contains description of element of services and corresponding charges for such services. While some of the services are necessary in the course of handling cargo, there are services that are optional for the users. Because some services are pertaining to certain type of cargo and tariff is charged in accordance the type of the cargo. In another words DCSC tariff chart is not only a table of tariff but also description of the services that enables a user to pick a service The exhaustive description of services also provides the users with complete transparency about the services rendered and charges levied.
It is so stated that DCSC charges can be levied on various users /stakeholders depending upon the nature of contract and nature of service contracted.
However, it is emphasized that there is not duplication of the charges on the users as users pay only for the services received. A "single rate per kg" policy will not let the customer know what he is paying for and in this way he may pay for services not contracted. Adoption of such procedure is strongly opposed as it is neither in the interest of the user not in the interest of service provider.

(m) DCSC tariff chart defines Special Cargo as under:

a) Pharma Items
b) Live Animals
c) Hazardous /Dangerous Goods
d) Valuable / Vulnerable Goods
e) Perishable
f) Newspaper and TV reel Consignment

It is seen from the description of the Special cargo that it is one that requires special handling/storage infrastructure. Perishable cargo requires temperature control for which has to be handled in our cold room. This calls for a mandatory controlled temperature environment for the perishable cargo and thus warrants special handling in a specially control environment.
VAFA's reason for the recommendation of a 50% reduction is motivated by the desire to seek subsidies for perishable goods. It is suggested that VAFA should propose to the relevant government agencies for seeking incentives/subsidies for encouraging the movement of perishable cargo. DCSC charges for special cargo are bona fide charges and levied for the service rendered. Besides such charges have been existing in the previous Tariff Orders as well.

We request you dismiss the comments of the VAFA Fresh Vegetables & Fruits Exporters Association and issue the Tariff order for the Third Control Period in favor of DCSC with the increase in tariff as sought by DCSC.

7.5 <u>Authority's analysis regarding ARR for DCSC in respect of the Third Control Period:</u>

7.5.1 The Authority notes the comments of M/s SpiceJet on the FRoR proposed by the Authority for DCSC 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 DCSC as proposed by the Authority at consultation stage.

Further, with respect to the extension of Tariff prevailing as on 31.03.2021 till FY 2024-25, to have the actual numbers with regard to the commencement of Jewar Airport and the impact of AFS Cargo volume to further refine the ATP for the FY 2025-26, based on the submission of ACS made by the ISP for the said period.

7.5.2 The Authority notes the comments of DACAAI relating to Tariff for various Cargo Handling Services and response of DCSC thereon. It is observed that the charges are determined in accordance with the principles laid down in CGF Guideline 2011. The charges are transparent for the services provided by the ISP to the customer. Further, the services provided are as per the contract between the customers & the ISP and these contain detailed description of services and Service Level Agreements (SLAs). The Authority finds the justifications provided by the ISP appropriate in this regard.

Further, w.r.t. 'single reasonable terminal charge' it is noteworthy that the Tariff structure contains description of element of services and corresponding charges for such services. The "single rate per kg" policy may not let the customer know what he is paying and they may end up paying for the services which are not contracted in the SLA. The Authority finds the response provided by the ISP reasonable.

As regard to other suggestions made by DACAAI in the summary of its comments, the Authority notes that the ISP in its counter submission has adequately responded in detail to the points raised by DACAAI. (ref. para 7.2.13)

7.5.3 The Authority notes the comments of FFFAI, DCBA, ACAAI and VAFA relating to Tariff for various Cargo Handling Services such as: 'Documentation and Supervision charges', 'Domestic Security handling charges exclusive of X-ray', 'Provision for Misc. charges', 'X-ray charges and demurrage charges on withdrawn shipments', 'repacking charges', 'other charges', and 'penalty/ discount in TSP/demurrage' and response of DCSC thereon. It is to be noted that Documentation & Supervision Service and charges thereof are optional in nature. These charges are levied only in the case any airline wants to use resources for documentation and supervision. Security Handling Charges are based on the security screening protocols as mandated by the Bureau of Civil Aviation Security (BCAS).

Further, 'Miscellaneous Charges' are specific in nature and are to be provided on the demand of users. In order to enable such service a residual service head under the name of Miscellaneous Charges is mentioned in the tariff so that the absence of tariff for unforeseen services does not become a bottleneck for the provision of such services. It is not possible to list each and every service in the Tariff card and hence provision for unforeseen services is of practical use in such cases. The Authority notes that DCSC in its counter submission has adequately responded to the Stakeholder comments. (ref. para 7.2.14)

7.5.4 The Authority notes the comments of FFFAI, DCBA and ACAAI relating to Tariff for various Cargo Handling Services such as 'detention charges', "TSP charges', and 'Special handling for pharma shipments', 'express services 'and 'Storage charges' and response of DCSC thereon. The Authority notes that the ISP has adequately addressed the concerns of the Stakeholders regarding the application of these charges applicable to the end users. (ref. para 7.4.3)

7.5.5 On VAFA's comments regarding huge difference in TSP charges relating to Perishable Cargo and General Cargo, it is to be pointed out that commodity wise handling requirement is as per general industry practice and specifically by respective Airline who transports the cargo. Cargo handling requirements for different type of Cargo are different, and even the infrastructure & facility required also vary. In case of Perishable Cargo, dedicated temperature-controlled storage units are required, and accordingly, the necessary infrastructure is required.

7.5.6 As regard to VAFA comments regarding hike in X-ray machine charges, it is to be noted 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.

7.5.7 In respect of VAFA's comments regarding movement of perishable cargo as 'Domestic to International' transshipment cargo, the Authority notes that this is related to re-screening of transshipped perishable 'domestic to international' cargo done in accordance with prevailing security regulations pertaining to

X-ray screening of Export Cargo.

7.5.8 As per the information available with AERA, the Ministry of Civil Aviation has not provided any incentive/subsidy for the movement of perishable cargo to address the Covid impact on Cargo Sector, specifically having an impact in Cargo movement at IGIA, Delhi. Therefore, such submission of the Stakeholder has no merit.

7.5.9 The Authority observes from the comment of the ISP that it has proposed FRoR @16.39% for the purpose of calculation of Return on RAB (Regulatory Asset Base) and to arrive at present value of ARR and Present Value of Revenue (after Tariff increase). Whereas, the Authority, in case of all other ISPs providing services atvarious major airports has considered rate of Return on Investments @ 14%. Accordingly, in the caseof DCSC also, the Authority decides to consider FRoR @ 14% for the Third Control Period, affirming as proposed during Consultation stage.

7.5.10 The Authority, after considering the relevant factors as discussed in previous chapter, has recomputed the revenue at existing Tariff as follows:

Table-26: Revenue (excluding Revenue from AFS Cargo) at existing rates computed by the Authority for the Third Control Period

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Yield/ MT at existing Tariff (in ₹) (a)	11,932	10,779	10,548	10,318	10,318
Cargo Volume (Excluding AFS Cargo Volume) (Ref. Table-6) (in MT) (b)	339454	342627	266133	217463	203488
Revenue at Existing Tariff {c= (a*b)/10000000} (₹ in Crores)	405.04	369.32	280.72	224.38	209.96

7.5.11 In view of the elaborate consultation process and comments made by the Stakeholders thereon, the Authority decides to consider onetime Tariff increase @2% w.e.f. 16.01.2023 for the Third Control period. Further, the Authority, based on the ACS for FY2023-24 and FY 2024-25 will review in detail the Cargo Volume and its allied impact on each component of the regulatory building block, and appropriate decision in this regard will be taken for the last Tariff Year (FY 2025-26) of the Third Control Period.

7.5.12 The Authority, based on its analysis on the various regulatory building blocks has recomputed the Aggregate Revenue Requirement in respect of DCSC for the Third Control Period as given below:

Table-27: ARR considered by the Authority for DCSC Delhi for the Third Control Period

(Amount in Crore)

Particulars	FY 2021-22	FY23 Up to Dec-2022	FY23 Jan-March	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (Refer Table-13)	129.68	148.95	148.95	269.60	374.51	379.71	
Return on RAB @14% (A)	18.15	15.64	5.21	37.74	52.43	53.16	182.34
O&M Expenses (B) (Refer Table 19)	122.32	105.34	35.64	160.51	180.92	204.11	808.84
Concession Fees (C)	104.50	71.46	24.45	74.48	59.67	55.89	390.45

Particulars	FY 2021-22	FY23 Up to Dec-2022	FY23 Jan-March	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation (D) (Refer Table-13)	15.7741	13.63	4.54	37.92	42.07	47.54	161.47
Security Deposit	70.89	101.26	101.26	101.26	101.26	101.26	0
Return on Security Deposit (ref. Table-15) (E)	3.55	3.80	1.27	5.06	5.06	5.06	23.80
Tax @ 34.944% (F) (Refer Table-30)	0.00	29.17	10.17	4.08	0.00	0.00	43.43
Aggregate Revenue Requirement (A+B+C+D+E+F) = (G)	264.30	239.05	81.28	319.81	340.15	365.76	1610.34
Discount Rate @ 14%	14%	14%	14%	14%	14%	14%	
PV Factor	1.14	1.00	1.00	0.88	0.77	0.67	
PV ARR	**301.31**	**239.05**	**81.28**	**280.53**	**261.73**	**246.87**	**1410.77**
AFS Revenue at current Tariff (Refer Table 24)	0	0	0.57	2.31	2.36	2.41	7.65
Revenue from regulated Services at current Tariff rates (refer Table-26)	405.04	276.99	92.33	280.72	224.38	209.96	1489.41
PV of Revenue at existing Tariff rates	461.74	276.99	92.90	248.27	174.47	143.34	1397.71
% Tariff Increase	0.00	0.00	2.00%	0.00	0.00	0.00	0.00
Projected Revenue after Tariff increase (Excluding Revenue from AFS)	405.04	276.99	94.18	286.33	228.87	214.16	1505.56
Projected AFS Revenue after Tariff increase	0.00	0.00	0.58	2.36	2.41	2.46	7.80
Total Revenue	405.04	276.99	94.75	288.69	231.27	216.61	1513.36
PV of Total Revenue	**461.74**	**276.99**	**94.75**	**253.24**	**177.96**	**146.21**	**1410.89**

7.5.14 The ISP has conducted the Stakeholders' meeting on 02.11.2022, however, 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.

7.6 Authority's Decisions regarding Aggregate Revenue Requirement for the Third Control Period

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

7.6.1 To consider the ARR for the Third Control Period as per Table-27.

7.6.2 To consider ATP for FY 2025-26 based on review of ACS of Third Control Period up to FY 2024-25.

CHAPTER-8: PROFITABILITY STATEMENT FOR DCSC IN RESPECT OF Third CONTROL PERIOD

8.1 The profitability workings submitted by DCSC

8.1.1 The profitability statement submitted by DCSC for the Third Control Period is given in the table below:

Table-28: Profitability Statement submitted by DCSC for the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenue					
Revenue From Regulated Services	405.02	305.76	409.97	483.92	527.16
Revenue From Other Than Regulated Services	0.00	0.00	0.00	0.00	0.00
Operation & Maintenance Expenditure					
Pay Roll Costs	45.92	52.81	60.73	69.84	80.31
Administrative & General Expenses	62.44	71.59	78.92	87.09	96.21
Repair & Maintenance Expenditure	6.96	8.01	9.21	10.59	12.18
Utilities Expenses	7.00	8.05	9.25	10.64	12.24
Concession Fees	103.39	78.88	105.77	124.85	136.01
Earnings before depreciation, interest and taxation (EBDIT) (3) = (1) - (2)	**179.30**	**86.41**	**146.09**	**180.91**	**190.22**
Depreciation And Amortization	15.77	18.13	37.74	41.87	47.31
Earnings Before Interest and Taxation (EBIT)	**163.53**	**68.29**	**108.34**	**139.04**	**142.91**
Total Interest and Finance Charges	7.82	4.09	4.09	4.09	4.09
Profit/ (Loss) before tax	**155.71**	**64.20**	**104.25**	**134.95**	**138.82**
Provision for Tax	(5.41)	22.43	36.43	47.16	48.51
Profit/(Loss) after tax	**161.12**	**41.76**	**67.82**	**87.79**	**90.31**

8.2 Authority's examination on Profitability for the Third Control Period at CP stage

8.2.1 The Authority notes that the ISP is charging tax @ 34.944% on the net profit and the Authority proposes to consider same rate for its own computation of Profitability Statement for the ISP

8.2.2 The Authority, from the Table-23 observes that, while calculating the profitability for the FY 2021-22 the ISP has taken the Revenue as per Annual Compliance Statement (ACS), whereas, for the rest of the Tariff years of the Third Control Period (from FY2022-23 to FY 2025-26) the ISP has considered "ARR" instead of "Revenue after Tariff increase" of respective years in the Revenue column of Form F3 (Profitability Statement). The Authority sought clarification from the DCSC on the above erroneous computation of Revenue (after Tariff increase) in profitability statement. The DCSC in its response vide letter dated 14.09.2022 submitted that "Revenue" shown in form F3 is same as "ARR" as indicated in ARR computation table for the Third Control Period (ref. Table-18).

8.2.3 The Authority, based on review of various regulatory building blocks, including Cargo Volumes projections, and, after considering ARR computation for DCSC as discussed in the previous chapters, has computed the Profitability for the ISP for the Third Control Period as shown below:

Table -29: Profitability Statements proposed by Authority for DCSC Delhi for the Third Control Period at CP stage

(Rs. in Crore)

Particulars	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue From Regulated Services (refer Table-25)	405.04	369.32	280.72	242.97	209.96	1508.00
Revenue From AFS (refer Table-25)	0.00	0.57	2.31	2.36	2.41	7.65
Total Revenue (A)	**405.04**	**369.89**	**283.03**	**245.33**	**212.37**	**1515.65**
Pay Roll Costs	45.92	52.81	60.73	69.84	80.31	309.61
Administrative & General Expenses	62.44	71.59	78.92	87.09	96.21	396.26
Repair & Maintenance Expenditure	6.96	8.01	9.21	10.59	12.18	46.95
Utilities Expenses	7.00	8.05	9.25	10.64	12.24	47.18
Concession Fees	104.50	95.43	73.02	63.30	54.79	391.04
Total Operation & Maintenance Expenditure (B) (Refer Table-18)	**226.82**	**235.89**	**231.14**	**241.46**	**255.73**	**1191.03**
Earnings before depreciation, interest and taxation (EBDIT) (C) = (A) - (B)	178.21	134.00	51.90	3.87	-43.36	324.62
Depreciation And Amortization (refer Table-13)	15.77	18.17	37.92	42.07	47.54	161.47
Earnings Before Interest and Taxation (EBIT)	162.44	115.83	13.97	-38.19	-90.90	163.14
Total Interest and Finance Charges	7.82	4.09	4.09	4.09	4.09	24.18
Profit/ (Loss) before tax	154.62	111.74	9.88	-42.28	-94.99	138.96
Provision for Tax	0.00	39.05	3.45	0.00	0.00	42.50
Profit/(Loss) after tax	**154.62**	**72.69**	**6.43**	**-42.28**	**-94.99**	**96.46**

**As per Annual Compliance Statement (ACS)*

8.2.4 From the above table, the Authority notes that last two tariff years of the Third Control Period are showing negative profitability for the ISP and the same is mainly due to increased depreciation on account of capitalization proposed during later part of the Control Period.

8.2.5 As per the Authority, it seems that ISP has overestimated the quantitative impact of new greenfield Airport at Jewar, Noida on the its Cargo Business in current Control Period, as the new greenfield airport will take some time to develop market for its Cargo Business. The Authority has sought comments from the Stakeholders on the aspect of anticipated drop in Cargo Volumes for the Third Control Period as assumed by the ISP.

However, as per the ISP, the Cargo Volumes during the next Control Period are expected to be buoyant (after recovering from the adverse impact of Covid), which in turn is expected to improve overall profitability for the ISP. As per the profitability statement indicated above, DCSC is expected to earn reasonable Profit after Tax (PAT) of ₹ 96.46 crores (Rs 191.45 crore from FY 2021-22 to FY 2024-25) of the Third Control Period.

8.2.6 The Authority advises DCSC to optimize its overall O&M expenses to improve efficiency in its operations in the overall interest of all the Stakeholders.

8.3 Stakeholders' Comment on Consultation Paper regarding Profitability Statement:

No input/ comments were received from any of the Stakeholders regarding profitability statement for the Third Control Period. Therefore, the Authority decides the Profitability statement as per Table-30 given below for the Third Control Period.

8.4 Authority's analysis regarding Profitability for DCSC in respect of the Third Control Period:

8.4.1 The Authority, based on review of various regulatory building blocks, including Cargo Volumes projections, and, after considering ARR computation for DCSC as discussed in the previous chapters, has computed the Profitability for the ISP for the Third Control Period as shown below:

Table -30: Profitability Statements considered by Authority for DCSC Delhi for the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue From Regulated Services (refer Table-27)	405.04	371.16	286.33	228.87	214.16	1505.56
Revenue From AFS (refer Table-27)	0.00	0.58	2.36	2.41	2.46	7.80
Revenue (A)	**405.04**	**371.74**	**288.69**	**231.27**	**216.61**	**1513.36**
Pay Roll Costs	45.92	53.21	62.57	71.95	82.74	316.39
Administrative & General Expenses	62.44	71.59	78.92	87.09	96.21	396.25
Repair & Maintenance Expenditure	6.96	8.13	9.77	11.23	12.92	49.01
Utilities (Electricity) Expenses	7.00	8.05	9.25	10.64	12.24	47.18
Concession Fees	104.50	95.91	74.48	59.67	55.89	390.45
Operation & Maintenance Expenditure (B) (refer Table-19)	**226.82**	**236.89**	**234.99**	**240.58**	**259.99**	**1199.28**
Earnings before depreciation, interest and taxation (EBDIT) (C) = (A) - (B)	178.22	134.85	53.70	-9.31	-43.38	314.08

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Depreciation And Amortization (refer Table-13)	15.77	18.17	37.92	42.07	47.54	161.47
Earnings Before Interest And Taxation (EBIT)	162.45	116.68	15.78	-51.38	-90.92	152.61
Total Interest and Finance Charges	7.82	4.09	4.09	4.09	4.09	24.18
Profit/ (Loss) before tax	154.63	112.59	11.69	-55.47	-95.01	128.43
Provision for Tax	0.00	39.34	4.08	0.00	0.00	43.43
Profit/(Loss) after tax	**154.63**	**73.25**	**7.61**	**-55.47**	**-95.01**	**85.00**

8.4.2 As noted at consultation stage (refer para 8.2.4), the Authority notes that last two tariff years of the Third Control Period are showing negative profitability for the ISP and the same is mainly due to increased depreciation on account of capitalization proposed during later part of the Control Period.

8.5 Authority's decision regarding Profitability Statement

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

8.5.1 To consider Revenue, OPEX and Profitability for the Third ControlPeriod as per Table-30

CHAPTER-9: SUMMARY OF AUTHORITY's DECISIONS

The Authority, after careful consideration of the MYTP for the Third Control Period and taking into accounts comments / views of the stakeholders makes the following decisions:

Chapter	Para	Summary of Authority's Decisions	Page No.
Chapter 2	2.5.1	The Cargo Handling Services provided by DCSC 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.	15
Chapter 3	3.6.1	To consider Cargo Volumetric Projections for DCSC at IGIA Delhi for the Third Control Period as per Table-6.	26
Chapter 4	4.9.1	To consider Additions to RAB (CAPEX), Depreciation and Average RAB as per Table-13 for the Third Control Period.	46
	4.9.2	To consider Security Deposit and return on Security Deposit as per Table-15 for the Third Control Period.	
Chapter 5	5.6.1	To consider the O&M Expenditure for the Third Control Period as given in Table-19.	55
Chapter 6	6.8.1	Based on the material before it and its analysis, the Authority proposes 30% lower TSP charges for 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	71
Chapter 7	7.6.1	To consider the ARR for the Third Control Period as per Table-27.	93
	7.6.2	To consider ATP for FY2025-26 based on review of ACS of the Third Control Period up to FY2024-25	
Chapter 8	8.5.1	To consider Revenue, OPEX and Profitability for the Third Control Period as per Table-30	97

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 Delhi Cargo Service Center Pvt. Ltd. (DCSC) 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 DCSC is allowed to levy the 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-I.**

(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 DCSC for first four Tariff Years of the third Control Period (FY 2021-22 to FY 2024-25).

(iv) Tariff determined hereinunder is 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 excluding of all applicable taxes.

(vi) The Airport Operator shall ensure compliance of this Order.

By the Order of and in the Name of the Authority

(Col Manu Sooden)
Secretary

To,

Shri Avinash Razdan, Chief Executive Officer
Delhi Cargo Service Center Pvt. Ltd.,
Cargo Terminal 2, Gate No. 6, Air Cargo Complex,
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

APPROVED TARIFF FOR CARGO HANDLING SERVICES IN RESPECT OF DCSC AT IGIA, DELHI

FOR THE THIRD CONTROL PERIOD (FY 2021-22 to FY 2025-26)

Revised Tariff Rates will be effective from 16.01.2023 to 31.03.2025

I. DOMESTIC

Description		Tariff (w.e.f. 16.01.2023 to 31.03.2025)		Levied on
Domestic Outbound Cargo Terminal Storage and Processing Charges		**Rate in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	
1) General Cargo		1.44	84.66	Agent /Shipper
2) Special Cargo		3.38	168.3	Agent /Shipper
Domestic Outbound Cargo Demurrage Charges		**Per Day PerKg**	**Per Day**	
1) General Cargo		1.68	84.66	Agent /Shipper
2) Special Cargo		3.79	84.66	Agent /Shipper
Domestic Inbound Cargo Terminal Storage AndProcessing Charges				
1) General Cargo		1.26	84.66	Agent /Consignee
2) Special Cargo		3.04	168.30	Agent /Consignee
Domestic Inbound Cargo Demurrage Charges				
1) General Cargo	beyond free period and up to 4 days	1.68	84.66	Agent /Consignee/ Airline
	beyond 4 days	2.54	84.66	Agent /Consignee/ Airline
2) Special Cargo	beyond free period and upto 4 days	4.22	84.66	Agent /Consignee/ Airline

Description		Tariff (w.e.f. 16.01.2023 to 31.03.2025)		Levied on
Domestic Outbound Cargo Terminal Storage and Processing Charges		**Rate in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	
	beyond 4 days	5.91	84.66	Agent /Consignee/ Airline
Domestic Outbound Cargo Handling Charges				
1) General Cargo		1.86	84.66	Airline
2) Special Cargo		2.95	183.60	Airline
Domestic Inbound Cargo Handling Charges				
1) General Cargo		1.68	84.66	Airline
2) Special Cargo		2.61	183.6	Airline
Domestic Cargo Handling for Transfer				
1) General Cargo		2.26	0	Airline
2) Special Cargo		2.26	0	Airline
Documentation & Supervision Services				
1) General Cargo		2.52	90.78	Agent /Shipper/Consignee /Airline
2) Special Cargo		2.52	204	Agent /Shipper/Consignee /Airline
Domestic Outbound Cargo Handling-full handling inclusive of document handling and data management				
1) General Cargo		2.54	422.28	Airline
2) Special Cargo		3.55	612	Airline
Domestic Inbound Cargo Handling-full handling inclusive of document handling and data management				
1) General Cargo		2.26	422.28	Airline

Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		Levied on
Domestic Outbound Cargo Terminal Storage and Processing Charges	**Rate in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	
2) Special Cargo	3.38	612	Airline
Domestic Security Handling			
If Inclusive of X-Ray/Physical Examination	3.79	422.28	Agent /Shipper/Airline
If Exclusive of X-Ray/Physical Examination	2.11	168.3	Agent /Shipper/Airline
<u>Other Charges</u>			
Handling of Shipper Build ULD or handling of fullULD for delivery to Consignee-per kg	50% of Applicable Handling Charges	N.A	Agent /Shipper/Consignee /Airline
Miscellaneous Charges (None of the above)-(maximum tariff @ per kg and minimum charge @ per AWB)	2.95	183.6	Agent /Shipper/Consignee /Airline
DRY Ice checklist Charges-per AWB	10.12	N.A.	Agent /Shipper/Consignee /Airline
DGR Acceptance fee-per AWB	2023.68	N.A.	Agent /Shipper/Consignee /Airline
Live Animal Acceptance Check and delivery-per AWB	1686.06	N.A.	Agent /Shipper/Consignee /Airline
Valuable & Vulnerable escort service to and fro aircraftto terminal-per AWB	1075.08	N.A.	Agent /Shipper/Consignee /Airline
DGR-fee, in case shipment above 20 pieces-peradditional unit	84.66	N.A.	Agent /Shipper/Consignee /Airline

<u>Notes on Domestic Cargo Services:</u>

1. Consignment of human remains, coffins including baggage of deceased & human eyes will be exempted from the purview of TSP charge.

2. TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied.

3. *Charges will be on the "gross weight" or the "chargeable weight" of 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, pharma, live animals, hazardous/Dangerous goods, Newspaper& TV Reel Consignments, Human remains and unaccompanied baggage of deceased, any other valuable and/or any other such cargo which requires/have special handling/storage instructions.*
5. *Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveler's cheque, diamonds (including diamonds of industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg & above.*
6. *Penal charges for mis-declaration of weight*

% Variation in weight except valuable cargo	
Up to 2 %	*NIL*
2 - 5 %	*200%*
6 -10 %	*300%*
Above 10%	*500%*

7. *For demurrage, free period shall be 24 hours from the time of arrival of cargo. Demurrage will be calculated for the period beginning fromthe expiry of free period till the time of issue of Gate Pass. Demurrage will be charged on number of days. For this purpose, 24 hours or any part thereof will be counted as one day.*
8. *For the purpose of calculation of demurrage charges, free period shall be as per the Govt. of India's Order issued in this regard, from timeto time.*
9. *All invoices will be rounded off to nearest Rs. 5. As per IATA Tact Rule book Clause - 5.7.2, rounding off procedure, when roundingfor Example: -*

When the results of calculations are between / and	*Rounded off amount will be*
102.5 - 107.4	*105*
107.5-112.4	*110*

10. *For special Cargo consisting of perishable & temperature sensitive products the TSP charges for special cargo will only be applicable if temperature control facility is made available otherwise general cargo tariff will be applied for such products.*
11. *In case of inbound cargo, demurrage will be applicable in case the segregation of inbound cargo is not completed due to airline fault.*

II. INTERNATIONAL

Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
A.	**EXPORT CARGO**	**Rate in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	**Levied on**
A1.	**Terminal, Storage and Processing Charges (Other than AFS Cargo)**			
A1.1	General	2.26	176.46	Agent/ Shipper
A1.2	**Special Cargo**			
a.	Pharma items	5.06	455.94	Agent/ Shipper
b)	Live Animals	4.05	354.96	Agent/ Shipper
c)	Hazardous/ Dangerous Goods	4.05	354.96	Agent/ Shipper
d)	Valuable /Vulnerable Goods	4.05	354.96	Agent/ Shipper
e)	Perishable	5.06	455.94	Agent/ Shipper
f)	Newspaper and TV reel consignments	4.05	354.96	Agent/ Shipper
g)	Human remains, Coffin including unaccompanied baggageof Deceased and Human Eyes etc.	NIL	NIL	NA
A1.3	**Terminal, Storage and Processing Charges (For AFS Cargo)**			
A1.3.1	General	1.58	123.42	AFS Operator
A1.3.2	**Special Cargo**			
a)	Pharma items	3.54	319.26	AFS Operator
b)	Live Animals	2.84	248.88	AFS Operator
c)	Hazardous/ Dangerous Goods	2.84	248.88	AFS Operator

Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
A.	**EXPORT CARGO**	**Rate in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	**Levied on**
d)	Valuable /Vulnerable Goods	2.84	248.88	AFS Operator
e)	Perishable	3.54	319.26	AFS Operator
f)	Newspaper and TV reel consignments	2.84	248.88	AFS Operator
g)	Human remains, Coffin including unaccompanied baggageof Deceased and Human Eyes etc.	NIL	NIL	NA
A2.	**X-Ray Charges**			
A2.1	X-Ray Machine charges (City side)	1.94	193.8	Agent/Shipper
	X-Ray Machine charges (Air side)	1.94	397.8	Airline
A2.2	X-Ray Certification charges (City side)	3.38	337.62	Agent/Shipper
	X-Ray Certification charges (Air side)	3.38	397.8	Airline
A2.3	Certification for Dangerous goods(City side)	3.38	337.62	Agent/Shipper
	Certification for Dangerous goods(Air side)	3.38	397.8	Airline
A3.	**Demurrage Charges-Export Cargo (See Note 6)**			
A3.1	General (City side)	2.20	220.32	Agent/Shipper
	General (Air side)	2.54	N.A.	Airline
A3.2	**Special Cargo (See Note 6)**			
a)	Pharma items (City side)	5.7	570.18	Agent/Shipper
	Pharma items (Air side)	4.22	N.A.	Airline
b)	Live Animals(City side)	5.7	570.18	Agent/Shipper
	Live Animals(Air side)	4.22	N.A.	Airline
c)	Hazardous/ Dangerous Goods(City side)	5.7	570.18	Agent/Shipper
	Hazardous/ Dangerous Goods(Air side)	4.22	N.A.	Airline
d)	Valuable/Vulnerable Goods(City side)	5.70	570.18	Agent/Shipper
	Valuable /Vulnerable Goods(Air side)	10.12	N.A.	Airline
e)	Perishable(City side)	5.70	570.18	Agent/Shipper
	Perishable(Air side)	4.22	N.A.	Airline
f)	Newspaper and TV reel consignments(City side)	5.70	570.18	Agent/Shipper
	Newspaper and TV reel consignments(Air side)	4.22	N.A.	Airline

Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
A.	EXPORT CARGO	Rate in Rupees per Kilogram	Minimum rate Rupees per AWB	Levied on
g)	- Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	NIL	NIL	NA
A4.	**Cargo Handling Charges**			
A4	**Palletization/ Containerization/ Unitization/ StuffingCharges**			
A4.1	General	3.55	1686.06	Airline
A4.2	**Special Cargo**			
a.	- Pharma items	4.22	1686.06	Airline
b)	- Live Animals	4.22	1686.06	Airline
c)	- Hazardous/ Dangerous Goods	4.22	1686.06	Airline
d)	- Valuable/Vulnerable Goods	4.22	1686.06	Airline
e)	- Perishable	4.22	1686.06	Airline
f)	- Newspaper and TV reel consignments	4.22	1686.06	Airline
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	NIL	NIL	NA
A5.	**Documentation Charges**			
A.5.1	Cargo Documentation Charges for Manifesting etc.	2.52	N.A.	Airline
A6.	**Consolidation Fee**			
A6.1	HAWB charges (Consolidation)	N.A.	1260.72	Agent/Shipper/ Airline

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Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
B.	IMPORT CARGO	Rates in Rupees per Kilogram	Minimum rate Rupees per AWB	Levied On
B1.	**Terminal, Storage and Processing Charges (Other than AFS Cargo)**			
B1.1	General	10.04	505.92	Agent/Consignee
B1.2	**Special Cargo**			
a.	Pharma items	16.93	843.54	Agent/Consignee
b)	Live Animals	16.93	843.54	Agent/Consignee
c)	Hazardous/ Dangerous Goods	16.93	843.54	Agent/Consignee
d)	Valuable/Vulnerable Goods	16.93	843.54	Agent/Consignee
e)	Perishable	16.93	843.54	Agent/Consignee
f)	Newspaper and TV reel consignments	16.93	843.54	Agent/Consignee
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	Nil	Nil	NA
B1.3	**Terminal, Storage and Processing Charges (For AFS Cargo)**			
B1.3.1	General	7.03	354.14	AFS Operator
B1.3.2	**Special Cargo**			
a.	Pharma items	11.85	590.48	AFS Operator
b)	Live Animals	11.85	590.48	AFS Operator
c)	Hazardous/ Dangerous Goods	11.85	590.48	AFS Operator
d)	Valuable/Vulnerable Goods	11.85	590.48	AFS Operator
e)	Perishable	11.85	590.48	AFS Operator
f)	Newspaper and TV reel consignments	11.85	590.48	AFS Operator
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	Nil	Nil	NA
B2.	**Cargo Handling Charges**			

Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
B.	**IMPORT CARGO**	**Rates in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	**Levied On**
B2.	**De-Palletization/ De-stuffing/De-Containerization/De-Unitization Charges**			
B2.1	General	2.95	1686.06	Airline
B2.2	**Special Cargo**			
a.	Pharma items	3.79	1686.06	Airline
b)	Live Animals	3.79	1686.06	Airline
c)	Hazardous/ Dangerous Goods	3.79	1686.06	Airline
d)	Valuable/Vulnerable Goods	3.79	1686.06	Airline
e)	Perishable	3.79	1686.06	Airline
f)	Newspaper and TV reel consignments	3.79	1686.06	Airline
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	Nil	Nil	NA
B3.	**Demurrage Charges-Import Cargo (See Note 6)**			
B3.1	**General (up to 4 days)-City Side**	2.95	590.58	Agent/Consignee
	(5 to 30days)- City Side	5.91	590.58	Agent/Consignee
	(beyond 30days)- City Side	8.85	590.58	Agent/Consignee
	Air side	2.54	N.A.	Airline
B3.2	**Special Cargo (See Note 6)**			
a)	Pharma items (up to 4 days) -City Side	5.91	1180.14	Agent/Consignee
	(5 to 30days)- City Side	11.8	1180.14	Agent/Consignee
	(beyond 30days)- City Side	17.72	1180.14	Agent/Consignee
	Air side	5.06	N.A.	Airline
b)	**Live Animals (up to 4 days) -City Side**	5.91	1180.14	Agent/Consignee
	(5 to 30days)- City Side	11.8	1180.14	Agent/Consignee
	(beyond 30days)- City Side	17.72	1180.14	Agent/Consignee
	Air side			Airline

Sl. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
B.	**IMPORT CARGO**	**Rates in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	**Levied On**
c)	**Hazardous/ Dangerous Goods (up to 4 days) -City Side**	5.91	1180.14	Agent/Consignee
	(5 to 30days)- City Side	11.8	1180.14	Agent/Consignee
	(beyond 30days)- City Side	17.72	1180.14	Agent/Consignee
	Air side	5.06	N.A.	Airline
d)	**Valuable /Vulnerable Goods (up to 4 days)-City Side**	11.8	2360.28	Agent/Consignee
	(5 to 30days)- City Side	21.92	2360.28	Agent/Consignee
	(beyond 30days)- City Side	32.04	2360.28	Agent/Consignee
	Air side	10.12	N.A.	Airline
B3.2	**Special Cargo (See Note 6)**			
e)	**Perishable (up to 4 days) -City Side**	5.91	1180.14	Agent/Consignee
	(5 to 30days) City Side	11.8	1180.14	Agent/Consignee
	(beyond 30days) City Side	17.72	1180.14	Agent/Consignee
	Air side	5.06	N.A.	Airline
f)	**Newspaper and TV reel consignments (up to 4 days)-City Side**	5.91	1180.14	Agent/Consignee
	(5 to 30days)- City Side	11.8	1180.14	Agent/Consignee
	(beyond 30days)- City Side	17.72	1180.14	Agent/Consignee
	Air side	5.06	N.A.	Airline
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	NIL	NIL	NA
B 4.	**De-Consolidation Fee**			
B 4.1	HAWB Delivery Charges (De consolidation)	N.A.	441.66	Agent/Consignee/Airline

S. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
C.	**COURIER**	**Rates in Rupees per Kilogram**	**Minimum rate Rupees per AWB**	**Levied On**
C1.	**Incoming Courier Charges-- International**			
C1.1	Courier cargo facilitation	12.67	N.A.	Agent/Consignee
C1.2	**Detention Charges**			
	- Free Period	N.A.	N.A.	Agent/Consignee
	- 4th day to 10th day	3.38	N.A.	Agent/Consignee
	- 11th day to 20th day	5.07	N.A.	Agent/Consignee
	- 21st day to 30th day	7.60	N.A.	Agent/Consignee
	- Beyond 30 days	10.14	N.A.	Agent/Consignee
C1.3	**Demurrage Charges (See Note 6)**	8.45	N.A.	Agent/Consignee
C2.	**Outgoing Courier Charges -- International**			
C2.1	Courier cargo facilitation	11.82	N.A.	Agent/Shipper
C2.2	X-ray charges	5.22	N.A.	Agent/Shipper
C2.3	Demurrage Charges (See Note 6)	6.30	N.A.	Agent/Shipper
D.	**TRANSHIPMENT CARGO**			
D1.	**Transshipment charges-international to international**			
D1.1	General Cargo	3.70	0	Airline
D1.2	Special Cargo/DGR/Valuable/Vulnerable/ Perishable/Pharma	10.25	N.A.	Airline
D2.	**Transshipment charges-international to domestic**	**Rate in Rupees per Kilogram/Per ULD**	**Minimum rate Rupees per AWB**	

S. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
D2.1	General Cargo	3.70	0	Airline
D2.2	Special/Sensitive Cargo	10.25	N.A	Airline
D2.3	DGR/Valuable/Vulnerable/ Perishable/Pharma	10.25	N.A	Airline
D3.	**Transshipment charges-domestic to international**			
D3.1	General Cargo	3.97	N.A	Airline
D3.2	Special/Sensitive Cargo	10.25	N.A	Airline
D3.3	DGR/Valuable/Perishable/Pharma	10.25	N.A	Airline
D.4	**Demurrage Charges-Transshipment Cargo- Intl to Domestic TP (See Note 6)**			
D.4.1	**General (up to 4 days)**	2.36	473.28	Airline
D.4.2	(5 to 30days)	4.73	473.28	Airline
D.4.3	(beyond 30days)	7.09	473.28	Airline
D.4.4	**Special Cargo (See Note 6)**			
a)	**Pharma items (up to 4 days)**	4.73	944.52	Airline
	(5 to 30days)	9.45	944.52	Airline
	(beyond 30days)	14.17	944.52	Airline
b)	**Live Animals(up to 4 days)**	4.73	944.52	Airline
	(5 to 30days)	9.45	944.52	Airline
	(beyond 30days)	14.17	944.52	Airline
c)	**Hazardous/ Dangerous Goods(up to 4 days)**	4.73	944.52	Airline
	(5 to 30days)	9.45	944.52	Airline
	(beyond 30days)	14.17	944.52	Airline
d)	**Valuable /Vulnerable Goods(up to 4 days)**	9.45	1889.04	Airline
	(5 to 30days)	17.53	1889.04	Airline
	(beyond 30days)	25.63	1889.04	Airline
e)	**Perishable(up to 4 days)**	4.73	944.52	Airline
	(5 to 30days)	9.45	944.52	Airline

S. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
	(beyond 30days)	14.17	944.52	Airline
f)	**Newspaper and TV reel consignments (up to 4 days)**	4.73	944.52	Airline
	(5 to 30days)	9.45	944.52	Airline
	(beyond 30days)	14.17	944.52	Airline
	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	NIL	NIL	NA
D.5	**Demurrage Charges - International to International & Domestic to International TP (See Note 6)**	**Per Day Per Kg**	**Per Day**	**Levied On**
D.5.1	General	2.03	N.A.	Airline
D.5.2	**Special Cargo**			
a)	Pharma items	3.38	N.A.	Airline
b)	Live Animals	3.38	N.A.	Airline
c)	Hazardous/ Dangerous Goods	3.38	N.A.	Airline
d)	Valuable /Vulnerable Goods	8.1	N.A.	Airline
e)	Perishable	3.38	N.A.	Airline
f)	Newspaper and TV reel consignments	3.38	N.A.	Airline
g)	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	NIL	NIL	NA
D.6	**Transshipment Cargo - Other charges**	**Rate in Rupees per Kilogram/Per ULD**	**Minimum rate Rupees per AWB**	
a)	Sector Charges (Per Kg)	2.03	N.A.	Airline
b)	Carting Charges - Transshipment (Per Kg)	3.04	303.96	Airline
c)	Ramp to Ramp Loose (Incoming Loose & Outgoing Loose) (Per Kg)	3.38	N.A.	Airline
d)	Ramp to Ramp Transfer (Per ULD)	844.56	N.A.	Airline

S. No.	Description	Tariff (w.e.f. 16.01.2023 to 31.03.2025)		
e)	TP – De-stuffing charges (Per Kg)	2.36	235.62	Airline

Notes on International Cargo Handling Services:

1 *Consignment of human remains, coffins including baggage of deceased & Human eyes will be exempted from the preview of TSPcharge.*

2 *TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied.*

3 *Charges will be on the "gross weight" or the "chargeable weight" of 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 "actualgross weight" or the "actual volumetric weight" whichever is higher.*

4 *Special Cargo (Project/ heavy cargo) are such cargo which requires/have special handling /storage instructions. It also includesheavy cargo in which any single individual piece having gross weight or volume weight of 3 ton or above.*

5 *Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveler's cheque, diamonds (includingdiamonds of industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg & above.*

6 ***Demurrage :***

6.1 *For the purpose of calculation of Demurrage charges, free period shall be as per the Govt. of India's Orders issued in this regard,from time to time.*

6.2 *Demurrage charges indicated above are also applicable to Cargo pertaining to approved AFS Cargo.*

6.3 *Free period shall start from the time specified in relevant orders of the Government /Authority in force from time to time.*

6.4 *Demurrage will be calculated for the period beginning from the expiry of free period till the time of issue of Gate Pass. Demurrage will be charged on number of days. For this purpose 24 hours or any part thereof will be counted as one day.*

6.5 *After expiry of free period, demurrage will be applied for the applicable period, on non-cumulative basis for the next two workingdays, provided the Gate Pass is generated within 96 hours from start of the period as specified in point 6.3 above.*

6.6 *If Gate Pass is generated after the expiry of 96 hours from start of the period as specified in point 6.3 above, Demurrage chargesshall be levied on the number of days calculated from the start of the free period (i.e inclusive of free period) till the time of issueof Gate Pass (calculated in the manner specified in the point 6.4 above) on cumulative basis inclusive of holidays.*

7 *All invoice will be rounded off to nearest Rs. 5. As per IATA Tact Rate, book Clause 5.7.2, rounding off procedure, when roundingoff Unit is 5.*

When the results of calculations are between / and	*Rounded off amount will be*
102.5 - 107.4	*105.00*
107.5-112.4	*110.00*

8. *Special cargo consists of perishable and temperature sensitive products, pharma, live animals, hazardous/Dangerous goods, Newspaper & TV Reel Consignments, Human remains and unaccompanied baggage of deceased ,any other valuable, vulnerable and/or any other such cargo which requires/have special handling/storage instructions.*

9. *Penal charges for mis-declaration of weight:*

% variation in weight except valuable cargo	
Up to 2 %	*NIL*
2 - 5 %	*200%*
6 -10 %	*300%*
Above 10%	*500%*

10. *Miscellaneous Charges includes special service requests from the customers other than the services already mentioned in the above tariff chart.*

11. *Demurrage will be applicable to airlines if customs cleared cargo is stored in the warehouse beyond the free period in case of export cargo.*

12. *In case of import cargo, demurrage will be applicable in case the segregation of import cargo is not completed due or airline fault.*

III. OTHER CHARGES

S. No.	Description		Tariff (w.e.f.16.01.2023 to31.03.2025)	Levied on
1. Terminal, Storage and Processing (TSP) charges				
	Export	Special Cargo- Project / HeavyCargo	Rs 5.05 per kg subject to minimum of Rs.5059.20 per AWB	Agent /Shipper
	Import	Special Cargo- Project / HeavyCargo	Rs 18.54 per kg subject to minimumof Rs.18,547.68 per AWB	Agent /Consignee
2. Other Charges (If Chargeable to Shipper) - Services on Demand Only				
2.1	Export	Special Handling (Pharmaceutical, tomaintain product temperature on request)	Rs 3372.12 per Pallet	Agent /Shipper/Airline
		Strapping charges	Rs. 25.50 per package	Agent /Shipper/Airline
		DRY Ice Checklist charges	Rs. 1687.08 per AWB	Agent /Shipper/Airline
		DGR Acceptance fee	Rs. 3372.12 per AWB	Agent /Shipper/Airline
		al export acceptancecharges	Rs. 3372.12 per AWB	Agent /Shipper/Airline
		Export Perishable TemperatureCheck as per CHM	Rs. 252.96 per AWB	Agent /Shipper/Airline

S. No.	Description		Tariff (w.e.f.16.01.2023 to31.03.2025)	Levied on
		Full HAWB data capture charges	Rs. 85.68 per HAWB subject to minimum INR 843.54/-	Agent /Shipper/Airline
		DGR-fee, in case shipment above 20pieces	Rs. 85.68 per additionalunit	Agent /Shipper/ Airline
		Express Services	Rs 2.20/ Kg subjectto minimum of Rs.220.32 per AWB or 25% more than the TSP rate for the category the cargo falls under (whichever is higher)	Agent /Shipper/ Airline
		Back to Town	50 % of applicableTSP charges	Agent /Shipper/Airline
2.2	Import	Delivery order fees	Rs.3372.12 per MAWB	Agent /Consignee/ Airline
		HAWB issuance charge	Rs.2193 per HAWB	Agent /Consignee/ Airline
		Express Services	Rs.11.90 per kg subject to minimum of Rs.843.54 per AWB or 25% more than theTSP rate for the category the cargo falls under (whichever is higher)	Agent /Consignee/ Airline
		Strapping and Repacking charges	Rs 25.50/package subject to minimum charges INR 63.24/- perAWB	Agent /Consignee/ Airline

S. No.	Description		Tariff (w.e.f.16.01.2023 to31.03.2025)	Levied on
2.3	General	Shrink Wrap of ULD	Rs.3372.12 per ULD inclusive of material	Agent /Shipper/ Consignee /Airline
		Shrink Wrap of Euro pallet	Rs.504.90 per Europallet/skid	Agent /Shipper/ Consignee /Airline
		Airside Cool Container	Rs.3372.12 per ULD perone way trip	Agent /Shipper/ Consignee /Airline
		Repacking charges	Minimum charges ofRs 85.68/- per AWB; Packing/Repacking charges will Rs 25.50 per package	Agent /Shipper/ Consignee /Airline
		Pet Assistance	Rs. 1687.08/- per AWB	Agent /Shipper/ Consignee /Airline
		Repacking with wooden skid	Rs.843.54 per woodenskid	Agent /Shipper/Consignee /Airline
		Miscellaneous Charges (None of theabove)	Rs. 4.22 per kg (subject to minimumRs.843.54 per AWB)	Agent /Shipper/Consignee /Airline
2.4	Import General Cargo (forfirst slab of 10 days)	Storage Charge	Rs. 42.16 per kg	Agent /Consignee
2.5	Import General Cargo (beyond first 10 days and forevery slab of 10 days)	Storage Charge	Rs. 47.22 per kg	Agent /Consignee
2.6	Import Perishable Cargo(forfirst slab of 10 days)	Storage Charge	Rs. 87.68 per kg	Agent /Consignee

S. No.	Description		Tariff (w.e.f.16.01.2023 to31.03.2025)	Levied on
2.7	Import Perishable Cargo(beyond first 10 days and for every slab of 10 days)	Storage Charge	Rs. 96.11 per kg	Agent /Consignee
3.1	Miscellaneous Charges (None of the above)	Air Side Charges	Rs. 4.22 per kg (subject to minimum Rs.1687.08 per AWB)	Airline
3.2	Miscellaneous Activity Charges (None of the above)	City Side Charges	Rs 1891.08 per AWB	Agent /Shipper/Consignee
3.3	Miscellaneous Packing Charges (None of the above)	City Side Charges	Rs. 188.70 per packet	Agent /Shipper/Consignee
4	Dry Ice Checklist (per AWB)	Air Side Charges	Rs 1687.08 per Checklist	Airline
5	DGR Acceptance fee (per AWB)	Air Side Charges	Rs 3372.12 per Checklist	Airline
6	Live Animal AcceptanceCheck and delivery (per AWB)	Air Side Charges	Rs 3372.12 per Checklist	Airline
7	Export Perishable Temperature check (per AWB)	Air Side Charges	Rs 252.96 per AWB	Airline
8	Valuable escort services to &from to the aircraft (per AWB)	Air Side Charges	Rs 1854.36 per AWB	Airline
9	Empty Pallet Stack making charges	Air Side Charges	Rs. 1260.72 per stack	Airline
10	Withdraw Shipment (X-Ray)	City Side Charges	Rs.2.08 per kg subject to minimum Rs. 208 per AWB	Agent /Shipper
11	Withdraw Shipment (Demurrage)	City Side Charges	Rs.2.38 per kg per day subject to minimum Rs. 238 per AWB	Agent /Shipper

S. No.	Description		Tariff (w.e.f.16.01.2023 to31.03.2025)	Levied on
12	ULD cleaning charges perunit	Air Side Charges	Rs 8432.34 per unit	Airline
13	DGR fee- in case shipment above 20 pieces per unit	Air Side Charges	Rs 85.68 per additionalunit	Airline
14	Special Handling (Pharmaceutical, temperature) per unit	Air Side Charges	Rs 3372.12 per unit	Airline
15	Charges collect fees (per AWB)	Air Side Charges	10% of collectable amount (subject to minimum of Rs 843.54)	Airline
16	Delivery Order Charges (per MAWB)	Air Side Charges	Rs 3372.12 per MAWB	Airline
17	Air Cargo Freight Consolidation Fees(ACFC)	City Side Charges	Rs. 2.52 per kg (Minimum Rs. 252 per MAWB)	Agent /Shipper
18	Bag Handling charges	Air Side Charges	Rs. 2.65 per kg (Minimum Rs. 265)	Airline
19	Segregation Charges (allAmendment / HAWB Feeding / Re-weight of Import Consignment)	City Side Charges	Rs. 1148.52 per HAWB	Agent /Consignee
20	Electricity Charges for RKN Container	Air Side Charges	Rs. 2453.10 per container per day	Airline
21	Cool Dolly Charges	Air side / City Side Charges	Rs. 3185.46 per dollyone way trip	Agent /Shipper/Consignee /Airline