

[F.No. AERA/20010/MYTP-GSEC/C/AHD/2011-12]
Airports Economic Regulatory Authority of India
Order No. 20/2014-15

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003

Date of Order: 17.11.2014
Date of Issue: 04.03.2015

In the matter of Annual Tariff Proposal for the fourth & fifth tariff year Submitted by GSEC Limited for the services of Cargo Facility provided at Sardar Vallabhbhai Patel International Airport, Ahmedabad, pursuant to stakeholder consultation.

The Authority had issued a Multi-Year Tariff Order (MYTO) No. 09/2011-12 dated 14.09.2011 in respect of Gujarat State Export Corporation (GSEC) Ltd. for providing Cargo Facility at Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad wherein the Authority had ordered that GSEC Ltd be regulated under "light touch approach" during the first control period of 5 years commencing 01.04.2011 and that GSEC Ltd may submit its Annual Tariff Proposal for consideration of the Authority within a specified period in accordance with the Guidelines.

2 The Authority considered the proposal submitted by GSEC Ltd. and issued Consultation Paper No. 27/2012-13 on 22.11.2012 and after stakeholder consultation issued an Order No 42/2012-13 dated 15.02.2013 determining tariff(s) for Cargo Facility services at SVPIA, Ahmedabad for the first control period (01.04.2011 to 31.03.2016) at the same rates as were prevailing as on 31.03.2011. Thereafter, GSEC Ltd submitted proposal for revision of tariff in the fourth tariff year (FY 2014-15) on the plea that the existing tariff(s), was last revised in 2008 and no revision in tariff(s) thereafter. Further, there had been steep increase in inputs like wages, electricity, rent and diesel etc.

3. With a view to amend the tariff as per Section 13(2) of the AERA Act, 2008, the Authority issued the Consultation Paper No. 2/2014-15 on 28.05.2014 for stakeholder consultation on the proposed new tariffs.

4. Comments on the subject consultation paper was received from Federation of Indian Export Organisation (FIEO), suggesting that *"annual tariffs may be reduced by 10% [or a status quo be maintained given the slackening demand in global markets] and Gujarat State Export Corporation Ltd for Cargo services focus on marketing and achieving higher business volumes to achieve higher levels of profitability"*.

5. The Authority noted that in response to the comments of FIEO, GSEC Ltd. submitted their views stating that *"We have been operating with the existing tariff since 2008 without any substantial change. During the period, the electricity and fuel expenses are higher by over 50% and salaries and wages have doubled."* The Authority further noted that GSEC, vide email dated 31.05.2014 requested for implementation of revision of tariff with effect from 15.06.2014 with the submission that they had consultation with both Air Cargo Agents Association and Customs House Agents Association. Initial submission of GSEC Ltd. was to effect the tariff revision from 01.05.2014, as was mentioned in the consultation paper.



6. The Authority noted that AAI submitted their comments in respect of above said Consultation Paper as below;

"GSEC Ltd. provide cargo handling facility at Ahmedabad Airport, M/s GSEC Ltd. is a Licensee appointed by AAI through a tendering process for management and operation of handling of general cargo at Ahmedabad airport."

7. The Authority noted the comments of FIEO and AAI with reference to the new tariff proposal of GSEC Ltd. The Authority noted that FIEO has suggested reduction of tariff rate by 10% or a status quo to be maintained, given the slackening demand in global markets.

8. GSEC Ltd. was requested for a presentation before the Authority on their tariff proposal keeping in view the comments of FIEO vis-a-vis the justification for increase in tariff. From the presentation made by GSEC Ltd. and subsequent submission of annual accounts and statements, the Authority is of the opinion that GSEC would continue to be generating reasonable profits in the next two years of the current control period based on the projected volume of traffic, even without any increase in tariffs.

ORDER:

9. 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) *The tariff(s) for Cargo Facility services provided by GSEC Ltd for the fourth tariff year (01.04.2014 to 31.03.2015) and Fifth tariff year (01.04.2015 to 31.03.2016) at Sardar Vallabhbhai Patel International Airport, Ahmedabad for the first control period are determined to be the same as those tariff(s) as determined vide Order No 42/2012-13 dated 15.02.2013.*

By the Order of and in the
Name of the Authority

Alok Shekhar
(Alok Shekhar)
Secretary

To,

GSEC Limited,
2nd Floor, Gujarat Chamber's Building,
Ashram Road, Ahmedabad-380009,
Gujarat.
(Through Shri Samir Mankad, Executive Director)

