TOGETHER WE WI

To, Dated 13/12/2022

Shri B S Bhullar, IAS
Chairman AERA
AERA Building
Safdarjang Airport Complex
New Delhi 110003

Subject : DACAAI's written response to AERA Consultation Paper No. 13/2022-23 dated 25 November, 2022 in respect of Domestic CUT of DCSC, Cargo Terminal, Delhi Airport MYTP for 3rd control period 2021-22 to 2025-26.

Respected Sir,

1. **DACAAI Response to the DCSC, MYTP for 3rd Control Period**

"At the outset as user and stakeholder, **the proposals made in the Consultation Paper 13/2022-23 dated 25 November, 2022 in respect of DCSC, Delhi airport are not justified and therefore, not acceptable to DACAAI."**

That the subject CP 13/2022-23 in respect of DCSC is submitted without holding any SH Consultation meeting. While a Notice dated 7th November, 2022 from DCSC, calling for SH Consultation Meeting on 17 November, 2022 was received but the meeting was cancelled by DCSC at the 11th hour.

Sir, DACAAI has also written to Chairman AERA 'DACAAI Overview on MYT proposals by CTOs – Principles for consideration of AERA' for determining Domestic CUT Tariff vide letter dated 28 October, 2022 (copy attached for ready reference).

2. **Competition in specific terms between CTOs : It may be competitive for airlines but for the/trade users it is monopolistic.**

Vide Para 2.1.3 "The Authority notes that on 'Competition' assessment that M/s CELEBI is the other service provider for Domestic cargo ……..therefore, the regulated service is deemed Competitive."
In this regard DACAAI based on user experience of 12 years states that the two terminals at Delhi Airport cannot be said to be competitive (in fact these are two monopolies since the airlines and terminals are fixed and a shipper cannot just take his cargo to any terminal/airline as he wishes).

As there is no competition in specific terms, therefore, DACAAI urges that AERA may review the competition assessments under its powers.

DACAAI View : DACAAI is of firm view that self-handling by airlines at CUTs is the best model for domestic air cargo processing.

3. **The make-shift CUDCT made in 2010 by DCSC continues to be interim/make-shift till date!** We are being asked to pay for a facility that is interim and make shift in nature:

Reference may be drawn to Order 16/2010 dated 22.3.2010/24.3.2010 – (2.1(4) DIAL stated that *"DCSC is operating CUDT till green field terminal is developed and commissioned by DCSC expected by January, 2011. DCSC assured (para 3.4(ii) that operations will be shifted to the green field terminal once it is ready by 30.11.2011 as per project plan of the company." AERA observed that during SH meeting on 24.2.2011, most users (including DACAAI) expressed disagreement with rates and complained of bad quality of service.* However, mainly considering 'interim terminal' only for 19 months of which 10 months already elapsed, approved the tariff from 1.5.2010 to 30.11.2011.

Order no.10/2010-2011 dated 10.12.2010 wherein DACAAI inter alia, had pointed out the CUDCT being new facility, charging by DCSC was without AERA approval. A direction 3/2010 was issued to DCSC to stop Charging. DIAL had clarified *"that greenfield terminal will offer better infrastructure which will come by Nov 2011. That the interim terminal is only for 19 months."*

AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period. DCSC's clarifications vide letter dated 25.9.2014 to AERA. Quote….. *"Regarding make shift arrangement DCSC clarified that there is vacant land available and they have plans to build new terminal for domestic cargo but it depends on the growth in the volumes of cargo. (e) DCSC clarified that while they have the SLA(s) with airlines however the same is not feasible with the customers."*

From above, the fact remains that till date we are operating domestic cargo processing from the same interim/make shift facility that was created in 2010 handling three times the tonnage without regard to service quality at all. It may be emphasised, if volumes increase, the charges should come down but in this case, charges always increased. With increased volumes the DCSC collected increased revenues even when all the initial investments have been depreciated over 12 years. AERA may please look into how RoI has been allowed on depreciated assets.

4. **Series of interim/ad hoc AERA tariff orders are made without stakeholder consultation meetings. Under garb of the technicalities of submissions of proposals, the facts have been drowned. In fact, a fair evaluation of process of determination of tariff has not been done.**

DCSC had never had any SH consultation meeting, nor there is any User Agreement; a fact that AERA has mentioned vide *Para 2.1.5 of the CP 13/2022-23 - "As per clause 11.2 of the CGF Guidelines, the ATP is required to be …….. and should be supported by the following: a) Form B and Form 14 (b) (Proposed Tariff Card); b) Details of Consultation with Stakeholders; c) Evidence of User Agreement clearly indicating the Tariff proposal by the service provider and agreed to be the users.*

It is informed that b) and c) AERA requirements are not fulfilled by DCSC.

Vide Order no. 24/2022-23 dated 23.09.2022 Tariff prevailing as on 30.09.2022 has been extended for the period up to 31.03.2023, or, till the determination of regular Tariff, whichever is earlier.

5. **The mandated services for which TSP is charged by DCSC are deficient and in most cases not provided at all :**

AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period, under 6.4(a) Specifies the elements of services and infrastructure charged under TSP for shipper/consignee/agent are as under :

Services

a) Acceptance of cargo ……………………………….. Manpower is provided by user
b) Weighment of cargo……………………………………… Manpower is provided by user
c) Checking airworthiness of cargo done by…... By DCSC
d) Offloading of RFC cargo from truck………….. Manpower provided by user
e) Delivery of cargo on to the truck ………………. Manpower provided by user
f) Traffic management at the truck parking
and maneuvering area ……………………………….. By DCSC

City Side Infrastructure

a)Truck dock area for offloading/delivery…….. Inadequate space
b)space for consolidation of cargo prior
handover/Ready for Carriage (RFC) Check…… Space not provided
c)weighing scales……………………………………….. Provided by DCSC
d)truck maneuvring area and other facilities.. Provided by DCSC
such as drinking water, washroom

As user we find that there is acute shortage of manpower and lack of space at the interim facility. We still insist any levy of charges should start only when the facility is complete and services are provided as mandated.

6. **DCSC claims that the dwell time has improved whereas DACAAI feels it has increased drastically :**

DACAAI has been voicing poor service quality at DCSC, increased processing times for domestic cargo. DACAAI request for SLAs has not been implemented.
Quote….. AERA Order 18/2014-15 dated 23.12.2014/6.2.2015 in matter of DCSC 4th year of 1st control period. DCSC's clarifications vide letter dated 25.9.2014 to AERA. ......*(e) DCSC clarified that while they have the SLA(s) with airlines however the same is not feasible with the customers."*
As DCSC maintains that the dwell times are good enough, DACAAI would like DCSC to give authentic proof for improvements brought by them in processing time.

7. **Simplification/rationalisation of tariff with ease of collection by having a single reasonable terminal charge. The facility has to be transparent and user friendly :**

DACAAI has made representations from time to time, on the methodology of terminal charges which is very complicated with multiple heads; each head with minimum, inflating charges. Besides, all charges are paid to service provider in advance in PDAs.

The terminal charges on domestic cargo on an average constitute approximately 20% of the air freight which is very high making air cargo unviable. Whereas, the government is working to

increase flights, offering huge flight space, working to reduce the logistics costs; the present tariff methodology is having opposite effect.
AERA is, therefore, requested to decomplicate/rationalise the same for ease of calculation and fix one single, reasonable terminal handling charge per kilogram.

8. **The report does not give the following information which is essential for transparency :**

i) Actual tonnage handled by DCSC from 2010 to 2021-22.
ii)Actual year-wise investments made exclusively on domestic interim CUDCT.
iii)Actual revenues earned by DCSC from 2010-2021-22 including rentals and other
iv)Actual processing time of inbound and outbound domestic cargo.

9. **Para 1.3.4 of CP - DCSC in its submission has proposed 38% increase in Tariff on Y-o-Y basis starting from FY 2022- 23 to FY 2024-25 & 41% in FY 2025-26 for Cargo Handling Services for the Third Control Period.**

DACAAI View : DCSC has already been granted hefty hikes by AERA during the previous 12 years (para 1.2.1 of subject CP) which is detrimental to the trade; without additional investments or considering viability of air cargo in spite of multi-fold increase in cargo volumes. Therefore, there is no justification for any further increase. In fact AERA may consider the terminal charges to be reduced considerably.

For deficiency in service quality, AERA granted 15% rebate vide Order 16/2010-11 dated 22.3.2011/24.3.2011. **Since even up to 2022 the service quality remains same** DACAAI urges upon **AERA to give appropriate relief and rebate to take care of users interest.**

This will help in growth of domestic air cargo in tune with MoCA goals to achieve 10 million MT air cargo where domestic cargo could play significant role. AERA is urged to review the sustainability assessment of domestic air cargo, operational constraints, procedures & processes.

While DACAAI is in Disagreement with the MYTP in toto, is of firm belief that Domestic cargo volumes could be doubled if the factors mentioned above are assessed and addressed by AERA and a de novo, user friendly approach is benchmarked to tariff determination based on actual study of a few domestic CUT mode.

Warm regards,

Arvind Nayak
President
9811157566

Shri B S Bhullar,
Chairman
Airport Economic Regulatory Authority
AERA Bhavan,
Safdarjung Airport Complex
Lodi Road

Subject : DACAAI – Overview on MYTP Proposals for Control Period from 2011-12 to 2021-26 by various CTOs -
Principles for consideration by AERA in MYTP at Domestic CUTs.

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 for 10-12 years, 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
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