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Consultation Paper No. 15/2023-24



भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

**AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

केरल स्टेट इंडस्ट्रियल इंटरप्राइजेज लिमिटेड (केएसआईईएल) के संबंध में तिरुवनंतपुरम अंतरराष्ट्रीय हवाईअड्डे पर 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 THE CARGO HANDLING SERVICES  
IN RESPECT OF KERALA STATE INDUSTRIAL ENTERPRISES LTD. (KSIEL)  
AT THIRUVANANTHAPURAM INTERNATIONAL AIRPORT  
FOR THE THIRD CONTROL PERIOD  
(FY 2021-22 to FY 2025-26)**

जारी करने की तारीख 18.10.2023

**Date of Issue: 18.10.2023**

ऐरा बिल्डिंग /AERA BUILDING/  
प्रशासनिक कॉम्प्लेक्स/ADMINISTRATIVE COMPLEX/  
सफदरजंग हवाईअड्डा/SAFDARJUNG AIRPORT/  
नई दिल्ली/NEW DELHI -110003

## STAKEHOLDERS' COMMENTS

The Authority has released this Consultation Paper, after considering various assumptions stipulated in the Multi-Year Tariff Proposal ('MYTP') submitted by the Kerala State Industrial Enterprises (KSIEL) in respect of the Cargo Handling Services being provided by KSIEL at Thiruvananthapuram International Airport. Accordingly, the Authority's proposals on the various aspects of the Tariff determination process have been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, 2008, the written comments on Consultation Paper No. 15/2023-24 dated 18/10/2023 are invited from the Stakeholders, preferably in electronic form, at the following address:

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<b>Last Date for submission of Stakeholders' comments</b>	<b>09.11.2023</b>
<b>Last Date for submission of counter comments</b>	<b>16.11.2023</b>

Comments and Counter Comments will be posted on AERA's website [www.aera.gov.in](http://www.aera.gov.in)

For any clarification/information, Director (P&S, Tariff) may be contacted at Telephone No. +91-11-24695048.

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### List of Abbreviations

AAICLAS	AAI Cargo Logistics and Allied Services Company Limited
ACC	Air Cargo Complex
ACS	Annual Compliance Statement
AERA/ AUTHORITY	Airports Economic Regulatory Authority of India
AFS	Air Freight Stations
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
BCAS	Bureau of Civil Aviation Security
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CGF	Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft
CPI	Consumer Price Index
CUDCT	Common User Domestic Air Cargo Terminal
IDP	Integrated Development Plan
ISP	Independent Service Provider
KSIEL	Kerala State Industrial Enterprises Limited.
MoM	Minutes of Meeting
MoU	Memorandum of Understanding
MT	Metric Ton
MYTP	Multi-Year Tariff Proposal
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
PSU	Public Sector Undertaking
RA	Regulated Agent
RAB	Regulatory Asset Base
TACC	Thiruvananthapuram Air Cargo Complex
TIAL	TRV (Kerala) International Airport
TRV	Thiruvananthapuram International Airport
YoY	Year on Year

## **CHAPTER 1: INTRODUCTION**

- 1.1 Kerala State Industrial Enterprises Limited (KSIEL) is a State Public Sector Undertaking (PSU) owned by the Kerala Government and was incorporated on 25<sup>th</sup> January, 1973. KSIEL established Air Cargo Complex at Shangumugham, Thiruvananthapuram and was appointed as the Custodian of all Imported & Exported goods at Thiruvananthapuram International Airport (TRV) by the Commissioner of Customs, in accordance with the provisions of Chapter VII of the Customs Act, 1962. KSIEL commenced its Export & Import Cargo Handling activities in July 1984.
- 1.2 In the year 1991, Thiruvananthapuram International Airport was declared as an International Airport and the Air Cargo custodianship was entrusted to the Airports Authority of India (AAI). After a brief period of nearly two years, the custodianship of Air Cargo was again transferred back to KSIEL. From 01.03.2011, international flights operations at the Thiruvananthapuram Airport were shifted to the new Airport Terminal. Accordingly, KSIEL created necessary infrastructural facilities near the new Airport terminal at Chackai, to carry out export cargo handling operations smoothly.
- 1.3 Subsequent to handing over of the Thiruvananthapuram International Airport by AAI to Private Airport Operator, M/s KSIEL signed a Memorandum of Understanding (MoU) with TRV (Kerala) International Airport (new airport operator) hereinafter referred to as “TIAL” on 25<sup>th</sup> January, 2023, for provision of Export Cargo Handling Services at Thiruvananthapuram International Airport, valid up to 31.03.2025.
- 1.4 As per the MoU with Airport Operator (TIAL), KSIEL is required to surrender 1210 Sq. Mtr. land area, out of the 2050 Sq. Mtr. of land presently held by the ISP, to TIAL. The above referred MoU requires the Airport Operator to give an alternate plot of land admeasuring to 840 Sq. Mtr. (adjacent to existing Cargo Complex) to KSIEL.

The details of land area in possession of the ISP & net land area likely to be available with KSIEL, after swapping of land area (as per the MoU) is given below:

<b>Sl. No.</b>	<b>Particulars</b>	<b>Land Area</b>
1.	Present Land Area available with the ISP	2050 Sq. Mtr.
2.	1210 Sq. Mtr. of land Area to be surrendered by the ISP to the Airport Operator	(-) 1210 Sq. Mtr.
3.	Alternate Plot of Land given by the Airport Operator to the ISP	840 Sq. Mtr.
4.	Likely Net Land Area after completion of land swapping (i.e. after surrendering of 1210 Sq. Mtr. of land area)	1680 Sq. Mtr.

As per the MoU, KSIEL shall utilize net area land area of 1680 Sq. Mtr. for its international cargo operations and pay ₹ 1000/- per Sq. Mtr. per annum (along with applicable taxes) as license fee & utilities charges. As per the ISP, their international cargo operations will be continued from the net land area of 1680 Sq. Mtr. available with them, as an interim arrangement till July, 2024.

Thereafter, as per the MoU provisions, TIAL will provide a separate plot of land up to 2000 Sq. Mtr. to KSIEL by 01<sup>st</sup> July, 2024 or any other date as intimated by the Airport Operator. KSIEL shall construct, commission and shift their import and export cargo operations to new plot of land (2000 Sq. Mtr. approx.) by 31<sup>st</sup> March, 2025, at its costs & expenses and surrender the 1680 Sq. Mtr. of land area, on or before 31<sup>st</sup> March, 2025 to TIAL, for ensuring airport development as per the master plan.

- 1.5 KSIEL, was earlier operating the Common User Domestic Air Cargo Terminal (CUDCT) Facility from the Thiruvananthapuram International Airport. However, in compliance of the Bureau of Civil Aviation Security (BCAS) directions, ISP converted the existing Air Cargo Facility into the Regulated Agent (RA) Facility with effect from 01.07.2023 and commenced RA Facility related Services at the ACC, Thiruvananthapuram International Airport. In this regard, ISP submitted the BCAS letter dated 31.07.2023 to the Authority, wherein the BCAS has granted the Regulated Agent (RA) status to KSIEL for 5 years, from the date of issue or till validity of security clearance or till the period of agreement with the Airport Operator or until further order of the Director General, BCAS, whichever is earlier
- 1.6 The shareholding structure of the KSIEL is given as below:

**Table-1: Shareholding Structure of KSIEL**

Name of Shareholder	Equity Holding (%)
M/s Kerala State Industrial Enterprises Limited (KSIEL)	100.00

- 1.7 Brief of the past Tariff approvals:
- (i) The Authority, vide Order No. 36/ 2017-18 dated 23.01.2018 approved the tariff in respect of M/s Kerala State Industrial Enterprises Limited (KSIEL), providing Cargo handling services at Thiruvananthapuram International Airport, under the “Light Touch Approach” for the first three years of the Second Control Period. Thereafter, the Authority, vide Order No. 26/ 2019-20 dated 19.02.2020 approved the then existing Tariff (as on 31.03.2019) for the 4<sup>th</sup> and 5<sup>th</sup> tariff years of the Second Control Period. Subsequently, the Authority extended the tariff prevailing as on 31.03.2021 up to 31.03.2024, vide various Interim Orders issued by the Authority from time to time.
- (ii) KSIEL, vide letter dated 08.06.2023 informed the AERA that they had been directed by the BCAS to deploy their own X-ray screeners at the existing Cargo Terminal at the Thiruvananthapuram International Airport latest by 30.06.2023; the ISP, accordingly requested the Authority to approve the Tariff for RA related Services, on ad-hoc basis, so as to comply with the BCAS instructions.
- On request of the ISP, the Authority, vide Addendum to Order No. 42/2022-23 dated 28.06.2023 approved the Ad-hoc Tariff up to 30.09.2023 for the Regulated Agent (RA) related Services provided by KSIEL at Thiruvananthapuram International Airport.
- 1.8 As per the provisions of the Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF) Guidelines, 2011, M/s KSIEL, vide its letter dated 20.03.2023 submitted the Multi-Year Tariff Proposal (MYTP) to the Authority, for the Determination of the Tariff for the period from FY 2021-22 to FY 2025-26, along with the following documents:
- a) Annual Tariff Proposal (ATP) Forms as per AERA guidelines.
- b) Memorandum of Understanding (MoU) between Kerala State Industrial Enterprises Limited (KSIEL) & TRV (Kerala) International Airport Limited (TIAL).

c) Minutes of the Meeting with Stakeholders.

1.9 The Authority, after initial scrutiny of the MYTP/ ATP submission of KSIEL, observed many shortcomings/ information gaps. The matter was discussed with the ISP several times over telephonic discussions / online meetings & requisite information / clarifications were sought from the service provider. Subsequently, in light of AERA's queries/observations, KSIEL vide letter dated 07.08.2023 submitted the updated MYTP to the Authority.

In the updated MYTP, KSIEL incorporated the actual figures for FY 2021-22 & FY 2022-23 and has proposed following % increase in the Tariffs for the Cargo Handling Services for the remaining tariff years of the Third Control Period i.e., FY 2023-24 to FY 2025-26:

<b>Financial Year →</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
% Tariff Increase	25%	15%	10%

1.10 The Authority, after having examined the revised MYTP submission of the KSIEL and taking into account the additional information/ various clarifications furnished by the ISP, from time to time, has issued this Consultation Paper for stakeholders' consultation.



## **CHAPTER 2: PRINCIPLES FOR DETERMINATION OF TARIFF FOR THE “AERONAUTICAL SERVICES”.**

- 2.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports. Accordingly, the Authority 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 CGF Guidelines”), vide its Direction No. 04/2010-11 dated 10.01.2011.
- 2.2 In accordance with the above mentioned CGF Guidelines (clause 4.3), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

### **Materiality Assessment ( $MI_c$ ):**

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

$$\begin{aligned} \text{The Materiality Index for Thiruvananthapuram Airport} &= 25511/3228862 \times 100 \\ &= 0.79\% \end{aligned}$$

The percentage share of Cargo Handling for Thiruvananthapuram International Airport in respect of FY 2019-20 (pre-Covid year) is 0.79%, which is lower than Materiality Index ( $MI_c$ ) of 2.5% for the regulated service (Cargo Handling Services). Hence, the regulated service is deemed as “**Not Material**” at Thiruvananthapuram International Airport, during Third Control Period.

- 2.3 The Authority notes that at Thiruvananthapuram International Airport, apart from KSIEL, who is providing International (Export & Import) Cargo Handling Services, the Airport Operator (AO) i.e., TIAL is also providing Domestic & International (Export) Cargo Handling Services.
- 2.4 As per the clause 3.2 (i) of the CGF Guidelines, wherever the Regulated Service provided is ‘Not Material’, the Authority shall determine Tariff(s) for Service Provider(s) based on a ‘Light Touch Approach’ for the duration of the Control Period. Hence, in the instant proposal, the Authority proposes to determine Tariff in respect of Cargo Handling Services (regulated services) provided by KISEL at Thiruvananthapuram International Airport under the “Light Touch Approach”, for the Third Control Period.
- 2.5 The Tariff for the ISP in the instant proposal is being determined under the “Light Touch Approach” in accordance with CGF Guidelines. However, it is pertinent to mention that even in the light touch approach, the Authority examines the regulatory building blocks & underlying assumptions/ basis thereof, including projections relating to Revenues, OPEX, Traffic Volumes, etc. considered by the ISP. The Authority reviews & analyses all relevant aspects of the proposal so as to ensure that regulatory building blocks proposed by the service provider are reasonable and there are no undue gains accruing to the Service Provider, at the cost of higher Tariffs for the end users.

Accordingly, in order to assess the reasonability of various building blocks, including tariff increase sought by the service provider, additional details/ clarifications etc. on the various aspects of the proposal are sought from the ISP, wherever required, in accordance with the provisions of CGF Guidelines and under the Section 13 (e) of the AERA Act, 2008.

- 2.6 As per clause 11.2 of the CGF Guidelines, 2011, the ATP is required to be submitted in the manner and form provided in AI 8.2 of 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(s), if any, between the Service Provider and the User of Regulated Service(s) clearly indicating the Tariff proposed by the Service Provider.
- 2.7 The Authority notes that the KSIEL conducted separate Stakeholders' Consultation Meetings with the Exporters association, Airlines and AISATS on 31.01.2023. As per the Minutes of Meetings (MoM), the representatives of Emirates, Air Arabia, Scoot, Sri Lankan Airlines, Air India, QR Airways and AISATS participated in the Stakeholders' Consultation Meeting.
- 2.8 From the Minutes of Meetings (MoM), the Authority notes that the ISP, inter-alia, explained to the stakeholders, the BCAS requirement to convert its CUDCT facility at Thiruvananthapuram airport into a Regulated Agent (RA) Facility. Accordingly, KSIEL included the proposed Tariff in respect of the 'RA related Additional Services' in its MYTP and also discussed the proposed Tariff with the Stakeholders during the meetings. As per the ISP submission, the Exporters Association agreed for the revision of Tariff; however, they proposed to verify the TSP and related Charges after approval of the same by AERA, preferably on a later date anticipating favorable business conditions.

As per the ISP, Airlines representatives during the consultation meeting told the service provider that they will submit their feedback, after getting the same vetted by their respective Head Offices.

Further, in response to AERA query, the ISP vide mail dated 02.09.2023 submitted that being the Regulated Agent, KSIEL sent draft agreements along with the Ad-hoc tariff rates for 'RA Services' to the Airlines for their concurrence. As per the ISP, they received certain suggestions etc., from some of the airlines. The ISP further informed that Airlines in their feedback in respect of the draft agreements did not raise the issue of upward revision of the Tariff.

2.9 **Authority's Proposal regarding principles for determination of the Tariff for the Aeronautical Services for the Third Control Period.**

- 2.9.1 Based on the material before it and its analysis, the Authority proposes to determine the Tariffs for the Cargo Handling Services provided by KSIEL at Thiruvananthapuram International Airport, for the Third Control Period, under the '**Light Touch Approach**'.

## CHAPTER 3: CARGO VOLUME PROJECTION

### 3.1 KSIEL submission on Cargo Volume Projection for the Third Control Period.

3.1.1 KSIEL, as part of its MYTP, submitted the actual International Cargo Volume handled by the ISP at Thiruvananthapuram International Airport during the Second Control Period, as under:

**Table 2: Actual International Cargo volumes handled by KSIEL at Thiruvananthapuram International Airport during the Second Control Period.**

(Volume in MT)

Financial Year	Export	Import	Total	YoY % Change		
				Export	Import	Total
2016-17	26932	940	27872	-	-	-
2017-18	25402	767	26169	-6%	-18%	-6%
2018-19	22349	668	23017	-12%	-13%	-12%
2019-20	22989	495	23484	3%	-26%	2%
2020-21	14691	291	14982	-36%	-41%	-36%

3.1.2 The Cargo Volume projection (Cargo to be handled by the ISP) for Third Control Period submitted by KSIEL is given below:

**Table 3: Projection of Cargo volume (to be handled by KSIEL) at Thiruvananthapuram International Airport for the Third Control Period.**

(Volume in MT)

Financial Year (FY)	Export	Import	Total	YoY % increase		
				Export	Import	Total
<b>2021-22*</b>	14909	261	<b>15170</b>	-	-	-
<b>2022-23*</b>	14686	155	<b>14841</b>	-1.50%	-40.23%	-2.16%
<b>2023-24</b>	15000	200	<b>15200</b>	2.14%	28.21%	2.41%
<b>2024-25</b>	15750	210	<b>15960</b>	5.00%	5.00%	5.00%
<b>2025-26</b>	16538	215	<b>16753</b>	5.00%	2.38%	4.97%

\*Actual Cargo Volumes handled

3.1.3 As per the KSIEL submission, they are handling two types of Export Cargo at Thiruvananthapuram International Airport (TRV):

- (i) **Perishable Cargo-** Fresh vegetables, fruits, fish and meat, flowers etc. are the major perishable cargo moving from TRV to Middle East Countries. Major vegetables/fruits are banana, bitter gourd, long beans, curry leaves etc.
- (ii) **Non-Perishables Cargo:** Engineering products, ready-made garment, spices etc. are some non-perishables cargo goods exported from the Thiruvananthapuram Airport. Around 5% of the total export cargo constitutes non-perishable cargo.

Similarly, two types of Import Cargo are handled by KSIEL at Thiruvananthapuram International Airport:

- (i) **Unaccompanied Baggage (UB) or Personal effects:** 95% import cargo constitute of personal effects of NRIs based in gulf countries. UB also include electronic equipment like computers, TV and washing machine, fridge, air conditioners etc.

(ii) **Commercial Cargo:** Electronic spares & other equipment imported by BPL and other IT Companies based in Kerala, machinery & spares imported by ISRO, hospitals and other industrial units. This also includes some quantity of valuable cargo.

**3.2 Authority's Examination on Cargo Volume projection in respect of KSIEL for the Third Control Period:**

3.2.1 The Authority notes that the historical cargo volumes handled at Thiruvananthapuram International Airport during the Second Control Period is not showing any clear trend in the cargo volume growth. It is observed that in FY 2017-18, FY 2018-19 and FY 2020-21 cargo volume decreased by 6%, 12% and 36% respectively against the previous year and volume increased by 2% in FY 2019-20 over the FY 2018-19. The Authority observes that total cargo volumes declined at a CAGR of - 4.19% during the period from FY 2016-17 to FY 2019-20, in the Second Control Period before the Covid-19 pandemic.

3.2.2 The ISP, in response to the AERA query regarding decrease in Cargo volumes during the Second Control Period, vide email dated 02.09.2023 submitted that the nos. of flights especially wide body flights got reduced / stopped its services through Thiruvananthapuram International Airport during all these years and some of them shifted their operations to other neighboring airports. Further, due to the outbreak of the Covid Pandemic all over the Globe, Govt. of India amended the open sky policy to safeguard the domestic airlines; only few airports were permitted to operate foreign/ chartered flights for carrying the cargo goods, and the Thiruvananthapuram International Airport was not included in the list of approved airports during that time. ISP also submitted that the freight from Thiruvananthapuram airport is slightly higher when compared with the neighboring Airports. As per the ISP, these were the main reasons which led to decrease in cargo volume in the Second Control Period.

3.2.3 The Authority notes that actual cargo volume increased by just 1.25% in FY 2021-22 over FY 2020-21 and then decreased by 2.16% in FY 2022-23 against FY 2021-22. The Authority observes that KSIEL has projected a 5% YoY increase in the Cargo volumes for the FY 2024-25 & FY 2025-26 of the Third Control Period.

As per the ISP, while proposing the Cargo Volumes for the remaining tariff years of the Third Control Period, they have considered the market conditions, current cargo volume growth trend. ISP expects stagnation in the volumes, of perishable cargo exports to Middle East countries as well as in the import cargo from the U.S.A, in the near future.

3.2.4 Considering the lack of clear historical trend in the cargo volume growth at Thiruvananthapuram International Airport and taking note of the actual cargo volumes handled by the ISP during first two tariff years of the Third Control Period, the Authority proposes to adopt projected increase of 2.41% in cargo volume during current FY and 5% YoY increase in cargo volumes for the remaining two tariff years of the Third Control Period i.e., FY 2024-25 & FY 2025-26, as submitted by the ISP.

**3.3 Authority's Proposal regarding Cargo Volume Projection for the Third Control Period:**

3.3.1 Based on the material before it and based on its analysis, the Authority proposes to consider the Cargo Volume projected by KSIEL for the Third Control Period as per Table 3.

## **CHAPTER 4: CAPITAL EXPENDITURE (CAPEX) REGULATORY ASSET BASE (RAB) AND DEPRECIATION.**

### **4.1 KSIEL submission on Capital Expenditure for the Third Control Period.**

4.1.1 KSIEL projected a total Capital Expenditure (CAPEX) of ₹ 371.44 lakhs towards augmentation of its Cargo Handling facilities & procurement of X-ray screening Machine during the Third Control Period (FY 2021-22 to FY 2025-26). The details of Capital Expenditure projected by KSIEL for the Third Control Period is given below:

**Table 4: Capital expenditure proposed by the KSIEL for the Third Control Period.**

Particulars of Assets	(₹ in lakhs)					Total
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
Other Buildings	-		-	150.00	-	<b>150.00</b>
Computers	-	0.03	-	-	-	<b>0.03</b>
Machinery	-		-	15.00	-	<b>15.00</b>
Tools & Plants	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-
Elect Installation		0.03	-	27.70	-	<b>27.73</b>
Office Equipment	0.18	0.03	-	9.50	-	<b>9.71</b>
X- Ray	68.97	-	100.00	-	-	<b>168.97</b>
<b>Total</b>	<b>69.15</b>	<b>0.09</b>	<b>100.00</b>	<b>202.20</b>	<b>0.00</b>	<b>371.44</b>

4.1.2 Out of the total CAPEX of ₹ 371.44 lakhs proposed for the Third Control Period, service provider has earmarked a major portion of CAPEX (₹ 318.97 lakhs) for the proposed Civil & Electrical Works and procurement of X-Ray machine.

4.1.3 KSIEL submitted the following justifications/ requirements for the major capital works proposed during the Third Control Period:

- (i) **Purchase of new X- Ray machine** – KSIEL submitted that as per the BCAS directions, KSIEL has to convert its existing CUDCT facility into the Regulated Agent Facility. Accordingly, after getting the RA status, the new segments of activities are required to be performed and same has been considered while proposing CAPEX for the Third Control Period. As per the ISP, after the grant of RA status, all the activities inside the cargo terminal will be controlled and executed by the KSIEL, including Screening and Certification of the Cargo, Loading and Unloading, stuffing etc. Accordingly, the ISP proposed a CAPEX of ₹ 100 Lakhs for procurement of 01 no. of big tunnel size X-ray machine in FY 2023-24.
- (ii) **Purchase of others Cargo Handling Equipment** – For converting CUDCT facility into RA facility and continuation of smooth cargo handling operations, ISP submitted that it required new cargo handling equipment like Forklifts, Trolleys, Hydraulic Pallet Trucks, etc. for handling the additional Cargo Services.

(iii) **Construction/Renovation of the Rooms** – ISP further submitted that there is a need for construction/renovation of rooms for handling Dangerous and Valuable Cargo, including upgradation of the Surveillance system at Export Cargo Terminal.

#### **4.2 Authority's Examination on CAPEX (Additions to RAB) proposed by the ISP for the Third Control Period.**

4.2.1 The Authority observes that ISP has proposed to incur major portion of the projected CAPEX (₹ 302.20 lakhs) during FY 2023-24 & FY 2024-25.

4.2.2 The Authority notes that KSIEL has proposed ₹ 318.97 lakhs, almost 86% of the proposed CAPEX for the Control Period, under the following two categories:

- (i) Works relating to Other Buildings.
- (ii) Purchase of 1 no. of X-Ray machine.

The CAPEX proposed by the ISP for the Third Control Period is discussed in the ensuing paras.

4.2.3 The Authority notes that KSIEL is converting its CUDCT facility into the Regulated Agent Facility in compliance to BCAS directions. Consequently, ISP is undertaking modification/ upgradation works in the existing Air Cargo Complex (ACC) for handling Dangerous Cargo and Valuable Cargo Goods etc.

4.2.4 KSIEL has proposed to incur CAPEX of ₹150.00 lakhs and ₹27.73 lakhs for Civil Works and Electrical Works respectively during the current Control Period. In this regard, ISP submitted that proposed Civil Works are related to the shifting of existing structure, extension of warehouse, partition of X-Ray cabin and office cabin, cold storage etc. ISP further submitted that estimation and supervision of the Civil Works is being done by their own engineering division, therefore, no external consultancy and Integrated Development Plan (IDP) cost is involved in the projected costs pertaining to Civil Works. As per the ISP, Civil Works are estimated to cost @ rate of ₹10000/- per Sq. Mtr. for around 1500 Sq. Mtr. of area.

4.2.5 In its initial MYTP submission, KSIEL proposed a Capex of ₹ 140.00 lakhs for the FY 2022-23. The Authority sought the status of actual CAPEX incurred during FY 2022-23, in response thereto, ISP vide email dated 07.08.2023 informed that during FY 2022-23 they had incurred only ₹ 0.09 lakh on computers, office equipment and electric installation. The ISP has submitted the revised CAPEX proposal for the Control Period, considering the actual CAPEX incurred in FY 2022-23. As per the service provider, unexecuted portion of original CAPEX plan for FY 2022-23 (₹ 140.00 lakhs - ₹ 0.09 lakh = ₹ 139.91 lakh) pertaining to the Civil & Electrical Works and purchase of cargo handling equipment will now be executed and capitalized during FY 2023-24 / FY 2024-25 of the Control Period.

4.2.6 The Authority observes that ISP had earlier incurred a Capex of ₹ 68.97 lakhs on the purchase of two X-Ray machines in FY 2021-22 and now has proposed procurement of 1 no. additional X-Ray screening machine (big tunnel size machine) for Screening and Certification of the Cargo, at an estimated cost of ₹ 100 lakhs in FY 2023-24. In this regard, the Authority sought clarification from the KSIEL regarding the requirement of 1 no. additional big tunnel size X-Ray screening machine, considering that ISP has already purchased 2 nos. X-Ray screening machines in FY 2021-22. Further,

service provider was asked to furnish the supporting documents towards estimated cost in respect of the 1 no. new X-Ray machine under procurement.

4.2.7 KSIEL submitted that additional 1 no. big tunnel size X-ray screening machine is required for screening of big size/ odd size Cargo. ISP informed that in the absence of big tunnel size X-ray screening machine, they are forced to go in for open examination by Customs officials, which causes lot of inconvenience to Exports/ Airlines. KSIEL, further submitted that the absence of X-ray screening machine of required size/ specifications, sometimes cause redirecting of such cargo to other Ports. Hence, in order to overcome the limitations of screening big size cargo, new X-ray machine capable of screening big size/ odd size cargo is required.

4.2.8 KSIEL, vide email dated 26<sup>th</sup> August, 2023 submitted a copy of quotation from ECIL- Rapiscan Ltd. amounting to ₹ 96,99,600/- (including of GST @ 18%) as a supporting document towards the estimated cost of 1 no. new x-ray screening machine.

4.2.9 The Authority observes that the estimated cost of X-ray screening machine includes GST component of ₹ 14,79,600/-. In this regard, the Authority advises the ISP to avail the GST Input Tax Credit available on the procurement of new machine and capitalize the new X-ray screening machine excluding of GST. Accordingly, the Authority proposes to consider the cost of 1 no. new X-Ray Screening Machine at ₹ 82,20,000/- (excluding of GST), as against ₹ 1,00,00,000/- (including of GST) proposed by the service provider.

4.2.10 The Authority also observes that KSIEL is procuring other cargo handling equipment, such as Forklifts, Trolleys, Hydraulic Pallet Trucks, etc. which are used for handling cargo, including services being provided as a RA Facility.

4.2.11 From the above, the Authority notes that the CAPEX proposed by the ISP is mainly towards converting the existing CUDCT facility into RA Facility. The proposed CAPEX will help the ISP in providing secure cargo handling services as per the security norms and to provide efficient cargo handling facilities to the users.

4.2.12 On the basis of above analysis and considering the clarifications/justifications submitted by KSIEL, the Authority proposes to consider CAPEX for the Third Control Period as per the Table below:

**Table 5: Capital expenditure proposed to be considered by the Authority for the Third Control Period.**

(₹ in lakhs)

Particulars of Assets	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Buildings	-	-	-	150.00	-	150.00
Computers	-	0.03	-	-	-	0.03
Machinery	-	-	-	15.00	-	15.00
Tools & Plants	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-
Elect Installation	-	0.03	-	27.70	-	27.73
Office Equipment	0.18	0.03	-	9.50	-	9.71
X- Ray	68.97	-	82.20	-	-	151.17
<b>Total</b>	<b>69.15</b>	<b>0.09</b>	<b>82.20</b>	<b>202.20</b>	<b>0.00</b>	<b>353.64</b>

\*Actual Figures (unaudited)

### 4.3 KSIEL submission on Depreciation for the Third Control Period:

4.3.1 KSIEL has computed the Depreciation for the Third Control Period as given in Table below:

**Table 6: Depreciation proposed by KSIEL for Third Control Period.**

(₹ in Lakhs)

Particulars of the Assets	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Buildings	10.33	10.33	10.33	12.83	10.33	<b>54.15</b>
Computers	0.00	0.00	0.01	0.01	0.01	<b>0.03</b>
Machinery	0.14	0.14	0.14	0.14	0.14	<b>0.70</b>
Tools & Plants	0.77	0.77	0.77	1.27	0.77	<b>4.35</b>
Office Furniture	1.23	1.09	0.00	0.00	0.00	<b>2.32</b>
Electrical installations	5.90	5.90	5.90	7.29	4.39	<b>29.38</b>
Office Equipment	1.67	0.05	0.00	2.62	0.00	<b>4.34</b>
X-Ray Machines	4.69	4.69	8.03	11.36	11.36	<b>40.13</b>
<b>Total</b>	<b>24.73</b>	<b>22.97</b>	<b>25.18</b>	<b>35.52</b>	<b>27.00</b>	<b>135.40</b>

\*Actual Figures (unaudited)

### 4.4 Authority's Examination on the Depreciation proposed by the ISP:

4.4.1 The Authority observes that in its initial MYTP submission, KSIEL computed the depreciation as per the Written Down Value (WDV) method and had considered the depreciation rates & useful Life of Assets for some of the Asset Classes, which were not consistent with the AERA Order no. 35/ 2017-18. The Authority, accordingly, asked the ISP to review the useful life of the assets & depreciation rates and submit the revised calculations of depreciation. In its revised submission, KSIEL has claimed ₹ 135.40 lakhs as depreciation for the Third Control Period.

4.4.2 The Authority further notes that ISP has considered full year's depreciation on the most of the assets during the year of capitalization. However, the Authority following its consistent approach towards depreciation during the year of capitalization, has computed the depreciation @ 50% of full year's depreciation in the year of capitalization (assuming capitalization of Assets in the middle of the financial year). The Authority, considering the CAPEX as per Table 5, proposes to adopt Depreciation for the ISP in respect of the Third Control Period as per Table given below:

**Table 7: Depreciation proposed to be considered by the Authority for KSIEL for the Third Control Period.**

(₹ in Lakhs)

Particulars of Assets	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Other Buildings	10.33	10.33	10.33	12.83	15.33	<b>59.15</b>
Computers	0.00	0.00	0.01	0.01	0.01	<b>0.03</b>
Tools & Plants	0.14	0.14	0.14	0.14	0.14	<b>0.70</b>
Machinery	0.77	0.77	0.77	1.27	1.77	<b>5.35</b>
Office Furniture	1.23	1.09	0.00	0.00	0.00	<b>2.32</b>
Electrical installations	5.90	5.90	5.90	7.29	8.67	<b>33.66</b>
Office Equipment	1.67	0.05	0.04	0.95	1.90	<b>4.61</b>



X-Ray Machines	4.69	4.69	7.43	10.17	10.17	<b>37.15</b>
<b>Total</b>	<b>24.73</b>	<b>22.97</b>	<b>24.62</b>	<b>32.66</b>	<b>37.99</b>	<b>142.97</b>

\*Actual figures (unaudited)

#### 4.5 KSIEL submissions on Regulatory Asset Base (RAB):

4.5.1 KSIEL submitted the Opening, Closing and Average RAB for the Third Control Period as per the Table given below:

**Table 8: RAB for the Third Control Period submitted by KSIEL.**

(₹ in lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	303.71	348.13	325.25	400.07	566.75	
+ Additions	69.15	0.09	100.00	202.20	0.00	<b>371.44</b>
(-) Disposals	0.00	0.00	0.00	0.00	0.00	
(-) Depreciation	24.73	22.97	25.18	35.52	27.00	<b>135.40</b>
Closing RAB	348.13	325.25	400.07	566.75	539.74	
Average RAB	325.92	336.69	362.66	483.41	553.24	

#### 4.6 Authority's Examination on the Regulated Asset Base (RAB)

The Authority, considering proposed Additions to RAB, as discussed in Para 4.2 above and after taking into account the proposed Depreciation as per the Authority (Table 7), proposes to consider Opening RAB, Additions to RAB & Closing RAB for the Third Control Period in respect of the ISP as given in the Table below:

**Table 9: RAB proposed to be considered by the Authority for KSIEL in respect of the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	303.71	348.13	325.25	382.83	552.37	
+ Additions	69.15	0.09	82.20	202.20	0.00	<b>353.64</b>
(-) Disposals	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
(-) Depreciation	24.73	22.97	24.62	32.66	37.99	<b>142.97</b>
Closing RAB	348.13	325.25	382.83	552.37	514.38	
Average RAB	325.92	336.69	354.04	467.60	533.37	

\*Actual Figures (unaudited)

#### 4.7 Authority's Proposals regarding Additions to RAB (CAPEX), Depreciation & Regulatory Asset Base (RAB) for the Third Control Period.

Based on the material before it and its analysis, the Authority proposes the followings:

4.7.1 To consider Additions to RAB (CAPEX) for the Third Control Period as per Table 5.

4.7.2 To consider the Depreciation for the Third Control Period as per Table 7.

4.7.3 To consider Average RAB for the Third Control Period as per Table 9.

## **CHAPTER 5: OPERATION & MAINTENANCE EXPENDITURE**

- 5.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operation and Maintenance (O&M) Expenditure incurred by the Service provider(s) include expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.
- 5.2 Operation and Maintenance Expenditure submitted by KSIEL has been segregated into the following categories:
- Payroll Costs;
  - Admin and other Expenses;
  - Repair and Maintenance Expenditure;
  - Utility and Outsourcing Costs;
- 5.3 Operation & Maintenance Expenditure projected by KSIEL for the Third Control Period is given in the Table below:

**Table 10: Operation & Maintenance Expenditure projected by KSIEL for the Third Control Period.**

Particulars	2021-22*	2022-23*	2023-24	2024-25	2025-26	Total
Payroll Cost (A)	103.83	172.09	376.89	415.98	458.78	<b>1527.57</b>
Admin & General Expenses: (B)	250.14	151.81	154.65	172.07	194.74	<b>923.41</b>
Repair & Maintenance Expenditure (C)	13.38	11.23	12.36	13.59	14.95	<b>65.51</b>
Utility and Outsourcing Costs (D)	13.38	19.37	21.31	23.44	25.79	<b>103.29</b>
<b>Total Operation and Maintenance Expenditure (A+B+C+D)</b>	<b>380.73</b>	<b>354.50</b>	<b>565.21</b>	<b>625.08</b>	<b>694.26</b>	<b>2619.78</b>

\*Actual figures (unaudited)

### **5.4 Authority's Examination and Analysis:**

5.4.1 The Authority has examined the projected Operating Expenditure for the Third Control Period provided in Form F3 (P&L) of the MYTP submitted by the ISP. The Authority's analysis on the projected Y-o-Y increase in the various components of OPEX during the last three tariff years of the Control Period is given in the following sections:

5.4.2 **Payroll Cost** – The Authority notes that the ISP, as part of its MYTP, has submitted actual payroll expenses incurred for the FY 2021-22 & FY 2022-23 (as indicated in table 10). From the above table, it is observed that actual payroll cost in the FY 2022-23 increased by 66% as compared to previous financial year.

In this regard, ISP vide mail dated 02.09.2023 submitted that KSIEL had implemented the 9<sup>th</sup> & 10<sup>th</sup> Revision of Pay & Allowances in respect of the Managerial & Staff employees, as approved vide State Government Order no. 23/2022/ID dated 25.02.2022, leading to increase in payroll cost by 66% during FY 2022-23 as compared to the FY 2021-22.

In respect of the projected Payroll Costs for the last three tariff years of the Control Period, the Authority notes that KSIEL has considered 119% increase in the payroll cost for the FY 2023-24, followed by 10% increase on Y-o-Y basis in respect of the FY 2024-25 & FY 2025-26.

As regard to the projected steep increase in the payroll expenses in FY 2023-24, KSIEL vide email dated 26.08.2023, stated that in order to fulfill the obligations of RA Facility, they require a minimum of 18 nos. of X-Ray Screeners (as per the AVSEC Order no. 11/2015), 44 nos. of warehouse helpers and 6 nos. of Dangerous Goods Supervisors/Staff to undertake the X-ray Screening & Certification of Cargo and other allied activities related to RA Facility. Accordingly, number of manpower has increased from 43 nos. (FY 2022-23) to 111 nos. (FY 2023-24), which is the main reason for the apparent steep increase of 119% in payroll costs during FY 2023-24, as compared to FY 2022-23.

5.4.3 Apart from increase in manpower numbers, another factor for the increase in payroll expenses is the impact of annual increments in salaries, increase in minimum wages and corresponding increase in the statutory components such as EPF etc.

In view of the above, the 10% YoY increase in payroll costs proposed by the ISP during the last two tariff years of the Third Control Period is reasonable. Accordingly, the Authority proposes to consider payroll expenses for the Control Period as submitted by the ISP.

5.4.4 **Administrative & General Expenses** - The Authority notes that KSIEL proposed 11% to 13% annual increase in Administrative and General Expenses, except for FY 2023-24, where ISP proposed just 2% increase as compared to previous year.

The Authority observes that the watch and ward expenses, which account for 50% of the Total Administrative & General Expenses in the FY 2021-22, decreased by 71% in FY 2022-23; therefore, the overall Administrative & General Expenses decreased by 39% in FY 2022-23. In this regard, the ISP vide mail dated 26.08.2023 clarified that after the Thiruvananthapuram International Airport was taken over by TIAL from the AAI, watch & ward bills were not raised by the contractor. Hence, KSIEL could not account for the same in P&L accounts, leading to steep decrease in expenses during FY 2022-23.

5.4.5 As regard to marginal increase in Admin. & General expenses in FY 2023-24 (2% increase) over the previous financial year, the Authority observes that Lease Rent, which formed 54% of the total Administration Expenses in FY 2022-23, is projected to decrease by 76% in FY 2023-24. The ISP, in this regard, vide mail dated 26.08.2023 stated that after Thiruvananthapuram International Airport was taken over by TIAL, their earlier Lease Agreement with AAI got cancelled and a new Agreement was executed between KSIEL and TIAL. As per the new Agreement, KSIEL has to surrender 1210 Sq. Mtr. land in respect of the existing Cargo Terminal to TIAL for the airport expansion and in turn, 840 Sq. Mtr. of new plot of land is allotted to KSIEL in the adjacent area. Accordingly, KSIEL now is required to pay lease rental on the reduced land area (i.e., 1680 Sq. Mtr. of land area as against earlier 2050 Sq. Mtr. of land area) @ ₹ 1000 per Sq. Mtr. per annum (along with applicable taxes) in FY 2023-24 & FY 2024-25. As per the ISP, lease rental payable for the FY 2025-26 to the Airport Operator have not yet been decided, therefore, the same has been taken considered tentatively for FY 2025-26.

5.4.6 With respect to the apportionment of the KSIEL Headquarters' Cost Allocation to Thiruvananthapuram Air Cargo Unit, the Authority observes from the ISP's submission that KSIEL apportions its head office expenses to subordinate units, based on the proportion of revenue generated by the subordinate units.

In this context, the Authority sought the details of KSIEL's Headquarters expenses and the actual revenues generated by the all the subordinate units (profit centers) for the FY 2021-22 & FY 2022-23.

However, the requisite information is still awaited from the ISP. In order to avoid delay in issuance of CP, the Authority, at this stage has rationalized the projected Headquarters' cost allocation to the Trivandrum ACC as per the Table 12 given below. The Authority will revisit the issue of Headquarters cost allocation to Trivandrum Air Cargo Complex at the time of finalization of Tariff Order.

The Authority, taking into account above analysis and clarifications furnished by the ISP, proposes to consider the Admin. & General Expenses for the Control Period as per the Table 12.

**5.4.7 Repair and Maintenance Expenditure** - The Authority notes that KSIEL has proposed 10% Y-o-Y increase in the repair and maintenance expenditure from FY 2023-24 onward, during the Third Control Period. Considering that the ISP is required to keep its equipment and other facilities in proper working conditions all the times, to avoid any disruption in the cargo handling operations, and taking into account the increase in repair & maintenance costs due to factors like annual general inflation, wear & tear of equipment etc., the Authority proposes to consider 10% Y-o-Y increase in the repair & maintenance expenses as considered by the ISP in its MYTP submission.

**5.4.8 Utilities Expenses** - The Authority notes that KSIEL has proposed 10% Y-o-Y increase for electricity and water charges, during the Third Control Period. Upon query by the Authority regarding proposed increase in Utility Expenses, KSIEL submitted the detailed break up of electricity and water expenses.

In this regard, the Authority from ISP's submission notes that supply of water and electricity is based on industrial rates which are increased annually, and also taking cognizance of the projected increase in cargo volumes, the Authority proposes to consider 10% annual escalation in Utilities Expenses, as proposed by the ISP.

**5.4.9** The Authority observes that subsequent to ISP getting the status of RA facility, the total Operation & Maintenance expenditure of the service provider is projected to increase by 59% in FY 2023-24 as compared to FY 2022-23 (FY before RA Facility status).

The Authority has compared the projected OPEX of the ISP, before RA Facility status (FY 2022-23) with the O&M Expenditure after obtaining RA Facility status for Thiruvananthapuram ACC (FY 2023-24) as under:

**Table 11: Comparison of O&M expenditure before & after obtaining RA status by the KSIEL.**

(₹ in Lakhs)

Particulars	FY 2022-23 (Before RA Status)	FY 2023-24 (After getting RA Status)	% Increase
Payroll Cost	172.09	376.89	119%
No. of employees (KSIEL)	43	43+68=111	158%
Admin. & General Costs	151.81	154.65	2%
Repairs & Maintenance Expenses	11.23	12.36	10%
Utility Expenses	19.37	21.31	10%
Total O&M Expenditure	354.51	565.21	59%

\*As per ISP understanding more than 50 no. of employees/loaders & 18 nos. screeners were engaged by the Airlines/Ground Handling Agency for carrying out activities relating to RA functions.

5.4.10 As per the above table, the manpower count is projected to increase by 158% in FY 2023-24 (after getting RA Status). In this regard, the Authority vide mail dated 23.08.2023 asked to the ISP regarding the number of manpower engaged by Airlines & Ground Handling Agencies (GHA) for activities related to X-ray screening & certification etc. (before RA Facility status). KSIEL, in its response, vide email dated 26.08.2023 submitted that earlier (before RA Facility status) Airlines were doing X-ray screening of Cargo and they were having a MoU with the Ground Handling Agency (GHA) operating at the airport, whereby GHA were providing the required numbers of workers for handling Cargo during peak hours and odd hours. As per the ISP's estimate, around 50 numbers of porters were available for handling cargo in all the shifts. The ISP further informed that unloading the Cargo from vehicles on the city-side and stacking the same in the warehouse were used to be done by the porters deployed by the Exporters.

The Authority notes from the submission of the KSIEL (email dated 26.08.2023) that apart from 18 nos. of X-ray screeners (required as per BCAS norms), the ISP, as against 50 numbers of porters provided by the Airlines to handle Cargo for X-ray Screening (inside the Cargo Terminal) and additional porters deployed by the exporters (on city-side for unloading of Cargo etc.); proposes to deploy a total of 44 numbers of warehouse helpers, 6 nos. of professionals for handling dangerous goods. Thus, after getting a status of RA Facility, the ISP is inducting additional manpower of 68 numbers, including 18 nos. for X-ray screeners.

5.4.11 From the above analysis, it is observed that the major impact of RA Facility status is on the payroll expenses of the ISP, which are projected to increase around 119% in FY 2023-24 as compared to FY 2022-23. It is pertinent to mention that subsequent to getting RA Facility status, there is projected increase in the manpower count by 68 numbers from 43 nos. (FY 2022-23) to 111 nos. (FY 2023-24), which include 18 nos. of X-Ray screeners (as per security norms) & 50 other workers, which is the main reason for the projected steep increase in payroll expenses during the FY 2023-24.

Considering the impact of proposed increase in manpower numbers (by 158%) in FY 2023-24 and taking into account the impact of annual salary increments, increase in minimum wages, increase in statutory components like EPF etc., the 119% increase considered by the ISP in Payroll Costs (after getting the RA Facility status) is reasonable.

5.4.12 The Authority, after examination of the various elements of the Operations & Maintenance Expenditure projected by the ISP and taking into account the re-computation of Headquarters Cost Apportionment, Admin. & General Expenses, proposes to consider the projected OPEX for the ISP in respect of the Third Control Period, as per table given below:

**Table 12: OPEX proposed to be considered for the ISP by the Authority in respect of the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Cost (A)	103.83	172.09	376.89	415.98	458.78	1527.57
Admin & General Expenses (excluding Apportionment of HQ Expenses)	236.66	137.06	116.14	125.77	141.34	756.97
Apportionment of HQ Expenses	13.48	14.75	25.66	30.85	35.60	120.34
Total Admin. & General Expenses (B)	250.14	151.81	141.8	156.62	176.94	877.31

Repair & Maintenance Expenditure (C)	13.38	11.23	12.36	13.59	14.95	65.51
Utilities Expenses (D)	13.38	19.37	21.31	23.44	25.79	103.29
<b>Total O&amp;M Expenditure (A+B+C+D)=(E)</b>	<b>380.73</b>	<b>354.50</b>	<b>552.36</b>	<b>609.63</b>	<b>676.46</b>	<b>2573.68</b>

*\*Actual Figures (unaudited)*

## 5.5 Authority's Proposal relating to OPEX for the Third Control Period.

5.5.1 Based on the material before it and its analysis, the Authority proposes to consider the OPEX in respect of the KSIEL for the Third Control Period as per Table 12.

## **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, vide OM no. AV.13011/03/2013-ER dated 28<sup>th</sup> October, 2014 issued Policy guidelines on ‘Air Freight Station’ (AFS) 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 emphasizes 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.

6.1.3 The Authority is conscious of MoCA’s policy initiative on AFS, which has a larger national intent to strengthen and develop air cargo logistics in the country and same is expected to reduce the bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters. AERA supports the progressive step taken by the Govt. and feels that AFS Cargo needs to be incentivized by way of lower charges vis-à-vis rates applicable to normal cargo (Cargo directly received by the Cargo Terminal Operator).

6.1.4 The Authority has observed that KSIEL in its initial MYTP proposal did not propose separate tariff for Cargo originating from /destined to AFS. Accordingly, the Authority asked the ISP to provide separate Tariff rates for BUPs pertaining to the approved AFS. KSIEL, vide email dated 07.08.2023 submitted composite Tariff Rates for Built up Pallets (BUPs) pertaining to AFS cargo, both for Exports & Imports, as indicated below:

**Table 13: TSP Charges for Exports in respect of AFS Cargo proposed by the KSIEL.**

(Charges Per Unit in ₹)

Sl. No.	BUP Charges – General Cargo	FY 2023-24	FY 2024-25	FY 2025-26
1	BUP Charge (up to LD3) 1588 Kgs	1413	1636	1794
2	BUP Charge (above LD3 - lower deck pallet) 3175 Kgs	2826	3270	3588
3	BUP Charge (above LD3 - main deck pallet) 6800 Kgs	6052	7004	7684
	<b>BUP Charges - Other than General Cargo</b>			
4	BUP Charge (up to LD3) 1588 Kgs	1191	1366	1509
5	BUP Charge (above LD3 - lower deck pallet) 3175 Kgs	2381	2731	3061
6	BUP Charge (above LD3 - main deck pallet) 6800 Kgs	5100	5848	6460

6.1.5 In addition to the TSP charges for AFS Export Cargo, ISP has also proposed separate TSP charges pertaining to AFS Import Cargo, as given in table below:

**Table 14: TSP Charges for Imports in respect of AFS Cargo proposed by the KSIEL.**

(Charges Per Unit in ₹)

Sl. No.	BUP Charge – General Cargo	FY 2023-24	FY 2024-25	FY 2025-26
1	BUP Charge (up to LD3) 1588 Kgs	6701	7702	8464
2	BUP Charge (above LD3 - lower deck pallet) 3175 Kgs	13399	15399	16923
3	BUP Charge (above LD3 - main deck pallet) 6800 Kgs	28696	32980	36244
	<b>BUP Charge – Other than General Cargo</b>			
4	BUP Charge (up to LD3) 1588 Kgs	6701	7702	8464
5	BUP Charge (above LD3 - lower deck pallet) 3175 Kgs	13399	15399	16923
6	BUP Charge (above LD3 - main deck pallet) 6800 Kgs	28696	32980	36244

6.1.6 The Authority notes that proposed TSP Charges for BUPs (General Cargo & Other than General Cargo pertaining to AFS) as compared to rates of TSP Charges, on per kg basis, for normal cargo (cargo received directly by the CTO at its cargo terminal), are lower by around 25% in all categories of BUPs, except BUP charges in ‘Other than General Cargo’ under Import Cargo, where ISP has proposed around 44% lower charges.



6.1.7 The Authority, taking cognizance of intent of MoCA's AFS Policy dated 28.10.2014 and to encourage the concept of AFS Cargo, as step towards improvement of air cargo logistics in the country, proposes to consider 30% lower TSP Charges for all categories of BUPs/ ULDs pertaining to AFS (under Export & Import Cargo), except in case of 'Other than General Cargo' under the Imports, where 44% lower TSP charges are proposed on BUPs, based on ISP submission.

6.1.8 The Tariff Rates proposed by the Authority pertaining to BUPs/ ULDs in respect of approved AFS, for Stakeholders' Consultation, are placed in **Annexure – II** of this CP.

**6.2 Authority's Proposals regarding Tariff rates for Built up Pallets (BUPs) for the Third Control Period.**

6.2.1 Based on the material before it and its analysis, the Authority proposes to consider 30% lower TSP Charges in all category of BUPs (Export & Import Cargo) pertaining to AFS, except 'Other than General Cargo' BUPs under Imports, where 44% lower TSP Charges are proposed for the Third Control Period, as per **Annexure-II**.

## **CHAPTER 7: AGGREGATE REVENUE REQUIREMENT (ARR)**

7.1 KSIEL, in its MYTP submission has considered Fair Rate of Return (FRoR) of 11.11% for computation of Return on Regulatory Assets Base (RAB).

### **7.2 Aggregate Revenue Requirement (ARR) projected by KSIEL for the Third Control Period:**

7.2.1 KSIEL, considering FRoR @ 11.11%, projected Aggregate Revenue Requirement (ARR) for the Third Control Period for its Thiruvananthapuram Cargo operations, as under:

**Table 15: Aggregate Revenue Requirement submitted by KSIEL for the Third Control Period.**

Particulars	(₹ in lakhs)					Total
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
RAB	325.92	336.69	362.66	483.41	553.24	
Fair Rate of Return	11.11%	11.11%	11.11%	11.11%	11.11%	
RAB* FRoR	36.19	37.39	40.28	53.69	61.45	<b>229.00</b>
Depreciation	24.73	22.98	25.18	35.52	27.00	<b>135.41</b>
Operation and Maintenance expenditure	380.73	354.50	565.21	625.08	694.26	<b>2619.78</b>
Tax	0.00	0.00	77.47	109.54	140.02	<b>327.03</b>
Non-Aeronautical Revenues	34.98	36.96	40.65	44.72	49.19	<b>206.50</b>
<b>Aggregate Revenue Requirement</b>	<b>406.68</b>	<b>377.91</b>	<b>667.48</b>	<b>779.10</b>	<b>873.54</b>	<b>3104.71</b>

### **7.3 Authority's Examination on ARR for the Third Control Period:**

7.3.1 The Authority observes that in its ARR computations for the Third Control Period (Table 15), the ISP has not calculated the Net Present Value (NPV) of the ARR.

7.3.2 As regard to FRoR, the Authority sought the basis of considering FRoR at 11.11% from the KSIEL. The ISP, in its response submitted that they have considered Cost of Equity at 12%, regarding Cost of Debt, the ISP informed that the Thiruvananthapuram Air Cargo Complex (TACC) is functioning as a separate profit center (of KSIEL) and all the fund transfers from the Headquarters to the Thiruvananthapuram Unit are treated as loans, for accounting purposes. However, no interest is charged on such fund transfers from the Headquarters.

7.3.3 The Authority notes from KSIEL's submission that they are not availing any external debt for their cargo operations at Thiruvananthapuram International Airport. The ISP further submitted that Head Office account is credited for the funds received from them; as and when there are surplus funds available with Thiruvananthapuram Unit, from its cargo operations. From the above, the Authority has drawn inference that Thiruvananthapuram ACC Unit is ultimately utilizing their internal accruals for the cargo operations at Thiruvananthapuram Airport.

7.3.4 The Authority notes that KSIEL has proposed FRoR for its Thiruvananthapuram operations, considering the Cost of Equity at 12%, which seems to be reasonable. As regard to Cost of Debt, the Authority from ISP's submission deduces that there is no external debt availed by the ISP in respect of its Thiruvananthapuram operations.

7.3.5 In view of the above, the FRoR proposed by the ISP for the Third Control Period is considered reasonable. Accordingly, the Authority proposes to consider FRoR @ 11.11% as submitted by the ISP for the Third Control Period.

However, the Authority advises the ISP to adopt optimum capital structure, by availing debt from the banks/financial institutions, to bring in efficiency in the Cost of Capital.

7.3.6 The Authority, after review and analysis of various regulatory building blocks, as discussed in previous chapters, has computed Aggregated Revenue Requirement (ARR) for KSIEL in respect of the Third Control Period as per Table given below:

**Table 16: ARR proposed to be considered by the Authority for KSIEL for the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB (Refer Table 9)	325.92	336.69	236.02	118.02	467.60	533.37	
Return on RAB @ 11.11% (A)	36.21	37.41	26.22	13.11	51.95	59.26	224.16
O&M Expenses (B) (Refer Table 12)	380.73	354.50	368.24	184.12	609.63	676.46	2573.68
Depreciation (C) (Refer Table 7)	24.73	22.97	16.41	8.21	32.66	37.99	142.97
Tax @ 33.34% (D) (Refer Table 21)	0.00	0.00	0.00	0.00	53.11	98.94	152.05
Revenue from Non-Regulated Services (E)	34.98	36.96	27.10	13.55	44.72	49.19	206.50
<b>Aggregate Revenue Requirement (F)=(A+B+C+D-E)</b>	<b>406.69</b>	<b>377.92</b>	<b>383.77</b>	<b>191.90</b>	<b>702.63</b>	<b>823.45</b>	<b>2886.36</b>
Discount/ Compounding Rate	11.11%						
PV Factor at @ 11.11 (G)	1.23	1.11	1.00	1.00	0.90	0.81	
<b>PV of ARR (H) = (F*G)</b>	<b>502.08</b>	<b>419.91</b>	<b>383.77</b>	<b>191.90</b>	<b>632.37</b>	<b>667.01</b>	<b>2797.04</b>
Total Revenue from the Regulated Services at the prevailing Tariffs (I)	273.84	278.33	386.75	193.37	609.13	639.36	2380.78
<b>Tariff Increase (%) proposed</b>	-	-	-	<b>20%</b>	<b>14%</b>	<b>10%</b>	
<b>Total Revenue from Regulated Services after the Proposed Tariff Increase (J)</b>	273.84	278.33	386.75**	232.04 <sup>#</sup>	833.29	962.11	2966.36
<b>PV of Total Revenue (K)=(J*G)</b>	<b>338.07</b>	<b>309.25</b>	<b>386.75</b>	<b>232.04</b>	<b>749.97</b>	<b>779.32</b>	<b>2795.41</b>

\*Actual Figures (unaudited).

\*\*1<sup>st</sup> April 2023 to 30<sup>th</sup> November 2023 (8 Months), projected Revenue as per the existing Tariff.

<sup>#</sup>1<sup>st</sup> December 2023 to 31<sup>st</sup> March, 2024 (4 Months), projected Revenue as per the proposed Tariff.

7.3.7 The Authority has computed ARR for the ISP in respect of the Third Control Period at ₹ 2886.36 Lakhs (PV at ₹ 2797.04 Lakhs) as indicated in the Table 16 above.

7.3.8 As per the ARR calculations, the Authority computed 38.31% one-time Tariff increase for the ISP over the prevailing Tariff rates. However, in order to reduce the burden of one-time steep tariff increase on the users, the Authority proposes to consider staggered tariff increase from FY 2023-24 (effective from 1<sup>st</sup> December, 2023) to FY 2025-26 for the Third Control Period.

#### **7.4 Authority's Proposal regarding Aggregate Revenue Requirement (ARR) for the Third Control Period**

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

7.4.1 To consider the ARR in respect of KSIEL for the Third Control Period as per Table 16.

## CHAPTER 8: REVENUE FROM OPERATIONS, PROFITABILITY & TAXATION.

### 8.1 KSIEL's submissions on its projected Profitability for the Third Control Period.

8.1.1 KSIEL forecasted the Revenues for the Third Control Period, based on the projected Cargo Volumes at the current Tariff as under:

**Table 17: Revenue Projected by KSIEL for the Third Control Period before the proposed Tariff increase.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Cargo Volumes	15170	14841	15200	15960	16753	<b>77924.00</b>
Revenues from Regulated Services	273.84	278.33	580.12	609.13	639.36	<b>2380.78</b>
Revenues from Non-Regulated Services	34.98	36.96	40.65	44.72	49.19	<b>206.50</b>
<b>Total Revenues</b>	<b>308.82</b>	<b>315.29</b>	<b>620.77</b>	<b>653.85</b>	<b>688.55</b>	<b>2587.28</b>

\*Actual Figures (unaudited).

8.1.2 KSIEL, while projecting Revenues for its Thiruvananthapuram operations for the Third Control Period has proposed the following % age increase in the existing Tariff Rates of various Cargo Handling Services at Thiruvananthapuram International Airport.

**Table 18: Percentage increase in Tariff rates proposed by KSIEL for the Third Control Period.**

Services	FY 2023-24	FY 2024-25	FY 2025-26
Export & Import Cargo Handling	25%	15%	10%

8.1.3 Based on its proposed Tariff increase indicated above, KSIEL has proposed Tariff Rate Card for the Third Control Period as per **Annexure-I** of the CP.

The ISP has further submitted the projected Profitability Statement for the Third Control Period, after considering the proposed Tariff increase, as per Table given below:

**Table 19: Profitability Statement submitted by the KSIEL (after proposed tariff increase) for the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue From Regulated Services	273.84	278.33	782.16	944.53	1092.18	<b>3371.04</b>
Revenue From Non-Regulated Services	34.98	36.96	40.65	44.72	49.19	<b>206.50</b>
Total Revenues	308.82	315.29	822.81	989.25	1141.37	<b>3577.54</b>
Total Operating Expenditure	380.73	354.50	565.21	625.08	694.26	<b>2619.78</b>
Profit before Depreciation	-71.91	-39.21	257.60	364.17	447.11	<b>957.72</b>

Depreciation	24.73	22.97	25.18	35.52	27.00	<b>135.41</b>
Profit Before Interest and Taxation	-96.64	-62.18	232.42	328.65	420.11	<b>822.36</b>
Total Interest and Finance Charges	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Profit Before Tax (PBT)	-96.64	-62.18	232.42	328.65	420.11	<b>822.35</b>
Tax	0.00	0.00	77.47	108.54	140.02	<b>326.03</b>
Profit After Taxation (PAT)	-96.64	-62.18	154.95	219.11	280.09	<b>495.32</b>

*\*Actual Figures (unaudited).*

## **8.2 Authority's Examination on projected Revenue from Operations, Profitability and Taxation:**

8.2.1 The Authority observes that KSIEL in its MYTP submission has considered corporate tax @ 33.34%; accordingly, the Authority proposes to adopt the same Tax Rate for the Third Control Period, as proposed by the ISP.

8.2.2 The Authority notes that KSIEL has proposed Tariff increase in the Cargo Handling Services for the remaining tariff years (FY 2023-24 to FY 2025-26) of the current Control Period (as per the Table 18) on the following grounds/ justifications:

- i. As per MoU with TIAL, ISP has to pay lease rent of 1.65 lakhs per month for the land taken on lease from TIAL for Cargo Handling Services at Thiruvananthapuram International Airport.
- ii. Tariff Rates were last revised by the AERA for Thiruvananthapuram Air Cargo Complex in February, 2020 and the same tariff is continuing for the last 03 years.
- iii. For converting the CUDCT facility into RA facility, additional manpower deployed at the TACC which increases the payroll expenses and other Costs such as Fuel, Electricity, Water, Transportation etc.

8.2.3 The Authority observes that in its Tariff Rate Card, KSIEL has proposed Tariff Rates for new services, viz. services pertaining to 'Special Cargo' (TSP & Demurrage Charges) under the Export and Import Cargo, 'Transshipment Charges' under the Export Cargo and Documentation Charges under Import; which were not part of the existing Tariff Rate Card.

In response to AERA query, the ISP submitted that the 'Special Cargo' was not in their existing tariff rate card and KSIEL might have lost the business in the same heads. Hence, to avoid the probable loss of business, they have included the Special Cargo as a new item under the TSP & Demurrage Charges, for both Exports and Imports. Further, ISP submitted that they are expecting transshipment of cargo in Export category also, hence this new charge is proposed.

8.2.4 The Authority notes that generally, other cargo terminal operators also have separate rates for "Special Cargo", "Transshipment Charges" and "Documentation Charges" in their Tariff Rate Cards. The rates of new services proposed by the ISP seems reasonable as compared to rates prevalent at nearby airports, for similar services.

8.2.5 The Authority, notes that projected Revenue for KSIEL in respect of the Third Control Period at the existing tariff rates, is not sufficient to meet ARR requirement of the ISP.

Therefore, the Authority, based on its computation of ARR for the Third Control Period, has calculated the one-time tariff increase of 38.31% over the prevailing tariff; however, in order to reduce the burden of one-time steep tariff increase on the users, proposes to consider staggered tariff increase from FY 2023-24 (effective from 1<sup>st</sup> December, 2023) to FY 2025-26 for the Third Control Period, based on the ARR computed by the Authority (Table 16) for the ISP as indicated in the Table below:

**Table 20: Percentage increase in Tariff rates propose to be considered by the Authority for the Third Control Period.**

Service	FY 2023-24*	FY 2024-25	FY 2025-26
Cargo Handling	20%	14%	10%

\*Proposed to be effective from 1<sup>st</sup> December, 2023

8.2.6 The Tariff Rate Card proposed by the Authority for KSIEL in respect of its Third Control Period, is placed at **Annexure-II**.

8.2.7 The Authority has computed the projected Profitability for KSIEL (after the proposed Tariff increase) for the Third Control Period as per Table given below:

**Table 21: Projected Profitability computed by the Authority in respect of KSIEL (after proposed Tariff increase) for the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24**	FY 2023-24#	FY 2024-25	FY 2025-26	Total
Regulated Revenues (Refer table 16)	273.84	278.33	386.75	232.04	833.29	962.11	2966.36
Non-Regulated Revenues (Refer table 17)	34.98	36.96	27.10	13.55	44.72	49.19	206.50
Total Revenues	308.82	315.29	413.85	245.59	878.01	1011.30	3172.86
Total O & M Expenditure (Refer table 12)	380.73	354.50	368.24	184.12	609.63	676.46	2573.68
Profit before Depreciation, Interest & Tax	-71.91	-39.21	45.61	61.47	268.38	334.84	599.18
Depreciation (Refer table 7)	24.73	22.97	16.41	8.21	32.66	37.99	142.97
Profit after Depreciation before Interest and Tax	-96.64	-62.18	29.20	53.26	235.72	296.85	456.21
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	-96.64	-62.18	29.20	53.26	235.72	296.85	456.21
Tax	0.00	0.00	0.00	0.00	53.11	98.94	152.05
<b>Net Profit</b>	-96.64	-62.18	29.20	53.26	182.61	197.91	304.16

\*Actual Figures (unaudited).

\*\*1<sup>st</sup> April, 2023 to 30<sup>th</sup> November, 2023 (8 Months) as per existing tariff.

#1<sup>st</sup> December, 2023 to 31<sup>st</sup> March, 2024 (4 Months) at the proposed tariff.

8.2.8 From the above Table, the Authority notes that the ISP had suffered losses during the first two tariff years of the Control Period (FY 2021-22 & 2022-23). Thereafter, it is expected that ISP will maintain a reasonable level of profit for remaining period of the Third Control Period.

### **8.3 Authority's Proposals regarding Revenue for the Third Control Period**

8.3.1 Based on the material before it and its analysis, the Authority proposes to consider the projected Profitability Statement (after proposed Tariff increase) for the Third Control Period as per Table 21.

8.3.2 To consider the proposed Tariff for Cargo Handling Services in respect of the KSIEL for the Third Control Period as per **Annexure-II**.

## **CHAPTER 9: SUMMARY OF AUTHORITY'S PROPOSALS**

The below mentioned summary provides the Authority's proposals relating to relevant chapters regarding the tariff determination for KSIEL at Thiruvananthapuram International Airport for Stakeholders' Consultation purpose:

<b>Chapter</b>	<b>Para</b>	<b>Summary of Authority's Proposals</b>	<b>Page No.</b>
<b>Chapter No.2</b>	<b>2.9.1</b>	Proposes to determine the Tariffs for the Cargo Handling Services provided by KSIEL at Thiruvananthapuram International Airport for the Third Control Period, under the ' <b>Light Touch Approach</b> '.	10
<b>Chapter No.3</b>	<b>3.3.1</b>	Proposes to consider the Cargo Volume projected by KSIEL for the Third Control Period as per Table 3.	12
<b>Chapter No. 4</b>	<b>4.7.1</b>	Proposes to consider Additions to RAB (CAPEX) for the Third Control Period as per Table 5.	17
	<b>4.7.2</b>	Proposes to consider the Depreciation for the Third Control Period as per Table 7.	
	<b>4.7.3</b>	Proposes to consider Average RAB for the Third Control Period as per Table 9.	
<b>Chapter No. 5</b>	<b>5.5.1</b>	Proposes to consider the OPEX in respect of the KSIEL for the Third Control Period as per Table 12.	22
<b>Chapter No. 6</b>	<b>6.2.1</b>	Proposes to consider 30% lower TSP Charges in all category of BUPs (Export & Import Cargo) pertaining to AFS, except 'Other than General Cargo' BUPs under Imports, where 44% lower TSP Charges are proposed for the Third Control Period, as per <b>Annexure-II</b> .	25
<b>Chapter No. 7</b>	<b>7.4.1</b>	Proposes to consider the ARR in respect of KSIEL for the Third Control Period as per Table 16.	27
<b>Chapter No. 8</b>	<b>8.3.1</b>	Proposes to consider the projected Profitability Statement (after proposed Tariff increase) for the Third Control Period as per Table 21.	31
	<b>8.3.2</b>	Proposes to consider the Tariff for Cargo Handling Services in respect of the KSIEL for the Third Control Period as per <b>Annexure-II</b> .	



## **CHAPTER 10: STAKEHOLDERS' CONSULTATION**

- 10.1 In accordance with the provisions of Section 13(4) of the AERA Act, the proposals contained in Chapter 9 above is hereby put forth for Stakeholders' consultation. To assist the Stakeholders in making their submissions in a meaningful and constructive manner, necessary annexures to Consultation Paper (**Annexures I & II**) are also enclosed.
- 10.2 For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the Stakeholders in response here to and by making such decision fully documented and explained in the Tariff Order, in terms of the provisions of the Act.
- 10.3 The Authority welcomes written evidence-based feedback, comments and suggestions from Stakeholders on the various proposals made in Chapter 9 above, latest by **09/11/2023**.

### **Secretary**



**Airports Economic Regulatory Authority of India  
AERA Building, Administrative Complex  
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**(Chairperson)**

**TARIFF RATE CARD FOR THE THIRD CONTROL PERIOD  
PROPOSED BY KSIEL, FOR THE CARGO HANDLING SERVICES AT  
THIRUVANANTHAPURAM INTERNATIONAL AIRPORT.**

**ANNUAL TARIFF PROPOSAL FOR  
TRIVANDRUM AIR CARGO TERMINAL (TACT)  
TARIFF (REGULATED CHARGES) FOR THE FIN YEAR 2023-24**

A	EXPORT CARGO		Existing Rates
Sl.No.	Particulars	Proposed Rate @ 25% increase to the existing tariff and rounded off	06th March 2020 onwards
<b>1) Terminal Storage &amp; Processing Charges (TSP)</b>			
1	Perishable Cargo	Rs.1.00 per Kg subject to minimum Rs.190/- per AWB	0.80 per Kg / 150 per AWB
2	General Cargo	Rs.1.19 per Kg subject to minimum Rs.190/- per AWB	0.95 per Kg/150 per AWB
3	Newspaper	Rs.0.88 per Kg subject to minimum Rs.160/- per AWB	0.70 per Kg / 125 per AWB
4	Valuable Cargo	Rs.7.5 per Kg subject to minimum Rs.1,250/- per AWB	Rs.6/-per kg, MinimumRs.1000/p er AWB
5	Special Cargo*	Rs.2.00 per Kg subject to minimum Rs.350 per Consignment	new
*Special Cargo consists of Live Animals, Hazardous Goods, Ornamental Fish, Chicks etc			
<b>2) Demurrage Charge- Export Cargo</b>			
1	Perishable Cargo	Rs.1.00 per Kg per day beyond 36 hours subject to a minimum of Rs.190/- per AWB	0.80 per Kg / 150 per AWB
2	General Cargo	Rs.1.19 per Kg per day beyond 36 hours subject to a minimum of Rs.190/- per AWB	0.95 per Kg/150 per AWB
3	Newspaper	Rs.0.88 per Kg per day beyond 36 hours subject to a minimum of Rs.160/- per AWB	0.70 per Kg / 125 per AWB
4	Valuable Cargo	Rs.7.5 per kg per day beyond 36 hours subject to a minimum of Rs.1250 per AWB.	Rs.6/-per kg, MinimumRs.1000/p er AWB
5	Special Cargo*	Rs.2.00 per Kg subject to minimum Rs.350 per Consignment	new

3)	<b>X-ray Machine Usage Charge.</b>		
	For all types of Cargo	Rs.1.88 per Kg subject to a minimum of Rs.200/- per Consignment	1.50 per Kg
4)	<b>Screening and Certification Charge</b>		
	For all types of Cargo	Rs.2.25 per Kg subject to a minimum of Rs.200/- per Consignment	new
5)	<b>Export Documentation Charges*</b>	Rs.500/- per Flight	new
	*to be paid by Airlines at Export for providing Manifest and Envelope services provided. Export : Cargo Manifest + Envelope		
6)	<b>Handling Charges*</b>	Rs.2.50 per Kg subject to the minimum of Rs.650/- per consignment.	new
	*Acceptance of Cargo, Stacking, Feeding into X-ray Machine and to Pallets/ULDs .To be paid by Airlines		
<b>B</b>	<b>IMPORT CARGO</b>		
1)	<b>Terminal Storage &amp; Processing Charges (TSP)</b>		
1	Commercial Cargo / Un-accompanied Baggage (1-7) Days	Rs.5.62 per Kg subject to minimum Rs.250/- per AWB	4.50 per Kg /200 per AWB (1-7 )days
2	Special Cargo*(1-7 Days)	Rs.10.00 per Kg subject to minimum Rs.300/- per AWB	new
3	Valuable Cargo (1-7 Days)	Rs.7.50 per Kg subject to minimum Rs.1250/- per AWB	6.00/ 1000 per AWB
2)	<b>Demurrage Charges</b>		
a	<b>Commercial Cargo /Un-accompanied Baggage</b>		
1	From 8 to 14 days	Rs.1.50 per Kg per day from the date of arrival subject to minimum Rs.315/- per AWB.	1.20 Per Kg for 8-14 days /250 per AWB

*[Handwritten signature]*



2	From 15 to 21 days	Rs.1.88 per Kg per day from the date of arrival subject to the minimum of Rs.315/- per AWB	1.50 per Kg for 15-21 days /250
3	22nd day onwards	Rs.2.06 per Kg per day from the date of arrival subject to the minimum of Rs.315/- per AWB	1.65 per Kg for above 22 days /250
<b>b Special Cargo</b>			
1	From 8 to 14 days	Rs.2.00 per Kg per day from the date of arrival subject to the minimum of Rs.300/- per AWB	new
2	From 15 to 21 days	Rs.4.00 Kg per day from the date of arrival subject to the minimum of Rs.300/- per AWB.	new
3	22nd day onwards	Rs.6.00 per Kg per day from the date of arrival subject to the minimum of Rs.300/- per AWB.	new
<b>c Valuable Cargo</b>			
1	From 8 to 14 days	Rs.7.50 per Kg per day from the date of arrival subject to minimum Rs.1250/- per AWB	6.00 per Kg from 8th day onwards / 1000
2	From 15 to 21 days	Rs.12.00 Kg per day from the date of arrival subject to minimum Rs.1500/- per AWB	10 per Kg/ 1500 AWB above 8days
3	22nd day onwards	Rs.12 per Kg per day from the date of arrival subject to minimum Rs.1500/- per AWB	new
<b>D Import Documentation Charges</b>			
	Unaccompanied Baggage / Commercial cargo	Rs.50 per AWB	new
<b>3) Transhipment Charges (Airline/ Transporter)</b>			
a	Transhipment Charges - Import International to International/Domestic	Rs.3.00 per Kg/Rs.250 per AWB	Rs.3.00 per Kg /Rs.250 per AWB



b	Transshipment Charges - <b>Export.</b> International to International /Domestic	Rs.2.00 per Kg/Rs.250 per AWB	New Item
The above Transshipment charges is to be borne by Exporter/Agent (This includes Terminal Storage and Processing & Transshipment charges). However, payment towards X-ray Machine Usage, Screening and Certification and Handling Charges are to be borne by Airlines			
<b>NOTES:</b>			
a	Consignment of human remains coffin including baggage of deceased & human eyes will be exempted from the purview of TSP, demurrage charges.		
b	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' or 'chargeable weight' whichever is higher.		
c	Special cargo consists of Live Animals, Hazardous Goods, Ornamental Fish, Live Chicks etc.		
d	Valuable cargo consists of Gold, Bullion, Currency Notes, securities, Shares, share Coupons, Traveller's Cheques, Diamonds (including diamonds for Industrial use), Diamond Jewelry and watches made of silver, Gold or Platinum, Computer Parts, Mobile Phones and items valued at USD 1000 per kilogram of gross weight and above		
e	GST will be charged extra at applicable rates		

*m*



**TARIFF RATE CARD AIR FREIGHT STATIONS (AFS) FOR THE THIRD CONTROL PERIOD PROPOSED BY KSIEL, FOR THE CARGO HANDLING SERVICES AT THIRUVANANTHAPURAM INTERNATIONAL AIRPORT.**

**Multiyear Tariff Proposal for the Financial Year 2021-22 to 2025-26  
Tariff Rate Card proposed by KSIE Trivandrum Air Cargo Terminal**

**(A) TSP CHARGES - INTERNATIONAL CARGO**

S.NO.	LIST OF CHARGES	FY2021-22		FY 2022-23		FY 2023-24		FY2024-25		FY2025-26	
		Rs. Per KG	Minimum Rate in Rs.	Rs. Per KG	Minimum Rate in Rs.	Rs. Per KG	Minimum Rate in Rs.	Rs. Per KG	Minimum Rate in Rs.	Rs. Per KG	Minimum Rate in Rs.
<b>EXPORT CARGO</b>											
(a)	<b><u>BUP Charge – Perishable Cargo (Other than General cargo)</u></b>										
	BUP Charge (upto LD3) -1588 Kg	0.60	953 per Unit	0.60	953 per Unit	0.75	1191 per Unit	0.86	1366 per Unit	0.95	1509 per Unit
	BUP Charge (above LD3 - lower deck pallet) 3175 Kg	0.60	1905 per Unit	0.60	1905 per Unit	0.75	2381 per Unit	0.86	2731 per Unit	0.95	3016 per Unit
	BUP Charge (above LD3 - main deck pallet) 6800 Kg	0.60	4080 per Unit	0.60	4080 per Unit	0.75	5100 per Unit	0.86	5848 per Unit	0.95	6460 per Unit
(b)	<b><u>BUP Charge – General Cargo</u></b>										
	BUP Charge (upto LD3) 1588 Kg	0.71	1127 per Unit	0.71	1127 per Unit	0.89	1413 per Unit	1.03	1636 per Unit	1.13	1794 per Unit
	BUP Charge (above LD3 - lower deck pallet) 3175 Kg	0.71	2254 per Unit	0.71	2254 per Unit	0.89	2826 per Unit	1.03	3270 per Unit	1.13	3588 per Unit
	BUP Charge (above LD3 - main deck pallet) 6800 Kg	0.71	4828 per Unit	0.71	4828 per Unit	0.89	6052 per Unit	1.03	7004 per Unit	1.13	7684 per Unit

\*BUP not permitted for consignments with restricted articles/DG/VAL cargo.



*Sl.No	List of Charges	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
		Rs. Per KG	Minimum Rate in Rs	Rs. Per KG	Minimum Rate in Rs	Rs. Per KG	Minimum Rate in Rs	Rs. Per KG	Minimum Rate in Rs	Rs. Per KG	Minimum Rate in Rs
<b>IMPORT CARGO</b>											
(a)	<b><u>BUP Charge – General Cargo</u></b>										
	BUP Charge (upto LD3) <b>1588 Kg</b>	3.38	5367 per Unit	3.38	5367 per Unit	4.22	6701 per Unit	4.85	7702 per Unit	5.33	8464 per Unit
	BUP Charge (above LD3 - lower deck pallet) <b>3175 Kg</b>	3.38	10732 per Unit	3.38	10732 per Unit	4.22	13399 per Unit	4.85	15399 per Unit	5.33	16923 per Unit
	BUP Charge (above LD3 - main deck pallet) <b>6800 Kg</b>	3.38	22984 per Unit	3.38	22984 per Unit	4.22	28696 per Unit	4.85	32980 per Unit	5.33	36244 per Unit
(b)	<b><u>BUP Charge - Other than General Cargo</u></b>										
	BUP Charge (upto LD3) <b>1588 Kg</b>	3.38	5367 per Unit	3.38	5367 per Unit	4.22	6701 per Unit	4.85	7702 per Unit	5.33	8464 per Unit
	BUP Charge (above LD3 - lower deck pallet) <b>3175 Kg</b>	3.38	10732 per Unit	3.38	10732 per Unit	4.22	13399 per Unit	4.85	15399 per Unit	5.33	16923 per Unit
	BUP Charge (above LD3 - main deck pallet) <b>6800 Kg</b>	3.38	22984 per Unit	3.38	22984 per Unit	4.22	28696 per Unit	4.85	32980 per Unit	5.33	36244 per Unit

Note:

(upto LD3)-1588Kg.

(above LD3 - lower deck pallet)- 3175Kg.

(above LD3 - main deck pallet)- 6800Kg.



**Annexure-II**

**TARIFF RATE CARD PROPOSED BY AERA FOR CARGO HANDLING SERVICES  
IN RESPECT OF KSIEL AT THIRUVANANTHAPURAM INTERNATIONAL AIRPORT  
IN RESPECT OF THE THIRD CONTROL PERIOD FOR  
STAKEHOLDERS'CONSULTATION.**

Rates in INR

Sno.	Particulars	Unit	FY 2023-24	FY 2024-25	FY 2025-26
<b>A</b>	<b>EXPORT CARGO</b>				
<b>1)</b>	<b>Terminal Storage &amp; Processing Charges (TSP)</b>				
a)	Perishable Cargo	Per Kg	0.96	1.09	1.20
		Minimum Charges/AWB	180	205	226
b)	General Cargo	Per Kg	1.14	1.30	1.43
		Minimum Charges/AWB	180	205	226
c)	Newspaper	Per Kg	0.84	0.96	1.06
		Minimum Charges/AWB	150	171	188
d)	Valuable Cargo	Per Kg	7.20	8.21	9.03
		Minimum Charges/AWB	1200	1368	1505
e)	Special Cargo	Per Kg	2.00	2.28	2.51
		Per Consignment	350.00	399	439
f)	<b>BUP Charges-AFS Cargo</b>				
	<b>General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	1267	1444	1588
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	2534	2889	3178
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	5430	6190	6809
	<b>Other than General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	1067	1216	1338
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	2134	2433	2676
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	4572	5212	5733
<b>2)</b>	<b>Demurrage Charge - Export Cargo</b>				
a)	Perishable Cargo	Per Kg Beyond 36 hours	0.96	1.09	1.20
		Minimum Charges/AWB	180	205	226
b)	General Cargo	Per Kg Beyond 36 hours	1.14	1.30	1.43
		Minimum Charges/AWB	180	205	226
c)	Newspaper	Per Kg Beyond 36 hours	0.84	0.96	1.06
		Minimum Charges/AWB	150	171	188



d)	Valuable Cargo	Per Kg Beyond 36 hours	7.20	8.21	9.03
		Minimum Charges/AWB	1200	1368	1505
e)	Special Cargo	Per Kg Beyond 36 hours	2.00	2.28	2.51
		Per Consignment	350.00	399	439
<b>3</b>	<b>X-ray Machine Usage Charge.</b>				
	For all types of Cargo	Per Kg	1.80	2.05	2.26
		Minimum Charges/AWB	180	205	226
<b>4</b>	<b>Screening and Certification Charge</b>				
	For all types of Cargo	Per Kg	1.80	2.05	2.26
		Per Consignment	126	144	158
<b>5</b>	<b>Export Documentation Charges*</b>	per Flight	500	570	627
*to be paid by Airlines at Export for providing Manifest and Envelope Services provided. Export: Cargo Manifest + Envelope.					
<b>6</b>	<b>Handling Charges*</b>	Per Kg	2.05	2.34	2.57
		per Consignment	485	553	608
*Acceptance of Cargo, Stacking, Feeding into X-ray Machine and to Pallets/ULDs. To be paid by Airlines.					
<b>B</b>	<b>IMPORT CARGO</b>				
<b>1</b>	<b>Terminal Storage &amp; Processing Charges (TSP)</b>				
a)	Commercial Cargo / Un-accompanied Baggage (1- 7 Days)	Per Kg	5.40	6.16	6.78
		Minimum Charges/AWB	240	274	301
b)	Special Cargo (1- 7 Days)	Per Kg	10.00	11.40	12.54
		Minimum Charges/AWB	300	342	376
c)	Valuable Cargo (1- 7 Days)	Per Kg	7.20	8.21	9.03
		Minimum Charges/AWB	1200	1368	1505
d)	<b>BUP Charges-AFS Cargo</b>				
	<b>General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	6003	6843	7527
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	12002	13682	15050
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	25719	29320	32252
	<b>Other than General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	6403	7299	8029
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	12802	14594	16053
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	27434	31275	34403
<b>2</b>	<b>Demurrage Charges</b>				
a	<b>Commercial Cargo /Un-accompanied Baggage</b>				
i)	From 8 to 14 days	Per Kg	1.44	1.64	1.80

		Minimum Charges/AWB	300	342	376
ii)	From 15 to 21 days	Per Kg	1.80	2.05	2.26
		Minimum Charges/AWB	300	342	376
iii)	22 <sup>nd</sup> day onwards	Per Kg	1.98	2.26	2.49
		Minimum Charges/AWB	300	342	376
<b>b</b>	<b>Special Cargo</b>				
i)	From 8 to 14 days	Per Kg	2.00	2.28	2.51
		Minimum Charges/AWB	300	342	376
ii)	From 15 to 21 days	Per Kg	4.00	4.56	5.02
		Minimum Charges/AWB	300	342	376
iii)	22 <sup>nd</sup> day onwards	Per Kg	6.00	6.84	7.52
		Minimum Charges/AWB	300	342	376
<b>c</b>	<b>Valuable Cargo</b>				
i)	From 8 to 14 days	Per Kg	7.20	8.21	9.03
		Minimum Charges/AWB	1200	1368	1505
ii)	From 15 to 21 days	Per Kg	12.00	13.68	15.05
		Minimum Charges/AWB	1500	1710	1881
iii)	22 <sup>nd</sup> day onwards	Per Kg	12.00	13.68	15.05
		Minimum Charges/AWB	1500	1710	1881
<b>d)</b>	<b>Import Documentation Charges</b>				
	<b>Unaccompanied Baggage/ Commercial Cargo</b>	Minimum Charges/AWB	50	57	63
<b>3</b>	<b>Transshipment Charges (Airline/Transporter)</b>				
a	<b>Import- International to International/Domestic</b>	Per Kg	3.00	3.42	3.76
		Minimum Charges/AWB	250	285	314
b	<b>Export- International to International/Domestic</b>	Per Kg	2.00	2.28	2.51
		Minimum Charges/AWB	250	285	314

The above Transshipment charge is to be borne by Exporter/Agent (This includes Terminal Storage and Processing & Transshipment charges).

However, Payment towards X-ray machine usage, Screening and Certification and Handling Charges are to be borne by Airlines.

**Notes:**

1. For the purpose of calculations of Demurrage Charges on Export/ Import Cargo, the free period shall be governed as per the Orders of Ministry of Civil aviation, issued from time to time.
2. Consignments of Human Remains, Coffins including unaccompanied Baggage of deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges.
3. The Charges will be levied on "Gross Weight" or "Chargeable Weight" whichever is higher. Wherever there is a misdeclaration of the Gross or chargeable weight on the AWB, the actual Gross weight or Actual Chargeable weight will be used for the charges whichever is higher.

4. All bills will be rounded to the next INR 1 as per rules.
5. Valuable Cargo consists of Gold Bullion, Currency Notes, Shares, Share Coupons, Traveler's Cheque, Diamonds (including Diamonds for industrial use), Diamond Jewelry, Watches made of silver, Gold, Platinum, and items valued at USD. 1000/KG and above.
6. Special Cargo Consists of Live Animals, Hazardous goods, Ornamental Fish, Chicks etc.
7. For consolidation of TSP Cargo - TSP charges will be levied to all types of cargo, in addition to Transshipment charges mentioned above. Demurrage Charges will be applicable per General Cargo Tariff.
8. All statutory taxes as per government will be charged extra.