

[F. No. AERA/20010/MYTP/KSIE/C/Calicut/CP-II/2016-17]

Airports Economic Regulatory Authority of India

Order No. 34/2017-18

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Date of Order: 10th January, 2018

Service : Cargo Handling Services
Service provider : M/s Kerala State Industrial Enterprises Limited (KSIEL)
Airport : Calicut International Airport, Kozhikode.

In the matter of Multi Year Tariff Proposal for the second control period and Annual Tariff Proposal for the 1st, 2nd and 3rd tariff years (FY.2016-17, 2017-18 & FY 2018-19) of the second control period by M/s Kerala State Industrial Enterprises Limited (KSIEL) for providing Cargo handling services at Calicut International Airport, Kozhikode.

1. M/s Kerala State Industrial Enterprises Ltd. (KSIEL) provides cargo handling services at the Calicut International Airport, Kozhikode. The Authority has issued various orders determining its tariff on light touch basis during the 1st control period. The orders issued by the Authority till date are listed below:

- i) Order No.36/2011-12 dated 14.03.2012 for the tariff year 2011-12(T1),
- ii) Order No.14/2012-13 dated 13.08.2012 for the tariff year 2012-13 (T2),
- iii) Order No. 2/2013-14 dated 12.04.2013 for tariff year 2013-14(T3),
- iv) Order No. 02/2014-15 dated 28.04.2014 for tariff year 2014-15(T4)
- v) Order No.07/2015-16 dated 14.05.2015 for tariff year 2015-16(T5).
- vi) Order No.50/2015-16 dated 31.03.2016. (The Authority allowed the AOs/ISPs to continue the levy of tariffs existing as on 31.03.2016 up to 30.09.2016 or till the determination of tariffs for the second control period, whichever is earlier).

2. The Authority allowed the AO/ISP's to continue the levy of tariffs existing as on 31.03.2016 up to 31.03.2018 from time to time vide following Orders:

- i) Order No. 11/2016-17 dated 29.09.2016,
- ii) Order No. 19/2016-17 dated 31.03.2017,
- iii) Order No. 12/2017-18 dated 29.09.2017.



3. M/s KSIEL vide letter dated 31.03.2016 submitted its Multi Year Tariff Proposal (MYTP) for the second control period of five years commencing from 01.04.2016 and the Annual Tariff Proposal (ATP) for the first tariff year(FY.2016-17) of the second control period for determination of tariffs for the cargo handling services provided by them at Calicut International Airport, Kozhikode. M/s KSIEL also provided the Annual Compliance Statements for the first control period.

4. The Guidelines [*The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to Aircraft) Guidelines, 2011*] provide that the Authority shall assess materiality competitiveness, reasonableness of user agreement to decide its approach towards tariff determination of any concerned service provider.

i) In respect of the regulated service(s) provided for cargo facility at the major airports, the Authority considers that materiality of the service is linked to the cargo volume at the major airport. The materiality shall be assessed based on cargo volume in Metric Tonnes (MT) at the major airport as a percentage of cargo volume in MT at all concerned major airports, in terms of Clause 4.3 of the above Guidelines.

ii) As per Clause 3.2 of the Guidelines, based on the assessment of materiality, when such regulated service is deemed 'not material', the Authority shall determine tariff(s) for the service provider(s) based on a 'Light Touch Approach' for the duration of the Control Period. Hence the regulated service being provided by KSIEL at Calicut Airport, Kozhikode is 'not material' shall come under the '**Light Touch Approach**' for tariff determination.

5. 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:

- i) Form B –Submission of ATP
- ii) Form 14(b)-Proposed Tariff Card
- iii) Details of consultation with stakeholders
- iv) Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

6. KSIEL has submitted Form B, Form 14(b) and proof of user consultation with their Annual Tariff Proposal for the first tariff year i.e. FY.2016-17 of the second control period.

7. The Authority considered the submissions made by KSIEL and issued the Consultation Paper No. 11/2017-18 dated 20.07.2017 proposing the following for stakeholder consultation:



- (i) The percentage share of cargo volume for Calicut Airport (as per the AAI cargo statistics for FY.2014-15) is **0.92%** which is lower than **2.5%** Materiality Index threshold limit fixed for the subject service. Hence the service is deemed '**Not Material**'. The service for Cargo handling being provided by Kerala State Industrial Enterprises Limited (KSIEL) at Calicut International Airport, Kozhikode is "Not Material". Therefore the Authority proposes to adopt 'Light Touch Approach' for determination of tariffs for the 2nd control period w.e.f. 01.04.2016 to 31.03.2021.
- (ii) Allow KSIEL to continue the levy of tariff prevailing on 31.03.2016 for the F Y 2016-17.
- (iii) Since F Y 2016-17 is over, the annual tariff proposal submitted by KSIEL for F Y 2016-17 shall be applicable for FY2017-18.
- (iv) The Authority observed that the concession agreement with Airport Operator is valid up to 16.08.2017. However, if KSIEL continues to operate the cargo service, the proposed rate will be valid for the remaining period of FY 2017-18. At present KSIEL is providing cargo service at Calicut Airport.
- (v) The Authority will review the financial performance and other parameters before determining the tariffs for the remaining period of the 2nd Control Period i.e. FY 2018-19 to FY 2020-21.

8. The Consultation Paper No.11/2017-18 dated 20.07.2017 was put on AERA website. No comments have been received from stakeholders. Further the last date to submit the comments/views of stakeholders were extended to 24.10.2017 vide public notice No. 32/2017-18 dated 17.10.2017 and also intimated to all stakeholders on 17.10.2017 by email. Till date no comments/views have been received from any stakeholders. Hence, the Authority presumes that the stakeholders have no objection to the proposal.

9. The Authority noted that M/s KSIEL is operating the Cargo Handling Service at Calicut International Airport since 1998 and the MOU with AAI has expired on 16.08.2017. However M/s KSIEL vide letter dated 11.12.2017 has confirmed that discussions are underway with AAI for renewal of the License agreement for Cargo operations at Calicut International Airport and that the process will be completed by January, 2018. Airports Authority of India has confirmed vide mail dated 28.12.2017 that AAI is in the process of renewing the contract with KSIEL for Cargo services at Calicut Airport and that the renewed contract will be intimated to AERA.

10. As only 3 months are left in the current financial year, the Authority has decided to continue the same tariff for financial year 2018-19 also.




ORDER

11. Upon careful consideration of material available on record, as well as submissions made by KSIEL, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008 hereby orders that:

- (i) The services provided by Kerala State Industrial Enterprises Ltd at Calicut Air Cargo Complex at Calicut International Airport, Kozhikode are "not material". Hence the Authority will adopt a "light touch approach" for determination of tariff for the 2nd Control Period w.e.f 01.04.2016.
- (ii) The Authority has decided to allow KSIEL to continue the levy of tariffs existing as on 31.03.2016 for the First Tariff year (2016-17) of Second Control Period.
- (iii) The tariffs for the second tariff year (FY. 2017-18) and third tariff year (FY.2018-19) of the second control period for cargo handling services provided by Kerala State Industrial Enterprises Ltd at Calicut Air Cargo Complex at Calicut International Airport, Kozhikode are determined, as at **Annexure – I** and shall be effective from **01.02.2018**.
- (iv) Tariff proposed as above will be the maximum ceiling and demurrage free period shall be applicable as per Government Orders issued from time to time.
- (v) KSIEL should submit the Annual Tariff Proposal (ATP) for the Financial Year 2019-20 with the Annual Compliance Statement (ACS) for FY 2016-17 to FY 2018-19 well in time as per guidelines.
- (vi) In case the Airports Authority of India does not renew the Cargo Handling Services of M/s KSIEL at Calicut International Airport, this order will cease to be in operation from the date of termination of the services M/s KSIEL.

Order issued in the Name of the Authority


(Puja Jindal)
Secretary

To

**M/s Kerala State Industrial Enterprises Ltd.,
St. Joseph Press Building
Cotton Hill
Thiruvananthapuram - 695014
(Through: Shri Febi Varghese, Managing Director)**

**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport New Delhi-110003.**



Annexure - I

**Kerala State Industry Enterprises
Annual Tariff Year 2017-18 and 2018-19**

International Cargo		2017-18 & 2018-19	
Type of Cargo			
Export Cargo		Rate in Rupees per Kilogram	Minimum rate per AWB
1	Terminal, Storage and Processing Charges		
	a General	0.80	150
	b Valuable Goods	6.00	1000
	c Perishable	0.70	125
	d Newspaper and TV reel Consignments	0.70	125
	e Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	0.00	0
2	X-Ray Screening Charges	1.50	0
3	Demurrage Charges-Export Cargo		
	a General	0.80	150
	b Valuable Goods	10.00	1500
	c Perishable	0.70	125
	d Newspaper and TV reel Consignments	0.70	125
	e Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	0.00	0
Import Cargo			
1	TSP Charges		
	a General	4.00	185
	b Valuable Goods	6.00	1000
	c Perishable	0.00	0
	d Newspaper and TV reel Consignments	0.00	0
	e Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	0.00	0
2	DE Palletisation/DEContainerisation/DEUnitisation/DEStaffing Charges		
	a General	0.50	30
	b Valuable Goods	0.00	0
	c Perishable	0.00	0
	d Newspaper and TV reel Consignments	0.00	0
	e Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	0.00	0
3	Demurrage Charges- Import Cargo		
	a General	1.25	265
	b Valuable Goods	10.00	1500
	c Perishable	0.00	0
	d Newspaper and TV reel Consignments	0.00	0
	e Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.	0.70	150
Transshipment Cargo			
1	Transshipment charges-International to International	3.00	250
2	Transshipment charges-International to Domestic	3.00	250

