

[F. No. AERA/20010/MYTP/EICI/C/Mumbai/2014-15]

Airports Economic Regulatory Authority of India

Order No. 41/2015-16

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

Date of Order: 3rd November, 2015

Date of Issue: 9th November, 2015

Service: Courier Cargo Service
Service provider: M/s Express Industry Council of India (EICI)
Airport: CSI Airport, Mumbai

Revision of tariff for the fifth (2015-16) tariff year of the first control period.

This Authority, vide Direction No. 04/2010-11 dated 10.01.2011, had issued the Guidelines [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] prescribing procedures, terms and conditions for determination of tariff for the above mentioned regulated services being provided by Independent Service Provider(s). As per the Guidelines, the service providers are required to submit Multi Year Tariff Proposal (MYTP) for the five year control period and Annual Tariff Proposal (ATP) for individual tariff years of the Control Period. In case a new Service Provider is granted permission for providing regulated service(s) at a major airport, the service provider shall, within two months of the date of grant of such permission, submit to the Authority for its consideration, a Multi Year Tariff Proposal (MYTP) in accordance with these Guidelines.

2. Accordingly, the Authority had considered the Multi Year Tariff Proposal (MYTP) submitted by Express Industry Council of India (EICI) for the first control period commencing 01.04.2011 in respect of Cargo Handling Services (Express Courier Handling) at CSI Airport, Mumbai. After due stakeholder consultation, the Authority issued Multi Year Tariff Order (MYTO) No 26/2013-14 dated 16.07.2013 vide which the Authority ordered that service provided for courier cargo handling is "material but competitive" and hence tariff shall be determined under "Light Touch Approach" for the first control period. Along with the MYTO, the Authority had also determined the tariff for the first, second and third tariff years. Thereafter, EICI vide letter dated 28.02.2014 had submitted its Annual Tariff Proposal (ATP) for FY 2014-15, FY 2015-16 and FY 2016-17 for its express cargo handling services at Express Cargo Terminal at CSI Airport, Mumbai which was revised/amended as per Guidelines and resubmitted vide letter dated 10.07.2014 for 4th and 5th tariff year for its express cargo handling services at CSI Airport, Mumbai. Subsequently, the Authority determined the tariffs of the fourth (2014-15) and fifth (2015-16) tariff year vide Order No. 19/2015-16 dated 30.06.2015.



3.1 EICI, vide their letter dated 22.07.2015 and subsequent submissions dated 19.08.2015, 25.09.2015, 08.10.2015 and 28.10.2015 have requested for revision of the tariff for the fifth year (FY. 2015-16) for the residuary period of the first control period w.e.f 01.09.2015 to 31.03.2016 for the courier cargo handling services being provided by EICI at Mumbai Express/Courier Terminal at Chhatrapati Shivaji International Airport, Mumbai.

3.2 EICI has submitted that they handle express/courier cargo shipments at CSI Airport, Mumbai which are part of the cargo handling operations. EICI had informed that EICI is a non-profit Section 25 company which aggregates services provided by other Airport Services Providers. The users of services, in a co-operative effort, setup EICI so that all express/courier companies could avail of the services provided by EICI. While EICI is unique as it provides services for express or courier shipments similar but not the same services as are provided by Cargo Services Providers such as Mumbai International Airport (P) Limited (MIAL), and Cargo Service Centre (P) Limited (CSC)."

3.3 EICI made the following submissions before the Authority justifying the proposed revision of tariff for the 5th tariff year:

- i. Authority continued the tariff of the 3rd tariff year to be levied by EICI for the fourth and fifth tariff year in its order dated 30.06.2015.
- ii. EICI had explained to the Authority that the express/courier business in India is not always consistent in terms of the volumes as various external factors beyond their control can impact the volumes processed at Mumbai Courier/Express Terminal leading to sudden increase or sudden decline in volumes resulting in fall of income. It was for this reason that EICI had requested a higher cap in the tariff so that EICI has the flexibility to vary the charges based on the volume as and when required.
- iii. EICI had also explained that EICI being a cooperative of users, the users themselves decide the rate to ensure that services can be provided without unduly raising charges beyond what is necessary. In spite of above explanations the Authority did not approve the ATP proposal for the 4th and 5th tariff year and instead charges applicable in the year 2013-14 were made applicable for the current tariff year on the understanding that AERA shall expeditiously approve the tariff in case the need arises.
- iv. As on date the overall volumes of courier cargo have dropped by more than 50% compared to the volumes of courier cargo handled in April-May, 2015 and there is also a steep decline in import volumes which have fallen to almost 1/5th of the volumes of cargo handled in May-June, 2015. The reason for the downfall in volumes is due to unforeseen circumstances as brought out below:
 - a. Cancellation of Courier Licenses of five major courier companies by the Commissioner of Customs at Mumbai resulting in sudden and drastic fall in courier cargo volumes.



- b. Effective from 16th June, 2016, Mumbai Customs have clamped down on gift shipments which are now subject to 100% examination under Form-4 which constitutes the major volume component at Mumbai.
- c. Due to strict monitoring and slow clearing of shipments by customs, huge backlog of shipments is spilling over the apron. As a result of strict customs requirements some of the courier companies have reduced the volumes that they process which is leading to fall in volumes.
- d. The airport operator-MIAL vide letter dated 21.05.2015 had issued an embargo stopping gift/ baggage shipments from gulf sector being brought into Express Courier Terminal due to current backlog at courier terminal which is blocking the active cargo apron.

3.4 EICI vide letter no. Nil dated 19.08.2015 has submitted the relevant forms and financial details in the notified formats for the FY.2014-15 and FY.2015-16. EICI has reiterated that their operations are unique and as per form F1(b) regarding competition assessment, they have further clarified that their services are "similar but not the same" as are provided by Cargo Service Providers such as MIAL and Cargo Service Centre.

3.5 EICI has proposed an increase of 183% in *facilitation fees* for international imports and 73% increase in *facilitation fees* for international exports besides increase in custom cost recovery charges etc. It is also observed that changes have been made in the approved format like period of detention of cargo for levy of detention fees has been changed and new tariff line item of "un-recouped customs cost recovery charges" has been added. Further, the current revision in rates sought by EICI is much higher than the rates proposed at the time of submission of ATP for the 4th and 5th tariff year, which was also put for stakeholder consultation vide CP No. 11/2014.

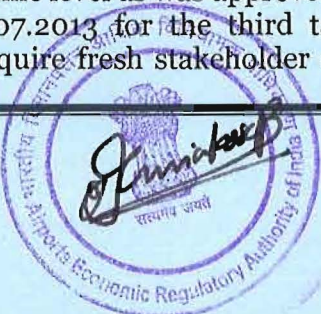
3.6 The Authority sought clarification from EICI regarding manpower deployment by customs at EICI terminal & the methodology for arriving at the proposed increase in tariffs and reply to the same was furnished by EICI vide their letter dated 25.09.2015. Further, EICI has also informed that in case the revised ATP for Mumbai is not approved expeditiously then the closure of the courier terminal at Mumbai is imminent as they will not be able to pay the Customs cost recovery charges to the Government nor will be able to pay the salaries to the employees and various charges to the services providers.

3.7 The Statement showing the tariff sub-heads in which the Service Provider has sought an increase is placed at **Annexure – I**.

ORDER

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

- (i) Express Industry Council of India to continue levy of tariffs in respect of courier operation at CSI Airport for the remaining period of the current control period at the same level as was approved vide Authority's Order No. 26/2013-14 dated 16.07.2013 for the third tariff year since changes in facilitation fees will require fresh stakeholder consultation. However, the



drop in volumes justify a change in customs recovery charges. Therefore the charges on account of customs cost recovery shall stand revised from the date of Order. The revised tariff order is placed at **Annexure-II**.

- (ii) It has been observed that the recovery of arrears of Custom Cost might continue for a longer period. Hence, the Authority will review the same at the time of determination of tariff for the second control period.
- (iii) EICI shall maintain a separate account for the recovery of Customs cost/ arrears of customs cost on account of the salary revision, and also submit to Authority, details of customs cost recovery charges duly certified by Chartered Accountant and reconciled with Audited financial account along with every MYTP/ ATP.
- (iv) EICI may submit the MYTP and ATP for the 2nd Control Period well in time as per the Guidelines by incorporating the actual financials of 2014-2015 along with the aggregate revenue requirements for the 2nd control period.
- (v) Express Industry Council of India (EICI) shall continue to indicate the custom cost recovery as separate line item in its tariff card while submitting its proposal for the second Control Period.

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



**(Joy Kuriakose)
Deputy Chief**

To,

**Express Industry Council of India,
501, Crystal Centre, Raheja Vihar,
Off. Chandivali Farm Road, Powai,
Mumbai – 400 072
(Through Shri Vijay Kumar, Chief Operating Officer)**



ANNEXURE - I

Express Industry Council of India, CSI Airport, Mumbai				
Tariff Sub-Heads Indicating existing vis-à-vis increase sought by the service provider				
Sr. No.	Charges	Revised Rate Rs. (Per KG)	Existing Rate Rs. (Per KG)	Difference (In Rs.)
International Imports				
	Customs Cost Recovery Charges	5.75	1.50	4.25
	Un-recouped Customs Cost Recovery Charges	1.00	0.40	0.60
International Exports				
	Customs Cost Recovery Charges	1.50	0.60	0.90
	Un-recouped Customs Cost Recovery Charges	1.00	0.40	0.60

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Express Industry Council of India			
Form 14(b)			
Tariff for Mumbai Terminal: Facilitation Fees, Storage & Processing Charges at EICI Express Terminal Bullt, Managed and Operated by Express Industry Council of India at Mumbai Airport			
Sr. No.	Charges	Rate Per KG(In Rs.)	Remarks
1	International Imports		
	Facilitation Fees	6.00	
	Customs Cost	5.75	
	Recovery Charges		
	Un-recouped Customs Cost Recovery	1.00	
2	Detention Fees		
	0-3 Days	Free	
	From 04-10 Days	Rs. 2/- Per Kg, Per Day or part thereof or Rs. 30/- whichever is higher	
	From 11-20 days	Rs. 3/- Per Kg, Per Day or part thereof or Rs. 30/- whichever is higher	
	From 21-30 days	4.50	
	From 31st day	6.00	
	Demurrage Charges	5.00	Demurrage free period shall be as per Govt. Orders issued from time to time
The above tariffs are all inclusive charges charged for facilitation Import and Export Shipments			
3	International Exports		
	Facilitation Fees	5.50	
	Customs Cost	1.50	
	Recovery Charges		
	Un-recouped Customs Cost Recovery	1.00	
4	X- Ray Charges - If screening done by Airlines (minimum charges applicable per AWB)	1.38* (Minimum charges Rs.167/- per AWB/CTM/IGM/FLIGHT)	- As per Ministry of Civil Aviation letter No. AV-24032/13/2010-AD dated 17.06.2013 the x-ray screening charges should be the same both for General Cargo & Courier Cargo
	X- Ray Charges - If screening not done by Airlines (minimum charges applicable per AWB)	1.70* (Minimum charges Rs.225/- per AWB/CTM/IGM/FLIGHT)	
	EDI Clearance Charges	-	As per MOU signed with customs there would be a certain levy on the shipments cleared through EDI. The CAPEX for these charges are not included in the MYTP Proposal. These charges would be levied once it is approved by Customs.
- The charges are on per kg basis. For a 1kg shipment the per kg rate is applicable.			
* As per Order No. 32/2012-13 dated 15.01.2013 issued in the matter of determination of aeronautical charges in respect of CSI Airport, Mumbai, rates for x-ray charges are effective from 1st April, 2009.			

