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Consultation Paper No. 10/ 2017-18



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 Sivaji International Airport, Mumbai,
for the Second Control Period (01.04.2016 to 31.03.2021)**

20th June, 2017

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

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1. Brief on EICI Operations in Mumbai

1.1 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 2016-17).
- 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 over 25 entities providing Express cargo/ courier services.
- 1.1.3 EICI has submitted the MYTP for the second control period in 2015 and has subsequently provided additional information and clarifications sought by the Authority on 6th June 2016, 3rd May 2017 and 20th May 2017 (Refer Annexure 1).

1.2 Tariff Orders issued earlier

- 1.2.1 The Authority has evaluated submissions made by EICI in the first control period and has issued 3 Orders relating to activities carried out in Chhatrapati Shivaji International (CSI) Airport, Mumbai as given below:

Table 1: 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	Continue 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

1.3 Agreement with Mumbai International Airport Limited (MIAL)

- 1.3.1 The Authority notes that the validity period of the Agreement that EICI had entered into with MIAL has expired. EICI informed that discussions with MIAL are underway for renewal of the Agreement. The Authority notes that EICI's continuance to operate the Express Cargo/ Courier processing services is dependent on the renewal of license from MIAL.

2. Tariff Determination Methodology

2.1 Tariff Methodology

- 2.1.1 The Authority notes that in addition to EICI, other Cargo service providers such as Mumbai International Airport Limited (MIAL), Cargo Service Centre (P) Limited (CSC) operate in CSI Airport, Mumbai.
- 2.1.2 The Authority notes that Tariff for First control period was determined by the Authority under light touch method considering the service as **Material and Competitive**.
- 2.1.3 While other Cargo service providers operate in CSI Airport, the Authority notes that services relating to Express Cargo / Courier are not performed by the other service providers. These services relating to courier/express cargo are provided only by EICI. The Authority therefore proposes to consider the service as Material and not competitive. Considering that the user agreements are between the Entity and its members who are the majority of the users of the service and in the absence of a structured agreement for the same (the Authority notes that the rates are informed to the members in a consultation meeting and discussed), the Authority proposes to determine tariff under “**Price Cap**” mechanism.
- 2.1.4 The Authority also notes that the Regulatory Asset base in case of courier operations is not significant. (As per certified Annual Compliance statement provided for 31st March 2016, the Net block of Fixed Asset is Rs. 4.74 Crores). These activities are in the nature of services and unlike Airports, which necessitate large scale infrastructure/ assets to be created on which a return on RAB is proposed. Also, the nature and quantum of assets in the books of the service provider may vary based on the nature of agreement with the Airport Operator, nature of licenses and manner of sourcing assets (buying out / leasing etc.). Hence, instead of return on RAB, the Authority proposes to consider “Margin on Revenue” as the mechanism for providing return to the Express Cargo service provider.

2.2 Customs cost recovery and Customs cost recovery re-coup charges

- 2.2.1 The Authority notes that EICI has been charging Customs Cost Recovery charges at the determined rates. EICI has informed that this charge is only a cost recovery of the fee levied by Customs (Customs cost Recovery) and charge for actual re-couping of additional charges levied by Customs (Customs Cost Re-coup charges).
- 2.2.2 Hence, the Authority proposes to consider these charges as a direct cost recovery additionally, without providing any margin on the same. Hence, the Aggregate Revenue Requirement that the

Authority proposes to compute will be without considering the Customs Cost and charge proposed for recovery of the same.

Proposal No 1. Regarding Tariff determination philosophy

1.a. To determine tariff under “Price Cap” methodology, considering return on Revenue.

1.b. 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).

3. Submissions made by EICI and Authority’s Analysis

3.1 Financials for 2011-12 to 2016-17

3.1.1 The Authority notes that the Financial Statements of EICI are prepared on a consolidated basis.

3.1.2 The Authority has asked EICI to submit the audited Annual Compliance Statement (ACS) for the first control period FY2011-FY2016 and uncertified statement for 2016-17.

3.1.3 Details provided by EICI for Mumbai Operations are summarized below:

Table 2: P&L Summary 2011-12 to 1016-17(Amt. in Rs.)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue from Facilitation fee	195,850,417	189,628,360	342,353,784	343,838,726	205,020,355	156,534,087
Revenue X-Ray Charges	4,631,197	40,874,158	6,864,640	23,056,663	29,343,797	29,205,544
Revenue - Customs Cost recovery income				68,087,776	69,297,510	107,263,434
Revenue from Detention	43,156,974	37,300,095	44,788,028	47,750,274	77,186,829	76,176,475
Sub Total	243,638,588	267,802,613	394,006,452	482,733,439	380,848,491	369,179,540
Revenue from Rent/ Others	4,941,272	5,922,443	6,763,968	13,872,603	15,383,795	17,081,317
Revenue from Others	11,799,111	11,679,518	15,777,753	26,905,674	25,685,903	7,350,701
Sub Total	16,740,383	17,601,961	22,541,721	40,778,277	41,069,698	24,432,018
Total Revenue	260,378,971	285,404,574	416,548,173	523,511,716	421,918,189	393,611,558
Staff Cost	12,672,553	15,056,558	18,909,796	20,695,988	27,029,843	27,860,212
Other Operating Expenditure	156,175,897	274,804,684	326,574,417	372,770,633	451,992,128	470,485,898
Depreciation	20,965,285	20,719,470	32,854,382	45,915,367	8,557,868	12,431,561
Sub Total	189,813,735	310,580,712	378,338,595	439,381,988	487,579,839	510,777,671
Profit before Tax	70,565,236	(25,176,138)	38,209,578	84,129,728	(65,661,650)	(117,166,113)
Provision for Tax	29,367,042	29,367,042	24,624,879	73,636,864	23,045,291	
Profit after Tax	41,198,194	(54,543,180)	13,584,699	10,492,864	(88,706,941)	(117,166,113)
Total Cargo Volume (KG)	41,238,186	39,250,869	47,951,664	56,687,672	35,745,073	27,645,242

- 3.1.4 The Authority notes significant swings in Personnel costs and Operating cost. The Authority sought explanation for higher staff cost in the FY 2015-16 in comparison to FY 2014-15. EICI has submitted that the increase was mainly due to new recruitment of employees at senior positions and increments to the existing staff. Further, EICI has submitted that the increase in other operating cost (OPEX) in FY 2015-16 compared to FY 2014-15 was mainly due to increase in additional loaders and security staff as mandated by Customs and Annual Maintenance charge (AMC) for EDI project of the customs (**Refer Annexure 2** for clarifications provided by EICI). The Authority also notes that the Tax numbers are not commensurate with the quantum of profit before tax numbers stated above. Also, the Non-Regulated Revenue (which comprises Membership fee, Dividends, Interest Income, Auction Revenue etc.) has reduced considerably in 2016-17 as compared to the previous years.
- 3.1.5 The Authority notes that EICI has posted a loss for Mumbai Operations in FY2012-13, 2015-16 and 2016-17. The Authority is given to understand that this is due to significant drop in volumes.

3.2 Traffic volume

- 3.2.1 EICI has stated that the Import Cargo volumes have significantly reduced in the last 2 years from July 2015 and this has resulted in losses, as the same rates per KG were being collected on the lower volumes.
- 3.2.2 Analysis of traffic over the past period and the volume projected in future (as submitted in MYTP form) is as below:

Table 3: Cargo volume details - Past and Projections

Particulars	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Cargo Volume										
Export Cargo (MT)	11,956	13,252	14,976	16,919	18,578	20,436	22,479	24,727	27,200	29,920
Import Cargo (MT)	28,410	25,999	32,995	39,764	17,092	9,198	9,658	10,141	10,648	11,180
Total Cargo (MT)	40,366	39,251	47,972	56,683	35,670	29,634	32,137	34,868	37,847	41,100
Growth rate - Export Cargo (%)		11%	13%	13%	10%	10%	10%	10%	10%	10%
Growth rate - Import Cargo (%)		-8%	27%	21%	-57%	-46%	5%	5%	5%	5%

- 3.2.3 The Authority notes that the total traffic volume submitted in ACS varies in a minor way from the break-up submitted in the MYTP. The Authority proposes to use the MYTP submission made for evaluation purposes.

- 3.2.4 The Authority notes that there has been a sharp decrease in the traffic volumes for Import Cargo in Mumbai. The Authority is given to understand that this is due to cancellation of licenses of certain operators and increased Customs inspection procedures.
- 3.2.5 The Authority notes that EICI has requested a significant increase in the Facilitation charge and this is due to the reduction in volumes. The Authority notes that EICI has projected a 10% growth in Export Cargo which is in line with the growth rate over the past 2 years. The Authority notes that EICI has projected a 5% increase in Import Cargo volumes; the actual trends in this can be evidenced in the coming years.
- 3.2.6 The Authority proposes to consider the growth rates of traffic and the consequent traffic volumes submitted by EICI as given in Table 3 for the purpose of estimating the charges. The Authority proposes that the traffic trends in 2017-18 and 2018-19 be observed and tariff re-evaluated for the balance 2 years (2019-20 and 2020-21) in the control period.

Proposal No 2. Regarding Cargo volumes

2.a. To consider traffic projections as given in Table 3 for the purpose of estimating the charges.

2.b. To analyze the traffic in 2017-18 and 2018-19 and re-evaluate the tariff for the balance 2 years in the control period in 2019-20.

3.3 EICI’s estimation of costs and revenues and Authority’s analysis

- 3.3.1 EICI had submitted the MYTP for the second control period in 2015-16, considering the estimate for 2015-16, based on which projections were made for the period 2016-17 to 2020-21.
- 3.3.2 Basis of estimating the costs and revenues, as submitted by EICI is as given below:

Table 4: Basis of Projecting Expenditure as per EICI

Head of Expenditure	Basis
Administration Expenses	Projected at 26% increase for offsite terminal in 2016-17 and 10%-12% increase annually there after
Airport Service provider charges/ Input cost	Projected at 20% increase in 2016-17, 16% increase in 2017-18 and 10% annual increase there onwards
Payroll Related Expenditure	Projected at 17.5% increase in 2016-17, 14% increase in 2017-18 and 12.5% - 13% increase annually there onwards

Table 5: Basis of Projecting Income as per EICI

Head of Income	Basis
Customs Cost Recovery	Projected same as that of the cost considered by EICI as it is a cost recovery
Customs Cost Recovery Recoup	Re 1/- per KG collected as per AERA order in August 2013. Expected to recoup completely in FY 2017-18
Detention Charges	These are related to Imports, hence projected to grow at 5% (same as growth rate for Import cargo)
X-Ray Charges	These are related to Exports, hence projected to grow at 10% (same as growth rate for Export cargo)

3.3.3 The Authority notes from the unaudited financial statements submitted for 2016-17 that the actual expenditure in 2016-17 is less than the Expenditure proposed in MYTP submitted by EICI. The Authority notes that the increase in staff cost is about 3% from 2015-16 to 2016-17 and the Operating Expenditure has increased by about 4% from 2015-16 in 2016-17. The Authority notes that one of the major elements of the Operating cost viz. Airport Operator fee and charges have not been finalized between EICI and MIAL as yet. Hence, keeping 2016-17 unaudited financials as the base, the Authority proposes to consider an increase of 7% on Staff cost and Operating cost for making projections from 2017-18 to 2020-21.

3.3.4 On Income, the Authority notes that Detention charge growth is projected by EICI at 5% - same as growth rate of cargo. The Authority notes that EICI has also proposed increase in rates for detention. Hence, in addition to the increase in total revenue based on volume, the Authority also proposes to factor an increase due to increase in rate and hence consider the growth at 7.5% for 2017-18 to 2020-21.

3.3.5 Considering the above, the cost and revenue details proposed to be considered by the Authority for projections, considering 2016-17 as the base, is as given below:

Table 6: Basis of Projections considered by the Authority

Details of Income / Expenditure	Methodology for projections (with 2016-17 as base)
Staff cost	7% escalation every year from 2017-18
Operating cost	7% escalation every year from 2017-18
Depreciation	Recomputed considering the Fixed Asset Register and Expenditure estimate provided by EICI.
Detention Income cost	7.5% escalation every year from 2017-18
X-Ray charges	10% escalation every year from 2017-18

3.4 Capital Expenditure and Depreciation – EICI submission and Authority’s analysis

3.4.1 The Authority noted that EICI has, in the MYTP submitted in 2015-16 proposed Rs. 7.7 crores of Capital Expenditure in 2017-18 and Rs. 1.00 Crore in 2018-19. During discussions with EICI in May 2017, the Authority was informed that the substantial capital expenditure planned for 2016-17 for the additional space taken was not incurred. EICI was asked to submit comparison of the actual capex incurred vis-a-vis submitted in the proposal and the revised proposed Capital Expenditure estimate for the balance 4 years in the control period. EICI was also asked to submit the Fixed Asset Register with the depreciation workings.

3.4.2 EICI has submitted as under:

Table 7: Capital Expenditure projection and actuals submitted by EICI in May 2017

Particulars	2016-17		2017-18	
	Projected	Actual	Projected	Actual
Mumbai	77,000,000	5,085,175	10,000,000	-
Plant & Machinery	20,000,000	4,118,795	-	-
Computers & Software	1,000,000	966,380	-	-
Furniture & Fittings	56,000,000	-	10,000,000	-
We had projected for the offsite location in Mumbai due to space constraint but the same was not executed. We are in the process of identifying space and may be in the next couple of years it will be completed.				

3.4.3 From the above, the Authority notes that as compared to Rs. 7.7 crores about Rs. 0.51 crores has been incurred in 2016-17 and another Rs. 1 crore is proposed to be incurred in 2017-18. From the above submissions of EICI, the Authority is not certain of the time and quantum of the balance investments which EICI has stated will be completed in “next couple of years”. Hence, for the purpose of computing Depreciation, the Authority proposes to consider Rs. 1 crore estimate in 2017-18 only, in addition to the actual amount spent in 2016-17.

3.4.4 **Depreciation:**

Based on the above details of addition and the Fixed Asset Register provided by EICI, the estimated depreciation for 2017-18 to 2020-21 is as below:

Table 8: Depreciation computed by the Authority (Rs. Lacs)

Particulars	16-17	17-18	18-19	19-20	20-21
Depreciation on Existing assets as of March 2017	124.31	52.86	37.38	29.28	21.85

Particulars	16-17	17-18	18-19	19-20	20-21
Depreciation on Rs. 1 crore to be capitalized in 2017-18 (10 years, 5% residual value)	-	4.75	9.50	9.50	9.50
Total	124.31	57.60	46.88	38.78	31.35

3.5 Computation of Aggregate Revenue Requirement (ARR) as per Authority

3.5.1 EICI has submitted the P&L Projections for 5 years based on the above estimated growth in costs and revenues in its MYTP submitted in 2015-16. EICI had not computed the Aggregate Revenue Requirement.

3.5.2 The Authority has computed ARR for the second control period, considering the above cost and revenue estimates and considering providing a return of 10% of total revenue post tax. Keeping in view:

- EICI is a non-profit organization and,
- EICI may have to build up reserves for contingencies and for future capital expenditure as and when required.

3.5.3 Accordingly the ARR computed by the Authority is as given below:

Table 9: ARR computed by the Authority

Recomputed ARR	Basis	2016-17	2017-18	2018-19	2019-20	2020-21
Depreciation	See separate workings	12,431,561	5,760,736	4,688,746	3,878,235	3,135,404
Personnel cost	16-17 actuals. Considered 7% increase year on year	27,860,212	29,810,427	31,897,157	34,129,958	36,519,055
Operations Cost	16-17 actuals (<i>excl. Customs cost recovery</i>), Considered 7% increase year on year	388,239,924	415,416,719	444,495,890	475,610,602	508,903,344
Total direct cost		428,531,697	450,987,882	481,081,792	513,618,795	548,557,803
Total Revenue to be	Considering Tax at 30% and profit margin of 10% post tax	499,953,647	526,152,529	561,262,091	599,221,927	639,984,103
Revenue from Non-Regulated services	16-17 actuals. Considered increase % (Approx. 25% for 2 years and 40% for 2 years as per MYTP)	24,432,018	30,540,023	38,175,028	53,445,039	74,823,055
Revenue from Regulated services to be		475,521,629	495,612,507	523,087,063	545,776,888	565,161,048

Proposal No 3. Regarding Aggregate Revenue Requirement

3.a. To consider ARR as computed in Para 3.5.2 above for the second control period.

4. Rate card submitted by EICI and rates proposed by the Authority

4.1 EICI submissions on proposed rates and Authority’s analysis

- 4.1.1 EICI has, as part of its MYTP submitted in 2015-16 submitted a proposed rate card for each year from 2017-18 to 2020-21.
- 4.1.2 EICI has proposed for increase in rates of facilitation fee for Imports and Exports and Detention charges. Rate card submitted by EICI is enclosed herewith in **Annexure 3**.
- 4.1.3 EICI has submitted minutes of discussions with stakeholders on revision of rates which is enclosed in **Annexure 4**.
- 4.1.4 A tabulation of the existing / current rates and the rates proposed by EICI is as below.

Table 10: Rate card (Existing and Proposed by EICI)

Nature of Charge	Existing Rate	Revised rate requested *	Remarks
Imports			
Facilitation Fee	Rs. 6.00 per kg	Rs. 30.00 per kg	
Customs Charges	Rs. 5.75 per kg	Rs. 5.75 per kg	
Unrecouped Customs Cost recovery	Rs. 1.00 per kg	Rs. 1.00 per kg	No collection proposed from 2018-19
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. 2/- per KG per day or part thereof or Rs. 30/- whichever is higher	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	Free storage 3 days. For next 47 hours, demurrage will be charged at "per kg" basis - non-cumulative. If clearance is effected after 05 working days, demurrage will accrue for the entire period from the date/ time of arrival of flight
11-20 days	Rs. 3/- per KG per day or part thereof or Rs. 30/- whichever is higher	Rs. 4/- per KG per day or part thereof or Rs. 40/- whichever is higher	

Nature of Charge	Existing Rate	Revised rate requested *	Remarks
21-30 days	Rs. 4.50 per KG	Rs. 5.50 per KG	
From 31 days	Rs. 6.00 per KG	Rs. 7 per KG	
International Exports			
Facilitation Fee	Rs. 5.50 per KG	Rs. 9.50 per KG	
Customs Charges	Rs. 1.50 per KG	Rs. 1.50 per KG	
Unrecouped Customs Cost recovery	Rs. 1.00 per kg	Rs. 1.00 per kg	
X-Ray Charges (International Cargo Exports)			
X-Ray charges - if screening done by Airlines (minimum charge applicable per AWB)	Rs. 1.38 (Minimum charge per AWB/CTM/IGM/FLIGHT - Rs. 167)	Rs. 1.38	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 (To check on any revision in rates given by the Authority)
X-Ray charges - if screening not done by Airlines (minimum charge applicable per AWB)	Rs. 1.70 (Minimum charge per AWB/CTM/IGM/FLIGHT - Rs. 225)	Rs. 1.70	
* Rates given above for 2016-17 are proposed to be increased for the next years for Facilitation Fee, Detention etc. See detailed Rate card submitted			

4.1.5 The Authority has recomputed the facilitation charges as below and proposes the same to be collected for 2 years as below

Table 11: Revenue break-up for ARR computed by the Authority

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
Revenue from Regulated services to be		475,521,629	495,612,507	523,087,063	545,776,888	565,161,048	
Revenue collected in first year		(369,179,540)					
Balance collections total to be		106,342,089	495,612,507	523,087,063	545,776,888	565,161,048	2,235,979,594
Of the above:							
Customs cost recovery		Separately to be collected, equaling to cost. Cost not considered above					
Customs cost recoup		Separately to be collected, to compensate for earlier cost. Not considered here. As per EICI will be done by 2017-18					
Detention charges	Considered 7.5% increase year on year of 16-17 actuals		81,889,711	88,031,439	94,633,797	101,731,332	

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21	Total
	(based on import growth rate)						
	Considered 10% increase year on year of 16-17 actuals (based on export growth rate)						
X-Ray charges			32,126,098	35,338,708	38,872,579	42,759,837	
Balance to be collected as Facilitation fee			381,596,698	399,716,916	412,270,512	420,669,880	
Import Cargo Kgs			9,657,900	10,140,795	10,647,835	11,180,226	
Import revenue	Rate per KG	18	173,842,200	182,534,310	191,661,026	201,244,077	
Export Cargo Kgs			22,479,061	24,726,967	27,199,663	29,919,630	
Export revenue	Rate per KG	9.5	213,551,075	234,906,183	258,396,801	284,236,481	
Collections Total			501,409,084	540,810,640	583,564,203	629,971,727	2,255,755,654
Discount factor at 10%			0.91	0.83	0.75	0.68	
Discounted value of required revenue at 10%			547,231,451	432,303,358	410,050,254	386,012,600	1,775,597,662
Discounted value of collections at 10%			455,826,440	446,950,942	438,440,423	430,279,166	1,771,496,971

4.1.6 The Authority notes that certain period in 2017-18 has elapsed and tariff proposed may take effect after consultation process, in some time. The Authority also notes that the actual volume of collections is dependent on the cargo volumes and the Operations are also subject to renewal of license to operate in CSI Airport from MIAL.

4.1.7 The Authority hence proposes to approve the following rates for 2017-18 and 2018-19 from date of implementation. EICI is required to submit ATP for the period till 2018-19 by April 2019 which will be reviewed by the Authority for determining rates for the subsequent period.

Table 12: Rates proposed by the Authority for 2017-18 and 2018-19

Nature of Charge	Rate for 2017-18 and 2018-19	Remarks
Imports		
Facilitation Fee	Rs. 18.00 per kg	
Demurrage		

Nature of Charge	Rate for 2017-18 and 2018-19	Remarks
0-3 days		
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 3 days. For next 47 hours, demurrage will be charged at "per kg" basis - non-cumulative. If clearance is effected after 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	
International Exports		
Facilitation Fee	Rs. 9.50 per KG.	
X-Ray charges - if screening done by Airlines (minimum charge applicable per AWB)	Rs. 1.38	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.
X-Ray charges - if screening not done by Airlines (minimum charge applicable per AWB)	Rs. 1.70	

Proposal No 4. Regarding Tariff Card for charges other than Customs Cost Recovery and Customs Cost Recoup charges to be collected

- 4.a. To continue the existing tariffs as on 31.03.2016 for the First Tariff year (FY2016-17) of Second Control Period as directed vide Order No. 19/2016-17 dated 31st Mar, 2017.**
- 4.b. To consider rates as detailed in Para 4.1.7 above to be collected for 2 years 2017-18 and 2018-19.**
- 4.c. To require EICI to submit ATP for the period of 2018-19 well in advance for review by Authority for determination of rates for the subsequent periods.**

4.2 Rates for Customs Cost Recovery and Customs Cost Recovery Recoup charges

- 4.2.1 The Authority had approved collection of revised customs cost charges and Customs cost recoup charges in its Order 14/2015-16 dated 3rd November 2015 and ordered that EICI submit the details of costs incurred by EICI and the revenue collected on account of Customs Cost duly audited.
- 4.2.2 The Authority notes that EICI has submitted the details for 2015-16. Details of the overall customs cost recovery charges and the customs cost recoup charges collected till March 2017 and the costs relating to the same are not submitted to the Authority.
- 4.2.3 The Authority notes from EICI submissions that it proposes to collect the customs cost recovery charges to match the expenditure to be paid to Customs and Customs Cost recoup charges are proposed to be collected till 2017-18 only.
- 4.2.4 The Authority proposes to allow EICI to collect the Customs Cost Recovery charges and the Customs Cost Recoup charges till 2017-18 at prevailing rates and require EICI to submit a consolidated statement of Customs Cost recovery and Customs cost recoup charges paid together with the Revenues collected and submit the same for Authority's review in April 2018 for continuance of collections from 2018-19.

Proposal No 5. Regarding Customs Cost Recovery and Customs Cost recoup charges

5.a. To permit EICI to collect the above revenues at existing rates for 2017-18.

5.b. To advise EICI to submit comprehensive audited details of costs and revenues relating to the above for the period till March 2018 for review by the Authority and approval for continuance of the rates.

5. Summary of Proposals put forth for Stakeholder consultations

Proposal No 1. Regarding Tariff determination philosophy	5
1.a. To determine tariff under “Price Cap” methodology, considering return on Revenue.....	5
1.b. To not consider “Customs Cost” and related “Customs Cost Recovery” and “Customs Cost Re-coup” charges for the purpose of computing Aggregate Revenue Requirement (ARR).....	5
Proposal No 2. Regarding Cargo volumes.....	7
2.a. To consider traffic projections as given in Table 3 for the purpose of estimating the charges.....	7
2.b. To analyze the traffic in 2017-18 and 2018-19 and re-evaluate the tariff for the balance 2 years in the control period in 2019-20.	7
Proposal No 3. Regarding Aggregate Revenue Requirement	11
3.a. To consider ARR as computed in Para 3.5.2 above for the second control period.	11
Proposal No 4. Regarding Tariff Card for charges other than Customs Cost Recovery and Customs Cost Recoup charges to be collected	14
4.a. To consider rates as detailed in Para 4.1.7 above to be collected for 2 years 2017-18 and 2018-19	14
4.b. To require EICI to submit ATP for the period for 2018-19 for review by Authority for determination of rates for the subsequent periods.....	14
Proposal No 5. Regarding Customs Cost Recovery and Customs Cost recoup charges	15
5.a. To permit EICI to collect the above revenues at existing rates for 2017-18.....	15
5.b. To ask EICI to submit comprehensive audited details of costs and revenues relating to the above for the period till March 2018 for review by the Authority and approval for continuance of the rates.	15

6. Stakeholder Consultation Timeline

- 6.1.1 In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in the Summary of Proposals (Para 5 above) read with the Authority's analysis, is hereby put forth for Stakeholder Consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed (Annexure - 1 to 4). 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 hereto and by making such decision fully documented and explained in terms of the provisions of the Act.
- 6.1.2 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Para 5 above **latest by 10th July,2017** at the following address:

Secretary

Airports Economic Regulatory Authority of India

AERA Building, Administrative Complex, Safdarjung Airport,

New Delhi- 110003

Email: puja.indal@nic.in

Tel: 011-24695043; Fax: 011-24695039

Chairperson

7. List of Annexures

Annexure Number	Particulars
Annexure – 1	Tariff submission from EICI
Annexure – 2	Clarifications for changes in cost and revenue submitted by EICI
Annexure – 3	Tariff card submitted by EICI
Annexure - 4	Stakeholder consultation minutes for Mumbai submitted by EICI

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