



## 1. Brief Background:

- 1.1 The Authority vide its Multi-Year Tariff Order (MYTO) Order No. 14/2011-12 dated 07.10.2011, decided to adopt '**Light Touch Approach**' for determination of the tariffs for the first control period in respect of Celebi Delhi Cargo Terminal Management India Pvt. Ltd. (Celebi) as the cargo service was assessed as "Material but Competitive". Subsequently, the Authority also determined the annual tariffs for Celebi vide its Order No.11/2012-13 dated 03.08.2012 (for the tariff year 2011-12(T1) and 2012-13(T2)) , Order No. 35/2013-14 dated 06.12.2013 (for tariff year 2013-14(T3)), and Order No. 24/2015-16 dated 06.07.2015 (for tariff year 2014-15(T4) and 2015-16(T5)).

## 2. MYTP/ATP/ACS Submissions made by Celebi for 2<sup>nd</sup> control period.

- 2.1 M/s Celebi vide letter dated 11.03.2016 submitted its Multi Year Tariff Proposal (MYTP) for the second control period. (**Annexure-I**)
- 2.2 The Annual Compliance Statements (ACS) for the first control period and Annual Tariff Proposal (ATP) for year 2016-17 are placed at **Annexure-II** and **Annexure-III** respectively.
- 2.3 Celebi in their submissions has stated as follows:
  - 2.3.1 Celebi is fully committed to provide seamless experience to users of the cargo terminal. Celebi had infused significant capital investment to renovate and modernize the complete infrastructure of the brown field terminal taken over from DIAL and has brought several state-of-the art equipment. It has continued to enhance the operational efficiency of the existing processes and systems to reduce the cargo turn-around time that has resulted in significant time and cost savings for its customers.
  - 2.3.2 Celebi plans to invest a significant amount of capital ( i.e INR 76.9 Cr) during the second control Period(2017-2021) towards enhancing the operational efficiency of the terminal and streamline the business process which include Automated Storage and Retrieval System (ASRS), Planned replacement of IT software packages, New Cargo Handling Software, SAP-Enterprise Resource Planning Package, Expansion of domestic cargo terminal, Installation of Solar Power Plant and induction of EURO pallets, tab and electronic gadgets.
  - 2.3.3 The intense competition at the Indira Gandhi International Airport has deterred Celebi from levying higher tariffs, as a result of which they have a revenue shortfall of INR 72.60 Cr. from the first control period, which needs to be recovered in the subsequent years.
  - 2.3.4 Further, contrary to earlier expectations of growth, the cargo volume handled by Celebi during the first control period were considerably lower as compared to projection in MYTP FY 2012—FY 2016. Also, the shortfall in the projected revenues in the first control period, if not recovered, would have a considerable impact on the financial viability of Celebi.

2.3.5 Also as a result of lower volumes at the airport, competition and lower tariff, Celebi has not been able to generate sufficient returns on investments. Taking all the above reasons into consideration, Celebi has indicated that it has proposed an increase of **12%** in the city side tariff (i.e applicable on PDA/CHA) over previously approved tariff. Accordingly, Celebi has submitted ATP for the FY.2016-17 along with the declaration in Form –B, Tariff card in Form F14(B) and proof of user consultation and Annual Compliance Statements (ACS) for the first control period.

### **3. Principles for Determination of Aeronautical Tariff under “Light Touch Approach”.**

3.1 The Authority vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports and issued the Airport Economics Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (“ the Guidelines”).

3.2 As per clause 3 of the CGF Guidelines, the Authority shall while considering the proposal under the ‘Light Touch Approach’, follow a three stage procedure for determining its approach to the regulation of Regulated Service(s) as under:

3.2.1.1 Stage 1: The Authority shall first assess ‘Materiality ‘according to provisions of Clause 4;

3.2.1.2 Stage 2: The Authority shall then assess ‘Competition’ according to provision of Clause 5; and

3.2.1.3 Stage 3: The Authority shall then assess the reasonableness of existing User Agreement(s), according to provision of Clause 6.

3.3 As per clause 4.3 of the Guidelines in respect of cargo handling services, the materiality shall be assessed as a percentage of the cargo volume in MT handled a major airport A to total cargo volume in MT handled at all major airports.

$$\text{Materiality Index (MIc)} = \frac{\text{Cargo Volume at major airport A}}{\text{Total Cargo Volume at Major Airports}} \times 100$$

3.3.1 The percentage share of cargo volume for IGI Airport, New Delhi (as per the traffic/cargo statistics for the period April-2014 to March 2015 published by Airports Authority of India) is **27.98%** which is more than 2.5 % Materiality Index (MI<sub>c</sub>) for the above subject service. Hence the regulated service is deemed as ‘**material**’ for the second control period.

3.4 As per clause 5 of the Guidelines, where a regulated service is being provided at a major airport by two or more Service Provider(s), it shall be deemed ‘competitive’ at that airport. If the Regulated Service is provided by less than two Service Provider(s), it shall be deemed ‘non-competitive’.

Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit.

- 3.4.1 As per the information furnished by Celebi in Form F1 (b) on competition Assessment, the following other service provider(s) is/are rendering similar service at Delhi Airport.

**Delhi Cargo Service Centre India Pvt. Ltd**

- 3.4.2 Hence in the instance case, there are two cargo facility service providers including Celebi, thus the service is deemed **‘material but competitive’**.

- 3.5 As per Clause 6 of Guidelines, the Authority shall consider the existing User Agreement(s) as reasonable provided that:

3.5.1(a) The Service Provider submits the existing User Agreement(s) between the Service Provider and all the User(s) of the Regulated Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulated Service(s) and

3.5.1(b) The User(s) of the Regulated Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s) which have not been appropriately addressed.

3.5.2 Celebi has submitted that they have undertaken stakeholders consultation process for the proposed tariffs for FY 2016-17 and has provided evidence of the same with this Annual Tariff proposal for FY 2016-17. Celebi has indicated they have made earnest efforts to address any concerns raised by the stakeholders and to provide just and fair rationale for any proposed revision in the tariff. As a proof of stakeholder consultation, they have submitted Minutes of Meeting held with Trade Partners on 07.03.2016.( [Annexure –IIIA](#)).

- 3.6 As per Clause 3.2 (ii) and Chapter V of the Guidelines, wherever the regulated service provided is ‘material but competitive’, the Authority shall determine Tariff(s) for Service Provider(s) based on a “light touch approach” for the duration of the Control period. However, the Authority reserves the right to review materiality assessments, competition assessments and the reasonableness of the User Agreements within the Control period and issue such direction or make such orders as it may consider necessary. In terms of Clause 7.3 & 7.4 of the Guidelines, the Authority shall upon due consideration of the MYTP and stakeholder consultations thereon make a MYTO for a Control Period.

- 3.7 As per Clause 11.2 of the Guidelines, the ATP is required to be submitted in the manner and form provided in AI. 8.1 of Appendix I to the guidelines and should be supported by the following documents:

3.7.1 Form B and Form 14(b)

3.7.2 Details of consultation with stakeholders

3.7.3 Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

3.8 Celebi has submitted the Form B, Form 14(b) and proof of user consultation and some of the user agreements. (**Annexure-III B**).

#### **4 Authority's Examination of the proposal.**

- 4.1 The cargo handling service rendered by Celebi at IGI Airport is an "aeronautical service" in terms of section 2(a) of the Airports Economics Regulatory Authority of India Act, 2008 (the Act) and under section 13 (1)(a) of the Act, the Authority is required to determine tariff for aeronautical services.
- 4.2 Further, as indicated in para 1.1 above, the Authority determined the tariffs in respect of Celebi for Cargo handling service under the "Light Touch Approach" for the first control period. The comparative increase sought in 2016-17 (i.e. 1<sup>st</sup> tariff year of 2<sup>nd</sup> control period ) over earlier approved tariffs is around 12% in major tariff heads like TSP, Demurrage, trans-shipment cargo etc.
- 4.3 Celebi has also submitted evidence of the user consultation as indicated in para 3.5.2 above. It is observed that other than Delhi Customs Clearing Agents Association(DCCAA), KPMG and CELEBI, none of the other stakeholders viz. ACAAI, DACAAI, FIEO, BAR and the representatives from airport operator and airlines participated in the Stakeholder Consultation Meeting. Celebi has provided copies of some of the user agreements with airlines and cargo operators.
- 4.4 The cargo service rendered by Celebi for providing cargo handling services at IGI Airport is 'material but competitive' as indicated in para 3.4.2 above.
- 4.5 As per the ACS for the the tariff year T1 to T5 of the first control period submitted by Celebi, the average returns on RAB from T1(2011-12) to T4(2014-15) is 12% whereas M/s Celebi has shown negative return of 1.5 % for the tariff year T5(2015-16) of the first control period. The ACS is placed for perusal at **Annexure-II**.
- 4.6 The online tariff card as per form F14 (B) does not contain all the line items of tariff sought by Celebi . However, Celebi has submitted a comprehensive tariff card as an attachment. Hence, it is proposed that the tariff card as per attachment may be considered in the proposal. It is also observed that in addition to the standard tariff card wherein an increase of 12% has been sought, Celebi has also given some additional tariffs under various tariff heads for international and domestic cargo which are other than the standard tariff card line items.
- 4.7 The Authority vide Order No.11/2016-17 dated 29.09.2016 extended the levy of existing tariffs by ISPs and AOs upto 31.03.2017 or till determination of tariffs for the 2<sup>nd</sup> control period, whichever is earlier.

#### **5. Proposal**

The Authority, after careful consideration of the MYTP and ATP for FY. 2016-17, makes the following proposal for stakeholder consultation:

- 5.1 The service for Cargo handling being provided by Celebi Delhi Cargo Terminal Management India Pvt. Ltd. (Celebi) at IGI Airport, Delhi is “Material but Competitive”. Therefore the Authority proposes to adopt ‘Light Touch Approach’ for determination of tariffs for the 2<sup>nd</sup> control period w.e.f. 01.04.2016 to 31.03.2021 and accordingly issue the MYTO for the 2<sup>nd</sup> control period.
- 5.2 The tariff for the first tariff year TI(2016-17) for Cargo services rendered by Celebi Delhi Cargo Terminal Management India Pvt. Ltd. (Celebi) at IGI Airport, New Delhi may be approved to be levied from the date of Order as per the tariff card placed at **Annexure – IV**.
6. In accordance with the provisions of Section 13(4) of the AERA Act, the proposal contained in para 5 above is hereby put forth for stakeholder consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed as annexures to the consultation paper. For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of this Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decision fully documented and explained in terms of the provisions of the Act.
7. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 5 above, latest by **Friday, the 13<sup>th</sup> January, 2017** at the following address:

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Chairperson**