

KERALA STATE INDUSTRIAL ENTERPRISES LTD.

(A Government of Kerala Undertaking)

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No.ACC/60(5)/642

19.09.2023

The Secretary

Airport Economic Authority of India
Government of India
AERA Building, Administrative Complex
Safdurjung Airport, New Delhi-110003.

Sir,

Sub: Submission of counter comments against the comments of FIA- reg

Ref: Your office mail dated 14th September 2023.

We are in receipt of the comments from Federation of Indian Airlines vide their letter of 13th September 2023 submitted to you, on the consultation paper issued by AERA on 23.8.2023 notifying the proposed tariffs for Airport Cargo services at Calicut Airport for the control period 2022-2026.

In this connection we wish to submit our counter comments as follows.

- The tariff revision has been proposed after a period of FIVE years**, wherein during that period KSIE was absorbing the annual increase in wages, operational costs etc. This was done in order to support the industry during the COVID and ensuing period. The cumulative impact of the short fall in revenue as well as increase in expenditure is to be recovered over a period from future operations. The proposed tariff increase which is only in the range of 12.5 to 13% is therefore reasonable.
- The broad percentage of increase in tariffs proposed for the control period will yield a Fair rate of return of only 10.14%**, which when compared to other Cargo Handling agencies at other Airports and according to the Industry standards is low as shown in the Table below, wherein the FroR approved by AERA is all above that of 10.14%.

MENZIES AVIATION (BENGALURU) PRIVATE LIMITED (MABPL)	12.01
GMR HYDERABAD AIR CARGO (GHAC) AT RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD	12.08
M/s CELEBI DELHI CARGO TERMINAL MANAGEMENT INDIA PVT. LTD. (CDCTMIPL) AT INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI	13.47

The following observations of AERA in the Consultation paper referred above are quite explicit and supportive of the proposed tariff revision.

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The Authority further notes that KSIEL has proposed FRoR at 10.14%, considering the Cost of Equity at 12%, which is lower than the Cost of Equity generally considered by the Authority for other ISPs. As regard to Cost of Debt, the Authority from ISP's submission infers that there is no external debt availed by the ISP for its Calicut operations. Considering the above, the FRoR proposed by the ISP for the Third Control Period seems reasonable.

3. The main factors contributing to the proposed increase are the additional Capital expenses and the increase in security cost, manpower to meet the new services and better services to the clients. The comments of AERA in the consultation paper is reproduced below for further clarity.

Considering the impact of proposed increase in manpower numbers by 113% and taking into account the impact of annual salary increments, increase in minimum wages, increase in statutory components like EPF etc., the 121% increase proposed by the ISP in payroll costs seems reasonable.

4. KSIE is projecting only reasonable profit from the Cargo handling operations as depicted in the financials presented and verified by AERA as evidenced in the comments contained in the Consultation Paper. Further in the case of new services, the comments of AERA may be reproduced here.

The Authority notes that generally, other cargo terminal operators also have separate rates for 'Special Cargo' and 'Transshipment Charges' in their Tariff Rate Cards. The rates of new services proposed by the ISP seems reasonable as compared to rates prevalent at nearby airports, for similar services

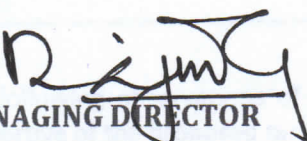
5. KSIE was able to obtain an adhoc revision during June 2023 which was made operational in July 2023 to tide over the financial losses and the same is now being only regularized and hence the impact is only to compare with the five year stagnant rates.

We request that our above submissions may be considered while the comments of FIA etc are taken into account by AERA.

Thanking you,

Yours faithfully,

For KERALA STATE INDUSTRIAL ENTERPRISES LIMITED


MANAGING DIRECTOR