

-174-



THE AIR CARGO AGENTS ASSOCIATION OF INDIA

28-B, Nariman Bhavan, Nariman Point, Mumbai 400 021. • Tel.: 2202 1923, 2202 5584 • Fax : 2282 4029 • E-mail : headoffice@acaai.in

ACAAI/AERA/2013

17th October, 2013

Shri Yashwant S Bhave,
Chairman,
Airports Economic Regulatory Authority of India,
AERA Building,
Administrative Complex,
Safdarjung Complex,
New Delhi 110 003.

44/8444/2 (221)
23/10/2013

Sub: Revision of Tariff by Custodians – C P No 21/2013-14
File No. AERA/20010/MYTP/Celebi /C/Del/2011-12/Vol-I

Dear Sir,

3434 / 11/2013
28/10/13

We thank you for this opportunity to share our views in the tariff fixing exercise and are confident that the role of AERA will change the dynamics for the better

Air Cargo Agents Association of India (ACAAI) was instrumental for inclusion of cargo in the AERA Bill as the initial draft was surprisingly silent of cargo facilities. Appearing before the Parliamentary Committee as witness we stressed the need for inclusion of cargo in scope of AERA and are happy that as a result of our submission Trade & Industry will derive the benefits of a regulated economy.

Our understanding of tariff review (which is supported by the performance of other Regularity Authorities) is that it could be increase or decrease and need not necessarily presuppose that the tariff will be enhanced.

To trace back the practice that was prevailing in tariff revisions before creation of AERA in a nutshell are:

1. Airport Authority of India would invite few stakeholders, present a proposal for enhancing the tariff and irrespective of the acceptance or otherwise of the participants proceed with increase,
2. Such increases invariably would be implemented with very little notice period and there are instances when the revision was introduced with few days of notifying.

925/10 - II
28/10/13

Secy (AERA) AT A
28/10/13

AGM (AB8)
28/10/13



3. It had never been the practice of AAI to circulate detailed and reasoned proposal listing out various heads of operations, type of expenses, investments, ROI, ROC along with justification and quantum of increase.
4. These tariff revision meetings never offered an opportunity for the users to study the proposals, debate the suggestion and arrive at an acceptable increase.
5. AAI would always thrust their views on the Trade & Industry irrespective of the reasonableness or the lack of it of their proposal.

After AERA was established, users in general and ACAAI in particular was relieved that the days of such arbitrary and unscientific fixation of tariff are over.

Any revision should be scientific and backed with authoritative data.

AERA is a regulatory authority with Custodian on one side and the users on the other with a clear cut role to balance both sides.

ACAAI is of the view that any regulatory authority once in place (which in this case is AERA), it insulates any direct interaction with the users on tariff fixation.

It is Custodians responsibility to submit its proposal to the regulator AERA, the regulator will in turn circulate the proposal to the stakeholders, solicit their views, compile the entire details and call for a joint meeting of all concerned to finalise the revision. This we understand is the method adopted by few regulatory authorities in India.

If Custodians were to hold meetings, finalise rate revision with stakeholders and make AERA an authority to announce such changes then the very purpose of a regulator is defeated.

Also a regulator has a right to attach conditionalities and performance bench marks along with tariff.

As of date neither benchmarking of any performance nor any conditionalities to bind Custodians for non performance exists.

Our view on Bench Marking is as follows which we feel should be considered seriously for the benefit of Trade & Industry.

It is our understanding that a regulator has a right to attach conditionalities and performance bench marks along with tariff.



Right from flight touch down to ultimate, physical removal of cargo Custodians should be provided with a time frame for completion of each and every activity and for every failure by the custodian that leads to delay in clearance of cargo there should be accountability (including financial) on the part of the Custodian. .

While there are penal provisions thrust on the users (storage, demurrage, etc), there is no accountability on the custodian for failures as all financial liabilities are passed on to the users.

Till conditionalities and bench marks become an integral part of the tariff until than there should not be any tinkering with the rates.

Our last hope is AERA and are confident that our views will be accorded due attention that it deserves.

We would be happy to call on you on a date and time of your convenience for a detailed discussion.

Thanking you,

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Bharat J. Thakkar', is written over a horizontal line.

Bharat J. Thakkar
President

Encl: As above