



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

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

**Date of Consultation Paper: 14<sup>th</sup> Aug, 2019.**

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

## 1. About EICI and Tariff Determination Process

### 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 FY2016-17).

1.1.2. As per information furnished by EICI, "EICI is a non-profit Section 25 company without any Share Capital". The company is formed with membership from 25 entities providing Express Cargo/Courier Services.

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

1.2.1. The Authority in the Consultation Paper No. 10/2017-18 dated 20<sup>th</sup> June 2017 mentioned that the validity period of the Agreement that EICI had entered into with MIAL had expired and that EICI informed that discussions with MIAL are underway for renewal of the Agreement.

1.2.2. EICI vide their E-mail dated 09.07.2019 submitted the letter received from MIAL for extension of Concession Term for a period of Two years from 1<sup>st</sup> March 2018 to 28<sup>th</sup> February 2020.

### 1.3. Tariff determination for EICI for first control period

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

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

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

32/2018-19	dated	22 <sup>nd</sup>	Continuation of tariff on ad-hoc for the period upto 31.03.2019 or till the determination of tariffs for Second Control Period.
November,2018			

#### 1.4. MYTP Submission by EICI for Second control period, Consultation Paper and Order No 26 issued

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

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

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

1.4.3.M/s EICI has requested the following tariff:

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

1.4.4.M/s EICI submitted the Audited Annual Compliance Statement (ACS) and Balance Sheet of FY2018-19 for the consideration of the Authority (**Annexure 'A'**).

**1.5. Authority Examination/observations on the Expenditure incurred by M/s EICI:**

1.5.1.The Authority observed that the Concession Agreement with MIAL had expired on 28<sup>th</sup> Feb, 2017 and is on extension till **28<sup>th</sup> Feb, 2020**.

1.5.2.The Authority allowed Custom Cost Recovery Charges (CCRC) and Un-recouped Custom Cost recovery charges for Import & Export till 31<sup>st</sup> March, 2018. The Authority on various occasions advised M/s EICI to sort out the matter with Custom Authorities. M/s EICI vide their letter no. EICI/AERA /477 dated 27<sup>th</sup> Mar, 2018 informed the Authority that M/s EICI has taken the issue/matter pertaining to waiver of CCRC charges at Mumbai with the Customs Board and Director General of HRD. Till date M/s EICI has not provided any updates/resolution reached with Customs Authorities on the waiver of Custom Cost Recovery Charges.

1.5.3.The Authority observed that M/s EICI is incurring Rs. 6.41cr. as Annual Maintenance Charges (AMC) for Electronic Data Interface(EDI) software and which has to be provided by the Custom Authorities there by increasing the cost for M/s EICI.

1.5.4.The Authority also observed that the Regulatory Asset base in case of courier operations is not significant. 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 proposed to consider **"Margin on Revenue"** as the mechanism for providing return to the Express Cargo service. As M/s EICI is a voluntary non-profitable organization, the Authority restricted/considered return on revenue as 5%.

1.5.5. As mentioned in the preceding/previous tariff order, the Authority appointed an auditing firm to conduct an independent study on the CAPEX and OPEX of EICI for all the stations including Mumbai for the FY2016-17 and FY2017-18. The Key/major findings of the audit are as follows(specifically for Mumbai):

Expense	Findings	FY2017-18(In Lakhs)	FY2016-17 (In Lakhs)
Staff cost	Excess Staff Cost Allocation to Mumbai	-4.96	-63.66

Rent	Customs ware house vacated subsequently	--	-60.33
R&M EDI	Excess cost added to Mumbai	-39.12	-14.62
Loading & Unloading	Royalty Paid to Manpower Supply Agencies	-148	-136
	Royalty paid over and Above AERA Cap of 30%	-	-370
Legal & Professional Fees	Excess payment to path Infotech AMC <b>Comments:</b> As informed by EICI, this would be recovered in next billing cycle	-3.33	-
Legal & Professional Fees	Advance paid, however video Documentary not prepared	-5.4	-
R&M EDI- Other	AMC cost for Chennai X-Ray Machine Charged to Mumbai Location	-	-5.71
Rates & Taxes	Eligible Cenvat Credit not availed	-26.53	-
Telephones Expenses	DC, MPLS & CPE Charges of Bangalore and Delhi Location Charged to Mumbai	-	-7.08
Insurance	Excess insurance Premium allocation to Mumbai	-20.02	-26.86
EDI-Depreciation	Error in EDI Depreciation Formula	-8.4	-
	<b>Total</b>	<b>255.76</b>	<b>684.26</b>

1.5.6. The Authority informed M/s EICI of the above mentioned audit observations. In response M/s EICI vide their email dated 05.08.2019 apprised the Authority, that M/s EICI has considered the above mentioned observations while drafting the Balance Sheet for FY2018-19.

1.5.7. The Consultant/Auditor submitted its final report/study to the Authority on 12<sup>th</sup> March 2019. The Authority observed and quantified various aspects/recommendations by the Consultant/Auditor as mentioned in the study. Based on the Auditors Report and the

Audited Balance Sheet (FY2018-19) submitted by M/s EICI, the Aggregate revenue required is computed and the details are as follows:

	Actuals (2016-17)	Actuals (2017-18)	2018-19 (Actuals)	[RUPEES IN Crores] 2019-20
<b>Actual/Projection of Volume</b>	27645242	33182107	<b>38724490</b>	<b>43371429</b>
<b>Revenue from Regulated Services including increase in volume</b>	36.91	55.88	<b>71</b>	<b>79</b>
<b>Total Revenue from services other than Regulated Services</b>	3.36	4.14	<b>4.14</b>	<b>3</b>
<b>Total Revenue</b>	40.27	60.02	75.14	82.09
<b>Operating Expenditure</b>	53.44	64.94	63.49	<b>69.57</b>
<b>Capital expenditure</b>	21.20	19.28	1.84	0.00
<b>Return on Revenue *5%.</b>			3.54	3.96
<b>ARR</b>			<b>67.03</b>	<b>73.53</b>
<b>Actual tariff rate to be increased by</b>			<b>No increase</b>	<b>No increase required</b>

**Projections taken to arrive at ARR is as follows:**

- Projected volume increase on the basis of CAGR@12% in FY2019-20.
- Revenue from Non-Regulated Services taken as average of actuals.
- Operating Expenditure/Personal Expenses taken at the increase of 10%.
- The Authority has not considered Expenditure of Custom Cost Recovery Charges.
- Return on Revenue taken as 5% as decided by Authority in the preceding Ad-hoc Order.

## 2. Proposal:

### 2.1.The Authority, after careful consideration of the MYTP and ATP for Second Control Period, makes the following proposal for Stakeholder consultation:

- 2.1.1.The Authority in accordance to the provisions of Chapter V of the AERA Guidelines vide its Order No. 26/2017-18 dated 30.11.2017 decided that the tariff for M/s EICI would be determined under **"Price Cap"** mechanism. The Authority observed services relating to Express Cargo / Courier were not performed by the other service providers. These services relating to courier/express cargo were provided only by EICI. The Authority therefore proposed 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 proposed to determine tariff under **"Price Cap"** mechanism.
- 2.1.2.Ref. to the ARR calculated above, it is proposed that M/s EICI, Mumbai should continue with existing tariff till 28<sup>th</sup> Feb, 2020 (As the Concession Agreement with the Airport Operator (MIAL) is under extension and valid till 28<sup>th</sup> Feb, 2020). In case, on any extension or renewal of Concession Agreement the same existing tariff would be continued at the same level for the residual period of Second Control Period. The true up of financials would be done at the end of Second Control Period (FY2016-17 to FY2020-21).
- 2.1.3.The Authority directs M/s EICI to clear all the outstanding augmented due to Custom Cost charges from own sources to gain the waiver. The Authority has not considered the cost of Custom Cost Recovery Charges while calculating the Aggregate Revenue Required (ARR). The Authority will consider the aspect of Customs Cost Recovery Charges after settlement/waiver of Customs Cost.
- 2.1.4.The Authority has considered the cost of Annual Maintenance Charges (AMC) for EDI software as one time measure for the calculation of ARR and advises M/s EICI to take the matter of custodianship with the Custom Authorities.
- 2.1.5.The tariff determined for FY 2019-20 till the expiry of Concession Agreement is enclosed as **"Annexure B"**.
- 2.1.6.The Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- 2.1.7.The Authority will issue the final order only after considering the written comments/observations of the stakeholders.

2.1.8. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 2 above 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 as annexures to the consultation paper. 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 terms of the provisions of the Act.

2.1.9. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 2 above, latest by **2<sup>nd</sup> Sep, 2019** at the following address:

**Secretary,  
Airports Economic Regulatory Authority of India,  
AERA Building  
Administrative Complex,  
Safdarjung Airport,  
New Delhi- 110003.**

**Tel: 011-24695040  
Fax: 011-24695039**

**Email- [chairperson@aera.gov.in](mailto:chairperson@aera.gov.in)  
[gita.sahu@aera.gov.in](mailto:gita.sahu@aera.gov.in)**

**Chairperson**



**Annual Compliance Statement 2018-19**

**MUMBAI**

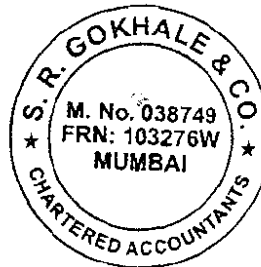
ANNEXURE - A

Express Industry Council of India		
Form F16 : Performance Report for the Tariff Year (ref: Section A1.9 of Appendix I)		
	Actual for the Tariff Year under consideration	Forecast as per the Multi Year Tariff Order
	2018-19	2018-19
Total Revenue from Regulated Services (1)	683,665,489	903,269,604
Total Revenue from services other than Regulated Services (2)	64,870,113	41,748,500
Operating Expenditure (3)	761,123,299	755,428,468
Depreciation (4)	46,864,667	19,384,300
Total Expenditure (3) + (4) = (5)	807,987,966	774,812,768
Regulatory operating Profit (1) - (2) - (5) = (6)	-189,192,590	86,708,336
Capital expenditure (7)	18,435,809	-
Opening RAB (8)	195,445,572	77,537,199
Disposals / Transfers (9)	46,864,667	19,384,300
Closing RAB (8) + (7) - (9) = (10)	167,016,714	58,152,899
Average RAB (8) + (10)/2 = (11)	181,231,143	67,845,049
Return on Average RAB (6) / (11)	-1.04	1.28
Total Volume (Cargo/Fuel throughput/ATM) (12)	38,724,490	34,867,762
Actual Yield per unit (12/1)	0.06	0.04

# Fields in italics are only required for Service Provider deemed 'material' and 'non-competitive'

*S.R. Gokhale*  
**S. R. GOKHALE & CO.**  
**Chartered Accountants**  
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 L.T. Road, Borivali (W),  
 Mumbai - 400 092.

06 AUG 2019

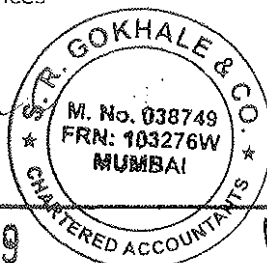


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## BALANCE SHEET AS AT MARCH 31, 2019

Particulars	Notes	Mumbai As at 31.3.2019	Mumbai As at 31.3.2018
<b>Equity and Liabilities</b>			
<b>Member's Funds</b>			
Reserves and Surplus	1	(179,902,501)	(116,323,253)
EICI Delhi Express Terminal		796,402,222	721,296,102
EICI Bangalore Terminal		55,139,467	42,077,255
EICI Chennai Terminal		(89,427,799)	(89,427,799)
		<b>582,211,389</b>	<b>557,622,305</b>
<b>Non - Current Liabilities</b>			
Other long term liabilities	2	-	959,377
Long-term provision	3	5,060,366	3,049,741
		<b>5,060,366</b>	<b>4,009,118</b>
<b>Current Liabilities</b>			
Trade payables			
- Total outstanding dues of micro enterprises and small enterprises (Refer Note 24)			
- Total outstanding dues of creditors other than micro enterprises and small enterprises		347,157,612	178,311,037
Other current liabilities	4	26,674,759	31,945,916
Short-term provisions	5	4,234,136	2,895,524
		<b>378,066,507</b>	<b>213,152,477</b>
		<b>965,338,262</b>	<b>774,783,900</b>
<b>Assets</b>			
<b>Non - Current Assets</b>			
<b>Property Plant &amp; Equipment</b>			
Tangible assets	6	86,994,494	86,447,228
Intangible assets	6	80,022,221	108,998,344
Capital work in progress	6	982,295	-
Non-current investments	7	14,531,229	11,002,172
Deferred tax assets [Net]	8	23,889,674	9,836,961
Long-term loans and advances	9	75,534,343	36,678,110
Other non-current assets	10	66,950,005	25,839,349
		<b>348,904,260</b>	<b>278,802,164</b>
<b>Current Assets</b>			
Trade receivable	11	41,723,220	63,361,349
Cash and Bank Balances	12	556,244,120	421,896,816
Short-term loans and advances	13	9,395,262	5,308,737
Other current Assets	14	9,071,400	5,414,834
		<b>616,434,002</b>	<b>495,981,736</b>
		<b>965,338,262</b>	<b>774,783,900</b>

06 AUG 2019



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## EXPRESS INDUSTRY COUNCIL OF INDIA

## STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2019

Mumbai			
Particulars	Notes	Current Year	Previous Year
<b>Income</b>			
Revenue from Operations	15	707,074,329	578,632,760
Other Income	16	41,461,273	24,322,165
		<b>748,535,602</b>	<b>602,954,925</b>
<b>Expenditure</b>			
Employee benefits expense	17	38,672,427	28,533,135
Finance Costs	18	267,388	31,283
Depreciation and amortisation expense	6	46,864,667	18,686,477
Other expenses	19	722,183,482	581,939,131
		<b>807,987,964</b>	<b>629,190,026</b>
<b>Surplus for the year before exceptional item and tax</b>		<b>(59,452,362)</b>	<b>(26,235,101)</b>
<b>Exceptional Item:</b>			
Impairment (Provision) / Reversal	29	-	188,316,763
<b>(Deficit)/Surplus for the year before tax</b>		<b>(59,452,362)</b>	<b>162,081,662</b>
<b>Less: Tax expenses</b>			
Current tax		20,850,000	25,590,000
Less: Minimum alternate tax credit entitlement		-	-
Add: Minimum alternate tax credit utilised		1,650,000	6,620,000
Net current tax		22,500,000	32,210,000
Deferred tax (benefit) / charge		(14,052,713)	73,118,786
Tax related to earlier years charge / (credit)		(4,320,401)	(933,753)
<b>Total Tax Expenses</b>			
<b>(Deficit)/Surplus for the year after tax</b>		<b>(63,579,248)</b>	<b>57,686,629</b>
<b>Significant accounting policies</b>	21		
<b>Notes to financial statements</b>	1 to 30		



06 AUG 2019

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UDIN:-19038749AAAAJ48595

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

**Tariff/Rates proposed from the issue of Tariff Order to 31<sup>st</sup> March, 2021.**

Nature of Charge	Revised Rates applicable	Remarks
<b>Imports</b>		
Facilitation Fee	<b>Rs. 16.00 Per KG</b>	
Demurrage		
0-3 days	Free	
04-05 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	
06-10 days	Rs. 3/- per KG per day or part thereof or Rs. 40/- whichever is higher	Free storage period for express shipment shall be 72 hours. (03 working days) including the date of the arrival of flight. For next 48 hours (02 working days), demurrage will be charged at "per kg; per day" non-cumulative basis provided the consignment is cleared within 120 hours (05 working days). If clearance is effected after 120 hours (05 working days), demurrage will accrue for the entire period from the date/ time of arrival of flight.
11-20 days	Rs. 4/- per KG per day or part thereof or Rs. 40/- whichever is higher	
21-30 days	Rs. 5.50 per KG	
From 31 days	Rs. 7 per KG	
<b>International Exports</b>		
Facilitation Fee	<b>Rs. 9.50 per KG.</b>	
X-Ray charges - if screening done by Airlines (minimum charge applicable per AWB)	Rs. 1.38	
X-Ray charges - if screening not done by Airlines (minimum charge applicable per AWB)	Rs. 1.70	As per Ministry of Civil Aviation letter No. AV-24032/12/2010-AD dated 17/06/2013 the X-Ray screening charges should be the same both for general cargo and courier cargo