

November 30th, 2022

The Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi – 110003

Sub: Response to consultation paper no. 12 for Celebi Delhi Cargo Terminal Management (I) Pvt. Ltd

Dear Sir,

With reference to consultation paper no. 12 dated November 14th, 2022, we would like to submit our appeal stated as under, for your kind consideration.

Revenue Projection

We would like to highlight that Authority have considered current yield of FY 22-23 as base for revenue projection for 3rd control period, refer below table for yield details.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Tonnage	492,520	478,966	422,173	334,095	364,198	375,298
Operational revenue (INR Crs)	390.82	416.58	452.13	522.05	511.26	483.21
Yield per ton (INR)	7,935	8,698	10,710	15,626	14,038	12,875

However, we believe that the base yield of FY 2019-20 (pre-Covid) should be considered for determining revenue. Please note that FY 21 – FY 23 pertains to Covid period wherein the yield increased on account of higher/abnormal demurrage income, which wouldn't be sustainable keeping in mind the past trend and given the fact that Ministry of Civil Aviation is aiming for faster clearances and lower dwell times for air cargo handling. Kindly also refer to FY 23 numbers, which is showing reduction in yield from immediate previous years.

We are of the view that with passage of time, yield will go back to its earlier trend (pre covid) and further reduce, as Customs Authority is working dedicatedly towards faster clearances using technology enabled smart assessment process. Hence, we request you to kindly consider pre-Covid yield of FY 20 and projections as provided below:



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	FY 2020	FY 2024	FY 2025	FY 2026
Yield per ton (INR)	10,710	10,710	11,545	11,314
Tariff increase FY 21		10%		
Yield reduction considered by Authority		-2%	-2%	-2%
Projected Yield per ton (INR)	10,710	11,545	11,314	11,088

As an alternative view, if average yield of last 5 years i.e. FY 18 to FY 22 is considered (that includes both pre and post Covid period), yield projection will be as below:

	FY 2018- 22	FY 2024	FY 2025	FY 2026
Average yield of 5 year (INR)	10,960			
Opening Yield per ton (INR)		10,960	10,741	10,526
Yield reduction considered by Authority		-2%	-2%	-2%
Projected Yield per ton (INR)	10,960	10,741	10,526	10,316

Inflation

We would request Authority to in the least consider basic inflationary increase applied on tariff going forward. The inflation in actual is much higher than the published data and in general we end up spending more than published inflation for majority of our operational spend.

It may also be noted that Authority have proposed no tariff increase till FY 25 which leads to no tariff increase for 4 years. Even if we consider 5% inflation YOY (in actual it's much higher) there is a straight reduction of 20% (approx.) on yield to compensate inflationary effect.

AFS Tariff

We request Authority to refer our 26Aug'22 MYTP proposal and the recommendation therein. However, moving from it, we would request Authority to restrict the reduction to 10% instead of proposed 30%.

Effect of no tariff increase

Other than inflationary measures there are various unplanned expenses, which Celebi is addressing time to time to meet the service level standards expected by trade. For example, as per BCAS mandate piece level screening was introduced (each package needs to be screened individually), which delayed the screening activity. To avoid slower processing of cargo, Celebi inducted additional 100 personnel in the export screening area, to make process relatively faster and efficient.

Also, no increase in tariff would lead to immense pressure on management team to reduce all possible costs, to sustain profitability and shareholders expectations and in the process may result in undesired situations.

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Further, in our discussions with trade (as part of stakeholder consultation process), we believe they are open to accept a nominal tariff increase as they are also aware of more than published inflationary affect and the possibility to demand additional services/ changes, which Celebi has always been open & flexible to provide.

In addition, we would like to mention that in our contract negotiation with some airlines, they are ready to consider inflationary increase in view of premium & special customized services they demand and which can be provided by Celebi. In such bilateral instances, mutually agreed and signed contract between the two parties should be allowed as part of 'reasonableness of user agreements'

We would therefore request Authority to consider our plea and grant us a reasonable year on year tariff increase.

Thanking you,

Yours sincerely,

For Celebi Delhi Cargo Terminal Management India Pvt. Ltd



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