From: info@dacaai.com
To: Chairperson Aera <chairperson@aera.gov.in>
Cc: Manu Sooden <secretary@aera.gov.in>
Sent: Tue, 22 Nov 2022 11:59:02 +0530 (IST)
Subject: DACAAI’s written response to AERA Consultation Paper No. 12/2022-23 dated 14 November, 2022 in respect of Celebi Delhi Cargo Terminal Management MYTP for 3rd control period 2021-22 to 2025-26 .

[image: image.png]

To

Dated: 22/11/2022

Shri B S Bhullar, IAS

Chairman

Airport Economic Regulatory Authority – AERA

AERA Building

Safdarjung Airport Complex

New Delhi

Subject:- DACAAI’s written response to AERA Consultation Paper No. 12/2022-23 dated 14 November, 2022 in respect of Celebi Delhi Cargo Terminal Management-MYTP for 3rd control period 2021-22 to 2025-26 .

Respected Sir,

This is in written Response to AERA Stakeholder Consultation Paper 12/2022-23 dated 14 November, 2022 in respect of Celebi Delhi Cargo Terminal Management-MYTP for 3rd control period 2021-22 to 2025-26 in addition to our comments on the SH consultation by Celebi on 1st September, 2022 and their MoM (copy attached for ready reference). DACAAI has also written to Hon'ble Chairman AERA dwelling upon the principles as perceived by DACAAI to be considered tariff for Domestic CUTs by AERA.

At the outset, DACAAI places on record before Hon’ble AERA that
*“DACAAI **finds
the proposal made in the Consultation Paper 12/2022-23 in respect of Celebi **for an **increase in Terminal** Charges** at Delhi** for the MYTP for Control Period from 2021-22 to 2025-26 is totally **unacceptable.” for the following reasons :*

The stand of DACAAI has been voiced both in the User SH meeting by Celebi on 1st September and also in written response to Celebi after stakeholder consultation meeting conducted by them on 1st September, 2022 vide DACAAI letter dated 6 September, 2022 (Annexure 2 copy attached). In the SH meeting, DACAAI was represented by its President Shri Arvind Nayak and others among ACAAI, FFFAI, DCBA and other stakeholders.

As per clause 5.1 of AERA Guidelines, “if Regulated Service is provided at a Major Airport by two or more Service Providers, it shall be deemed “Competitive” at that airport.” However, the two terminals at Delhi Airport are absolute monopolies. DACAAI urges that AERA must review the competition assessments since there is no competition in specific terms (the airlines and terminals are fixed and a shipper cannot just about take his cargo to any terminal/airline). Further the entire processing has no service level Agreements (SLAs) between users and CTOs, neither there is any service monitoring mechanism in place. This has resulted in increased processing times both for outbound and inbound cargo.

Under 2.7 of AERAGuidelines, authority has considered the services as Material and competitive and hence adopting a ‘Light Touch approach’. In view of DACAAI's stated position, the light touch approach gives the CTOs unchecked freedom to get tariffs enhanced without being responsible for service quality in the absence of SLAs and monitoring. It does not benefit to the users. There are no User agreements with the clients by the CTO either.

As per 2.6 of CP 12/2022-23 the authority has stated that CDCTM submitted all the documents in accordance with CGF Guidelines, except the minutes of Stakeholders’ Consultation Meeting. DACAAI has to state that Celebi conducted as a formal user SH meeting on 1st September, where DACAAI has voiced their service level inefficiencies, high terminal charges which constitute 17%-20% of the airfreight making the air cargo unviable. There has been no additions or capital investments to the CUT space since inception and Celebi handled almost 3 time the cargo from the same space. It also got enhanced terminal handling charges for all the previous years. The MoM forwarded by Celebi on 26 September 2022 did not reflect DACAAI's objections and concerns voiced during the meeting.

Besides, we had asked Celebi several missing information and queries so as to objectively compare and assess the MYTP but information is yet to be supplied by Celebi to DACAAI. That Celebi MYTP are not acceptable to DACAAI and this has been informed to Celebi vide our letters dated 6th September, 2022 and subsequent response vide our letter dated 19 November, 2022 in response to the MoM of Celebi stakeholder consultation meeting held on 1st September,
2022. Copies of our correspondence are attached for your ready reference.

The Celebi's cargo handled figures mentioned in the Consultation paper from 2016-17 show a CAGR of 29.53%. Even during Covid year Celebi handled more cargo than in 2016-17. Celebi handled 170% cargo each in 2nd, 3rd years and 117% increased cargo in 4th year of operation. Thus there has been very high increase in volume resulting in considerable increase in Celebi's revenue.The drop in tonnage in 2020-21 & 21-22 is more due to covid and factors hampering growth and viability of air cargo including high incidence of terminal charges, extreme inadequacy of the space, operating inefficiency, increased processing time and lack of service quality due to which shippers are moving away to surface mode.

2016-17

46,250

2017-18

1,24,926

2018-19

1,29,092

2019-20

1,00,502

2020-21

59,589

2022-22

66,537

CAGR

29.53%

As far as Regulated Asset Base is concerned, DACAAI places on record that all the investments made by Celebi since inception have been depreciated in the 12 years. Therefore, AERA may please review as to why ROI or enhancement of charges can be justified on depreciated assets. In fact, no new capital investments have been made in the extremely small constrained space in which CUT operates (Chairman AERA may like to visit the CUT at Celebi to see first hand the conditions in which it operates to make a realistic assessment before considering the MYTP alongwith DACAAI). While the quantum of flights and cargo handled has gone up over 3 times, Celebi handled it in the same space; but revenues accrued to Celebi from enhanced quantum handled. In normal understanding if the volumes grow, the charges must go down, but it always went up in each control period with no improvements in service levels. In view of the stated position, consideration of the projected investments under *'new domestic terminal extension' *for increased tariff is not justified. Further summarising as under :

1.   DACAAI members' experience of operating at Celebi Domestic Air Cargo Terminal for the past over 10-12 years, the space at CUT is grossly inadequate to handle the current quantum of cargo, leave alone future projections. It is not commensurate with the increased volumes. Therefore AERA is urged to review the enhancement in terminal handling charges during the previous control periods and do not justify considering present MYTP.

2.. The CUT has no scope for expansion, there is no justification for any enhancement of charges in 3rd control period.

3.. DACAAI had requested Celebi more informatin/details like number of flights & Tonnages at the beginning of CUT in 1st year, number of flights currently being handled in 2022, area allotted for truck dock, processing and storage of cargo, equipment added etc for further comparison.

4. The space constraints have adversely affected service quality; and it resulted in increased processing time; iii) severe congestion; iv) mishandling of cargo and v) diversion of cargo to surface or away from Delhi. Due to the perennial constraints, major portion of domestic cargo has shifted to surface.

5. Sir, All the initial investments in domestic CUT and equipments have been depreciated fully and Celebi has earned huge revenues by handling more than

3 times the volumes in this period. Therefore, how AERA is giving return on the depreciated assets especially when there have been no additions to assets on ground. Therefore, DACAAI requests AERA to review the basis of the charges vis a vis the quality of asset, additions etc. de novo in order to keep the domestic air cargo product viable.

6. In SH meeting, Celebi had stated that it made a total investment of INR 500 Crores out of which 200 crores is the Security Deposit for the concession. DACAAI has asked Celebi to provide specific details as to the amount spent exclusively in domestic CUT (giving specific facilities created, equipment added along with amount spent).

7. In their presentation it mentioned that Celebi has developed a total area of 80,000 sq.mtr. at Cargo Terminal asked Celebi to provide specific details out of this, how much area pertains to Domestic Air Cargo Terminal; how much area is allocated to non-sterile area, the truck docks for processing of cargo (outbound-departure / inbound-arrival). Most importantly AERA may please note that most of the investment is done for improving the international air cargo which is passed on to domestic CUT charges. We urge upon AERA to only allocate the investments made since beginning in domestic Air Cargo CUT for considering domestic terminal charges.

8. DACAAI had further requested Celebi to inform if they made any investments in Domestic Air Cargo Terminal for any of the reasons mentioned below :

- Increasing the space in sterile area and non-sterile dock area, year wise additions;
- Increasing the speed of processing;
- Easing the congestion outside and inside terminal;
- Increasing the throughput;
- Reducing the cut-off and delivery time (which has increased multiple times)

When the airlines were self-handling departure cargo, trucks used to arrive at facility D-3 hours. Today it is D-6 hours, sometimes it stretches up to D-9 hours. Similarly when airlines were self-handling arrival cargo was delivered in A+1 hour. Today it is A+3 hours and sometimes stretches to A+4-5 hours. Due to this increased transit time lot of cargo has been shifted from air to other modes of transport including shift to other airlines operating from other terminal. It may be mentioned, there is no SLAs or its monitoring mechanism. Therefore, inefficiencies are in operation, thereby the air cargo product is loosing its premium tag and shippers using surface, that has improved by leaps and bounds.

10. In fact, there is no competition between the CTOs. These are the two monopolies There is no choice for a shipper to choose the terminal as specific airlines are handled by the two CTOs at Delhi and one cannot shift from either that airline or that terminal. Therefore, there is no competition, which is an essential factor to be reviewed by AERA before considering the proposals. AERA is urged upon to review this aspect.

11. Celebi created multiple heads of charges, more-so each charge having its own minimum and applicable rules creating so much confusion for the end user. Furthermore the charges are applied differently for each product and most of the time even without special services being rendered like cold storage, strong room, security escort, etc. still higher charges are being levied. DACAAI has requested for a single (reasonable) terminal handling charge for ease of calculation and to maintain viability of air cargo product and spur growth.

12. As the airlines are all planning to introduce more Freighter operations, how Celebi planned to handle the cargo for freighters from the same space constrained CUT? As each flight carries 2 to 4 tons of air cargo whereas each freighter can carry 16 to 25 tons of cargo, how will this cargo be processed by Celebi from the constrained terminal?

In summary:

We have to inform Chairman, AERA that unless details are provided by Celebi to DACAAI due we are unable to make any meaningful comparison.

As far as DACAAI is concerned the only TWO factors that Domestic Air Cargo needs to focus on to achieve growth are (1) fast service and (2) reasonable cost. Today Shippers are paying much higher rates for Domestic Air Cargo compared to other modes of transport especially surface and hence the cargo is moving away to surface.

The Government has introduced several concepts of RCS, UDAN and others which have brought in lot of aircraft flying regionally and even after deep discounts by airline on these short haul routes, they are unviable due to high terminal charges. Celebi and other CTOs should come out with special promotional pricing for these regional routes .

Government of India aims to reduce high logistics costs from 14% to 8-10% to make our products competitive. But the terminal handling charges constitute 17-20% of the air freight. In such a condition the logistics cost is going to be high for air cargo making it unviable.

DACAAI is of the view that the domestic air cargo operations are to be smooth, proper space needs to be provided; quality service levels need to be monitored constantly (which are totally not there at present leading to inefficiencies and wastage); and terminal handling charges are to be growth oriented, reasonable and transparent; the domestic cargo tonnage by air could be doubled or tripled providing win win situation for terminal operators, airlines and the shippers.

DACAAI Resolution On The Consultation Paper 12/2022-23 Celebi MYTP dated 14 Nov, 2022

Sir, For the above reasons "DACAAI finds the present Proposals made in the Consultation Paper 2/2022 in respect of Celebi for an increase in Terminal Charges at Delhi for the MYTP for Control Period from 2021-22 to 2025-26 unacceptable."

In fact, there needs to be a drastic reduction in domestic air cargo terminal handling charges at Celebi and other CTOs. DACAAI urges upon AERA for a total review of the domestic air cargo operation and its constraints and the impact of current domestic terminal handling charges. Kindly give time to DACAAI to make a presentation to AERA in this regard before a decision is made in this important MYTP which will further impact the domestic air cargo trade adversely.

Warm regards,

Arvind Nayak

President

9811157566

Attachments :

Annexure 1 – Copy of DACAAI's letter to Chairman AERA dated 31 October, 2022.

Annexure 2 – Copy of DACAAI's letter dated 6 Sept 2022 to Shri Kamesh Peri, CEO-Cargo; in response to the stakeholder meeting held by Celebi on 1st September 2022.

Annexure 3 - Copy of DACAAI letter to CELEBI dated 19 November, 2022 in response to Stake MoM circulated vide their letter dated 26th September, 2022.

ANNEXURE – 1

From: *info Dacaai* <info@dacaai.com>

Date: Mon, 31 Oct 2022 at 15:34
Subject: DACAAI – Overview on MYTP Proposals for Control Period from 2011-12 to2021-26 by various CTOs - Principles for consideration by AERA in MYTP at Domestic CUTs.
To: <chairperson@aera.gov.in>
Cc: <secretary@aera.gov.in>

Shri B S Bhullar, IAS

Chairman

Airport Economic Regulatory Authority

AERA Bhavan,

Safdarjung Airport Complex

Lodi Road.

Respected Sir,

Greetings from DACAAI

With Reference to various Stakeholder Consultations on Proposals on MYTP for control periods from 2011-12 to 2021-26, being actual user and stakeholder DACAAI would like to inform you that except at Bengaluru, where a proper planned domestic CUT is in operation along with futuristic development, all other CUTs are abysmally small, remain makeshift till date. Most CUTs are operating from old dilapidated pax terminals with grossly inadequate space with negligible modifications over 12 years. Inefficiency, coupled with high tsp charges is hampering growth of domestic air cargo which could have been 2-3 times of the current tonnage figures.

DACAAI places the following Basic facts and principles for fixing or revising domestic air cargo tariff to be considered by AERA so as to ensure viability of domestic air cargo product vis a vis the prevailing terminal handling charges at various CUTs :

1. In DACAAI's view of operating for the past 12 years, the domestic CUTs are monopolistic, as there is no choice to the customers either to shift terminal or airlines since specific airlines are operating in each of the terminals. Mumbai has only one Cargo Terminal.

2. DACAAI experience for the past 12 years is that these facilities were created as 'make shift' and remain so till date. These are very small, grossly inadequate to handle even the current quantum of cargo, leave alone future projections. This hampers growth.

3. Total quantum of Domestic Air Cargo in India has increased from 0-35 MMT in 2011-12 to over 1.36 MMT in 2018-19 & 1.32 MMT in 2019-20; 0.95 MMT in 2020-21 & 1.18 MMT in 2021-22) which shows that CTOs have earned substantial revenues from 'make-shift' domestic facilities since

inception, but have not invested capital considering future projections. Therefore, there is congestion, delays and services are very deficient at most CUTs.

4. As a normal principle, DACAAI feels, with high volumes, terminal handling charges should come down.

5. While the investments made in these facilities in the beginning, have been depreciated over 10-12 years, the terminal handling charges were always revised upward which has made domestic air cargo product unviable.

6. TSP charges alone constitute in the range of 17-20% of airfreight, therefore, major portion of e-Commerce, auto parts, garments, perishables etc. have shifted to surface mode.

7. Whereas the CTOs have expanded and invested heavily on international cargo terminals; minimal or negligible capital has gone to domestic CUTs.

8. Ironically, the large investments in international cargo are passed on to domestic CUT where there is negligible capital addition inflating domestic CUT tariff.

9. The ‘make shift’ domestic facilities are congested, resulting in delays, missing, damage and mishandling of cargo leading to shift from air mode.

10. Similar position prevails on the X-ray machines and handling equipment which is grossly inadequate.

11. CTOs have multiple charging heads viz. tsp, X-ray screening, X-ray certification, unitization, de-unitisation etc. having a minimum in each head to further inflate the charges. There are no SLAs but.

12. DACAAI is of the view the CTOs’ investments for using double view X-Ray is to comply with national security standards. It has not in any way improved the speed or quality of handling domestic cargo. Similarly Upgrading S/W etc. is to make CTOs’ work smooth, save on their manpower, with no tangible change in ground procedures or efficiency for DACAAI members.

As a result of the above, for premium air cargo product, the total transit time of domestic air cargo has increased from 90 minutes to 3-4 hours or more for Outbound; and from 30-45 minutes to more than 3 hours for outbound, in addition to the flight time. This is the sole reason why major e-commerce cargo and other commodities which moved by air earlier have shifted to surface transport. Instead of increasing foot print of aviation it is going down while the air cargo flight capacity is increasing. Due to unviability, only 45-50% of flight space is utilized.

In view of the above, to arrive at the justifiable and growth oriented terminal handling charges for domestic cargo, AERA may please consider following parameters

i) AERA may ask CTOs the amount of capital actually and specifically has been invested to expand the domestic terminal and in adding handling equipment. Thus, only the investments made by CTOs in expanding or improving domestic CUTs and equipment added should be considered for arriving at domestic terminal charges.

ii) Since most CUTs have not made any significant investments in domestic cargo infrastructure since inception there is no justification of increasing charges. In fact, since the CUTs have handled more than 3 times the tonnage from the same facilities, charges need to come down drastically.

iii) The terminal handling charges are very confusing as they are split in multiple heads, each having a minimum fixed charge which inflates the charges. DACAAI requests AERA to consider a single terminal handling charge.

iv) There is also no definition of services that the user can expect from the operator whereas charges are levied on various counts by CUTs.

v) Also, there are no Service Level Agreements between CUTs & Users which could be monitored to bring in efficiency in air cargo movement. Without SLAs, quality of services has deteriorated over the years.

vi) That, in the interest of the trade development, AERA may like to visit the domestic CUTs (viz Celebi-Delhi) and assess first-hand the ground situation and operating the conditions prevailing at these facilities. DACAAI would be happy to associate with such visits at various CUTs.

We shall be happy to make a presentation to AERA at a convenient time to substantiate the issues.

Warm regards,

Arvind Nayak

President

M-9811157566

----

*ANNEXURE -2 *Copy of DACAAI’s letter dated 6 Sept 2022 to Shri Kamesh Peri, CEO-Cargo; in response to the stakeholder meeting held by Celebi on 1st September 2022.

Shri Kamesh Peri,

CEO-Cargo, Celebi

New Delhi-110037

Dear Sir,

Subject:- DACAAI written response to MYTP for 3rd control period 2021-26 by Celebi Delhi Cargo Management Terminal.

With reference to stakeholder consultation meeting and presentation by Celebi Delhi Cargo Terminal Management Pvt. Ltd. on 01st September 2022 held at Celebi Cargo Terminal, IGI Airport, New Delhi to discuss MYTP for 3 rd control period 2021-26 where representatives from ACAAI, DACAAI, FFFAI and DCBA we present.

At the outset being actual user and stakeholder, DACAAI would put on record that Celebi's proposal for increasing the Domestic Air Cargo terminal handling charges for 3rd control period from 2021-26 from 01st October 2022 is totally unacceptable for the following reasons:-

1. To begin with, based on DACAAI members experience of operating at Celebi Domestic Air Cargo Terminal for the past 12 years, the present Domestic Air Cargo Terminal is grossly inadequate in size to handle the current quantum of cargo, leave alone future projections.

2. There is lack of basic public amenities for staff of shippers and agents like toilets, drinking water, sitting area, etc.

3. DACAAI members' experienced congestion in the terminal in 2015 itself and since the terminal has not been expanded from 2015 till 2022.

4. The Celebi figures show that cargo tonnage of 124,926 mt in 2018 & 1,29,092 in 2019 increased due to multifold increased number of flights, being handled from the same Celebi facility without any expansions, putting pressure on service quality, increased processing time, congestion, mishandling and shifting of cargo to surface. DACAAI would like to know what were the flights at start in 2015 and currently in 2022 for further comparison.

5. Domestic Air Cargo tonnage data in Celebi presentation show that the volume has gone up (3.6 times) i.e from 35779 mt in 2015 to 1,24,296 mt in 2018 & 1,29,092 in 2019 . Even in Covid year 2020 the tonnage was (100,502 mt) 280% of the tonnage handled in 2015.

6 In the presentation it is mentioned that Celebi has made a total investment of INR 500 Crores out of which 200 crores is the Security Deposit for concession. Please provide specific details, out of this how much amount has been spent exclusively (giving specific facilites created) for Domestic Air Cargo Terminal. Without the specific details DACAAI is unable to comment.

7 In the presentation it is mentioned that Celebi has developed a total area of 80,000 sq.mtr. at New Delhi Airport. Please provide specific details out of this how much area pertains to Domestic Air Cargo Terminal and more-so how much area is allocated to non-sterile area on the docks for the processing of the cargo (departure / arrival). Without specific details DACAAI is unable to comment.

8 Have you made any investment in Domestic Air Cargo Terminal for any of below reasons:-

- Increasing the space in sterile area and non-sterile dock area, year wise additions;

- Increasing the speed of processing;
- Easing the congestion outside and inside terminal;
- Increasing the throughput;
- Reducing the cut-off and delivery time;

If yes, then provide the details along with results observed for DACAAI Comments

9 When the airlines were self-handling departure cargo, trucks used to arrive at facility D-3 hours. Today it is D-6 hours, sometimes it stretches up to D-9 hours. Similarly when airlines were self-handling arrival cargo was delivered in A+1 hour. Today it is A+3 hours and sometimes stretches to A+4-5 hours. Due to this increased transit time lot of cargo has been shifted from air to other modes of transport including shift to other airlines operating from other terminals.

10 You have created multiple heads of charges, more-so each charge having its own minimum and applicable rules creating so much confusion for the end user. Furthermore the charges are applied differently for each product and most of the time even without special services being rendered like cold storage, strong room, security escort, etc. still higher charges are being charged for no reason. DACAAI requests for a single (reasonable) terminal handling charge for ease of calculation and to spur growth.

11 The airlines are all talking about starting Freighter operations, how do you plan to handle the cargo for freighter from same terminal? Today each flight carries 2 to 4 tons of cargo whereas each freighter will carry 16 to 25 tons of cargo. How will this cargo be processed?

In summary:

The only 2 factors that Domestic Air Cargo needs to focus on to achieve growth are (1) fast service and (2) reasonable cost. Today Shippers are paying much higher rates for Domestic Air Cargo compared to other modes of transport.

The Government has introduced several concepts of RCS, UDAN and others which have brought in lot of aircraft flying regionally and even after deep discounts by airline on these short haul routes, they are unviable due to high terminal charges. Celebi should come out with special pricing for these regional routes .

As per Government of India aim, the logistics costs in India is very high constituting over 14% and want to reduce it to 8-10% to make our products competitive.

DACAAI is of the view that if the operations are smooth and handling charges are growth oriented, reasonable and transparent the domestic cargo by air could be doubled or tripled.

DACAAI Resolution On The MYTP

For the above reasons DACAAI finds the present Proposal of Celebi for an increase Terminal Charges at Delhi for the MYTP for Control Period from 2021-2026 unacceptable.

DACAAI shall submit the written submissions to AERA for their consideration in addition to the Stakeholder consultation done by Celebi management on 1st September for the MYTP for Control Period 2021-22 to 2025-26.

Warm regards,

Arvind Nayak

President

9811157566

Annexure 3 - Copy of DACAAI Letter dated 19 Nov 2022 in response to Celebi letter dated 26th September, 2022 forwarding MoM of stakeholder meeting held on 1 September, 2022

Shri Kamesh Peri,

CEO-Cargo

Celebi-Delhi Cargo Terminal Management

IGI Airport,

New Delhi 110037

Greetings from DACAAI,

Subject : Your e-mail dated 26 Sept. forwarding MoM of meeting dated 1-9-2022 Stakeholder consultation on MYTP 21-26.

Dear Sir,

Greetings from DACAAI

Reference e mail from Shri Ashish Kumar
(Ashish.Kumar@celebiaviation.in*)* dated
September 26, 2022 forwarding MoM of 1st September meeting of
User-stakeholder consultation at Celebi Delhi Cargo Terminal Management on
the above subject.

In this connection DACAAI Views on Celebi’s MYTP for control period 2021-22 to 2025-26 have already been forwarded to you vide DACAAI e-mail letter dated 6th September, 2022. (A copy of the same is once again attached for ready reference and consideration of issues raised therein)

It is placed on record that the MoM forwarded by your office do not reflect the serious concerns raised and voiced by DACAAI during the Celebi-User Stakeholder meeting on 1st September. Neither there has been any response to issues raised in DACAAI’s detailed response letter to Celebi Delhi Cargo Terminal Management dated 6th September, 2022 nor the information sought from Celebi has been furnished to DACAAI for a proper comparison and assessment of the MYTPs. Unless a proper discussion and resolution of issues takes place the proposals are unacceptable to DACAAI.

Therefore, the response of DACAAI as already conveyed in our letter is reiterated as under:

DACAAI Resolution On The MYTP

“For the above reasons DACAAI finds the present Proposal of Celebi for
an increase
Terminal Charges at Delhi for the MYTP for Control Period from 2021-2026
unacceptable.

DACAAI shall submit the written submissions to AERA for their consideration
in addition to the Stakeholder consultation done by Celebi management
on 1st September
for the MYTP for Control Period 2021-22 to 2025-26.”

Warm Regards,

Arvind Nayak

President DACAAI