

सत्यमेव जयते

## **Airports Economic Regulatory Authority of India**

**In the matter of Determination of tariffs for Express Cargo  
Operations of Express Industry Council of India in respect of  
Chhatrapati Shivaji International Airport, Mumbai, for the Second  
Control Period (01.04.2016 to 31.03.2021)**

**Date of Issue of Order: 13<sup>th</sup> Nov, 2019.**

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



## 1. About EICI and Tariff Determination Process

### Background

- 1.1.1. Express Industry Council of India (EICI) is engaged in providing Express Cargo / courier processing services in various Indian Airports viz Mumbai, Delhi, Bangalore and Chennai (Chennai operations were stopped in FY2016-17).
- 1.1.2. As per information furnished by EICI, "EICI is a non-profit Section 25 company without any Share Capital". The company is formed with membership from 25 entities providing Express Cargo/Courier Services.

### Agreement with Mumbai International Airport Limited (MIAL)

- 1.1.3. The Authority in the Consultation Paper No. 10/2017-18 dated 20<sup>th</sup> June, 2017 mentioned that the validity period of the Agreement, EICI had entered into with MIAL has expired and EICI has informed that the discussions with MIAL are underway for renewal of the Agreement.
- 1.1.4. EICI vide their E-mail dated 09.07.2019 submitted the letter received from MIAL for extension of Concession Term for a period of Two years from 1<sup>st</sup> March 2018 to 29<sup>th</sup> February 2020.

### Tariff determination of EICI for first control period

- 1.1.5. The Authority had evaluated submissions made by EICI in the first control period and issued Orders relating to activities carried out in Chhatrapati Sivaji International (CSI) Airport, Mumbai as given below:

### Details of Orders issued by the Authority for EICI-Mumbai

Order	Decision summary
26/2013-14 dated 4th April, 2013	ATP for 2011-12, 2012-13, 2013-14.
19/2015-16 dated 24th June, 2015	Continuation of ATP of 2013-14 for the remaining years.
14/2015-16 dated 3rd November, 2015	Revision in rates for Customs Charges and un-recouped Customs Charges
11/2017-18 dated 14 <sup>th</sup> August, 2017.	Determination of tariff for Second Control Period.
26/2017-18 dated 30 <sup>th</sup> November, 2017	Ad-hoc tariff approved for a period of one (1) year effective from 1 <sup>st</sup> Dec, 2017(Superseding Order No. 11/2017-18).
32/2018-19 dated 22 <sup>nd</sup> November, 2018	Continuation of tariff on ad-hoc for the period upto 31.03.2019 or till the determination of tariffs for Second Control Period.

**MYTP Submission by EICI for Second control period and Consultation Paper No. 04/2019-20 issued.**

- 1.1.6. EICI had submitted the MYTP for the second control period in 2015 and had subsequently provided additional information and clarifications sought by the Authority on various issues.



1.1.7. The Authority having analyzed the submissions made by EICI issued Consultation Paper No. 10/2017-18 dated 20<sup>th</sup> June 2017 detailing EICI's submissions, Authority's analysis and tentative proposals. The Authority after due deliberations issued Order No. 11/2017-18 dated 14<sup>th</sup> Aug, 2017. After the issue of Order No. 11, Courier Association Of India ("CAI") submitted certain facts and figures, seeking reversal of Order issued by the Authority. The Authority conducted the Stakeholder Consultation in AERA on 21<sup>st</sup> Sep, 2017 to seek comments on the issues raised by CAI. After quantifying the comments received, the Authority issued Order No. 26/2017-18 dated 30<sup>th</sup> Nov, 2017 and the major decisions taken were as under:

- To notify that the tariff determined is "Ad-hoc" tariff applicable for a period of 1 year.
- To carry out independent study on the Capital Expenditure (CAPEX) and Operating Expenditure incurred by EICI-Mumbai.
- To urge EICI to carry out a review of all costs, re-negotiate costs imposed by certain entities and evaluate possibilities of reduction/rationalization of costs.
- To not to consider "Customs Cost" and related "Customs Cost Recovery" and "Customs Cost Re-Coup" charges for the purpose of computing Aggregate Revenue Requirement (ARR).

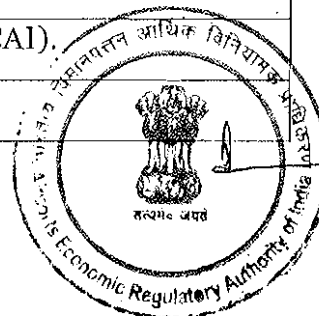
1.1.8. M/s EICI has requested/proposed the following tariff for Second Control Period:

	EICI proposal	Existing Tariff Approved By AERA
<b>Import Courier Cargo</b>	Rs.39/Kg.	Rs.16/Kg.
<b>Export Courier Cargo</b>	Rs. 10.50/Kg.	Rs. 9.5/Kg.

The Authority having analyzed the submissions made by M/s EICI and issued Consultation Paper No. 04/2019-20 dated 10<sup>th</sup> Aug, 2019 detailing EICI's submissions, Authority's analysis and tentative proposals. The Authority proposed that M/s EICI, Mumbai should continue with existing tariff till 28<sup>th</sup> Feb, 2020 (As the Concession Agreement with the Airport Operator (MIAL) is under extension and valid till 28<sup>th</sup> Feb, 2020). In case, on any extension or renewal of Concession Agreement the same existing tariff would be continued at the same level for the residual period of Second Control Period. The True up of financials would be done at the end of Second Control Period (FY2016-17 to FY2020-21).

1.1.9. The Authority requested written evidence based feedback, comments and suggestions from the concerned stakeholders on the above proposal (CP) by 2<sup>nd</sup> Sep, 2019. In response the following stakeholders have commented on the above mentioned CP:

Sl. No.	Stakeholder Details
a)	M/s EICI.
b)	M/s Couriers Association of India (CAI).
c)	M/s DTDC Express Ltd.



d)	M/s DHL Express (India) Pvt. Ltd.
e)	Federation of Indian Airlines (FIA).

1.1.10. The Authority vide Public Notice No. 08/2019-20 dated 16.09.2019 published the above received/mentioned comments for the information of all concerned.

**1.1.11. Views of the Authority on the Stakeholder Comments:**

**a) M/s Express Industry Council of India (EICI):**

The Authority considered the comments of M/s EICI and reviewed the Aggregate Revenue Required (ARR) by removing the revenue earned due to Custom Cost Recovery Charges (CCRC) since, it is a pass through. The above mentioned adjustment has resulted in 22% increase on the existing tariff:

	EICI proposal	Existing Tariff Approved By AERA	Tariff Increase approved after the adjustment of CCRC Charges
Import Courier Cargo	Rs.39/Kg.	Rs.16/Kg.	Rs.19.52/Kg.
Export Courier Cargo	Rs. 10.50/Kg.	Rs. 9.50/Kg.	Rs.11.59/Kg.

Further, M/s EICI as a Courier Cargo Operator has a very low RAB/CAPEX. M/s EICI being a non-profit Section 25 company, is not having any equity or debts of long term. In view of the above, considering Reserve & Surplus as equity would be inappropriate. The Authority evaluates equity and debt ratio to arrive at rate of return on RAB. To avoid the accounting glitch, a 5% return on Revenue is allowed to M/s EICI.

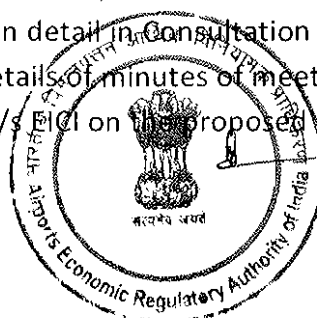
**b) M/s Couriers Association of India (CAI):**

The Authority considered the comments of M/s CAI and reiterate that M/s EICI should review all its costs, re-negotiate costs imposed by certain entities and evaluate possibilities of reduction/rationalization of costs for future operations.

Further, the Authority considered the Annual Maintenance Charges of EDI software, as one time interim relief to M/s EICI for the calculation of ARR. The maintenance expenditure of EDI software is apportioned among all the three operating stations i.e. Mumbai, Delhi and Bengaluru. The Authority advises M/s EICI to take the matter of custodianship of EDI with the Customs Authorities. The Authority further advises MIAL to promote healthy competition among Courier Cargo Operators and not to incorporate restrictive conditions and bidding parameters keeping the interest of the end user in mind.

**c) Federation of Indian Airlines (FIA):**

The Authority issued CP No. 04/2018-19 dated 14.08.2019 which is in continuation of Order No. 26/2017-18 dated 30<sup>th</sup> Nov, 2017. Further the MYTP proposal submitted by M/s EICI was discussed in detail in Consultation Paper No. 10/2017-18 dated 20<sup>th</sup> June, 2016 including the details of minutes of meeting of the Stakeholder Consultation process conducted by M/s EICI on the proposed ATP prior to release of



Order No. 11/2017-18 in the same subject matter. The Minutes of Meeting of stakeholder consultation, as an evidentiary proof was enclosed. The Authority too extended the dates of receiving comments on the CP issued. The matter of materiality and competition was discussed and deliberated in detail and it was decided to determine the tariff under price cap approach due to lack of competition. The Authority directs M/s EICI to find ways to reduce Turn Around Time/Processing of Shipments and inform all the stakeholders as and when the waiver of Custom Cost Recovery Charges would be availed.

**d) DTDC Express Ltd.:**

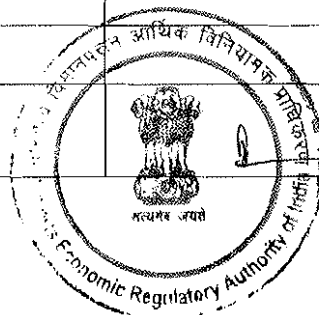
The Authority considered the comments of DTDC and has addressed the same in para 1.1.11(a) above.

**e) M/s DHL Express (India) Pvt. Ltd.:**

The Authority has noted the comments of M/s DHL and intends to seek comments from MIAL on the issue of higher space rent/royalty charged and justification for year on year increase.

- 1.1.12. The Authority has carefully gone through the comments of the above stakeholders and the Authority accordingly decides to recalculate the Aggregate Revenue Required wherein, the revenue earned due to Custom cost recovery Charges is not considered. The calculation has resulted in 22% increase on the existing tariff. The calculation is as follows:

	[Rs. In Crores]			
	Actuals (2016-17)	Actuals (2017-18)	(Actuals) 2018-19	2019-20
Actual/Projection of Volume	27645242	33182107	38724490	43371429
Revenue from Regulated Services including increase in volume(on existing rate)	36.91	55.88	56.32	63.08
Total Revenue from services other than Regulated Services	3.36	4.14	4.15	3.88
Total Revenue	40.27	60.02	60.47	66.96
Operating Expenditure	53.44	64.94	63.27	75.89
Capital expenditure	21.20	19.28	1.84	0.00
Return on Revenue *5%.				3.15
Short Fall of FY2018-19 added to ARR calculation				2.80
ARR			63.27	81.84
Actual tariff rate to be increased to match				22%



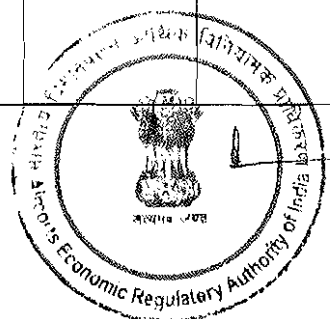
Projected Revenue with ARR)				
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- a) Projected volume increase on the basis of CAGR@12% in FY2019-20.
- b) Revenue from Non-Regulated Services taken as average of actuals.
- c) Operating Expenditure/Personal Expenses taken at the increase of 10%.
- d) The Authority has not considered Expenditure & Revenue of CCRC Charges.
- e) Return on revenue taken as 5% as decided by Authority in the preceding Ad-hoc Order.
- f) Shortfall of FY2018-19 considered while calculating ARR for FY2019-20.

1.1.13. It may be noted that the tariff increase of 22% will be able to meet the ARR only, if the hike, is applicable for the whole Financial Year 2019-20. Since almost eight months of the Financial Year 2019-20 have passed, the increased rate in the last four months of the year will not be sufficient to meet the ARR. It is calculated that there will be a shortfall of Rs. 11.45 Cr., in case the rate hike of 22% is allowed for the remaining 4 months. So accordingly, the rates/charges have to be increased by 39% to recover the complete ARR for the whole year 2019-20 in the period remaining upto 29<sup>th</sup> Feb,2020. The calculation of shortfall of Rs. 11.45Cr. for FY2019-20 is as follows:

Particulars	FY2019-20	Averaging for a month		Remarks
Revenue generated with existing rates	63.08	5.25	36.75	Revenue Generated for 7 Months
Revenue generated with determined rates till feb,2020	81.84	7.44	29.76	for 4 months till Feb2020
Actual/Total Revenue generated for FY2019-20			66.51	

ARR calculated		81.84	
The Actual Revenue generated for FY2019-20(Regulated) + Non Regulated Revenue		70.39	Ref. 1.1.12 para
Shortfall/Under Recovery		11.45	



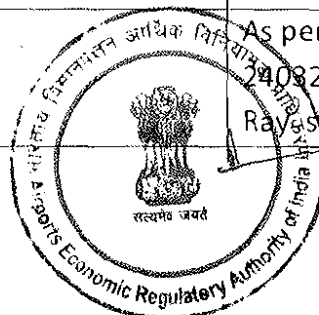
It is noted that EICI Concession Agreement is valid till 29<sup>th</sup> Feb, 2020. It is not clear whether the Agreement will be extended or the new contract will be awarded to EICI only. So the possibility of charging lower rate and carrying over a portion of shortfall to the next year is not viable.

1.1.14. The above calculation has resulted in the following increase in the tariff card:

**Express Industry Council of India (EICI) – Mumbai**

**Tariff/Rates from the issue of Tariff Order to 29<sup>th</sup> Feb, 2020 (February being a leap year).**

Nature of Charge	Revised Rates applicable	Remarks
<b>Imports</b>		
Facilitation Fee	Rs. 22.24 Per KG	
Demurrage		
0-3 days	Free	
04-05 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	
06-10 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	Free storage period for express shipment shall be 72 hours. (03 working days) is including the date of the arrival of flight. For next 48 hours (02 working days), demurrage will be charged at "per kg; per day" non-cumulative basis provided the consignment is cleared within 120 hours (05 working days). If clearance is effected after 120 hours (05 working days), demurrage will accrue for the entire period from the date/ time of arrival of flight.
11-20 days	Rs. 4/- per KG per day or part thereof or Rs. 40/- whichever is higher	
21-30 days	Rs. 5.50 per KG	
From 31 days	Rs. 7 per KG	
<b>International Exports</b>		
Facilitation Fee	Rs. 13.20 per KG.	
X-Ray charges - if screening done by Airlines (minimum	Rs. 1.38	As per Ministry of Civil Aviation letter No. AV-4032/12/2010-AD dated 17/06/2013 the X-Ray screening charges should be the same



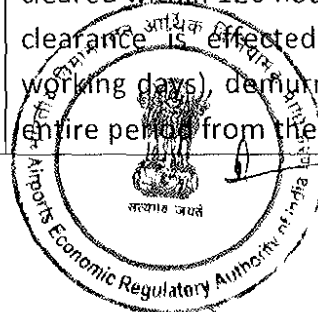
Nature of Charge	Revised Rates applicable	Remarks
charge applicable per AWB)		both for general cargo and courier cargo
X-Ray charges - if screening not done by Airlines (minimum charge applicable per AWB)	Rs. 1.70	

1.1.15. The rate stated above is the maximum permissible charge. Moreover, in case, the Airport Operator grants any extension or renews the concession agreement with EICI then the rate stated above at para 1.1.14 (for recovery of high shortfall within 4 months) will be high and needs to be moderated. In such a case, the present rate as on date applicable will be increased by 22% only as stated below, and would be applicable from 1<sup>st</sup> March, 2020 to 31<sup>st</sup> March, 2021 (remaining portion of Second Period).

However, EICI is required to take approval/ inform the Authority in this regard.

**Express Industry Council of India (EICI) – Mumbai**  
**Tariff/Rates from 1<sup>st</sup> March, 2020 to 31<sup>st</sup> March, 2021.**

Nature of Charge	Revised Rates applicable	Remarks
<b>Imports</b>		
Facilitation Fee	Rs. 19.52 Per KG	
Demurrage		
0-3 days	Free	
04-05 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	
06-10 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	Free storage period for express shipment shall be 72 hours. (03 working days) is including the date of the arrival of flight. For next 48hours (02 working days), demurrage will be charged at "per kg; per day" non-cumulative basis provided the consignment is cleared within 120 hours (05 working days). If clearance is effected after 120 hours (05 working days), demurrage will accrue for the entire period from the date/ time of arrival of





Nature of Charge	Revised Rates applicable	Remarks
		flight.
11-20 days	Rs. 4/- per KG per day or part thereof or Rs. 40/- whichever is higher	
21-30 days	Rs. 5.50 per KG	
From 31 days	Rs. / per KG	
<b>International Exports</b>		
Facilitation Fee	<b>Rs. 11.59 per KG.</b>	
X-Ray charges - if screening done by Airlines (minimum charge applicable per AWB)	Rs. 1.38	
X-Ray charges - if screening not done by Airlines (minimum charge applicable per AWB)	Rs. 1.70	As per Ministry of Civil Aviation letter No. AV-24032/12/2010-AD dated 17/06/2013 the X-Ray screening charges should be the same both for general cargo and courier cargo

#### ORDER:

- 1) In exercise of powers conferred by Section 13(1) (a) of the AERA Act 2008 and based on the MYTP/ATP submissions by M/s EICI and in continuation to the AERA ad-hoc Order No. 26/2017-18 dated 30<sup>th</sup> Nov, 2017 the Authority hereby determines Aeronautical tariffs for Courier Cargo Services to be levied by Express Industry Council of India, Mumbai as per para 1.1.14, for a period from the date of issue of Tariff Order to 29<sup>th</sup> Feb, 2020. Further, in case, of any extension or renewal of Concession Agreement by the Airport Operator the above determined tariff as per para 1.1.15 would be applicable from 1<sup>st</sup> March, 2020 to 31<sup>st</sup> March, 2021. The True up of financials would be done at the end of Second Control Period (FY2016-17 to FY2020-21).
- 2) The Authority has considered the cost of Annual Maintenance Charges (AMC) for EDI software as one time measure for the calculation of ARR and advises M/s EICI to take the matter of custodianship with the Custom Authorities.



- 3) The Tariff determined as above will be maximum tariff to be charged, exclusive of statutory taxes, if any. No other charge is to be levied over and above the approved tariff.

By the Order of and in the  
Name of the Authority

  
(Geetha Sahu)  
AGM (Fin.)

To  
Express Industry Council of India  
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AERA

