

Order No. 47/2018-19

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

Date of Issue: 25.03.2019

Service : Cargo Handling Services (International)
Service provider: M/s GSEC Limited
Airport : Visakhapatnam International Airport, Visakhapatnam.

In the matter of Multi Year Tariff Proposal and Annual Tariff Proposals for first, second and third tariff year (FY 2018-19 to FY 2020-21) of the first control period M/s GSEC Limited for providing international cargo handling services at Visakhapatnam Airport, Visakhapatnam.

- 1.1 Airports Authority of India (AAI) has given a license to operate international Cargo Terminal at Visakhapatnam International Airport to M/s Andhra Pradesh Trade Promotion Corporation Limited (APTPC), a Government of Andhra Pradesh Undertaking, in July-2017. M/s APTPC further, has entered into an Operation & Management Contract with M/s GSEC to manage International Cargo Terminal on 27th July, 2017 and GSEC commenced operations at Air Cargo Complex in November, 2017. M/s GSEC is the new entrant for cargo handling services after declaration of Visakhapatnam Airport as major airport in June, 2016.
- 1.2 The Authority vide Order No. 21/2018-19 dated 28.09.2018 has allowed M/s GSEC to continue levy of tariff existing as on 30.09.2018 upto 31.3.2019 as an interim arrangement to avoid any regulatory vacuum.
- 2.1 The Authority in respect of the Visakhapatnam International Airport has decided the First Control Period of five years w.e.f. 01.04.2018 to 31.03.2023 for determination of tariff. Accordingly it is decided to maintain the same control period for the ISPs operating at Visakhapatnam Airport. Accordingly the first control period for M/s GSEC will commence from 01.04.2018 to 31.03.2023.



- 2.2 M/s GSEC Ltd. vide letter dated 06.09.2018, has submitted its Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal (ATP) for FY 2017-18 to FY 2020-21 for determination of tariff for international cargo handling service at Visakhapatnam International Airport, Visakhapatnam. ATPs submitted by GSEC are considered according to first control period as decided above i.e. from 01.04.2018 onward. Further, GSEC vide letter dated 24.12.2018 has submitted additional information/clarifications on the various queries raised by the Authority. GSEC has sought the same tariff for FY 2018-19 as of previous year and an increase of 15% in FY 2019-20 and same rates as of FY 2019-20 to continue in FY 2020-21 also.
- 3.1 In respect of the regulated service(s) provided for cargo facility at the major airports, the Authority considers that materiality of the service is linked to the cargo volume at the major airport. The materiality shall be assessed based on cargo volume in Metric Tonnes (MT) at the major airport as a percentage of cargo volume in MT at all major airports, in terms of Clause 4.3 of 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 Aircraft) Guidelines, 2011]. The percentage share of cargo volume for Visakhapatnam Airport (as per the AAI cargo statistics for FY 2017-18) is 0.15% which is lesser than 2.5% Materiality Index threshold limit fixed for the subject service. Hence the service is deemed **'Not Material'**.
- 3.2 As per the information furnished by GSEC, in Form F1 (b) on the Competition Assessment, there is no other competitor for international cargo handling services.
- 3.3 The Guidelines provide that where a regulated service is being rendered at a major airport by two or more service providers(s), it shall be deemed 'competitive' at that airport. In the instant case there is no other competitor hence the service is deemed as **'Not-Competitive'**.
- 3.4 As per Clause 3.2 of the Guidelines, based on the assessment of materiality and competition, when such regulated service is deemed 'Not-Material', the Authority shall determine tariff(s) for the service provider(s) based on a 'Light Touch Approach' for the duration of the Control Period. Hence the regulated service being provided by GSEC at Visakhapatnam Airport is **'Not-Material'** and shall come under the **'Light Touch Approach'** for tariff determination for the first control period (01.04.2018 to 31.03.2023).
- 4 M/s GSEC has furnished the justifications for proposed increase in tariff for FY 2019-20. Further, GSEC has also submitted copies of License agreements entered into with APTPC for operation and management of cargo facility at Visakhapatnam Airport.



- 5 As per Clause 11.2 of the Guidelines, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I to the Guidelines and should be supported by the following documents:
- 5.1 Form B –Submission of ATP
 - 5.2 Form 14(b)-Proposed Tariff Card
 - 5.3 Details of consultation with stakeholders
 - 5.4 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.
6. M/s GSEC has submitted Form B, Form 14(b) and copy of one user agreements with their Annual Tariff Proposal for the 1st, 2nd and 3rd tariff year (FY 2018-19 to 2020-21) of the first control period. However GSEC has not submitted any evidence of conducting user consultation.
7. The Authority considered the submissions made by GSEC and issued the Consultation Paper No. 29/2018-19 dated 29.01.2019 proposing the following for stakeholder consultation:
- 7.1 The service for international cargo handling being rendered by M/s GSEC Limited on assessment is observed as **“Not Material”**. The Authority, considering the service as not material, proposes to adopt **‘Light Touch Approach’** for determination of tariffs for the first control period (FY-2018-19 to FY- 2022-23).
 - 7.2 It is proposed to allow M/s GSEC to continue levy of the existing tariff as on 30.09.2018 for FY 2018-19. The Authority proposes 15% increase in the tariff in FY 2019-20 over previous year and the tariff fixed for 2019-20 shall continue during FY 2020-21 also, in line with submissions made by M/s GSEC Limited.
8. In response to the aforesaid Consultation Paper, no comments have been received from any stakeholder.
9. The Authority noted that M/s GSEC has commenced its cargo operations at Visakhapatnam airport in November, 2017 only. Cargo volumes being handled there are quite low and so is the revenue. There is loss in FY 2017-18. The Authority decides that the existing tariff as on 30.09.2018 may be continued for FY 2018-19. Further, 15% increase in tariff over previous year may be allowed in second tariff year (FY 2019-20) and tariff so fixed in second tariff year will continue in third tariff year (FY 2020-21) also. GSEC will submit its ATPs for fourth and fifth tariff years well in advance as per Guidelines alongwith all financials and Annual Compliance Reports.




10. ORDER

Upon careful consideration of material available on record, as well as submissions made by the M/s GSEC, the Authority, in exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 hereby orders that:

- (i) The service of international cargo handling provided by M/s GSEC Limited at Visakhapatnam Airport is "**Not-Material**". Hence the Authority will adopt a "**Light Touch Approach**" for determination of tariff for the first control period w.e.f 01.04.2018 to 31.03.2023.
- (ii) M/s GSEC is allowed to continue levy of the existing tariff as on 30.09.2018 for first tariff year (FY 2018-19). 15% increase in tariff year is allowed for second tariff year (FY 2019-20) over previous year and tariff fixed for second tariff year shall be continued for third tariff year also (FY 2020-21) during the first control period as per tariff card enclosed at **Annexure-I**.
- (iii) M/s GSEC should file Annual Tariff Proposals for fourth and fifth tariff well in advance as per CGF Guidelines alongwith all financials and Annual Compliance Statements of the preceding years.
- (iv) Tariff(s) determined as above will be maximum and demurrage free period shall be applicable as per Government Orders issued from time to time.

By the Order of and in the
Name of the Authority

भा.वि.आ.वि.प्रा.


(Geetha Sahu)
AGM (Finance)

AERA

To

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

Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport New Delhi-110003.



M/s GSEC Limited ,Visakhapatnam Airport - Cargo (International) Handling Services					Annexure - I		
Form14 (b) Annual Tariff proposal for Tariff Year 1 (FY 2018-19) Tariff Year 2 (FY 2019-20) & Tariff Year3 (2020-21)							
MAXIMUM RATES TO BE PAID BY FREIGHT FORWARDER FOR INTERNATIONAL CARGO							
Sr.No.	LIST OF CHARGES	F.Y. 2018-19			F.Y. 2019-20 & F.Y. 2020-21		
		Rate per kg. (Rs)	Min. Rate (INR)	Unit	Rate per kg. (Rs)	Min. Rate (INR)	Unit
	INTERNATIONAL EXPORT CARGO						
	TERMINAL, STORAGE AND PROCESSING CHARGE (TSP) PER SHIPPING BILL						
a)	General Cargo	1.00	120.00	SB	1.15	130.00	SB
b)	Special Cargo (AVI)	2.00	250.00	SB	2.30	285.00	SB
c)	PER/DGR/VAL Cargo	1.75	200.00	SB	2.00	230.00	SB
d)	Fruits & vegetables (No cold)	2.00	250.00	SB	2.30	285.00	SB
e)	Diamonds	0.05% on Fob on processing 0.035% on sorting			0.05% on Fob on processing. 0.035%on sorting		
			1000.00	SB		1000.00	SB
2	DEMURRAGE/STORAGE CHARGE (Rate per kg. per day.)						
a)	General Cargo	1.00	120.00	SB	1.15	130.00	SB
b)	Special Cargo (AVI)	1.75	200.00	SB	2.00	230.00	SB
C)	PER/DGR/VAL Cargo	2.00	250.00	SB	2.30	285.00	SB
3	COURIER HANDLING CHARGE	-----	-----	-----	-----	-----	-----
4	PACKING/REPACKING/STRAPPING CHARGE	-----	-----	-----	-----	-----	-----
5	RETURN CARGO CHARGE	-----	-----	-----	-----	-----	-----
6	WEIGHT/VOLUME MIS-DECLARATION CHARGE						
a)	2-5% variation	120.00	2 times of differential weight	AWB	120.00	2 times of differential weight	AWB
b)	More than 5% variation	120.00	5 times of differential weight	AWB	120.00	5 times of differential weight	AWB
7	Bonded trucking (Loading charges)	1.00	120.00	SB	1.00	140.00	SB
	INTERNATINAL -IMPORT CARGO						
	TERMINAL, STOERAGE AND PROCESSING CHARGE (TSP) PER BILL OF ENTRY						
a)	General Cargo/Unaccompanied Baggage	4.75	150.00	BOE	5.50	170.00	BOE
b)	Special Cargo (AVI)	8.00	250.00	BOE	9.20	285.00	BOE
C)	PER/DGR/VAL Cargo	8.00	250.00	BOE	9.20	285.00	BOE
	Diamonds		600.00			700.00	



2	DEMMURAGE/STORAGE CHARGE (Rate per kg. per 24 hrs.)	Overall Min. 225/BoE			Overall Min. 225/BoE		
a)	General Cargo/Unaccompanied Baggage						
i)	From actual time of arrival of flight (ATA) upto 72 hours	No charges (upto 48 hours)			No charges (upto 48 hours)		
ii)	Cargo cleared between 72 hours and 120 hours	1.30	225.00	BOE	1.50	258.00	BOE
iii)	Cargo cleared between 120 hours and 720 hours	2.60	225.00	BOE	3.00	258.00	BOE
iv)	Cargo cleared after 720 hours	3.90	225.00	BOE	4.50	258.00	BOE
b)	Special Cargo (AVI)						
i)	From actual time of arrival of flight (ATA) upto 72 hours	No charges (upto 48 hours)			No charges (upto 48 hours)		
ii)	Cargo cleared between 72 hours and 120 hours	3.25	350.00	BOE	3.70	400.00	BOE
iii)	Cargo cleared between 120 hours and 720 hours	4.50	350.00	BOE	5.00	400.00	BOE
iv)	cargo cleared after 720 hours	6.25	350.00	BOE	7.10	400.00	BOE
c)	PER/DGR/VAL Cargo						
i)	From actual time of arrival of flight (ATA) upto 72 hours	No charges (upto 48 hours)			No charges (upto 48 hours)		
ii)	Cargo cleared between 72 hours and 120 hours	4.50	500.00	BOE	5.00	575.00	BOE
iii)	Cargo cleared between 120 hours and 720 hours	8.50	500.00	BOE	9.70	575.00	BOE
IV)	cargo cleared after 720 hours	12.00	500.00	BOE	13.50	575.00	BOE
3	COURIER HANDLING CHARGE	----	----	----	----	----	----
4	AIRWAY BILL AMENDMENT CHARGE	----	----	----	----	----	----
5	TRANSHIPMENT CHARGE-INTERNATIONAL TO DOMESTIC	----	----	----	----	----	----
a)	General Cargo	----	----	----	----	----	----
b)	PER/DGR/VAL Cargo	----	----	----	----	----	----
6	DOCUMENTATION CHARGES	----	----	----	----	----	----
	MERCHANT OVERTIME CHARGE (BEYOND CUSTOMS WORKING HOURS)*	----	----	----	----	----	----
a)	General Cargo	----	----	----	----	----	----
b)	VAL Cargo	----	----	----	----	----	----
8	BONDED TRUCK (BREAK DOWN/UNLOADING)	----	----	----	----	----	----
9	PACKING/REPACKING/STRAPPING CHARGE	----	----	----	----	----	----
MAXIMUM RATES TO BE PAID BY AIRLINES FOR INTERNATIONAL CRAGO							
	International -Export Cargo	1.25	300.00	PER FLIGHT	1.45	340.00	PER FLIGHT
1	Utilization /buildup/Palletisation	1.25	300.00	PER FLIGHT	1.45	345.00	PER FLIGHT
2	Courier/Mail Charges	----	----	----	----	----	----
	DEMURRAGE/STORAGE CHARGE(Rate per kg. per day beyond 48 hours)						
a)	General Export Cargo	1.00	120.00	AWB	1.15	140.00	AWB
b)	Valuable/ Perishable	2.00	250.00	AWB	2.30	285.00	AWB
4	x-Ray Screening Charge	2.00	117.00	AWB	2.30	135.00	AWB
	International -Import Cargo						
1	De-unitisation/Breakdown	1.25	300.00	PER FLIGHT	1.45	345.00	PER FLIGHT



2	DEMURRAAGE/ STORAGE CHARGE (Rate per kg. per day)						
a)	General Export Cargo	-----	-----	-----	-----	-----	-----
b)	Valuable/Perishable/ Hazardous Cargo/Live Animals etc	-----	-----	-----	-----	-----	-----
3	Transhipment Charge-International to International	-----	-----	-----	-----	-----	-----
a)	General Cargo	-----	-----	-----	-----	-----	-----
4	Transhipment Charge-International to Domestic	1.25	300.00	PER FLIGHT	1.45	345.00	PER FLIGHT

EXPORT CARGO

1. The stipulated free period for Export General Cargo shall be 12 hrs. for exporters for examination/processing.
2. Demurrage charges for the General cargo as handling per day after free period of 12 hours.
3. demurrage charges for the Diamond cargo Rs. 1000/- per day per consignment after 24 hours free period.
4. Valuable cargo means cargo, which has average value of rs. 70,000 or more per kg. other than Gold, Currency notes Diamonds. etc.
5. Charges will be levied on the 'gross' weight' or the chargeable weight' of the consignment whichever is higher. Wherever the 'gross weight' and/or' volume weight' is wrongly indicated on the airway bill and is actually found more, charges will be levied on the 'actual gross weight' or' actual volumetric weight ' whichever is higher.
6. All invoices will be rounded off to nearest of Rs 5% as per IATA TACT rule book vide clauue no 5.7.2, rounding off procedure, when rounding off unit is 5.

IMPORT CARGO

1. The free Period for General Cargo would be 48 hours (i.e. 2 working days).
 2. Calculation of free period would start from Actual Time of Arrival (ATA) of the cargo at International Cargo Terminal.
 3. Number of hours applicable for demurrage will be calculated as time between Actual Time of Arrival of cargo at International Cargo Terminal. Each 24 hrs cycle will be 01 day and any part thereof will be counted as full day other than diamond.
 4. Demurrage charges for the Diamond cargo Rs. 600/-per day per consignment after 24 hours free period.
 5. After expiry of the stipulated free period, next 48 hrs will be charged on per kg per day non cumulative basis, inclusive of holidays, provided the consignment is cleared within 48 hours from ATA.
- 6.All invoices will be rounded off to nearest of rs 5/- as per IATA TACT rule book vide clauue no 5.7.2, rounding off procedure, when rounding off unit is 5.

