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OSD-II / 10/12/2012



EICI/AERA/1114  
06th December 2012

The Secretary  
Airports Economic Regulatory Authority of India  
AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi - 110 003

OSD-II / 11/12/12

Sub: Comments of Express Industry Council of India (EICI) to the Consultation Paper No. 29/2012-13 ON Multi Year Tariff Proposal and Annual Tariff Proposal submitted by Esquire Express India Pvt Ltd. in respect of Common User Express Courier Terminal at Chennai International Airport, Chennai

Madam,

This is with reference to the abovementioned Consultation Paper No. 29/2012-13 regarding the Multi Year Tariff Proposal (MYTP) of Esquire Express India Pvt. Ltd. (Esquire) for the period 2011-12, 2012-13 and 2013-14. With respect to the same EICI wishes to submit its comments and the same are as under:

①

**A. The tariff proposal is incomplete and the details in the forms provided is not complete and hence no transparency in pricing.**

In Form 13 (a) the revenue from X-ray screening has been left blank and the details have not been provided. This is contrary to the directives of AERA and AERA should direct that the details in Form 13(a) be provided to enable users and stakeholders to comment on the proposal.

**B. The tariff of terminal charges for processing courier shipments is the highest in the country and amounts to a massive increase over the previous year and hence not acceptable**

It is submitted that the MYTP of Esquire as mentioned in the Consultation Paper No. 29/2012-13 has provided the Tariff/Rates for Common User Express Courier Terminal at Chennai International Airport in Annexure I in the form of Form 14 (b).

Recd. at S. 2 PM. 11/12

AGM (RKG)

May pls. scan & email to Esquire

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As indicated in the Annexure I of the Consultation Paper No. 29/2012-13, the tariff for terminal charges for processing courier shipments proposed by Esquire as part of ATP for the Tariff years i.e. for 2011-12, the terminal charges are given as Rs 15 per kg and minimum of Rs 150 per flight if the total weight is below 250 tonnes per month. Similarly the tariff for terminal charges proposed by Esquire as part of ATP for the Tariff 2012-13, the terminal charges are given as Rs 20 per kg and minimum of Rs 200 per flight if the total weight is below 250 tonnes per month. The tariff for terminal charges proposed by Esquire as part of ATP for the Tariff 2013-14, the terminal charges are given as Rs 22.50 per kg and minimum of Rs 225 per flight if the total weight is below 250 tonnes per month.

It will be observed that the **current tariff** for terminal charges for processing courier shipments proposed by Esquire is Rs. 15 per kg are a massive increase from the current rates which is not justified. **The following working shows how the rates stand to change in case the Tariff is approved in the present form.**

**Export:**

**Current Rate:** Facilitation Charges: Rs. 6.25 / per Kg (Min of Rs. 150) Max weight 24 Kg / per bag

Screening Charges: Rs. 6.00 / per Kg

**Proposed Rate:** Facilitation Charges: Rs. 9.00 / per Kg (Min of Rs. 215) Max weight 24 Kg / per bag

**Screening Charges:** Rs. 7.50 / per Kg

For eg. If we forward 4 bags ( each 24 Kgs ) total weighing 96 Kgs we have to pay Rs. 380 extra (excluding tax ) as per the proposed rate as follows:

<b>Calculation for 4 Bags weighing (24 Kgs each) Total 96 Kgs</b>				
<i>Type of Charges</i>	<i>Current</i>	<i>Calculation</i>	<i>Proposed</i>	<i>Calculation</i>
Facilitation Charges	600	4 x 150	860	4 x 215
Screening Charges	576	6 x 96	696	7.25 x 96
Total ( excluding tax)	1176		1556	
The Difference amount (excluding tax) for this export would be Rs. 380 for this Export				

Hence this amounts to an **increase of 32.31% over the existing tariff which is not justified.**

**It is also submitted that there are no minimum service standards prescribed and the users find their services** trade unfriendly and there is no flexibility in their operations. The software used is not up to the mark for the day to day process and there are no 24 / 7 Operations allowed. The operational inefficiency hence leads to high operating costs.

**C. X-ray screening charges are exorbitant and highest in the country**

It is submitted that the charges for x-ray screening as indicated in the Annexure I of the Consultation Paper No. 29/2012-13, the ATP for the Tariff year 2011-12, the charges for x-ray screening are given as Rs. 6 per kg and minimum of Rs.100 per flight. The charges for x-ray screening for 2012-13 are given as Rs 7.50 per kg and minimum of Rs. 125 per flight. Further, charges for x-ray screening for 2012-13 are given Rs. 8 per kg and minimum of Rs. 135 per flight.

The comparison of the x-ray charges charged at Delhi, Mumbai and Bangalore compared to Esquire charges in Chennai is as under:

2011-2012

Rates	Mumbai	Delhi	Bangalore	Chennai – Esquire
X-Ray Charges	Rs. 3.25 Per Kg. for Exports Only	Rs. 0.50 Per Kg. for Imports and Rs. 1.75 Per Kg. for Exports	Rs. 0.75 per Kg. for Imports Only Exports charged by AISATS to airlines. Details not available	Rs. 6/- per Kg. Min. Rs. 100/-

2012-2013

Rates	Mumbai	Delhi	Bangalore	Chennai – Esquire
X-Ray Charges	Rs. 3.25 Per Kg. for Exports Only	Rs. 1.75 Per Kg. for Exports Only	Exports Charged by AISATS to airlines. Details not available	Rs. 7.50/- per Kg. Min. Rs. 125/-

2013-2014

Rates	Mumbai	Delhi	Bangalore	Chennai – Esquire
X-Ray Charges	Rs. 3.25 Per Kg. for Exports Only	Rs. 1.75 Per Kg. for Exports Only	Exports Charged by AISATS to airlines. Details not available	Rs. 8.00/- per Kg. Min. Rs. 135/-

Hence, the charges proposed for x-ray screening is not acceptable and is the highest in the country and not acceptable to our members.

**D. X-ray revenues not mentioned and a huge profit being made on the same**

It is also submitted that the earnings from X ray screening have not been mentioned perhaps for this reason itself as while the cost of the x ray machine has been shown to be approximately 77 lacs a rough calculation regarding the earnings from x-ray screening alone would be as under:

Volume calculations in MT per year

2011-12

Exports- 1098.87 Mt X Rs 6 per kg = Rs 65,93,220/-

Imports-1942.13 Mt X Rs 6 per kg = Rs 1,16,52,780/-

Export Bags-86,646 X min rate per bag Rs 100= 86,64,600

Import Bags -307838 X min rate per bag Rs 100= 3,07,83,800

Hence total revenue from X-ray screening for 2011-12 is Rs 5,76,94,400/- Or Rs Five Crores seventy seven lakhs approximately. Even if the cost of screeneers which are about 3 t5 in number is taken in to account with an average salary of Rs 2,40,000/- per year the same amounts to Rs 7.2 lakhs per year. The total electricity bill for the warehouse and the x-ray machine for the entire year as per Table in From 11© is Rs 11,39,974/-. Hence following shows the total income from X-ray screening alone:

Total Revenue- Rs 5,76,94,400/-

Total Expenses- 18,59,974/-

**Total Profit from X ray screening In excess of Rs 5 crores per year assuming that the cost of the machine maintenance is taken into consideration which does not justify such high costs.**

**E. Minimum threshold of 250 metric tonnes for courier companies unrealistic as courier volumes are in kilograms and not in metric tonnes.**

As indicated in Form 14 (b) in Annexure I of the Consultation Paper No. 29/2012-13, the minimum threshold of 250 metric tonnes stipulated for terminal charges for courier companies is unrealistic as courier volumes are measured in kilograms and not in metric tonnes which is the case for cargo. Hence such a threshold is not acceptable and the rates must be based on a per kg rate and discounts for volumes in slabs may be given if necessary. In effect the highest rate is the effective rate as hardly any companies would be providing 250 MT of courier shipments in a month. AERA must get details of the total number of companies which have provided 250 MT of courier shipments in a month.

In Form F 12(a) the projection of imports and exports annually are given and it clearly shows that the total volume is about 2800 MT a year for imports and exports. Hence it will be seen that the total number of users assuming they provide 250 MT a year would be 11 users assuming there are no small operators and they are all big courier companies. Clearly hardly any user will fit this criteria. It is also not clear that the threshold of 250 MT slab is per year or per month and clearly it is not per month as one user alone will be able to provide such volumes. Hence the logical question arises whether the 250 MT threshold is per user per month or per year. In case it is per year then how can the discount be applicable at any point in a year? Clearly the threshold is an artificial one with no meaning and all users have to pay the highest charge which is not acceptable.

In the Consultation Paper it has been mentioned that the rates and slabs have been suggested by AAI and the relevant text is reproduced below:

**“Further AAI had convened meeting with the users of common User Facility Courier Terminal and arrived at approved the commercials, with unique slab system of pricing, as demanded by the users.”**

**“Subsequently, AAI has called for meeting and analysed the financial statements then decided on the revised commercials; please refer the enclosed communications in this regard.”**  
**It is most humbly submitted that the Tariff is to be decided by AERA and not by AAI. Moreover the users were never consulted regarding this slab system and copies of user consultation should be asked for and provided in order to decide if this was done on the basis of consultation or on the basis of abuse of dominant position. In any case the cargo volume structure can never be applied to Courier shipments.**

**Hence the slab of 250 Mt should be removed and not accepted and a flat per kg rate should be approved after taking other considerations in to account to ensure that a high rate is nto approved.**

**Recommendation:** The Tariff should not have any minimum threshold of 250 MT of shipments per month and should be based on a per kg rate. The rate should be revised and kept in conformity with the rate elsewhere at other airports The per KG rate approved by AERA should be the maximum cap and the operator may be free to give discounts, however the peak rate should not be approved as the acceptable rate as hardly any courier company provides 250 MT of courier shipments in a month to the operator.

**F. No minimum charge for x-ray screening and terminal charges - charges should be uniform on per kg basis and not based on criteria like – per flight, minimum weight or tonnage**

As indicated in Form 14 (b) in Annexure I of the Consultation Paper No. 29/2012-13, Esquire has proposed minimum charges for x-ray screening and terminal charges. The minimum charges for x-ray screening for the Annual Tariff Proposal for the year 2011- 12 are given as Rs.100 per flight. The proposed minimum charges for x-ray screening for the year 2012-13 is Rs. 125 per flight and the proposed charges for x-ray screening for year 2013-14 is Rs. 135 per flight.

The minimum charges for terminal charges for the Annual Tariff Proposal for the year 2011- 12 are given as Rs.150 per flight. The proposed minimum charges for terminal charges for the year 2012-13 is Rs. 200 per flight and the proposed charges for x-ray screening for year 2013-14 is Rs. 225 per flight.

**Recommendation:** It is submitted that no minimum charges should be levied for x-ray screening and terminal charges. The charges for x-ray screening and terminal charges should be uniform and it should be based on per kg basis and not based on criteria like per flight, minimum weight or tonnage. **The current proposed as submitted in the proposal should not be accepted and should be revised and reduced to keep them in conformity with rates at other locations and the Chennai cargo terminal rates based on which the competitive assessment has been done.**

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**G. Inordinately high charges mentioned in Form 11 f with respect to customs charges.**

It is submitted that the charges for customs have been shown as under:

Head	2010-11	2011-12	2012-13	2013-14
Salary Customs	4,690,500	4,690,500	11,042,556	11,042,556
Customs Amenities:	6,000,000	4,800,000	5,400,000	5,800,000

It appears that the amenities provided to customs are higher than the salary. To our knowledge only transport and refreshments are provided to customs and hence it is unimaginable how customs amenities could be to the tune of Rs 5 lakhs per month and that too for a few officers and the cost be higher than their salaries itself. The details of this expenditure hence needs to be established and verified or at least an explanation sought and correlated with customs.

It is also pertinent to add that we have been given to understand that Esquire is presently paying only 60% of the cost recovery charges at present whereas these costs are shared with a dedicated facility which is paying 40%. While Esquire is a public common user facility and its volumes are huge compared to the volumes of a dedicated facility, the issue has been raised by one of our members before the Commissioner of Customs at Chennai Airport. A decision is yet to be taken regarding this payment and sharing of cost recovery charges and any tariff approved should be done in consultation with the Commissioner and keeping his pending decision in mind as it is likely to effect the overall tariff, even though a large amount as pointed out above has been earmarked for Customs facilitation which may be off set against the same in case such charges are not found to be tenable.

We would be grateful if the above comments could kindly be taken on record and we be given a further opportunity to offer our comments once Esquire responds to the above.

Thanking you,

Yours sincerely,  
For **Express Industry Council of India**



**Vijay Kumar**  
**Chief Operating Officer**