फाइल संख्या ऐरा/20010/ईआईसीआई/सी/डेल्ही/सीपी-III/2021-26

File No. AERA/20010/EICI/C/Delhi/CP-III/2021-26

आदेश संख्या 06/ 2022-23

Order No. 06/2022-23

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

एक्सप्रेस इंडस्ट्री काउंसिल ऑफ इंडिया (ईआईसीआई) के संबंध में आईजीआई हवाईअड्डा, दिल्ली में कार्गो हैंडलिंग प्रभारों के लिए तृतीय नियंत्रण अवधि (01.04.2021 से 31.03.2026) के लिए टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF TARIFF FOR CARGO HANDLING CHARGES FOR EXPRESS INDUSTRY COUNCIL OF INDIA (EICI) AT IGI AIRPORT, DELHI FOR THE THIRD CONTROL PERIOD (01.04.2021 TO 31.03.2026)

जारी करने की तारीख: 09.06.2022

Date of Issue: 09.06.2022

ऐरा भवन/AERA Building

प्रशासनिक कॉम्पलेक्स/Administrative Complex

सफदरजंग हवाईअड्डा/Safdarjung Airport

नई दिल्ली/New Delhi – 110003

Airports Economic Regulatory Authority of India

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List of Abbreviations:

AERA(Authority)	Airports Economic Regulatory Authority
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
ACS	Annual Compliance Statement
ATM	Air Traffic Movement
CAPEX	Capital Expenditure
CAGR	Compounded Annual Growth Rate
CGF	Cargo, Ground Handling & Fuel Throughput
CPI	Consumer Price Index
CHQ	Central Headquarter
CUT	Common User Terminal
EBT	Earnings Before Tax
EICI	Express Industry Council of India
ISP	Independent Service Provider
MYTP	Multi-Year Tariff Proposal
MYTO	Multi-Year Tariff Order
MT	Metric Ton
NCAP	National Civil Aviation Policy
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
P&L	Profit & Loss
PBT	Profit Before Tax
RAB	Regulatory Asset Base
SCP	Second Control Period
TCP	Third Control Period
YoY	Year on Year

CHAPTER:1 INTRODUCTION

1.1 Brief on EICI Operations in Delhi

1.1.1 Express Industry Council of India (EICI) is currently engaged in providing Express Cargo / Courier Cargo Services at the 'major' airports of Delhi and Bangalore. This Tariff proposal is in respect of the Express/ Courier Cargo Services rendered by EICI at Indira Gandhi International Airport (IGIA), New Delhi.

1.1.2 As per information furnished by EICI, "*EICI is a non-profit Section 8 Company under Companies' Act, 2013 without any Share Capital*". The Company is formed with membership of over 25 entities providing Express Cargo/ Courier Services.

1.2 Background of the Tariff determination exercise

1.2.1 The Authority, had earlier, vide Order No. 28/2012-13 dated 26.11.2012 approved (Express Courier Handling) Cargo Tariff under "Light Touch Approach" for EICI at Indira Gandhi International Airport, New Delhi in FY 2012-13 for "1st Control Period" and the same Tariffs are charged by EICI upon taking over the cargo function from IGIA, Delhi. Vide aforesaid Order the Authority had determined Tariff for the first three Tariff years of 1st Control Period i.e. from 01.04.2011 to 31.03.2014. The same Tariff was extended vide Order no. 22/2015-16 dated 03.07.2015 for the balance two Tariff years of the 1st Control Period up to 31.03.2016. Further, pending determination of regular Tariff for the "2nd Control Period", the Authority had extended the prevailing Tariffs of "1st Control Period" for the "2nd Control Period" at IGIA, Delhi. Thereafter, Tariff has been extended on ad hoc basis, from time to time, as per the Interim Orders listed in Annexure-I.

1.2.2 After Analysis of MYTP submitted by M/s EICI and clarifications, the Authority issued Consultation Paper no. 20/2021-22 dated 08.10.2021 inviting suggestions/comments from the stakeholders on various proposals of the Authority. Following were the timelines for the consultation process:

- Date of Issue of the Consultation Paper: 8th October, 2021.
- Date for submission of written comments by Stakeholders: 29th October, 2021.
- Date for submission of counter comments: 9th November, 2021.

Thus the consultation process concluded with the receipt of counter comments from EICI on Stakeholder's views on 09th November 2021.

1.2.3 Following Stakeholders have submitted their comments on Consultation Paper No. 20/2021-22 dated 08.10.2021:

1. M/s Spice Jet
2. M/s Express Industry Council of India

The Stakeholders' Comments are also available on AERA's official website.

1.3 **Stakeholder's Comments and Counter Comments on Tendering Process:**

1.3.1 **M/s Spice Jet's Comment (Ref: Para 1.2.1 and 3.1.9 of the CP):** *"The length of the concession agreement of EICI with IGIA/CELEBI is not clear by the present CP however, it has been operating from at least November 2012, and would complete more than 13 years by March 2026. In this regard, Authority should ensure that instead of the Concession agreements being for a period in excess of 10 years, the same should not exceed five (5) years such that there is no monopolistic situation, and in a fair and transparent manner, with the agreement awarded to only those parties which provide best-in-class services at the most competitive (at the least) price. Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through Tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator."*

1.3.2 **M/s EICI's response on Spice Jet's Comment:** *"M/s Spice Jet has indicated that License Agreement should be for a short term and should not exceed five years. The rationale suggested for reducing the Lease Agreement period appears to be the following:*

1. To avoid monopolies;
2. It provides services which are best in class; and
3. They are the most competitive i.e. at the least price.

While it is appreciated that the services should be provided at the best possible price and not at inflated rates, however, there appears to be contradiction in the observations of M/s. Spice Jet as it also wants best in class services which requires investments and upgrade of infrastructure which cannot be done in a short term lease. At the same time we agree with the observations of M/s. Spice Jet that awarding contracts to the highest revenue share provider should be discouraged as it breeds inefficiency which in turn disproportionately increases the cost without any value addition by the Airport operator.

We disagree with the suggestion of M/s Spice Jet to have short term agreements and not long term agreements. In long term agreements surety of tenure encourages long term investments in development of infrastructure for which the returns can be received over a long term period. At the same time when piece-meal License Agreements are issued for two years or three years or five years, there is no incentive for the Terminal Operator to make long term investments due to lack of security of tenure. Hence, while what M/s. Spice Jet has suggested in terms of ensuring proper and best-in-class services, the same would only be possible if there are long term Lease Agreements. As an airline M/s. Spice Jet would know that in case it had a short term permission for ground handling or for an operating permit for two years and without any surety whether it would be extended or not or whether it would be again issued to the highest bidder, then M/s. Spice Jet would not be investing in infrastructure such as purchase of aircraft or ground handling equipment. Hence surety of tenure is of primary importance to ensure healthy growth and development of infrastructure in the aviation sector. Hence, to that extent we disagree with the observations of M/s. Spice Jet that bidding should be based on services and infrastructure to be provided and not highest revenue margins or royalties.

At the same time we agree with the observations of M/s. Spice Jet with respect to the need to ensure that the receiver of services which are the citizens are not unnecessarily burdened with high costs. This is so as express services or courier services are ultimately used by the citizens, who are the users. They are provided with these express services by integrated operators who make use of the processing facilities at the Express Terminal as well as the transportation services provided by airlines. Hence, courier costs are a sum total of the two costs of transportation and processing charges. We agree that the terminal operator should not be burdened with high costs which are ultimately passed on to the citizens through airlines or the courier companies. The elements of these high costs are high license fees, royalty charges etc. In fact one of the key reasons for closure of operations of EICI in Mumbai was on account of the high royalty and rental costs. EICI made several appeals to the Authority however nothing was done and as a result EICI had to close operations at the Mumbai Courier Terminal. It is a known fact that after EICI closed operations, the Express Companies faced several challenges at Mumbai as far as express operations are concerned. Hence, to that extent we agree that an airport operator should not charge any royalty which unnecessarily drives up the costs. There is no value addition provided in view of the royalty. However, as far as the length of the License Agreement is concerned the License Agreement should be on a long-term basis or else it will lead to no development of airport infrastructure."

1.4 Authority's Examination and Analysis on tendering process for the 3rd Control Period

1.4.1 The Authority notes the comments of M/s Spice Jet and response of M/s EICI thereon. As regard to comments on the tenure of License Agreement, the Authority is of the view that any capital intensive business, like Civil Aviation, requires investment with a long term perspective and if a significant CAPEX is to be recovered in a short period, it would lead to high burden in terms of Tariff to the end Users.

1.4.2 Regarding SpiceJet's comments on award of contract on highest revenue share basis, the Authority believes that the bidding process to award such contracts is a non-regulatory issue and such matters may be dealt appropriately between stakeholders and the concerned service providers.

CHAPTER:2 TARIFF DETERMINATION METHODOLOGY

2.1 Principles for Determination of Aeronautical Tariff

2.1.1 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 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 the Aircraft) Guidelines, 2011 (" the Guidelines").

As stipulated in the Guidelines, the Authority shall follow a three stage procedure for determining its approach to the regulation of Regulated Service(s) as under:

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

Stage 2: The Authority shall then assess 'Competition' according to provisions of Clause 5; and

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

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 at Major Airport 'A' to the total cargo volume in MT handled at all 'Major' Airports.

The Materiality Index (MI_C) of Cargo Volume at Delhi airport is as under:

$$= \frac{\textbf{\textit{Cargo Volume at Delhi Airport}}}{\textbf{\textit{Total Cargo Volume at Major Airports}}} \textbf{\textit{X}}\mathbf{100}$$

Total Cargo Volume at Delhi Airport = $\frac{955858}{3228862}$ X100 = 29.60%

As per the Traffic data published on AAI website www.aai.aero, the percentage share of Cargo Volumes for IGIA, Delhi, for the FY2019-20 is 29.60% which is more than 2.5% Materiality Index (MI_C) for the above subject service. Hence, the Regulated Service is deemed as 'Material' for the 3rd Control Period.

2.1.2 The Authority noted that Tariff for the 1st & 2nd Control Period was determined by the Authority under "Light Touch Approach" considering the service as "Material and Competitive."

2.1.3 However, the Authority noted that at the Common User Terminal (CUT), the services relating to Courier/Express Cargo are provided only by EICI. Other service providers like UPS, DHL, Fedex, are doing "self-handling" in their own dedicated terminals. The Authority, therefore, proposed to consider the service as "Material and not Competitive." Considering that the User Agreements were between the Entity and its members who are the majority of the users of the service, and, in the absence of a structured agreement for the same, the Authority proposed to determine Tariff under "Price Cap" mechanism.

2.2 Stakeholder's Comments on Price Cap Approach

2.2.1 **M/s EICI's Comment(2.1.1 & 2.1.3 of the CP):** *Authority has changed mechanism for determining rates from "Light Touch Approach" in earlier period to "Price Cap Approach". As mentioned in CP, there are three criteria's to decide adopting "Light Touch Approach" which are given in CP and are mentioned below:*

Stage 1: *The Authority first assess "Materiality" which authority has rightly categorized Regulated service at IGI, Delhi as "Material".*

Stage 2: *The Authority then assess "Competition" wherein Authority has concluded that express terminal regulated service as non-competitive as other service providers like UPS, DHL, FedEx are self-handling in their own dedicated services. However we have to submit that this view is not correct as user has option to avail services of either cargo operator or any express operator operating in the same premises. In case user wants to avail services of an express service provider, he can approach any of the service provider at the IGI Airport, Delhi. So we submit that EICI express terminal Regulated Services should be considered as "Material & Competitive"*

Stage 3: *The Authority shall assess the existing User Agreements, according to provisions of Clause 6. In this regard we have to submit that EICI has entered into agreement with most of the non-members. Copy of two such agreements with non-members was submitted to the Authority. Further EICI has also held User Consultation meeting on 6 August 2021, wherein users had raised concerns and same were addressed during the meeting. Further minutes of the meeting were submitted to the Authority on 24 September 2021.*

In view of this, the criteria of user consultation and agreements was fulfilled and the regulated services for express terminal at Delhi should be considered under "Light Touch Approach" Authority has mentioned that user agreements are between EICI and its members who are the majority of the users of the service, and in the absence of the structured agreement for the same, Authority proposes to determine Tariff under "Price Cap" method.

We submit that this conclusion by the Authority is incorrect as volumes handled by EICI for non-members is higher than volume handled for members which is evident from below volume summary of past two years, summary of which is given below:

Particulars	***FY 2019-20***	***FY 2020-21***
% Volume handled for members	*27.53*	*18.10*
% Volume handled for non-members	*72.47*	*81.90*
Total	***100.00***	***100.00***

2.3 Authority's Examination and Analysis regarding Tariff determination for the 3rd Control Period:

2.3.1 The Authority notes the comments of M/s EICI and observes that since there is a lack of sufficient user agreements and 'Competition' at CUT, the Authority decides to determine the Tariff for M/s EICI based on 'Price Cap Approach' for the 3rd Control Period.

2.3.2 The Authority at CP stage had observed that since the cargo handling service provided by M/s EICI at Delhi Airport is 'Material' but 'Not Competitive'; accordingly, the Authority proposed to determine the Tariff based on 'Price Cap Approach' for the duration of 3rd Control Period. The Authority maintains the same view and decides to determine the Tariff for M/s EICI based on 'Price Cap Approach' for the duration of 3rd Control Period.

2.4 Authority's decision regarding Tariff Determination Principle for 3rd Control Period:

Based on the material before it and based on its analysis, the Authority has decided the following regarding Tariff Determination Principle for the Third Control Period:

2.4.1 Since the cargo handling service provided by M/s EICI at Delhi Airport is 'Material' but 'Not Competitive' the Authority decides to determine the Tariff based on 'Price Cap Approach' for the duration of 3rd Control Period.

CHAPTER:3 MULTI YEAR TARIFF PROPOSAL (MYTP), ANNUAL COMPLIANCE STATEMENT (ACS) & USER CONSULTATION

3.1 Multi Year Tariff Proposal (MYTP) submitted by M/s EICI for Delhi for 3rd Control Period

3.1.1 EICI started operations as an Independent Service Provider (ISP) for Express /Courier Cargo Services at IGI Airport, New Delhi, in the year 2008-09.

3.1.2 EICI submitted the MYTP for the 3rd Control Period (01.04.2021 to 31.03.2026) vide letter no. EICI/MEMO/223 dated 26.03.2021 and has subsequently submitted a Revised MYTP vide letter no. EICI/MEMO/039 dated 24.06.2021 based on their Provisional Accounts for FY 2020-21. EICI had provided additional information and clarifications sought by the Authority vide mail dated 23.04.2021, 19.05.2021, 15.06.2021, 18.06.2021, 21.06.2021, 24.06.2021, 28.06.2021, 30.06.2021, 01.07.2021, 09.07.2021, 12.07.2021.

3.1.3 EICI revised its MYTP for the 3rd time vide letter no. EICI/MEMO/052 dated 27th July 2021 based on Audited Financial Statements of FY 2020-21. EICI further provided additional information and clarifications vide mail dated 29.07.2021, 09.08.2021, 12.08.2021, 16.08.2021, 23.08.2021 & 25.08.2021.

3.1.4 M/s EICI submitted that in Financial Year 2020-21, up to February 2021, the imports volumes dropped by 57% and so also the exports volume by 72%, as compared to the corresponding previous year i.e. FY 2019-20.

3.1.5 EICI stated that COVID-19 had been an unexpected pandemic event which impacted volumes and consequently the profitability. They further stated that most of the Express Cargo is carried in the belly of International Passenger flights which had been scantily operating since 23rdMarch, 2020. Further, that till the date of their filing the MYTP ('Original' dated 26thMarch 2021) for 3rd Control Period to the Authority, the International flights had remained suspended.

3.1.6 As per EICI submissions, although volumes had been reduced drastically, the corresponding costs had reduced only marginally, as majority costs were of fixed nature such as Airport Rent, Employee Salaries and Other Fixed Costs for maintaining the Express Terminal in operational condition. This had a severe impact on profitability of the Express Terminal at Delhi and the Company as a whole. The loss reported for EICI Delhi operations as per their Audited Standalone Financials for Delhi for the FY 2020-21 is Rs (-) 589 lakhs due to reduction in Imports & Exports volumes.

3.1.7 M/s EICI, in their revised submissions, made reference to the letter issued by the Authority vide no. AERA/20010/MYTP/EICI/C/DELHI/CP-II/2016-17/VOL-I dated 27.11.2020 where the Authority has stated the following :

"M/s EICI is advised to continue with the existing Tariffs as allowed by AERA vide Order No. 46/2020-21 dated 29.09.2020 up to 31.03.2021 and submit fresh MYTP/ATP well in time for Third Control Period (FY2021-22 to FY2025-26) along with all relevant documents. The Authority may consider the drop in volumes/loss of revenue/ shortfall if any while determining Tariff for the Third Control Period after due deliberations of all relevant facts and figures including effect of pandemic in the interest of all stakeholders and users in accordance with extant AERA Act and Guidelines."

3.1.8 Based on above assumptions EICI proposed Tariff increases for its cargo operations at Delhi Airport for the 3rd Control Period, considering a 15% margin on (PAT). Except x-ray machine charges – which is proposed as a single per/kg charge, the facilitation charges for imports & exports have been proposed on sliding rates, in 05 different slabs, ranging from less than 250 tons to more than 500 tons in a month, such that more the volumes lesser the price. The Authority, however, noted that beyond the first Tariff year, there wasn't much clarity, as the rates proposed in each of the subsequent Tariff years bear no correlation to the first year rates or the projected volumes.

3.1.9 The Authority noted that the Agreement of M/s EICI with M/s CELEBI is due to expire on 31.03.2026 i.e. the last day of the 3rd Control Period; hence, considering that this proposal is on 'Price Cap' basis, unless the Agreement is extended by CELEBI beyond the aforesaid period, there would be no scope for 'True up' exercise. The Authority also noted that the Agreement (effective 01.04.2020) of EICI with the Airport Operator DIAL for paved/unpaved land of 200 sqm (On Air side of IGIA Terminal 2) is valid till 31.03.2023. As per M/s EICI this paved / unpaved land on airside is used for ULD maneuvering, shifting and turning so that the Express Cargo can be moved into the Terminal Building from the air side.

3.1.10 EICI submitted evidence of User/Stakeholder Consultation Meeting vide mail dated 24.09.2021 the said meeting was held on 06.08.2021. Minutes of Meeting had also been received from M/s EICI of the said Consultation Meeting.

3.1.11 Further, EICI also submitted a copy of only one valid 'User' agreement namely with M/s Express Parcel Services Pvt. Ltd. (valid till 31.12.2022).

CHAPTER:4 REGULATORY ASSETS BASE (RAB), ADDITION TO RAB AND DEPRECIATION

4.1 EICI's Submission on RAB, Additions to RAB (Capex) and Depreciation for the Third Control Period

4.1.1 The Authority noted that the Financial Statements of EICI were prepared on a consolidated basis. The Authority, therefore, sought standalone financial details for EICI Delhi Operations for the purpose of analysis. EICI furnished the standalone Audited Financials for the two operational stations Delhi & Bangalore for FY 2020-21 vide mail dated 29.07.2021 and the Consolidated Audited Financials for FY 2020-21 on 09.08.2021.

4.1.2 The Authority considered the Revised MYTP (revised 3rd version dated 27.07.2021) and the financial statements submitted by EICI for the 3rd Control Period, and, based on the same and its analysis, the Authority proposed its view on various building blocks in the ensuing paragraphs.

4.1.3 M/s EICI in their revised MYTP dated 27.07.2021 submitted Additions to RAB with proposed capitalization date as 1st day of January of the respective Tariff year in which the Capex is proposed. The Asset-wise additions to RAB proposed by EICI for Delhi for the 3rd Control Period is shown in table below:

Table-1: Capital Expenditure projection submitted by EICI Delhi for 3rd Control Period

(Rs. in Lakhs)

Asset Type	Asset Category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
X-ray Machine (proposed capitalization date : 01.01.2023)	Plant & Machinery	0.00	30.00	0.00	0.00	0.00	30.00
Caster Deck & other machine (proposed capitalization date : 01.01. 2025)	Plant & Machinery	0.00	0.00	0.00	50.00	0.00	50.00
Sliding Belt (proposed capitalization date : 01.01. 2022)	Office Equipment	20.00	0.00	0.00	0.00	0.00	20.00
RO water purifier (proposed capitalization date : 01.01. 2022)	Office Equipment	8.00	0.00	0.00	0.00	0.00	8.00
CCTV up- gradation/ new units (proposed capitalization date : 01.01. 2022)	Office Equipment	8.00	0.00	0.00	0.00	0.00	8.00
Extended Outside space for detention shipment (proposed capitalization date : 01.01. 2022)	Leasehold Improvements	35.00	0.00	0.00	0.00	0.00	35.00
Fire Wall (proposed capitalization date : 01.01. 2024)	Software	0.00	0.00	3.00	0.00	0.00	3.00
Laptop / Computers (proposed capitalization date : 1st January of respective Tariff year)	Computers (60 nos.)	7.20	7.20	7.20	7.20	7.20	36.00
Printers (proposed capitalization date : 01.01.	Office Equipment	5.55	0.00	0.00	0.00	0.00	5.55

Asset Type	Asset Category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
2022)							
Software (proposed capitalization date : 01.01. 2023)	Software	0.00	10.00	0.00	0.00	0.00	10.00
Additions to Capex		**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**

4.1.4 The justification provided by EICI on the various Additions to RAB proposed for the 3rd Control Period is tabulated below:

Table-2: Justification regarding Additions to RAB (Capital Expenditure)EICI Submissions

(Rs. in Lakhs)

Asset type	Asset category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total	Justifications by EICI
X-ray machine (proposed capitalization date: 01.01.2023)	Plant & machinery	0.00	30.00	0.00	0.00	0.00	30.00	Old x-ray machine will required to be replaced with ageing of the machine and technological up-gradation required as per BCAS norms;
Caster deck & other machine (proposed capitalization date: 01.01. 2025)	Plant & machinery	0.00	0.00	0.00	50.00	0.00	50.00	Caster deck & related material will required to be replaced. The equipment is older than 15 years and due to wear-tear and regular maintenance issues this needs to be changed;
Sliding belt(proposed capitalization date: 01.01. 2022)	Office equipment	20.00	0.00	0.00	0.00	0.00	20.00	The sliding belts are damaged due to wear-tear, the equipment is older than 15 years and may be required to be replaced;

Asset type	Asset category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total	Justifications by EICI
RO water purifier (proposed capitalization date: 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	8.00	New equipment will be purchased as, the existing bottling water quality is not good and hence, RO water purifier installation is required;
CCTV up-gradation/ new units (proposed capitalization date : 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	8.00	As per BCAS requirement, CCTV need to be connected with centralized control and monitoring by BCAS /CISF personnel;
Extended outside space for detention shipment (proposed capitalization date : 01.01. 2022)	Leasehold improvements	35.00	0.00	0.00	0.00	0.00	35.00	Due to high number of un-cleared/unclaimed shipment, customs detained and seized shipments the disposal shipments are to be shifted to extended space in lieu of generating work space at terminal. The terminal is very congested at present;
Fire wall (proposed capitalization date : 01.01. 2024)	Software	0.00	0.00	3.00	0.00	0.00	3.00	Firewall may require replacement;
Laptop /	Computers (60 nos.)	7.20	7.20	7.20	7.20	7.20	36.00	Existing desk

Asset type	Asset category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total	Justifications by EICI
computers (proposed capitalization date : (1st January of respective Tariff year)								tops will required to be replaced gradually with new computers with latest windows version;
Printers (proposed capitalization date : 01.01. 2022)	Office equipment	5.55	0.00	0.00	0.00	0.00	5.55	Old printers, which are not cost effective in maintenance, need to be phased out and new printers purchased;
Software (proposed capitalization date: 01.01. 2023)	Software	0.00	10.00	0.00	0.00	0.00	10.00	New technical update, requirement from Customs, other regulatory requirements
Proposed Capex		**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**	

4.1.5 All the proposed Capital Expenditure scheduled to be capitalized as on 01st January of the respective Tariff year in which it is proposed.

4.1.6 Based on the above details of addition to RAB provided by EICI, the estimated depreciation for FY 2020-21 to FY 2025-26 is as below:

Table-3: Depreciation computed by the EICI for the 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Plant & Machinery	14.33	14.80	16.24	16.90	18.91
Leasehold Improvements	14.38	20.30	20.30	20.30	14.80
Office Equipment	13.69	13.19	9.38	7.92	7.92
Computers & Software	1.03	3.66	8.49	10.62	9.81
Fixtures	2.99	2.99	2.99	2.99	1.88
Furniture and Fittings	0.87	0.85	0.85	0.78	0.78
Total	**47.29**	**55.78**	**58.24**	**59.50**	**54.09**

4.1.7 EICI considered the following Opening /Closing/Average RAB for 3rd Control Period as per their MYTP submissions (dated 27.07.2021):

Table-4: Regulatory Asset Base submitted by EICI Delhi for the 3rd Control Period

(Rs. in Lakhs)

	2nd Control Period		**3rd Control Period**					**Total**
Particulars	**FY 19-20**	**FY 20-21**	**FY 21-22**	**FY 22-23**	**FY 23-24**	**FY 24-25**	**FY 25-26**	
Opening RAB (A)	398.71	340.74	**260.98**	**297.44**	**288.86**	**240.82**	**238.52**	
Building								
Plant & Machinery	220.47	201.06	144.33	130.00	145.20	128.96	162.06	
Leasehold Improvements	85.18	74.20	66.77	87.39	67.09	46.79	26.49	
Office Equipment	59.01	40.57	25.16	53.02	39.83	30.45	22.53	
Computers & Software	11.97	6.02	0.89	7.06	10.60	12.31	8.90	
Fixtures	21.33	18.34	16.86	13.87	20.88	17.90	14.91	
Furniture and Fittings	0.76	0.54	6.97	6.10	5.26	4.41	3.63	
Additions - WIP Capitalization (B)	0.94	11.29	**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**
Building								
Plant & Machinery				30.00		50.00		
Leasehold Improvements	0.94	2.41	35.00					
Office Equipment			41.55					
Computers & Software		0.15	7.20	17.20	10.20	7.20	7.20	
Fixtures		1.49						
Furniture and Fittings		7.23						
Disposals / Transfers (C)		39.15	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Depreciation Charge (D)	58.92	51.89	**47.29**	**55.78**	**58.24**	**59.50**	**54.09**	**274.9**
Building	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Plant & Machinery	19.41	17.58	14.33	14.80	16.24	16.90	18.91	
Leasehold Improvements	11.92	9.84	14.38	20.30	20.30	20.30	14.80	
Office Equipment	18.44	15.41	13.69	13.19	9.38	7.92	7.92	
Computers & Software	5.95	5.28	1.03	3.66	8.49	10.62	9.81	
Fixtures	2.99	2.98	2.99	2.99	2.99	2.99	1.88	

Particulars	2nd Control Period		3rd Control Period					Total
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	
Furniture and Fittings	0.22	0.81	0.87	0.85	0.85	0.78	0.78	
Closing RAB (E)= (A+B-C-D)	340.74	260.98	**297.44**	**288.86**	**240.82**	**238.52**	**191.63**	
Building	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Plant & Machinery	201.06	144.33	130.00	145.20	128.96	162.06	143.16	
Leasehold Improvements	74.20	66.77	87.39	67.09	46.79	26.49	11.69	
Office Equipment	40.57	25.16	53.02	39.83	30.45	22.53	14.61	
Computers & Software	6.02	0.89	7.06	10.60	12.31	8.90	6.29	
Fixtures	18.34	16.86	13.87	20.88	17.90	14.91	13.03	
Furniture and Fittings	0.54	6.97	6.10	5.26	4.41	3.63	2.85	
Average RAB (A+E)/2	**369.73**	**300.86**	**279.21**	**293.15**	**264.84**	**239.67**	**215.08**	

Accordingly, a summarized RAB for the 3rd Control Period is given as under:

Table-5: Summarized RAB submitted by EICI Delhi for the 3rd Control Period

(Rs. in Lakhs)

Particulars	2nd Control Period		3rd Control Period					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	398.71	340.74	**260.98**	**297.44**	**288.86**	**240.82**	**238.52**	
+ Additions	0.94	11.29	**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**
(-) Disposals		39.15	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
(-) Depreciation	58.92	51.89	**47.29**	**55.78**	**58.24**	**59.50**	**54.09**	**274.90**
Closing RAB	340.74	260.98	**297.44**	**288.86**	**240.82**	**238.52**	**191.63**	
Average RAB	**369.73**	**300.86**	**279.21**	**293.15**	**264.84**	**239.67**	**215.08**	

4.2 <u>Authority's Analysis on RAB, Additions to RAB and Depreciation for the 3rd Control Period at CP stage:</u>

4.2.1 The Authority noted that EICI had proposed Additions to RAB (CAPEX) of Rs.205.55 Lakhs for the 3rd Control Period. The Authority examined the proposal and justifications of EICI regarding additions to RAB and made the following observations:

(i) All the proposed Capital Expenditure scheduled to be capitalized as on 1st January of the respective Tariff year in which the Capex were proposed.

(ii) M/s EICI classified "CCTV" under the head "Office Equipment" - on seeking further details of list of items M/s EICI informed the Authority that the expenditure was proposed for CCTV Up-gradation / purchase of new units.

(iii) In the MYTP there were no details on the additions to RAB under the head "Leasehold Improvements" proposed for FY 2021-22, later on, M/s EICI clarified that the referred capital expenditure under leasehold improvements were related to additional Space which had been taken in the Terminal Area for "Customs detained and seized shipments."

The Authority also observed that EICI had proposed to depreciate the entire Capex of Rs.35.00 lakhs on 'leasehold improvements' in the 3rd Control Period itself. Further, the carry forward of Rs.66.77 lakhs (ref. Table-4) under 'leasehold improvements' forming part of Opening RAB (FY 2021-22) was also being fully depreciated during the 3rd Control Period.

(iv) EICI indicated that as their Mumbai operations stand terminated, they were planning to shift the same assets for its Delhi terminal. The Authority did not receive any details of assets to be shifted / confirmation in this regard till the finalization of the Consultation Paper.

(v) EICI also classified 'Sliding Belt' under the head "Office Equipment." It was also observed that all the CAPEX proposed under the head "Office Equipment' was proposed in the First Tariff Year itself (FY 2021-22) and further all such assets shall almost complete their useful life also during the 3rd Control Period.

(vi) EICI proposed Capex towards X-ray Machine under "Plant & Machinery", at an estimated cost of Rs.30.00 lakhs, in FY 2022-23, the useful life of which is given as 15 years. EICI justified the expenditure citing replacement of old X-ray machine in compliance to BCAS norms.

4.2.2 The Authority's above observations are relevant in the background that the Agreement of EICI with CELEBI is expiring at the end of 3rd Control Period (valid up to 31.03.2026).

4.2.3 In view of the uncertainty, it would not be prudent to allow any Capital Expenditure which may place undue burden on the Users. The Authority, therefore, proposed to not consider the Additions to RAB of Rs.50.00 lakhs for 'Caster Deck' proposed in FY 2024-25, and, Rs.14.40 lakhs for "Computers" proposed by EICI in FY 2024-25 & FY 2025-26.

4.2.4 Accordingly, the Authority had made the suitable adjustments to depreciation (ref. Table-8) and Average RAB (ref. Table-9) as detailed in the subsequent paras.

4.2.5 Based on the above analysis, the Authority proposed to consider the CAPEX of Rs.141.15 Lakhs for the 3rd Control Period as against Rs.205.55 Lakhs proposed by M/s EICI as per Table below:

Table-6: Capital Expenditure considered by the Authority for 3rd Control Period at CP Stage

(Rs. in Lakhs)

Asset Type	**Asset Category**	**FY 21-22**	**FY 22-23**	**FY 23-24**	**FY 24-25**	**FY 25-26**	**Total**
X-ray machine (proposed capitalization date : 01.01.2023)	Plant & machinery	0.00	30.00	0.00	0.00	0.00	**30.00**

Caster deck & other machine (proposed capitalization date: 01.01. 2025)	Plant & machinery	0.00	0.00	0.00	0.00	0.00	**0.00**
Sliding belt (proposed capitalization date : 01.01. 2022)	Office equipment	20.00	0.00	0.00	0.00	0.00	**20.00**
Ro water purifier (proposed capitalization date : 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	**8.00**
CCTV up- gradation/ new units (proposed capitalization date : 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	**8.00**
Extended outside space for detention shipment (proposed capitalization date : 01.01. 2022)	Leasehold improvement	35.00	0.00	0.00	0.00	0.00	**35.00**
Fire wall (proposed capitalization date : 01.01. 2024)	Software	0.00	0.00	3.00	0.00	0.00	**3.00**
Laptop / computers (proposed capitalization date : (1st January of respective Tariff year)	Computers (60 nos.)	7.20	7.20	7.20	0.00	0.00	**21.60**
Printers (proposed capitalization date : 01.01. 2022)	Office equipment	5.55	0.00	0.00	0.00	0.00	**5.55**
Software (proposed capitalization date : 01.01. 2023)	Software	0.00	10.00	0.00	0.00	0.00	**10.00**
Proposed Capex		**83.75**	**47.20**	**10.20**	**0.00**	**0.00**	**141.15**

4.2.6 The Authority, in order to ensure that M/s EICI adheres to the Capital Expenditure plan, had proposed to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule.

4.2.7 Useful life of assets adopted by M/s EICI for computing depreciation on the Opening RAB and the Additions to RAB is as follows:

Table-7: Useful lives of the assets

Particulars	**No. of Years**	
Category of Assets	**As per EICI submissions**	**AERA Order no.35**
Plant and Machinery	15	15
Furniture and Fittings	10	7
Fixtures	10	7
Office Equipment	5	5
Computers	3	3

4.2.8 The Authority noted that the depreciation of 'Furniture & Fittings' and 'Fixtures' was not calculated as per Order no. 35/2017-18 (for useful life of assets). M/s EICI has considered the useful life as 10 years for both categories of Assets namely 'Furniture & Fittings' and 'Fixtures.' Whereas, as per AERA Order no. 35/2017-18, the "useful life" of the above assets is 7 years.

4.2.9 Further, the Authority proposed not to consider the Additions to RAB of Rs.50.00 lakhs for 'Caster Deck' under "Plant & Machinery" proposed in FY 2024-25 and Rs.14.40 lakhs for "Computers" under "Computer & Software" proposed by EICI in FY 2024-25 & FY 2025-26. Accordingly, the depreciation had been re-worked by the Authority.

4.2.10 Further, the Authority revised the depreciation for the category 'Furniture & Fittings,' 'Plant & Machinery', 'Computer & Software,' and, also for 'Fixtures' with zero salvage value and proposed to adopt the depreciation as computed by M/s EICI for the remaining assets as it conformed with the provisions of Order 35. Accordingly, the Authority proposed to consider the following computation of Depreciation as given in table below:

Table-8: Depreciation considered by the Authority for EICI Delhi for the 3rd Control Period at CP Stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Plant & Machinery	17.62	18.87	19.87	19.70	19.37	95.43
Leasehold Improvements	14.38	20.30	20.30	20.30	14.80	90.08
Office Equipment	13.69	13.19	9.38	7.92	7.92	52.1
Computers & Software	1.33	5.27	9.83	10.33	6.27	33.03
Fixtures	4.99	1.36	0.95	0.95	0.00	8.25
Furniture and Fittings	1.23	1.17	1.17	1.17	1.17	5.91
Total Depreciation Charge	**53.24**	**60.16**	**61.51**	**60.36**	**49.52**	**284.79**

4.2.11 As per clause 9.2 of the CGF guidelines, RAB assets shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority.

4.2.12 The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.

4.2.13 The Authority noted that the Regulatory Asset Base (RAB) in case of Courier Operations was not significant. (As per certified Annual Compliance Statement provided for 31st March 2021, the Net Block of Fixed Asset is Rs. 261.00 Lakhs). These activities were in the nature of services, and, unlike Airport businesses, did not have large scale infrastructure / assets to be created on which a Return on RAB is considered. Also, the nature and quantum of assets in the books of the service provider may vary based on the nature of agreement with the Airport Operator, nature of licenses and manner of sourcing assets (buying out/leasing etc.). Hence, instead of Return on RAB, the Authority proposed to consider "Margin on Revenue" as the mechanism for providing return to the Express Cargo Service Provider M/s EICI at IGIA Delhi.

4.2.14 The Authority, in order to ensure that M/s EICI adheres to its Capital Expenditure plans, proposed to reduce 1% of the non-capitalized CAPEX from projected ARR/Target Revenue, as re-adjustment, in case any particular CAPEX was not completed as per their Capitalization schedule, in the true up exercise of the 3rd Control Period during determination of Tariff for the Next Control Period.

4.2.15 Based on examination as above and after considering additions to RAB as per Table-6 and depreciation as per Table-8, the Authority proposed the following RAB/Average RAB for the 3rd Control Period for EICI, Delhi:

Table-9: Regulatory Asset Base proposed by the Authority for the 3rd Control Period at CP Stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB						
i. Plant & Machinery	169.80	152.18	163.31	143.43	123.74	
ii. Leasehold Improvements	66.77	87.39	67.09	46.79	26.49	
iii. Office Equipment	25.16	53.02	39.83	30.45	22.53	
iv. Computers & Software	0.13	6.00	17.93	18.30	7.97	
v. Fixtures	8.25	3.26	1.90	0.95	0.00	
vi. Furniture and Fittings	6.94	5.71	4.54	3.37	2.20	
Total Opening RAB (i to vi) A	**277.05**	**307.56**	**294.60**	**243.29**	**182.93**	
Additions / Capitalization						
i. Plant & Machinery	0.00	30.00	0.00	0.00	0.00	
ii. Leasehold Improvements	35.00	0.00	0.00	0.00	0.00	
iii. Office Equipment	41.55	0.00	0.00	0.00	0.00	
iv. Computers & Software	7.20	17.20	10.20	0.00	0.00	
Total Additions(i to iv) B	**83.75**	**47.20**	**10.20**	**0.00**	**0.00**	**141.15**
Depreciation						
i. Plant & Machinery	17.62	18.87	19.87	19.70	19.37	
ii. Leasehold Improvements	14.38	20.30	20.30	20.30	14.80	
iii. Office Equipment	13.69	13.19	9.38	7.92	7.92	
iv. Computers & Software	1.33	5.27	9.83	10.33	6.27	
v. Fixtures	4.99	1.36	0.95	0.95	0.00	
vi. Furniture and Fittings	1.23	1.17	1.17	1.17	1.17	
Total Depreciation (i to vi) C	**53.24**	**60.16**	**61.51**	**60.36**	**49.52**	**284.79**
Closing RAB (D= A+B-C)	**307.56**	**294.60**	**243.29**	**182.92**	**133.41**	
Average RAB{(A+D)/2}	**292.30**	**301.08**	**268.94**	**213.11**	**158.17**	

4.3 Stakeholder's Comments and Counter Comments on Deferment of Capital Expenditure for the 3rd Control Period

4.3.1 **Spice Jet's Comment (Refer 4.3.2 and Table 3 of CP):** *"It will take around two (2) -three (3) years for the flight operations to reach to its pre COVID-19 peak levels. We are sure that EICI can easily cater to its (pre Covid-19) peak level of operations without any new or additional investments post Covid-19. Authority has itself noted that it would not be prudent to allow any Capital Expenditure which may place undue burden on the users. In the current situation, in order to support the airlines to continue and sustain its operations, all non-essential capital expenditure proposed by EICI should be put on hold/deferred, unless deemed critical from a safety compliance perspective. Further, in case EICI wants to make capital* *expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use. Similarly, if any proposed Capex projects can be deferred from the Third Control Period to the Fourth Control Period, same should be considered by the Authority."*

4.3.2 **<u>M/s EICI's Comments:</u>** *"Authority has not considered proposed CAPEX for FY 2024-25 & 2025-26 Rs 50 lakhs and Rs 14.20 lakhs each, as agreement with CELEBI is expiring at the end of third Control Period, i.e. on 31 March 2026 and authority feels that there is uncertainty on renewal of agreement, which may place undue burden on the users.*

We appreciate that the Authority has been considerate in protecting interest the users. However we submit that the proposed capital nature investments would be required for providing uninterrupted and seamless services to the users. Further we submit that in the normal course agreement with Celebi should get renewed as has been in the past trend. EICI has been compliant to fulfil all necessary requirements with them. In view of this, in order to not disrupt terminal operations due to requirement for CAPEX, we request the Authority to consider CAPEX of Rs 50 lakhs and Rs 14.20 lakhs each in FY 2024-25 & 2025-26 and approve depreciation on the same.

Authority has proposed to provide 5% return of revenue as against 15% proposed by EICI. As authority is aware, EICI incurs CAPEX for continued efficiencies of operations. EICI has to fund this through surplus it makes in operating the terminal.

EICI has to maintain the terminal with required CAPEX so that services to users is seamless and without any interruption. A return of 5% on revenue is very low keeping in view volatile volume fluctuations which have at a number of occasions ended up in losses. Under such low margins and consequent losses due to low volumes, it will not be possible for EICI to operate the terminal for a long period of time with unsustainable losses."

4.3.3 **<u>M/s EICI's response on Spice Jet's Comment:</u>** *"We need to highlight that proposed CAPEX are not for new additional capacity but for the efficient smooth running of the existing operations of the Express Terminal. EICI has been mindful of incurring CAPEX and has been using assets beyond its useful life, as long as assets are working and fulfilling the desired purpose to cut expenses. This comment of M/s. Spice Jet is clearly contradictory as on the one hand they have asked for best-in-class services and at the same time they do not want the infrastructure to be renovated or maintained. The expenditure has to be viewed in context as to whether it is necessary or unnecessary expenditure. Expenditure required to maintain operations is critical expenditure and not expenditure that can be put off or avoided as it will affect service. The expenditure of Rs 57.20 lakhs that the authority wishes to disallow is required to be incurred in the FY 2024-25 and 7.20 lakhs in FY 2025-26. We may analyze the importance of castor decks and computers to conclude whether these constitute infrastructure that is of a critical nature for an Express Terminal or something that can be avoided. Castor decks are decks on which ULDs and containers can be moved around quickly instead of moving heavy containers on the ground physically. Castor decks are a critical component of any Express Terminal as they permit containers to slide rather than their entire load be physically pushed as the decks act as the wheels of the heavy containers and ULDs. This ensure that containers are stuffed and moved quickly and similarly import containers can be quickly de-stuffed and moved out. All airlines require a quick turnaround time hence it is odd that an airline should be suggesting that we do not invest in maintaining castor decks as it is critical infrastructure which ensures a quick movement and turnaround of containers. It is akin to suggesting that wheels are not necessary and we should push containers physically. Clearly this would not help in providing best-in class services that are expected from EICI.*

The second suggestion to not spend money on maintaining computer systems in today's age of digital India is highly preposterous. Computers are not a luxury but a necessity and Covid 19 pandemic has underscored this need in good measure. The entire consultation process that this submission is a part of is based on IT infrastructure and computers.

One can imagine what would happen if the computers do not work in a normal office let alone a critical sector like Aviation. Imagine if an airline's computers malfunction and their Central Reservation system collapses for a few hours let alone days as is being suggested by not permitting up gradation of computer infrastructure which is the backbone of EICI Terminal operations for processing express cargo and the entire document chain in the customs clearance process. The question to be analyzed is can an Express Terminal run if its computers do not work. The answer is a resounding No as no shipments can be accepted without a gate pass which is issued by a computer, the entry is done on a computer, the location is based on a computer, the identity i.e. the AWB No, the Shipping Bill No, weight and other details of the shipments are all stored on a computer.

Computers are the driving force of the Express Terminal and if the computers do not function properly or get hung the entire system would be impacted leading to delays. It is similar to central reservation system which M/s. Spice Jet would be having and they can imagine the fallout in case their computer system gets hung.

The capital expenditure proposed by EICI is to ensure that operations at the Express Terminal do not suffer, clearly that is not the object of the airline."

4.4 Authority's Examination and Analysis on RAB, Additions to RAB and Depreciation for the 3rd Control Period:

4.4.1 The Authority notes the comments of M/s Spice Jet and response of M/s EICI thereon. As regard to disallowing of Capex on Castor Decks (Rs. 50 lakhs) proposed by EICI for FY 2024-25, the Authority has examined the comments of EICI. M/s EICI in its comments has stated that the proposed capital investment would be required for providing uninterrupted and seamless services to the Users. M/s EICI further stated that Castor decks are a critical component of any Express Terminal and these are decks on which ULDs and containers can be moved around quickly instead of moving heavy containers on the ground physically. Considering that the existing equipment is more than 15 years old and taking note of EICI's comments on the criticality of the Castor Decks for seamless and uninterrupted services to the Users, the Authority decides to consider Capex of Rs. 50 lakhs on Castor Decks proposed by EICI for FY 2024-25.

4.4.2 Similarly, considering the comments of EICI regarding Capex of Rs. 14.40 lakhs on Computers during FY 2024-25 & FY 2025-26, the Authority after analysis of the comments has agreed to provide this expenditure in the relevant years i.e. FY 2024-25 & 2025-26 as well for the 3rd Control Period.

4.4.3 The revised Capital Expenditure considered by the Authority for 3rd Control Period is given in Table below:

Table-10: Revised Capital Expenditure (CAPEX) considered by the Authority for 3rd Control Period

(Rs. in Lakhs)

Asset Type	Asset Category	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
X-ray machine (proposed capitalization date : 01.01.2023)	Plant & machinery	0.00	30.00	0.00	0.00	0.00	**30.00**

Caster deck & other machine (proposed capitalization date: 01.01. 2025)	Plant & machinery	0.00	0.00	0.00	50.00	0.00	**50.00**
Sliding belt (proposed capitalization date : 01.01. 2022)	Office equipment	20.00	0.00	0.00	0.00	0.00	**20.00**
Ro water purifier (proposed capitalization date : 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	**8.00**
CCTV up- gradation/ new units (proposed capitalization date : 01.01. 2022)	Office equipment	8.00	0.00	0.00	0.00	0.00	**8.00**
Extended outside space for detention shipment (proposed capitalization date : 01.01. 2022)	Leasehold improvem ent	35.00	0.00	0.00	0.00	0.00	**35.00**
Fire wall (proposed capitalization date : 01.01. 2024)	Software	0.00	0.00	3.00	0.00	0.00	**3.00**
Laptop / computers (proposed capitalization date : (1st January of respective Tariff year)	Computers (60 nos.)	7.20	7.20	7.20	7.20	7.20	**36.00**
Printers (proposed capitalization date : 01.01. 2022)	Office equipment	5.55	0.00	0.00	0.00	0.00	**5.55**
Software (proposed capitalization date : 01.01. 2023)	Software	0.00	10.00	0.00	0.00	0.00	**10.00**
Proposed Capex		**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**

4.4.4 Consequent to re-computation of Capex for the Third Control Period based on the Stakeholders' comments, the Authority has also re-computed RAB and Depreciation thereon for the Third Control Period as given below:

Table 11: Revised Regulatory Asset Base (RAB) considered by the Authority for the 3rd Control Period

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Opening RAB						
i. Plant & Machinery	169.80	152.18	163.31	143.43	172.06	
ii. Leasehold Improvements	66.77	87.39	67.09	46.79	26.49	
iii. Office Equipment	25.16	53.02	39.83	30.45	22.53	
iv. Computers & Software	0.13	6.00	17.93	18.30	7.97	

v. Fixtures	8.25	3.26	1.90	0.95	0.00	
vi. Furniture and Fittings	6.94	5.71	4.54	3.37	2.20	
Total Opening RAB (i to vi) A	**277.05**	**307.56**	**294.60**	**243.29**	**237.25**	
Additions / Capitalization						
i. Plant & Machinery	0.00	30.00	0.00	50.00	0.00	
ii. Leasehold Improvements	35.00	0.00	0.00	0.00	0.00	
iii. Office Equipment	41.55	0.00	0.00	0.00	0.00	
iv. Computers & Software	7.20	17.20	10.20	7.20	7.20	
Total Additions(i to iv) B	**83.75**	**47.20**	**10.20**	**57.20**	**7.20**	**205.55**
Depreciation						
i. Plant & Machinery	17.62	18.87	19.87	21.37	22.70	
ii. Leasehold Improvements	14.38	20.30	20.30	20.30	14.80	
iii. Office Equipment	13.69	13.19	9.38	7.92	7.92	
iv. Computers & Software	1.33	5.27	9.83	11.53	9.87	
v. Fixtures	4.99	1.36	0.95	0.95	0.00	
vi. Furniture and Fittings	1.23	1.17	1.17	1.17	1.17	
Total Depreciation (i to vi) C	**53.24**	**60.16**	**61.51**	**63.23**	**56.45**	**294.59**
Closing RAB (D= A+B-C)	**307.56**	**294.60**	**243.29**	**237.25**	**188.00**	
Average RAB{(A+D)/2}	**292.30**	**301.08**	**268.94**	**240.27**	**212.63**	

Table-12: Revised Depreciation considered by the Authority for EICI Delhi for the 3rd Control Period

(Rs. in Lakhs)

Particulars	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Plant & Machinery	17.62	18.87	19.87	21.37	22.70	100.43
Leasehold Improvements	14.38	20.30	20.30	20.30	14.80	90.08
Office Equipment	13.69	13.19	9.38	7.92	7.92	52.10
Computers & Software	1.33	5.27	9.83	11.52	9.86	37.82
Fixtures	4.99	1.36	0.95	0.95	0.00	8.25
Furniture and Fittings	1.23	1.17	1.17	1.17	1.17	5.91
Total Depreciation Charge	**53.24**	**60.16**	**61.51**	**63.23**	**56.45**	**294.59**

4.4.5 The Authority noted that M/s EICI is a non-profit organization, section 8 company and does not have "equity". The Return on RAB/investment is given to give a fair return to investor. It is presumed that in a voluntary/no profit no loss organization; the investors does not aspire any return on investments. Further, the Authority also noted that the Regulatory Asset Base of M/s EICI is not significant. The Authority considered this aspect and found in its analysis that even if 14% return on RAB were considered, it would still be lower than the 5% return on Revenue.

4.5 Authority's decisions regarding RAB, Depreciation and Additions to RAB (Capex) for 3rd Control Period:

Based on the material before it and based on its analysis, the Authority has decided the following regarding RAB, Depreciation and Additions to RAB (Capex) for the Third Control Period:

4.5.1 The Authority decides to consider Additions to RAB (CAPEX) for EICI Delhi for the 3rd Control Period as given in Table- 10. The Authority decides to True-up Additions to RAB during the Next Control Period.

4.5.2 The Authority, in order to ensure that M/s EICI adheres to the Capital Expenditure plan, decides to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule.

4.5.3 The Authority, decides to consider the Average RAB for the purpose of Tariff determination as per Table-11.

4.5.4 The Authority decides to consider the depreciation for the 3rd Control Period as given in Table- 12 and to True-up depreciation during the Next Control Period.

4.5.5 Since the Asset base of M/s EICI is low, the Authority decides to provide 5% 'Return on Revenue' instead of 'Return on RAB'.

CHAPTER:5 CARGO PROJECTIONS

5.1 Cargo Volumes submitted by EICI Delhi for the 3rd Control Period

5.1.1 From the actual volumes for the 2nd Control Period as submitted by EICI, the Authority observes that in the 5th Tariff year i.e. FY 2019-20, there is a sharp drop in import volumes whereas export volumes during the same period show a 5% growth.

5.1.2 Further, in FY 2020-21 which was the year of the COVID-19 Pandemic, the volumes of "imports" fall down by 47% YoY, and, similarly exports show a decline of 70% as compared to the corresponding previous Year i.e. FY 2019-20.

Table-13: Actual volumes of 2nd Control Period as submitted by EICI

(in Kgs.)

FY	Imports Volume	% Change YOY	Exports Volume	% Change YOY
2018-19	1,91,95,343	----	1,31,02,234	----
2019-20	97,86,698	(-) 49	1,37,68,334	5
2020-21	51,97,072	(-) 47	41,48,958	(-) 70

5.1.3 M/s EICI has attributed the following factors for the decrease in import volumes namely:

(i) Reduction in Gift volumes due to COVID-19 and other factors;

(ii) Commencement of Cargo Operations by M/s UPS w.e.f. FY 2020-21 in their own terminal at IGIA, Delhi, and, the takeover of M/s TNT operations by M/s FedEx at the terminal has adversely impacted the overall volumes of EICI.

5.1.4 EICI has submitted that volumes in FY 2020-21 were low due to pandemic COVID-19, which disrupted businesses in India and world over impacting exports and imports volume. However, M/s EICI is estimating a recovery in FY 2021-22, which initially is expected to be slow and gradual but projected to pick-up post the 3rd Quarter.

5.1.5 From FY 2022-23 onwards, M/s EICI has estimated their Import volumes to increase @7% YoY till FY 2025-26. Similarly, Exports volume to increase @10% in FY 2022-23, and, thereafter @7% YoY from FY 2023-24 to FY 2025-26.

5.1.6 The following is the Actual and Projected Tonnage as submitted by M/s EICI in their Revised MYTP submission dated 27.07.2021 as given in table below:

Table-14: Cargo Volume - Actual and Projections for 3rd Control Period by EICI Delhi

(Volume in MTs)

Cargo Volume	Actuals		Projections for 3rd Control Period				
	FY 19-20	FY 20-21 (Base Year)	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Export Cargo	13768	4149	5402	5942	6358	6803	7280
Export Cargo as a % of base year	----	----	130%	143%	153%	164%	175%
Import Cargo	9786	5197	9544	10213	10928	11692	12512
Import Cargo as a % of base year			184%	197%	210%	225%	241%
Total Cargo	23554	9346	14946	16155	17286	18495	19792
Total Cargo as a % of base year	----	----	160%	173%	185%	198%	212%
CAGR							7.3%

5.2 Authority's Analysis on Cargo Projections for the 3rd Control Period at CP stage

5.2.1 The Authority noted that there was a sharp decrease in the cargo volumes for import as well as export cargo of EICI at IGIA, Delhi in FY 2020-21 due to the COVID-19 pandemic.

5.2.2 The Authority noted that EICI projected a sharp recovery of 30% in Export Cargo Volume and 84% in Import Cargo Volumes in FY 2021-22 over the Cargo Volumes of FY 2020-21. Thereafter, for FY 2022-23, EICI projected a growth of 10% for Export Cargo & growth of 7% Import Cargo. From FY 2023-24 onwards, a uniform growth rate of 7% YOY for Export & Import Cargo is projected.

5.2.3 The Authority further observed that as per the projections of EICI, the total cargo volumes were not expected to reach the pre-COVID levels even at the end of 3rd Control Period.

5.2.4 The Authority referred to the statistics on Cargo Volumes published by AAI (Traffic News summary <www.aai.aero>) to check the trend for the first four months of FY 2021-22 and observed that the Pandemic severely affected passenger air traffic. However, the air cargo traffic was affected only during FY 2020-21, owing to complete lockdown and suspension of all flights including freighter airlines at the first brush of the Covid-19 Pandemic. However, subsequently, during FY 2021-22, the cargo traffic not only restored itself to the pre-Covid FY 2019-20 levels but has also surpassed the previous volumes of FY 2019-20. The Authority noted that the total International Freight, as a whole, for Delhi Airport in FY 2019-20 was 603164 MTs. The total International Freight for the period April21 - November21 is 407702 MTs. Based on actual figures for FY 2021-22 (up to Nov.21), the annual International Freight volumes could be extrapolated to be around 611553 MTs, which indicates an increasing trend when compared to actual volumes for FY 2019-20 which stood at 603164 MTs.

5.2.5 The Authority, also ascertained that, in the cargo operations across airports in the country, freight is usually carried in the ratio of 40% through passenger aircraft, and, the remaining 60% through dedicated cargo freighters, though this breakup was not available for verification from the actual data (cargo volume handled through passenger/freighter aircraft) from AAI's website. The Authority further observed that it may be due to ongoing pandemic restrictions on passenger aircraft, especially International flights, that cargo shipment through passenger aircraft had not picked up pace yet, and, further the data on ATM operations revealed that only 40% of FY 2019-20 ATM levels have been achieved in FY 2021-22.

5.2.6 The Authority, having examined the trends, proposed to adopt FY 2020-21 as base year, as considered by M/s EICI, for projection of Cargo volumes for the 3rd Control Period. The Total Cargo volumes are projected to increase by 60% in FY 2021-22 over FY 2020-21 (Base Year), then 8% increase in FY 2022-23 over previous year. Thereafter, from FY 2023-24 onwards, total Cargo volumes are assumed to grow @7% CAGR.

5.3 Stakeholder's Comments and Counter Comments on Cargo projection

5.3.1 **Spice Jet's Comment (Refer Table 10 and 5.2.4 of CP): :** "*While we appreciate that AERA has referred to the data on cargo volumes published by AAI, we request the Authority to conduct an independent expert study for Cargo Volumetric projections, in accordance with the AERA Act.*"

5.3.2 **M/s EICI's response on Spice Jet's Comment:** "*We have no comments as the issue is directed to the Authority, however it will be good if AERA does its own assessment and study with respect to projections of cargo volume growth.*"

5.4 Authority's Examination and Analysis on Cargo volume for the 3rd Control Period:

5.4.1 The Authority noted the comments of M/s Spicejet regarding Cargo Projections. In this regard, considering the ongoing Covid-19 pandemic, the Authority has reviewed various international studies and conducted discussions with various stakeholders. Owing to the dynamic nature of cargo, it is difficult for any agency to predict cargo volumes accurately in the background of Covid-19 pandemic. Therefore the Authority is of the view that any independent study regarding cargo volume may not be very fruitful at this stage, however, an independent study may be undertaken whenever it is deemed necessary and appropriate.

5.5 Authority's decision regarding Cargo Volume projections for the 3rd Control Period:

Based on the material before it and based on its analysis, the Authority has decided the following regarding Cargo Volume projection for the Third Control Period:

5.5.1 To consider tonnage projections as given in Table-14 for the purpose of Tariff determination for EICI Delhi for the 3rd Control Period. The Authority decides to True-up tonnage during the Tariff determination in the Next Control Period.

CHAPTER:6 OPERATION & MAINTENANCE EXPENDITURE

6.1 EICI Submission on O&M Expenditure for the 3rd Control Period:

6.1.1 M/s EICI submitted the following projected expenditure in the revised MYTP for the 3rd Control Period:

Table-15: Expenditure Summary submitted by EICI Delhi for 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Employee Cost (A)	**380.86**	**427.55**	**478.59**	**535.73**	**599.70**	**2422.43**
Administrative Charges (B)	**149.42**	**164.16**	**180.37**	**198.21**	**217.83**	**909.99**
Rates & Taxes	10.37	11.20	12.12	13.14	14.25	
Travelling and Conveyance	43.61	47.97	52.77	58.05	63.85	
Bank Charges	0.00	0.00	0.00	0.00	0.00	
Telephone expenses	21.98	24.17	26.59	29.25	32.17	
Audit Fees	4.40	4.84	5.32	5.86	6.44	
Courier Expenses	0.60	0.66	0.73	0.80	0.88	
Office Expenses	16.34	17.97	19.77	21.74	23.92	
Printing and Stationery	5.66	6.22	6.84	7.53	8.28	
Legal Charges / Auditor's Fees / Consultancy Charges	46.47	51.12	56.23	61.85	68.04	
Airport Service Provider Charges (C)	**1471.70**	**1612.67**	**1770.46**	**1944.93**	**2136.14**	**8935.91**
Rent for Airport	806.64	904.53	992.60	1089.30	1195.47	
Electricity	41.82	46.00	50.60	55.66	61.23	
Insurance Costs (for Terminal)	12.31	13.12	14.44	15.88	17.47	
Repairs & Maintenance	107.43	91.39	100.44	110.92	121.33	
Godown Rent	11.42	12.56	13.82	15.20	16.72	
Water Charges	7.88	8.67	9.54	10.49	11.54	
Loading Unloading Charges	222.59	244.85	269.33	296.27	325.90	
Security Charges	186.62	205.28	225.81	248.39	273.23	
Transportation Charges	0.96	1.06	1.16	1.28	1.41	
Housekeeping charge	0.00	0.00	0.00	0.00	0.00	
Auction Expenses	35.70	40.16	40.16	40.16	40.16	
Access charges	32.41	39.22	46.16	54.33	63.95	
Miscellaneous Expenses	5.92	5.82	6.40	7.04	7.74	
Grand Total (D)= (A+B+C)	**2001.98**	**2204.38**	**2429.43**	**2678.87**	**2953.67**	**12268.33**

6.2 Authority's Analysis on O&M Expenditure for the 3rd Control Period at CP stage

6.2.1 The Authority sought explanation for higher staff cost in the FY 2019-20 in comparison to FY 2018-19. EICI submitted that the increase was mainly due to new recruitment of employees and increments in salaries to the existing staff. The Authority noted that the employee cost of M/s EICI at Delhi was proposed to increase about 12% YoY. The Authority took FY 2019-20 as the basis for projecting the expenditure on 'employee cost,' and, further proposed to increase it by 7% YoY for the purpose of projections for 3rd Control Period.

6.2.2 The Authority noted that M/s EICI projected the expenditure for the 3rd Control Period considering 10% YoY increase for most of the OPEX except 'rates and taxes' where the YoY increase had been considered @8% and 'employee cost' where M/s EICI had considered about 12% YoY increase over FY 2021-22 figures.

6.2.3 The Authority sought clarification from M/s EICI regarding the expenditure claimed on account of 'godown rent.' EICI clarified that the space was utilized for keeping records and the same was situated outside of the IGI airport premises. Based on the above clarification, the Authority, proposed to not consider Rs.69.70 lakhs in the regulated expenditure (Opex), and, accordingly excluded the same from the O&M expenditure for the 3rd Control Period.

6.2.4 The Authority projected "airport rent" based on the terms of the Agreement of EICI with M/s CELEBI and Airport Operator DIAL.

6.2.5 The Authority proposed to consider "employee cost" taking the base as FY 2019-20 and considering an increase of 7% YoY for the purpose of projections.

6.2.6 The Authority proposed to adopt the OPEX projections of M/s EICI for FY 2021-22 i.r.o. 'Travelling & Conveyance', 'Telephone Exp.' , 'Courier Exp.', 'Office Exp.', 'Printing & Stationary', 'Water charges' and 'Misc. Exp' and subsequently increase them @ 4.5% YoY for the remaining Tariff years.

6.2.7 Further, for the remaining OPEX the Authority proposed to consider 7% YoY increase adopting EICI's projections for FY 2021-22.

6.2.8 The Authority based on the above assumptions proposed to consider the OPEX for the 3rd Control Period as per following table:

Table-16: OPEX considered by Authority for EICI Delhi for the 3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Employee Cost(A)	**373.43**	**399.57**	**427.54**	**457.47**	**489.49**	**2147.50**
Administrative Charges:(B)	**149.42**	**157.67**	**166.40**	**175.65**	**185.42**	**834.56**
Rates & Taxes	10.37	11.09	11.87	12.70	13.59	59.61
Travelling and Conveyance	43.61	45.58	47.63	49.77	52.01	238.60
Telephone expenses	21.98	22.96	24.00	25.08	26.21	120.22
Audit Fees	4.40	4.71	5.04	5.39	5.77	25.30
Courier Expenses	0.60	0.63	0.66	0.68	0.72	3.28
Office Expenses	16.34	17.07	17.84	18.64	19.48	89.36
Printing and Stationery	5.66	5.91	6.18	6.46	6.75	30.95
Legal Charges / Auditor's Fees / Consultancy Charges	46.47	49.72	53.20	56.93	60.91	267.24
Other O&M Exp.(C)	**1460.28**	**1603.59**	**1740.23**	**1888.89**	**2050.64**	**8743.64**
Rent for Airport	806.64	904.53	992.60	1089.30	1195.47	4988.54
Electricity	41.82	44.75	47.88	51.23	54.82	240.50
Insurance Costs (for Terminal)	12.31	13.17	14.10	15.08	16.14	70.81

Repairs & Maintenance	107.43	114.95	122.99	131.60	140.82	617.79
Godown Rent*	0.00	0.00	0.00	0.00	0.00	0.00
Water Charges	7.88	8.24	8.61	9.00	9.40	43.13
Loading Unloading Charges	222.59	238.17	254.84	272.68	291.77	1280.06
Security Charges	186.62	199.69	213.66	228.62	244.62	1073.21
Transportation Charges	0.96	1.03	1.10	1.18	1.26	5.52
Provision for doubtful debts	0.00	0.00	0.00	0.00	0.00	0.00
Auction Expenses	35.70	38.19	40.87	43.73	46.79	205.28
Access charges	32.41	34.68	37.11	39.71	42.49	186.40
Miscellaneous Expenses	5.92	6.19	6.47	6.76	7.06	32.40
Grand Total (D)= (A+B+C)	**1983.13**	**2160.83**	**2334.18**	**2522.00**	**2725.55**	**11725.70**

*Not considered by the Authority

6.3 Stakeholder's Comments and Counter Comments on Operating & Maintenance Expenditure

6.3.1 **Spice Jet's Comment (Refer 6.1.1 of CP)** "*As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the airport operator under various headings without any underlying services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the. global economies, including European Union, Australia etc. These charges are passed on the airlines by the service providers. Sometimes it is argued that that 'Royalty' on 'Aero Revenues' help in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit. In view of the above, we urge Authority to abolish such royalty which may be included in any of the cost items. Companies in private sector have taken drastic measures to cut cost to ensure their survival ability. Even the costs which were considered to be untouchable have been reduced considerably. In the airline world, nobody could have ever dreamt that aircraft lease rentals and pilots' salary could be reduced in such a significant manner but it is a reality today. Airlines have renegotiated every contract what they have. Even salaries of the employees have been reduced by more than 35%. Lot of employees have been retrenched or sent on leave without pay. We are unaware as to whether EICI has taken cost cutting measures including renegotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by EICI impacts the airlines; as such cost is passed through or borne mostly by the airlines.*

Further, in view of industry reports from IATA and CAPA, which foresee a minimum period of two (2)-three (3) years for air traffic and flight operations to reach pre COVID19 levels, we request Authority should:

(a) Put on hold any increase in operational expenditure by EICI;

(b) Advise EICI to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner and address any increase in fees sought by EICI. It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially.

Accordingly, EICI needs to significantly reduce all such costs in a very aggressive manner. EICI may. be advised to reduce its cost by at least 35% and no escalation should be permitted; and in view of the above, EICI should be directed to pass on cost benefits to the airlines. In particular, we submit that:

(i) Payroll Costs (Refer Table 10 and Table 12, Form F11(a) and form F11(b)): Although the activity level has gone down drastically, rather than significant reduction in the cost, the employee expenses are proposed to increase around 12% Y-0-Y over the five (5) year Control Period.

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Payroll Costs	310.96	380.86	427.55	478.59	535.73	599. 70
% Change Y-O-Y		22%	12%	12%	12%	12%
% Change From 2020-21		22%	38%	54%	72%	93%

We submit that while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, and are not able to pay even to the support staff, on the other hand EICI seems to have paid/will pay incremental salaries which may not appear prudent considering the significant losses incurred by the aviation sector. It appears that EICI wants to recover its full employee cost from the airlines, which are facing significant challenges to meet its operating expenses. We submit that there should not be any increase in manpower expenses till the existing manpower is effectively utilized as it will take another two (2)- three (3) years to recover. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced. Without prejudice to the above, EICI needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) years.

6.3.2 **M/s EICI's Comments:** "*EICI has proposed and projected salary increase of 17% for FY 2021-22, 12% for FY 2022-23 to FY 2024-25 and 10% for FY 2025-26. The Authority has capped salary increase to 7% per year.*

We further submit that projected salary increase has been made keeping in view past salary trend, no increments given during FY 2020-21 and salary of senior staff was reduced for four months during FY 2020-21. The projections were done keeping in view salary increases given by competition. We submit that the Authority approved salary increase of 7% is small percentage as compared to the competing environment in which we operate for talent and EICI would find it difficult to retain good resources, which may have impact on the operational efficiencies of the Company. In view of this, we request the Authority to allow difference between estimated salaries by EICI and approved by AERA Rs.274.93 lakhs, totaling for five years.

Authority has not considered godown rent Rs.69.72 lakhs (Annual Rs.11.42 lakhs + 10% increase) as godown is outside airport premises.

IN this regard we have to state that, EICI had taken godown outside the airport premises godown in order to cut the costs. We had vide our email dated 25 August 2021, has explained reason for hiring godown and reason hiring godown outside airport premises, which is reproduced below.

"As per statutory requirement, the customs records have to be stored for five years and accounting records have to be stored for eight years. The available terminal space is not adequate to store records for 5/8 years and new hire of space at Airport for storing would be ***very costly*** *due to high airport rates."*

In view of explanation given above, rental payment is necessary operational expenditure to be incurred to comply with statutory provisions and is cost effective as compared to rental paid for the Airport premises, we request the Authority to allow godown rent especially given the fact that this is a mandatory regulatory requirement and if the godown will be shifted to airport facility costs would go up substantially. In view of this, we request the Authority to allow godown rent of Rs. 69.72 lakhs (Annual Rs.11.42 lakhs + 10% increase).

Travelling and conveyance, Telephone expenses, Courier exps, Office Exps, Printing and stationery exps, water charges, Mics exps – capped at 4.5% instead of EICI proposed 10%. We submit that these expenses should be allowed to yearly increase of 10% in order to allow operational flexibility and allow differential cost between EICI proposed cost and the Authority approved cost Rs.197.94 lakhs (excluding godown rent Rs. 69.72 referred above) totaling for five Tariff years.

Other costs like Loading and Unloading charges, Security charges, Electricity charges, Rates and Taxes expenses, have been capped at 7% instead of 10% proposed by EICI. We submit EICI has no control on the yearly increase and are driven by Government / Statutory directions. In last eighteen months, Delhi Government has increase wages under Minimum Wages Act 1948 thrice and this has direct impact on loading and unloading charges, Security charges etc. In view of this we request not to cap these expenses at 7 %/ 4.5% and approve proposed percentages increase as sought by us."

6.3.3 **M/s EICI's response on Spice Jet's Comment:** "*As a generic and general comment we agree that royalty increases costs without any benefit to end-users and royalty should be abolished if costs to end-users have to be brought down. The Authority is requested to implement this request in general though this has no impact on the current Tariff proposal.*

EICI has taken all possible steps to cut costs as mentioned in the M/s. SpiceJet letter. EICI is mindful of the fact that any reduction in operational cost in the present turbulent time will benefit the Company only as it is attempting to make its operations commercially viable.

As far as operational costs are concerned there are two aspects, i.e. costs which are within the control of EICI and costs which are not in the control or hand of EICI and for which the Authority or other agencies can help control costs.

As far as costs which are in the control of EICI are concerned, the following measures have been taken to cut costs:

(a) Salaries of senior staff has been cut by 20% to 25%

(b) Land not required due to reduced operations has been given up to cut lease costs

(c) All vendor agreements were re-negotiated and where ever possible were reduced

(d) Employee night allowance was discontinued

(e) All operational expenses were reviewed in detail and where ever possible the expenses were curtailed or cut down

The above led to substantial reduction in costs in the last year. However being an Express Terminal which has to be run on a 24X7 operation, we cannot lay off staff.

Airport rentals amount to 40% of the operational costs of EICI at Delhi and over which it has no control. These rentals increase by 10% every year and leave little room to cut costs elsewhere despite the best efforts of EICI.

Reducing or cutting these rentals are not in the hands of EICI and we request the Authority that it should either exercise the powers vested in them to reduce the Airport rentals or permit the Tariffs proposed without any cuts to ensure that the operation remains viable.

M/s. SpiceJet has recommended to put on hold any increase in operational expenditure by EICI wherein it seems not to consider practical aspect of the cost, like Airport rentals, etc Clearly EICI has no power or authority to control Airport rentals which are increased every year by 7.5% / 10% and hence we look to the Authority for relief.

Further Delhi Government has been increasing wages under Minimum Wages Act, 1948 every six months. A considerable large part of the wages pertains to such employees which constitutes 57% of the payroll costs. This is yet another expense which EICI has no control over. EICI has to follow the Government labour laws and cannot violate them.

SpiceJet has suggested that EICI should be advised to reduce its cost by at least 35% and no escalation should be permitted. This comment is uncalled for and without any basis and we request the Authority to see what relief can be given in terms of reduction in lease rentals and costs beyond the control of EICI.

Payroll costs: EICI has been a professionally run company mindful of cost incurred. EICI does not have any holding company or group to fund losses, if incurred. So, it's in the interest of EICI to run operations in profit either by increasing revenue in permissible way or by reducing costs.

EICI salary structure has been kept on lower side as compared to similarly placed companies which is challenging as it is also required to retain talent for its operations. During COVID19 times, EICI had taken immediate measures on cost rationalization which included various measures such as reduction of employee remuneration. Due to these measures, employee salary costs had reduced from Rs.348.74 lakhs in FY 2019-20 to Rs.310.96 lakhs in FY 2020-21, i.e., reduction of 10.83% which was based on higher salary cuts for senior staff as the salaries of employees with minimum wages could not be cut due to Government regulations.

However, in order to retain trained resources, EICI has no option but to offer some basic salary increase in FY 2021-22. On comparing employee cost of FY 2019-20 and FY 2021-22, the increase in employee payroll related cost is 9.20%, which is over a period of two years or an average of 4.6% per year which is the minimum required to retain talent.

It may be noted that EICI has also had to face an increase in apportioned cost for Delhi operations without any increase in salary of senior employees due to closure of Mumbai Terminal. The salaries of these employees was earlier apportioned between Delhi, Mumbai and Bangalore, however with the closure of the Mumbai Express Terminal, their salaries are now apportioned between Delhi and Bangalore. Hence the higher cost is not on account of any additional staff or increase in salary but a higher apportioned cost due to the closure of the Mumbai Terminal."

6.4 Authority's Examination and Analysis on O&M expenditure for the 3rd Control Period

6.4.1 The Authority examined the comments of M/s Spice Jet and the responses of M/s EICI thereon.

6.4.2 The Authority, at Consultation Stage proposed to project "Employee Cost" considering FY 2019-20 as a base year and thereafter an increase of 7% YoY to factor in the impact of inflation, annual increment. The Authority maintains same view as was taken at CP stage and decides to consider 7% YoY increase in Employee Cost due to factors like inflation, annual increments and statutory increase in wages etc. The employee cost proposed by Authority for 3rd control period is as per Table-16 above.

6.4.3 The Authority at CP stage had proposed to consider the OPEX projections of M/s EICI for FY 2021-22 i.r.o. 'Travelling & Conveyance', 'Telephone Exp.' , 'Courier Exp.', 'Office Exp.', 'Printing & Stationary', 'Water charges' and 'Misc. Exp' and subsequent increase @ 4.5% YoY for the remaining Tariff Years. Further, for the remaining OPEX, the Authority had proposed to consider 7% YoY increase adopting EICI's projections for FY 2021-22. The Authority maintains same view taken at CP stage and decides to consider OPEX as given in Table-14. Considering FY 2021-22 as base for projecting increase in Operation and Maintenance Expenditures for the FY 2022-23 to FY 2025-26, percentage (%) increase considered for each category of expenditure by the Authority is given in table below:

Table-17: Percentage (%) Increase in OPEX considered by the Authority for EICI, Delhi for 3rd Control Period

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Employee Cost	7.0%	7.0%	7.0%	7.0%
Rates & Taxes	7.0%	7.0%	7.0%	7.0%
Travelling and Conveyance	4.5%	4.5%	4.5%	4.5%
Telephone expenses	4.5%	4.5%	4.5%	4.5%
Audit Fees	7.0%	7.0%	7.0%	7.0%
Courier Expenses	4.5%	4.5%	4.5%	4.5%
Office Expenses	4.5%	4.5%	4.5%	4.5%
Printing and Stationery	4.5%	4.5%	4.5%	4.5%
Legal Charges / Auditor's Fees / Consultancy Charges	7.0%	7.0%	7.0%	7.0%
Rent for Airport	12.1%	9.7%	9.7%	9.7%
Electricity	7.0%	7.0%	7.0%	7.0%
Insurance Costs (for Terminal)	7.0%	7.0%	7.0%	7.0%
Repairs & Maintenance	7.0%	7.0%	7.0%	7.0%
Water Charges	4.5%	4.5%	4.5%	4.5%
Loading Unloading Charges	7.0%	7.0%	7.0%	7.0%
Security Charges	7.0%	7.0%	7.0%	7.0%
Transportation Charges	7.0%	7.0%	7.0%	7.0%
Auction Expenses	7.0%	7.0%	7.0%	7.0%
Access charges	7.0%	7.0%	7.0%	7.0%
Miscellaneous Expenses	4.5%	4.5%	4.5%	4.5%

6.4.4 The Authority noted that expenditure on 'godown rent' was not being incurred for aeronautical purposes. It has already been stated at CP stage that the premises was situated outside of the IGI airport and the space was utilized for keeping records. Based on the above analysis, the Authority, decides to not consider Rs.69.70 lakhs in the regulated expenditure (OPEX), and, accordingly excluded the same from the O&M expenditure for the 3rd Control Period.

6.4.5 In view of the foregoing analysis, the Authority decides to maintain the Operating Expenditure for the 3rd Control Period, as was proposed at CP stage (as per Table 16).

6.5 Authority's Decision regarding O&M expenditure for the 3rd Control Period

Based on the material before it and based on its analysis, the Authority has decided the following regarding O&M expenditure for the Third Control Period:

6.5.1 The Authority decides to consider O&M expenditure as per Table-16. The Authority also decides to True-up O&M expenditure during the Next Control Period.

CHAPTER:7 REVENUE PROJECTIONS

7.1 EICI Submission on Regulated and Miscellaneous Revenue for the 3rd Control Period

7.1.1 M/s EICI submitted their revised MYTP for the 3rd Control Period on 27.07.2021, based on their Audited Financials of FY 2020-21. EICI submitted the following projections for Revenue for the 3rd Control Period.

7.1.2 M/s EICI has projected their Regulated and Miscellaneous Revenue for the 3rd Control Period as given in table below:

Table-18: Revenue from Regulated services submitted by EICI for 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Facilitation Fees	2254.43	2409.15	2467.22	2741.22	3026.83	12898.85
User Access Fees	26.61	29.27	32.19	35.41	38.95	162.43
Infrastructure Usage Charges	47.10	90.28	107.79	124.58	145.18	514.94
X-ray Machine charges	57.40	111.12	130.35	153.08	176.17	628.11
Detention & ULD Storage Charges	322.04	322.04	322.04	322.04	322.04	1610.20
Total Regulated Revenue	**2707.57**	**2961.86**	**3059.58**	**3376.34**	**3709.17**	**15814.53**

Table-19: Other Misc. Revenue as submitted by EICI for 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenues from Auction Proceeds	44.62	44.62	44.62	44.62	44.62	223.10
Other Revenues (Scrap sale)	6.00	6.60	7.26	7.99	8.78	36.63
Total Revenues	**50.62**	**51.22**	**51.88**	**52.61**	**53.40**	**259.73**

7.2 Authority's Analysis regarding Revenue for the 3rd Control Period at CP stage

7.2.1 The Authority notes that EICI has considered revenue from 'Infrastructure Usage Charges' while projecting the revenue for TCP. However, the Authority noted that this charge does not form part of the Revenue in the 2nd Control Period. Also, as per EICI's own submission, they are presently not charging the same from their Users. However, EICI in its submissions has stated that they propose to charge the same w.e.f. 15.08.2021 during the 3rd Control Period. The Authority, however, has not considered the 'Infrastructure Usage Charges' in view of separate levies already existing for facilitation, user access, x-ray charges, etc. and an additional Infrastructure Usage Charges may be an unfair burden on the users.

7.2.2 ***User Access Fee:*** The Authority sought information about the nature of charge of 'User Access Fee' and M/s EICI submitted that certain express companies have requirements for dedicated space for doing their paperwork and do not wish to use the common area, they ask for access on a dedicated basis to certain space which they are permitted to access. Hence User Access Fees are Charges recovered for access given to the courier companies for dedicated space provided to carry out their work to complete documents and formalities required to be completed at the Express Terminal.

The Authority observed that EICI has considered "User Access Fees" under Regulated Revenue in their MYTP/Revised MYTP. On seeking clarification thereon, EICI has stated that it is an error and it forms part of their Miscellaneous Revenues. Accordingly, the Authority has considered the same under "Miscellaneous" Revenues for the purpose of Revenue projections.

7.2.3 ***Detention Charges:*** The Authority notes that as per EICI submissions there is drastic reduction in the projected revenue from "Detention Charges"; moreover, no growth is projected in "Detention Charges" for the Third Control Period. The Authority sought the clarification from EICI in this regard. EICI submitted that during FY 2018-19 there was a heavy load of gift shipments and the Customs Department had issued a circular that the shipments should be cleared between 8 AM to 8 PM, leading to sudden piling up of shipments at the warehouse due to lack of proper planning by Users resulting in high Warehouse Delay Charge (WDC) collections.

EICI has further stated that in FY 2019-20 the Customs Deptt. stopped import of gift shipments in Delhi. Therefore, during FY 2019-20, the volumes of "Gift items" reduced leading to a reduction in revenues from Warehouse Delay Charges. The details submitted by EICI on import volumes & detention charges, in previous period, is given in table below:

Table-20: Decrease in Import volumes and Detention Charges

FY	IMPORTS VOLUME (IN MT)	% CHANGE YOY	REVENUE FROM DETENTION CHARGES (RS. IN LACS)	% CHANGE YOY
2018-19	19,195.34		1,536.15	
2019-20	9,786.70	(-) 49	511.92	(-) 67
2020-21	5,197.07	(-) 47	418.84	(-) 18

7.2.4 The Authority notes that EICI has not shown any growth while projecting the revenues from "Auction" As the historic data on "Auction" Revenues did not show any particular trend, and, on the contrary it shows an erratic pattern, the Authority sought explanation for the basis of assumptions for projection of Revenue from "Auction" to which EICI has offered the following explanation:

"Auction income accrues when an importer abandons a shipment and refuses to pay duties and claim it. It is difficult to estimate income from auction sale. The auction is also dependent on the permission given by Customs which may also take time and shipment may accumulate over time. Hence we have considered trends in the last few years and on that basis estimated auction income."

7.2.5 Based on above observations, the Authority, proposed to adopt 'Auction Revenue' and 'Other Revenue' as projected by M/s EICI for the 3rd Control Period.

7.2.6 As regards "User Access Fee," the Authority proposed to consider FY 2019-20 as the base year. Further, in line with the drop in volumes this revenue was also projected to drop by 40% in 1st

Tariff year (FY 2021-22). Thereafter, the Authority, considered a 10% YoY increase thereon for the purpose of projections for the remaining 3rd Control Period. Further, for x-ray charges and detention charges the Authority proposes to consider FY 2019-20 as the base year.

7.2.7 Based on the above assumptions for Revenue and adopting the tonnage projection of M/s EICI as per Table-15, the Authority, proposed the following Revenue for EICI Delhi for 3rd Control Period:

Table-21: Revenue (Regulated & Misc. Rev.) before Tariff increase for 3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from Regulated Services						
Detention charges (A)	460.72	492.97	527.48	564.41	603.91	2649.50
X-Ray charges (B)	216.85	232.03	248.27	265.65	284.24	1247.03
Import Cargo (MT)	9544.68	10212.81	10927.70	11692.64	12511.13	54888.96
Import revenue @ Rs. 7.5/Kg (C)	715.85	765.96	819.58	876.95	938.33	4116.67
Export Cargo (MT)	5402.16	5942.38	6358.34	6803.43	7279.67	31785.97
Export revenue @Rs.7/Kg (D)	378.15	415.97	445.08	476.24	509.58	2225.02
Total revenue from Regulated Services (E) =(A+B+C+D)	**1771.57**	**1906.93**	**2040.41**	**2183.24**	**2336.07**	**10238.22**
Revenue from Misc. Services						
User Access Fees (F)	37.02	40.72	44.79	49.27	54.20	226.00
Revenues from Auction Proceeds (G)	44.62	44.62	44.62	44.62	44.62	223.10
Other Revenues (H)	6.00	6.60	7.26	7.99	8.78	36.63
Total Revenue from Misc. Services (I) = (F+G+H)	**87.64**	**91.94**	**96.67**	**101.88**	**107.60**	**485.73**
Grand Total (J)= (E) + (I)	**1859.21**	**1998.87**	**2137.08**	**2285.12**	**2443.67**	**10723.95**

Table-22: Revenue from Regulated Services after Tariff increase considered by Authority for 3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	2019-20 (Base Year)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Detention Charges	511.91	460.72	557.06	625.86	703.15	789.99	3136.78
X-Ray Charges	240.94	216.85	262.19	294.57	330.95	371.82	1476.38
Balance to be collected as Facilitation fee	2260.61	1094.00	1335.58	1500.52	1685.84	1894.04	7509.97
Import Cargo (MTs)		9544.68	10212.81	10927.70	11692.64	12511.13	54888.96
Import Revenue		715.85	865.54	972.43	1092.52	1227.45	4873.79
Export Cargo (MTs)		5402.16	5942.38	6358.34	6803.43	7279.67	31785.97

Export Revenue		378.15	470.04	528.09	593.31	666.59	2636.18
Total Revenue from Regulated services		**1771.57**	**2154.83**	**2420.95**	**2719.94**	**3055.85**	**12123.13**

Table-23: Revenue from Misc. Services considered by Authority for 3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
User Access Fees	37.02	40.72	44.79	49.27	54.20	225.99
Revenues from Auction Proceeds	44.62	44.62	44.62	44.62	44.62	223.10
Other Revenues	6.00	6.60	7.26	7.99	8.78	36.63
Total Misc. Revenue	**87.64**	**91.94**	**96.67**	**101.88**	**107.60**	**485.73**

Table-24: Projected Revenue (Regulated Services incl. Misc. Rev.) considered by Authority for the3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from Regulated Services	1771.57	2154.83	2420.95	2719.94	3055.85	12123.13
Revenue from Misc. services to be	87.64	91.94	96.67	101.88	107.60	485.73
Total Revenue	**1859.21**	**2246.77**	**2517.62**	**2821.81**	**3163.45**	**12608.86**

7.3 Stakeholder's Comments on Revenue for the 3rd Control Period:

7.3.1 **M/s EICI's Comments:** "***Detention charges (Clause 7.2.3)***: *AERA has considered FY 2019-20 as base year for projecting Detention income and have accordingly projected below Detention charges revenue:*

(Rs in Lakhs)

Particulars	2019-20 (Base Year)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Detention charges (Projected by AERA)	511.91	460.72	557.06	625.86	703.15	789.99	3136.78
Detention projected by EICI		322.03	322.03	322.03	322.03	322.03	1610.15
Excess worked out by AERA as compared to EICI projections		**138.69**	**235.03**	**303.83**	**381.12**	**467.96**	**1526.63**
% of Regulated income (as per AERA)		26.01	25.85	25.85	25.85	25.85	25.40
% of Regulated income (as per EICI)		12.01	10.98	10.64	9.64	8.77	10.81

Trends for earlier years show, barring exceptional periods of gift shipment volume & COVID-19, detention income has been in range of 11%- 13% of regulated income. Detention income comparison with regulated revenue comprising five years of second Control Period along with remarks for higher percentage in few years is given below for your ready reference:

5 years comparison chart (Rs in Lakhs)						
Year	**Regulated Income**	**Unregulated Income**	**Total Income**	**Detention Income**	**Ratio of DTN to Regulated Income**	**Remarks**
2016-17	3,379.13	298.03	3,677.16	385.72	11%	
2017-18	3,713.30	412.25	4,125.56	501.10	13%	
2018-19	3,878.20	8.84	3,887.05	1,536.15	40%	High volumes of gifts
2019-20	3,013.47	8.26	3,021.73	511.92	17%	Includes high volumes of gift shipments for part of the year
2020-21	1,346.20	6358.17	1409.79	418.84	31%	COVID19 disrupted shipment clearance

It can be seen that in normal operational volume year, detention income has been in range of 11% - 13%. Against this we had estimated 10.81% as detention income of the regulated income as compared to 25.40% projected by the Authority. We submit that 25.40% of detention income as percentage of regulated income is very high and excess detention income Rs. 1,526.63 lakhs projected by the Authority should be reduced from ARR working."

***X-ray Charges:(Clause 7.2.7, 7.2.1)**: Detailed comparison of X-ray charges proposed by EICI, Approved by AERA and loss that will be suffered by EICI is given below:*

a. AERA has erroneously calculated higher income from x-ray charges totaling to Rs.822 lakhs, as per table below:

Particulars (Rs in Lakhs)	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
X-ray charges (Projected by AERA) per KG	1.75	1.98	2.08	2.18	2.29
Export volume projected by AERA (Kgs)	54,02,160	59,42,376	63,58,342	68,03,426	72,79,666
Revenue: X-ray charges Recovery worked out by Authority for ARR working	216.85	262.19	294.57	330.95	371.82
Expenses: Less: Access charges Payment (Projected by AERA)	32.41	34.68	37.11	39.71	42.49
Net Revenue considered by the Authority in CP (A)	**184.44**	**227.51**	**257.46**	**291.24**	**329.33**

Particulars (Rs in Lakhs)	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
X-ray charges (Projected by AERA) per KG	1.75	1.98	2.08	2.18	2.29
Export volume projected by AERA (in Kgs)	54,02,160	59,42,376	63,58,342	68,03,426	72,79,666
Projected X-ray charges should be, basis above volume	94.53	117.65	132.25	141.51	166.70
Expenses: Less: Access charges Payment (Projected by AERA)	32.41	34.68	37.11	39.71	42.49

Particulars (Rs in Lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Net Revenue should be in CP (without considering x-ray charges payable to Celebi)	62.12	82.97	95.14	101.8	124.21
Excess Revenue considered by AERA	**122.32**	**144.54**	**162.32**	**189.44**	**205.12**

Further AERA has not approved Infrastructure charges proposed by EICI. Net difference between revenue and expenses relating to x-ray machine charges, Infrastructure charges & access charges proposed by EICI and charges approved by AERA, totaling to Rs.333.35 lakhs is as under:

Particulars (Rs in Lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenue X-ray machine charges projected by EICI	57.39	111.12	130.34	153.07	176.16
Infrastructure usage charges	47.10	90.28	107.78	124.58	145.17
Revenue	104.50	201.40	238.13	277.66	321.35
Expenses Less Access charges	32.41	34.68	37.11	39.71	42.49
Revenue proposed by EICI in MYTP filed (B)	**72.09**	**166.72**	**201.01**	**237.95**	**278.86**
Excess Revenue considered by AERA, as compared to EICI filing (A) – (B)	**112.35**	**60.79**	**56.45**	**53.29**	**50.47**
Total excess revenue considered by AERA Rs.333.35 lakhs					

We submit and request the Authority to reduce Rs 333.35 lakhs excess revenue, as worked out above from ARR.

User Access charges (Clause 7.2.7 - Table 18): *EICI had projected user access charges by considering recent monthly billing and subsequently 10% YOY increase was considered, whereas AERA has considered FY 2019-20 as base year where user access charges were Rs.61.69 lakhs (as compared to FY 2020-21 Rs.26.44 lakhs) and linked it with volume. This is incorrect as user access charges are based on space provided to courier companies basis their space requirement and not connected to volume. As space requirement has reduced as is evident from latest monthly billing done by EICI. Further UPS has started its own terminal and stopped availing space from EICI. This has impact on user access charges Rs Rs.41.20 lakhs reducing EICI revenue. We suggest and submit that user access charges should not be linked to the volume and should be considered as the current billing with nominal increase year on year and excess user access charges in ARR working Rs.63.64 lakhs should not be considered given as below:*

Particulars (Rs in Lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
User Access Charges by AERA	37.07	40.72	44.79	49.27	54.20	226.05
User Access charges filed by EICI	26.60	29.26	32.19	35.41	38.95	162.41

Particulars (Rs in Lakhs)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Excess User charges calculated by AERA	**10.47**	**11.46**	**12.60**	**13.86**	**15.25**	**63.64**

7.4 Authority's Examination and Analysis: on Revenue for the 3rd Control Period

7.4.1 The Authority notes the comments of M/s EICI regarding revenues from Detention Charges considered by the Authority for the 3rd Control Period. As per M/s EICI, Detention Charges collected in the first two years (FY2016-17 & FY2017-18) of 2nd Control Period may be treated as normal collection and Detention Charges collected in the rest of the three years of the 2nd Control Period may be considered as abnormal collection. The Authority observed that there is not clear trend in historical revenues from Detention Charges. Further, from the review of historical figures, it is seen that revenues from Detention Charges are not directly linked to Cargo Volumes.

The Authority feels that in such a situation, it may be difficult to forecast revenue from Detention charges at this stage. Taking note of comments of EICI on Revenue from Detention Charges, the Authority decides to adopt nominal growth rate of 5% YoY from FY 2022-23 onwards, instead of 7% YoY from FY 2022-23 proposed at CP Stage. Any variance in projected vs actual revenues will be appropriately considered in the True-up exercise while determining tariff for the next Control Period. The Revised Revenue after Tariff increase considered by the Authority for the 3rd Control Period is given at Table-26 below.

7.4.2 As regard to User Access Charges, the Authority, at CP stage, had proposed to consider FY 2019-20 as the base year for projecting revenue, wherein M/s EICI has forecasted the revenues based on FY 2020-21, which was an unusual year due to the impact of Covid 19 pandemic, would have given an unrealistic revenue projections. Further, in line with drop in volumes, this revenue was also projected to drop by 40% in 1st Tariff year (FY 2021-22). Thereafter, the Authority, had considered a 10% YoY increase thereon for the purpose of projections for the remaining 3rd Control Period. The Authority maintains the same view as taken at CP stage and decides to adopt the User Access Charges as proposed at CP stage.

7.4.3 The Authority, at CP stage, had not considered the 'Infrastructure Usage Charges' in view of separate levies already existing for facilitation, User Access, X-ray Charges, etc. and an additional Infrastructure Usage Charges might be an unfair burden on the users. The Authority maintains the same view and decides to not consider 'Infrastructure Usage Charges'.

7.4.4 The Authority examined the comments of M/s EICI regarding revenue from 'X-ray Charges.' Due to erroneous formula at CP stage, wherein X-ray charges for the 3rd Control Period (before Tariff increase) were projected considering the FY 2019-20 as a base year, the X-ray charges were projected to drop initially by 10% in FY 2021-22 and thereafter projected to increase by 7% YoY from FY 2022-23 onwards. The Authority took note of comments of EICI on calculation of Revenue from X-ray charges; and, accordingly decides to make adjustment in projected Revenue from 'X-ray charges'. The re-calculated revenues from X-ray charges based on projected Cargo Volume (as Export Cargo Volume x Rate per Kg. of X-ray charges) projected by M/s EICI for the 3rd Control Period are as per Table 26 given below.

7.4.5 The Authority has recalculated the Projected Revenue for the 3rd Control Period at existing rates as per Table given below:

Table-25: Revised Revenue from Regulated Services before Tariff increase calculated by the Authority for M/s EICI Delhi for 3rd Control Period

(Rs. in Lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue from Regulated services						
Detention charges(A)	460.72	483.76	507.95	533.34	560.01	2545.78
X-Ray charges(B)	94.54	103.99	111.27	119.06	127.39	556.25
Import Cargo (MT)	9,544.68	10,212.81	10,927.70	11,692.64	12,511.13	54,888.96
Import revenue (C)	715.85	765.96	819.58	876.95	938.33	4116.67
Export Cargo (MT)	5,402.16	5,942.38	6,358.34	6,803.43	7,279.66	31,785.97
Export revenue(D)	378.15	415.97	445.08	476.24	509.58	2225.02
Total Revenue from Regulated Services E=(A+B+C+D)	**1649.26**	**1769.68**	**1883.88**	**2005.59**	**2135.32**	**9443.73**
Revenue from Misc. services						
User Access Fees(F)	37.02	40.72	44.79	49.27	54.20	226.00
Revenues from Auction Proceeds(G)	44.62	44.62	44.62	44.62	44.62	223.10
Other Revenues(H)	6.00	6.60	7.26	7.99	8.78	36.63
Total Misc. Revenue I=(F+G+H)	**87.64**	**91.94**	**96.67**	**101.88**	**107.60**	**485.73**
Grand Total J=(E+I)	**1736.90**	**1861.62**	**1980.55**	**2107.47**	**2242.92**	**9929.46**

7.4.6 The Authority has recalculated the Projected Revenue for the 3rd Control Period after Tariff increase as per Table given below:

Table-26: Revised Revenue from Regulated and Misc. Services after Tariff increase calculated by the Authority for M/s EICI Delhi for 3rd Control Period

(Rs. in Lakhs)

Particulars	2021-22	2022-23 (April-June)	2022-23 (July-March)	2023-24	2024-25	2025-26	Total
Revenue from Regulated services to be							
Detention charges(A)	460.72	120.94	417.24	650.73	761.16	890.33	3301.12
X-Ray charges (B)	94.54	26.00	89.69	142.55	169.92	202.54	725.23
Import Cargo (MT)	9544.68	2553.20	7659.61	10927.70	11692.64	12511.13	54888.96
Import revenue	715.85	191.49	660.64	1049.96	1251.53	1491.80	5361.28

(C)							
Export Cargo (MT)	5402.16	1485.60	4456.79	6358.34	6803.43	7279.66	31785.97
Export revenue(D)	378.15	103.99	358.77	570.20	679.66	810.15	2900.92
Total Regulated Revenue E=(A+B+C+D) Revenue from Misc. services to be	**1649.26**	**442.42**	**1526.35**	**2413.44**	**2862.27**	**3394.81**	**12288.55**
User Access Fees(F)	37.02	10.18	30.54	44.79	49.27	54.20	226.00
Revenues from Auction Proceeds(G)	44.62	11.155	33.465	44.62	44.62	44.62	223.10
Other Revenues(H)	6.00	1.65	4.95	7.26	7.99	8.78	36.63
Total Misc. Revenue I=(F+G+H)	**87.64**	**22.985**	**68.955**	**96.67**	**101.88**	**107.6**	**485.73**
Grand Total J=(E+I)	**1736.90**	**465.40**	**1595.30**	**2510.11**	**2964.15**	**3502.41**	**12774.28**

7.5 Authority's decision regarding Regulated Revenue and Misc. Revenue for the 3rd Control Period

Based on the material before it and based on its analysis, the Authority has decided the following regarding Regulated Revenue and Misc. Revenue for the Third Control Period:

7.5.1 The Authority decides to consider the Regulated Revenue & Misc. Revenue as per Table-26. The Authority also decides to True-up the Revenues based on actuals during the Next Control Period.

CHAPTER:8 TAXATION

8.1 Background

8.1.1 A new section 115BAA was introduced by the Government of India through the Taxation (Amendment) Ordinance 2019 on the 20th September 2019. Section 115BAA provides option to a domestic company to pay tax at lower rate of 22% plus applicable surcharge and cess (where the total turnover for Previous Year 2017-18 does not exceeds Rs. 400 Crore) as opposed to normal tax rate of 30% / 25% (plus applicable surcharge and cess), w.e.f. assessment year 2020-21 subject to other precedent conditions.

8.2 Tax Projection submitted by M/s EICI for the 3rd Control Period

8.2.1 M/s EICI has applied income tax rate of 25.17% (Basic rate 22%, 10% Surcharge where total income (Rs. 10 crore and 4% Health and Education Cess) for tax projections for the 3rd Control Period.

8.2.2 M/s EICI has submitted their tax calculations by considering the lower rate of 25.17%(Basic rate 22%,12% Surcharge where total income < Rs. 10 crore and 4% Health and Education Cess) on the projected profits for the 3rd Control Period as per table given below:

Table-27: Tax Computed by EICI for the 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Provision for taxation	**0.00**	**0.00**	**157.00**	**173.80**	**189.97**	**520.77**

8.3 Authority's Analysis Taxation at CP stage for the 3rd Control Period

The Authority notes that M/s EICI is setting off losses of Rs. 1462 Lakhs, due to that there is no tax liability projected in the first two Tariff years of the 3rd Control Period.

8.3.1 The Authority, based on its revenue and expenditure projection, has calculated the profitability of M/s EICI and tax liability for the 3rd Control Period which is given below:

Table-28: Tax Proposed by the Authority for the 3rd Control Period at CP stage

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Provision for taxation*	0.00	0.00	0.00	0.00	0.00	0.00

**The Authority notes that M/s EICI in their revised submission has set off a loss of Rs.1462 Lakhs; The Authority adjusted the above losses against the projected profits for the purpose of tax calculations and found that there are no residual revenues to attract provision for taxation.*

8.4 Stakeholders' Comments on Taxation for the 3rd Control Period

8.4.1 During the stakeholder consultation process, the Authority has received no comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 20/2021-22 with respect taxation for the 3rd Control Period. The Authority, therefore, decides to consider Tax Expense projections as proposed during consultation stage.

8.5 Authority's decision regarding provision for Taxation for the 3rd Control Period

Based on the material before it and based on its analysis, the Authority has decided the following regarding provision for Taxation for the Third Control Period:

8.5.1 The Authority decides to consider the projected tax liability as given in Table-28. The Authority decides to True-up tax liability during the Next Control Period.

CHAPTER:9 AGGREGATE REVENUE REQUIREMENT (ARR)

9.1 EICI Submission on ARR for the 3rd Control Period

9.1.1 EICI submitted their revised ARR for the 3rd Control Period as follows:

Table-29: ARR Computed by the EICI for the 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
ARR	2708.00	2962.00	3060.00	3376.00	3709.00	**15815.00**

9.2 Authority's Analysis regarding ARR for the 3rd Control Period at CP stage

9.2.1 The Authority noted that M/s EICI, while calculating the ARR for the FY 2021-22 and FY 2022-23 has added back loss of Rs. 589 Lakhs incurred in FY 2020-21 to first two Tariff years of the 3rd Control Period (Rs. 295 Lakhs in FY 2021-22 and Rs. 295 Lakhs in FY 2022-23).

9.2.2 The Authority noted that since in the previous Control Period, Tariff for M/s EICI was determined on 'Light Touch approach', hence, true up for prior period losses is not applicable under CGF Guidelines. Accordingly, the Authority did not consider the Loss of Rs.589 Lakhs for computation of ARR for the 3rd Control Period.

9.2.3 Based on the above the Authority projected the ARR for the 3rd Control Period as follows:

Table-30: ARR considered by the Authority for the Third Control Period at CP stage

(Rs. in Lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Revenue at current rates *(Refer Table 21)*	1859.21	1998.87	2137.08	2285.12	2443.67	**10723.95**
Rate of Return	5%	5%	5%	5%	5%	
Return on Revenue	92.96	99.94	106.85	114.26	122.18	
O& M Expenses (Refer Table 16)	1983.13	2160.83	2334.18	2522.00	2725.55	11725.70
Depreciation *(Refer Table 8)*	53.24	60.16	61.51	60.36	49.52	284.79
Tax* *(Refer Table 28)*	0.00	0.00	0.00	0.00	0.00	0.00
ARR per year	**2129.33**	**2320.94**	**2502.54**	**2696.62**	**2897.25**	**12546.68**
Discount Rate	5%	5%	5%	5%	5%	
PV Factor	1.00	0.95	0.91	0.86	0.82	
PV of ARR	**2129.33**	**2210.42**	**2269.88**	**2329.44**	**2383.58**	**11322.65**
Total Revenue at current rates *(Refer Table 21)*	1859.21	1998.87	2137.08	2285.12	2443.67	10723.95
Tariff Increase	**0.00%**	**13.00%**	**5.00%**	**5.00%**	**5.00%**	
Revised Revenue with Tariff Increase (*Refer Table 24)*	1859.21	2246.77	2517.62	2821.81	3163.45	12608.86
PV Factor	1.00	0.95	0.91	0.86	0.82	
PV of Revised Revenue	**1859.21**	**2139.78**	**2283.55**	**2437.59**	**2602.58**	**11322.71**

**The Authority notes that M/s EICI in their revised submission has set off a loss of Rs.1462 Lakhs; The Authority adjusted the above losses against the projected profits for the purpose of tax calculations and found that there are no residual revenues to attract provision for taxation.*

9.2.4 The Authority noted that to meet the aggregate revenue requirement (ARR), a one-time increase in Tariff works out to 21.60% in FY 2022-23 for the 3rd Control Period.

9.2.5 Further, the Authority, considering the Covid-19 situation and its impact on overall aviation sector proposed to stagger the Tariff increase during the Control Period instead of giving a one-time increase The Authority proposed not to increase the existing Tariff for FY 2021-22, and, thereafter proposed to increase the Tariff @13.00% in FY 2022-23 (w.e.f. 01.04.2022), and, 5% YoY increase for the remaining period of the 3rd Control Period.

9.3 Stakeholder's Comments and Counter Comments on Tariff increase:

9.3.1 **Spice Jet's Comment:** *"It is disheartening to note that rather than significant reduction in the cost of the Tariff, the Authority is proposing an increase of the Tariff rates for EICI for Delhi @13% w.e.f. 01.04.2022 and 5% YoY increase for remaining period of the 3rd Control Period. In view of the consideration of the points mentioned in this letter, especially in this highly uncertain environment, it is recommended that the Authority may kindly review its proposals and reduce the Tariff such that Authority may ensure that profits do not accrue to the service provider at the cost of the airlines and that the end user is not burdened with high Tariffs .We hope that your good self will positively consider such recommendations /comments as it will help in achieving the affordability and sustainability of the airline, which is also outlined as a key objective in the National Civil Aviation Policy, 2016. Needless to state that sustainability of airlines will be key for continuity of EICI and other service providers in aviation sector."*

9.3.2 **M/s EICI's response on Spice Jet's Comment:** *"It appears that M/s. Spice Jet has not taken into consideration the fact that EICI has been subject to the original Tariff from 2013-14 which has been continuing for the past 8 years. Hence there is an urgent need to approve the revised Tariff keeping this long gap in mind. Further the losses incurred by EICI over the past year also has to be compensated and with admittedly low cargo volumes there is no possibility of recovering the loss unless a higher Tariff is approved. Hence the profit margin is not truly reflective of the actual profit as the losses for the last year also have to be taken into account."*

9.4 Authority's Examination and Analysis on ARR for the 3rd Control Period :

9.4.1 The Authority notes the comments of M/s Spice Jet and response of M/s EICI thereon.

9.4.2 The Authority examined the comments of M/s EICI regarding revenue from 'X-ray Charges.' Due to erroneous formula at CP stage, wherein X-ray charges for the 3rd Control Period (before Tariff increase) were projected considering the FY 2019-20 as a base year, the X-ray charges were projected to drop initially by 10% in FY 2021-22 and thereafter projected to increase by 7% YoY from FY 2022-23 onwards. The Authority took note of comments of EICI on calculation of Revenue from X-ray charges; and, accordingly made adjustment in projected Revenue from 'X-ray charges'. The re-calculated revenues from X-ray charges based on projected Cargo Volume (as Export Cargo Volume x Rate per Kg. of X-ray charges) projected by M/s EICI for the 3rd Control Period is given in Table 26 above.

Based on the revised figures, the ARR table for the 3rd Control Period is given below:

Table-31: Revised ARR considered by the Authority for the Third Control Period

(Rs. in Lakhs)

Particulars	2021-22	2022-23 April-June)	2022-23 (July-March)	2023-24	2024-25	2025-26	Total
Total Projected Revenue *(Refer Table 26)*	1736.90	465.40	1595.30	2510.11	2964.15	3502.42	12774.28
Rate of Return	5%	5%	5%	5%	5%	5%	
Return on Revenue	86.85	23.27	79.77	125.51	148.21	175.12	638.71

O& M Expenses (Refer Table 16)	1983.13	540.21	1620.62	2334.18	2522.00	2725.55	11725.70
Depreciation *(Refer Table 12)*	53.24	15.04	45.12	61.51	63.23	56.45	294.59
Tax* *(Refer Table 28)*	0	0	0	0	0	0	0
ARR per year	**2123.22**	**578.518**	**1745.51**	**2521.19**	**2733.44**	**2957.13**	**12659**
Discount Rate	5%	5%	5%	5%	5%	5%	
PV Factor	1	0.95	0.95	0.91	0.86	0.82	
PV of ARR	**2123.22**	**550.97**	**1662.39**	**2286.8**	**2361.25**	**2432.83**	**11417.5**
Total Revenue (at current rates) *(Refer Table 25)*	**1736.9**	**465.404**	**1396.21**	**1980.55**	**2107.47**	**2242.92**	**9929.46**
% Tariff Increase	**0.00%**	**0.00%**	**15.00%**	**11.40%**	**11.40%**	**11.40%**	
Revised Revenue (with Tariff Increase) (*Refer Table 26)*	1736.90	465.40	1595.30	2510.11	2964.15	3502.42	12774.28
PV Factor	1	0.95	0.95	0.91	0.86	0.82	
PV of Revised Revenue	**1736.9**	**443.24**	**1519.34**	**2276.74**	**2560.54**	**2881.45**	**11418.20**

**The Authority notes that M/s EICI in their revised submission has set off a loss of Rs.1462 Lakhs; The Authority adjusted the above losses against the projected profits for the purpose of tax calculations and found that there are no residual revenues to attract provision for taxation.*

9.4.3 The Authority notes that at CP stage, a onetime increase of 21.60% was calculated which was further staggered to the entire 3rd Control Period. It is to be further noted that due to revised calculation, Revenue from 'X-ray Charges' before Tariff increase has gone down by Rs. 690.75 lakhs {Rs. 1247.04 Lakhs (ref: Table-21) – Rs. 556.25 Lakhs (ref: Table-25) } which widens the gap between ARR and Revenue. The Authority notes that to meet the aggregate revenue requirement (ARR), a revised one-time increase in Tariff works out to be 37.85% in FY 2022-23 w.e.f. 01.07.2022 for the 3rd Control Period.

9.4.4 Further, the Authority, considering the Covid-19 situation and its impact on overall aviation sector decides to stagger the Tariff increase during the Control Period, instead of giving a one-time increase.

The Authority decides not to increase the Tariff for the first Tariff Year & first Qtr. of FY 2022-23 in respect of the Third Control period and maintains prevailing Tariff up to 30.06.2022. Accordingly, the Revenue up to 30.06.2022 has been computed considering Tariff at existing rates. Thereafter, the Authority decides to increase Tariff @15.00% for FY 2022-23 w.e.f. 01.07.2022 and @11.40% YoY increase for the remaining period of the 3rd Control Period.

9.5 Authority's decision Regarding Tariff Increase and ARR for the 3rd Control Period:

Based on the material before it and based on its analysis, the Authority has decided the following regarding Tariff Increase and ARR for the Third Control Period:

9.5.1 The Authority decides ARR and Tariff increase in respect of M/s EICI, Delhi for the 3rd Control Period as per Table 31.

9.5.2 The Authority also decides to True-up the ARR during Tariff determination for the Next Control Period.

CHAPTER:10 PROFITABILITY OF M/S EICI FOR THE 3RD CONTROL PERIOD

10.1 EICI Submissions on Profitability for the 3rd Control Period

10.1.1 Based on the above projected revenue and projected expenditure, M/s EICI submitted their projected Profit and Loss summary for the 3rd Control Period as follows:

Table-32: P&L Summary submitted by EICI Delhi for the 3rd Control Period

(Rs. in Lakhs)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Revenue	2758.19	3013.08	3111.46	3428.94	3762.58	16074.26
Revenues from Regulated Services	2707.57	2961.86	3059.58	3376.34	3709.17	15814.53
Revenues from other than Regulated Services	50.62	51.22	51.88	52.61	53.40	259.73
Total	2758.19	3013.08	3111.46	3428.94	3762.58	16074.26
Operating expenditures	2001.98	2204.38	2429.43	2678.87	2953.67	12268.33
Payroll Costs	380.86	427.55	478.59	535.73	599.70	2422.43
Administrative Costs	149.42	164.16	180.37	198.21	217.83	909.99
Other Charges / Input Cost	1471.70	1612.67	1770.46	1944.93	2136.14	8935.91
Total	2001.98	2204.38	2429.43	2678.87	2953.67	12268.33
Earnings before depreciation, interest and taxation (EBDIT)	756.21	808.70	682.04	750.07	808.90	3805.93
Depreciation and Amortization	47.29	55.78	58.24	59.50	54.09	274.90
Earnings before interest and taxation (EBIT)	708.93	752.92	623.79	690.58	754.81	3531.03
Profit / loss before tax	708.93	752.92	623.79	690.58	754.81	3531.03
Provision for taxation	0.00	0.00	157.00	173.80	189.97	520.77
Profit / loss after taxation(PAT)	**708.93**	**752.92**	**466.80**	**516.77**	**564.84**	**3010.25**

10.2 Authority's Analysis regarding Profitability for the 3rd Control Period at CP stage

10.2.1 The Authority noted that EICI posted a loss for Delhi Operations in FY2019-20 and FY 2020-21. It was submitted by M/s EICI that this was due to significant drop in volumes for FY 2020-21 due to the COVID-19 pandemic and change in Customs' regulations.

10.2.2 The assumptions adopted by the Authority for projecting the revenue other than revenue from "facilitation charges" for M/s EICI for the 3rd Control Period are given in the table below:

Table-33: Assumptions on Revenues other than revenue from "facilitation charges" considered by the Authority for the 3rd Control Period at CP stage

REVENUE	YoY Increase
X-ray Machine charges	The Authority assumed that X-ray Machine charges are projected to fall by 10% from FY2019-20 levels in FY 2021-22 and increase by 7% YoY thereafter during TCP.
Detention & ULD Storage Charges	The Authority assumed that Detention & ULD Storage Charges will fall by 10% from FY2019-20 level in 2021-22 and 7% YoY increase thereafter for the 3rd Control Period.

10.2.3 The Authority computed the Profitability of M/s EICI for the 3rd Control Period, based on its assumptions, which is as follows:

Table-34: Return on Projected Revenue & Expenditure computed by the Authority for the Third Control Period at CP stage

(Rs. in Lakhs)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	TOTAL
Revenue from regulated services (A)	1771.57	2154.83	2420.95	2719.94	3055.85	12123.13
Revenue from other than regulated Services (B)	87.64	91.94	96.67	101.88	107.60	485.73
TOTAL REVENUE *(Refer Table-* 24) (C=A+B)	**1859.21**	**2246.77**	**2517.62**	**2821.81**	**3163.45**	**12608.86**
O&M Exp.	1983.13	2160.83	2334.18	2522.00	2725.55	11725.70
Depreciation *(refer table-8)*	53.24	60.16	61.51	60.36	49.52	284.79
TOTAL COST(D)	**2036.37**	**2220.99**	**2395.69**	**2582.36**	**2775.07**	**12010.49**
PBT (C-D)	-177.16	25.77	121.93	239.45	388.38	598.37
Adjustment for C/f losses	-177.16	25.77	121.93	239.45	388.38	598.37
Tax*	0.00	0.00	0.00	0.00	0.00	0.00
PAT	-177.16	25.77	121.93	239.45	388.38	598.37
PAT as %age of revenue	-10%	1%	5%	8%	12%	

**The Authority notes that M/s EICI in their revised submission has set off a loss of Rs. 1462 Lakhs , accordingly the Authority has also adjusted the losses against the projected profits of 3rd Control Period for the purpose of tax calculations.*

10.3 <u>Stakeholder's Comments and Counter Comments on Return on Projected Revenue for the 3rd Control Period</u>

10.3.1 **<u>Spice Jet's Comment</u> <u>(refer table-26 of CP):</u>** *Authority is considering profits for EICI while airlines are suffering historic losses. While assured profits favor the service provider, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial 'impact through higher Tariffs. Due to such assured profits, service providers like EICI have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne mostly by airlines. In the present scenario any assured profitability to any services providers like EICI, in excess of three (3) % (including those on past orders), i.e. being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines. In view of the above, Authority is requested to immediately review the proposed profitability of the service providers like EICI and revise all the Tariff Orders (including past orders) by capping the returns to a maximum of three (3) %.*

10.3.2 **M/s EICI's Comments:** *"Authority has projected loss of (-) Rs.177.16 lakhs for FY 2021-22 (-10% margin), Profit of Rs.25.77 lakhs (1% margin) for FY 2022-23. As Authority is aware, EICI has incurred loss of (-) Rs 589 lakhs in FY 2020-21 and so far in current year, it is incurring substantial losses every month. In view of this, authority proposal to keep same Tariff rate and direct EICI to incur loss in its operations is unfair. As Users, EICI also has been hit by the pandemic and asking EICI to bear the loss in the current year and an extremely low margin of 1% in 2022-23 is not in public good and will lead to closure of operations as well as viability of running the terminal. We humbly request the Authority to review and reconsider the Tariff proposal."*

10.3.3 **M/s EICI's response on Spice Jet's Comment:** *While M/s Spice Jet has assumed that EICI is making huge profits, we wish to submit that the profits for the past two years before tax for Delhi are as under:*

Year	Profit/Loss before tax (In Rs)
FY 2019-2020	-3,37,95,777
FY 2020-2021	-5,89,68,221

Hence it will be seen that over the last 2 years EICI has been making losses which cannot be sustained any longer. EICI also has to be compensated for these losses.

M/s SpiceJet seems to have confused projected loss / profit shown in CP by both EICI and the Authority. There is vast difference between projections made and assured outcome. There is no assured profit mentioned for EICI in the CP. The Authority has worked out ARR on the basis assumptions that do not mean that profits are assured. It is also pertinent to mention that profits have been projected by excluding various input costs of EICI and also assuming certain revenues on a higher side which may not accrue and if these are included EICI will actually make a loss with the Tariff proposed by the Authority. It was for this reason that we had suggested a sliding scale for the Tariff which would self-adjust based on the volume.

SpiceJet has also mentioned allowing profit margin of 3% (bank fixed deposit rate), which is an irrational suggestion and should be ignored. If an enterprise has to earn return of fixed deposit rate, then it would be better for it to invest capital in bank fixed deposit rather than get into commercial venture. It is also pertinent to point out that EICI does not get any loan facility as it is a Section 8 company.

10.4 Authority's Examination and Analysis on Return on Projected Revenue & Expenditure for the 3rd Control Period:

10.4.1 The Authority noted the comments of M/s Spice Jet and the response of M/s EICI thereon.

10.4.2 The Authority noted the comments of M/s Spice Jet regarding the Authority's proposal of providing a 5% return on revenue. Though M/s EICI is a non-profit making section-8 Company, without any equity, then also, in order to keep the organization afloat it needs to earn sustainable margin. Therefore, the Authority finds that it is not practical, or, fair, to cap the returns to a maximum of three percent (3%) as commented by M/s Spice Jet.

10.4.3 The Authority examined the comments of M/s EICI regarding revenue from 'X-ray Charges.' Due to erroneous formula at CP stage, wherein X-ray charges for the 3rd Control Period (before Tariff increase) were projected considering the FY 2019-20 as a base year, the X-ray charges were projected to drop initially by 10% in FY 2021-22 and thereafter projected to increase by 7% YoY from FY 2022-23 onwards. The Authority took note of comments of EICI on calculation of Revenue from X-ray charges; and, accordingly made adjustment in projected Revenue from 'X-ray charges'. The re-calculated revenues from X-ray charges based on projected Cargo Volume (as Export Cargo Volume x Rate per Kg. of X-ray charges) projected by M/s EICI for the 3rd Control Period is given in Table 26 above.

Based on the revised figures, the profitability table is given below:

Table-35: Revised Return on Projected Revenue & Expenditure computed by the Authority in respect of M/s EICI for the 3rd Control Period.

(Rs. in Lakhs)

Particulars	FY 2021-22	FY 2022-23 (Apr-June)	FY 2022-23 (July-March)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue from regulated services (A)	1649.26	442.42	1526.35	2413.44	2862.27	3394.81	12288.55
Revenue from other than regulated Services (B)	87.64	22.99	68.96	96.67	101.88	107.6	485.73
Total Revenue	**1736.90**	**465.40**	**1595.30**	**2510.11**	**2964.15**	**3502.41**	**12774.28**
Total O&M Exp.	1983.13	540.21	1620.62	2334.18	2522.00	2725.55	**11725.70**
Depreciation	53.24	15.04	45.12	61.51	63.23	56.45	294.59
Total Cost	**2036.37**	**555.25**	**1665.74**	**2395.69**	**2585.23**	**2782.00**	**12020.29**
PBT	-299.47	-89.84	-70.44	114.42	378.92	720.41	
Set-off of Losses	0	0	0	114.42	378.92	720.41	1213.75
TAX *	0	0	0	0	0	0	
PAT/ (-) LOSS	-299.47	-89.84	-70.44	114.42	378.92	720.41	753.99
PAT as %age of total Revenue	**-17%**	**-19%**	**-4%**	**5%**	**13%**	**21%**	**6%**

**The Authority notes that M/s EICI in their revised submission has set off a loss of Rs.1462 Lakhs; The Authority adjusted the losses of Rs 1213.75 lakhs out of total losses of Rs. 1462 Lakhs projected by EICI only for the purpose of tax calculation as there is no residual revenue left for the purpose.*

10.5 **Authority's decision regarding Total Revenue and Total Expenditure for the 3rd Control Period:**

Based on the material before it and based on its analysis, the Authority has decided the following regarding total Revenue and Expenditure for the Third Control Period:

10.5.1 The Authority decides to consider the projected Revenue and Expenditure as given in the Table-35. The Authority further decides to true up projected Revenue and Expenditure in the next Control Period.

CHAPTER:11 SUMMARY OF AUTHORITY'S DECISIONS

Chapter	Para	Summary of Authority's Decisions	Page No.
Chapter No 2.	2.4.1	Since the cargo handling service provided by M/s EICI at Delhi Airport is 'Material' but 'Not Competitive' the Authority decides to determine the Tariff based on 'Price Cap Approach' for the duration of 3rd Control Period.	11
Chapter No 4.	4.5.1	The Authority decides to consider Additions to RAB (CAPEX) for EICI Delhi for the 3rd Control Period as given in Table- 10. The Authority decides to True-up Additions to RAB during the Next Control Period.	28
	4.5.2	The Authority, in order to ensure that M/s EICI adheres to the Capital Expenditure plan, decides to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule.	
	4.5.3	The Authority, decides to consider the Average RAB for the purpose of Tariff determination as per Table-11.	
	4.5.4	The Authority decides to consider the depreciation for the 3rd Control Period as given in Table-12 and to True-up depreciation during the Next Control Period.	
	4.5.5	Since the Asset base of M/s EICI is low, the Authority decides to provide 5% 'Return on Revenue' instead of 'Return on RAB'.	
Chapter No 5.	5.5.1	To consider tonnage projections as given in Table-14 for the purpose of Tariff determination for EICI Delhi for the 3rd Control Period. The Authority decides to True-up tonnage during the Tariff determination in the Next Control Period.	31
Chapter No 6.	6.5.1	The Authority decides to consider O&M expenditure as per Table-16. The Authority also decides to True-up O&M expenditure during the Next Control Period.	39
Chapter No 7.	7.5.1	The Authority decides to consider the Regulated Revenue & Misc. Revenue as per Table-26. The Authority also decides to True-up the Revenues based on actuals during the Next Control Period.	48
Chapter No 8.	8.5.1	The Authority decides to consider the projected tax liability as given in Table-28. The Authority decides to True-up tax liability during the Next Control Period.	50
Chapter No 9.	9.5.1	The Authority decides ARR and Tariff increase in respect of M/s EICI, Delhi for the 3rd Control Period as per Table 31.	53
	9.5.2	The Authority also decides to True-up the ARR during Tariff determination for the Next Control Period.	
Chapter No 10.	10.5.1	The Authority decides to consider the projected Revenue and Expenditure as given in the Table-35. The Authority further decides to true up projected Revenue and Expenditure in the next Control Period.	57

CHAPTER 12: ORDER

Upon careful consideration of the material available on records, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008 hereby orders that:

(i) M/s EICI Delhi is allowed to levy the revised Tariff for Cargo Services for the Third Control Period (FY2021-22 to FY 2025-26) as per **Annexure-II.**

(ii) The Tariff rates approved herein are ceiling rates, excluding of all applicable taxes.

(iii) Tariff determined shall be the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff rates.

(iv) The revised Tariff Rates shall be made effective w.e.f. 01.07.2022.

(v) The Airport Operator shall ensure compliance of the Order.

By the Order of and in the
Name of the Authority

(Col Manu Sooden)
Secretary

To,

Shri Nitin Dave, CFO
Express Industry Council of India,
501, Crystal Centre, Raheja Vihar,
Off. Chandivali Farm Road,
Mumbai – 400 072

Copy to:

1. Secretary, Ministry of Civil Aviation, RG Bhawan, Safdarjung Airport, New Delhi-110003.

2. Shri K. Narayana Rao, Director, Delhi International Airport Limited (DIAL), New Udaan Bhavan, Opp. Terminal 3, IGI Airport, New Delhi – 110 037

Annexure-I

Details of Interim Orders issued by AERA for EICI Courier Cargo Services at IGIA, Delhi

(i) Order no. 50/2015-16 dated 31.03.2016 (01.04.2016 to 30.09.2016)

(ii) Order no. 11/2016-17 dated 29.09.2016 (01.10.2016 to 31.03.2017)

(iii) Order no. 19/2016-17 dated 31.03.2017 (01.04.2017 to 30.09.2017)

(iv) Order no. 12/2017-18 dated 29.09.2017 (01.10.2017 to 31.03.2018)

(v) Order no. 43/2017-18 dated 28.03.2018 (01.04.2018 to 30.09.2018)

(vi) Order no. 21/2018-19 dated 28.09.2018 (01.10.2018 to 31.03.2019)

(vii) Order no. 48/2018-19 dated 25.03.2019 (01.04.2019 to 30.09.2019)

(viii) Order no. 08/2019-20 dated 26.09.2019 (01.10.2019 to 31.03.2020)

(ix) Order no. 33/2019-20 dated 24.03.2020 (01.04.2020 to 30.09.2020)

(x) Order no. 46/2020-21 dated 29.09.2020 (01.10.2020 to 31.03.2021)

(xi) Order no. 67/2020-21 dated 25.03.2021 (01.04.2021 to 30.09.2021)

(xii) Order no. 12/2021-22 dated 15.09.2021 (01.10.2021 to 31.03.2022)

(xiii) Order no. 46/2021-22 dated 17.03.2022 (01.04.2022 to 30.09.2022)

Annexure-II

APPROVED MAXIMUM TARIFF RATES FOR M/S EICI PROVIDING EXPRESS CARGO HANDLING SERVICES AT INDIRA GANDHI INTERNATIONAL AIRPORT (IGIA), DELHI FOR 3RD CONTROL PERIOD (01.04.2021- 31.03.2026)

The Revised Tariff Rates shall be effective from 01.07.2022

S. No.	Charges	FY 2021-22 (Existing Rate)	FY2022-23 (April to June) (Existing Rate)	FY 2022-23 (w.e.f. 01.07.2022)	FY 2023-24	FY 2024-25	FY 2025-26
1	**International Imports**						
	Facilitation Fees cum import x-ray screening charges	Rs. 7.5 per Kg.	Rs. 7.5 per Kg.	Rs. 8.63 per Kg.	Rs. 9.61 per Kg.	Rs. 10.70 per Kg.	Rs. 11.92 per Kg.
	Detention Fees/ Demurrage Charges						
	0-2 days (up to 48 hours)	Free	Free	Free	Free	Free	Free
	From 03 days up to 10 Days	Rs. 2 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 2 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 2.30 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 2.56 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 2.85 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 3.18 per Kg. or part thereof or Rs. 30 whichever is higher
	From 11 days up to 20 Days	Rs. 3 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 3 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 3.45 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 3.84 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 4.28 per Kg. or part thereof or Rs. 30 whichever is higher	Rs. 4.77 per Kg. or part thereof or Rs. 30 whichever is higher
	From 21 days up to 30 Days	Rs. 4.50 per Kg.	Rs. 4.50 per Kg.	Rs. 5.18 per Kg.	Rs. 5.77 per Kg.	Rs. 6.42 per Kg.	Rs. 7.15 per Kg.
	Beyond 30th Day	Rs. 6 per Kg.	Rs. 6 per Kg.	Rs. 6.90 per Kg.	Rs. 7.69 per Kg.	Rs.8.56 per Kg.	Rs. 9.54 per Kg.

S. No.	Charges	FY 2021-22 (Existing Rate)	FY2022-23 (April to June) (Existing Rate)	FY 2022-23 (w.e.f. 01.07.2022)	FY 2023-24	FY 2024-25	FY 2025-26
2	**International Exports**						
	Facilitation Fees	Rs. 7 per Kg.	Rs. 7 per Kg.	Rs. 8.05 per Kg.	Rs.8.97per Kg.	Rs. 9.99 per Kg.	Rs. 11.13 per Kg.
	X-Ray Charges (Exports)	Rs. 1.75 per Kg.	Rs. 1.75 per Kg.	Rs. 2.01 per Kg.	Rs. 2.24 per Kg.	Rs. 2.50 per Kg.	Rs. 2.78 per Kg.

NOTES:

Tariff Rates mentioned above include the concession fee/royalty & airport levy charged by the Airport Operator;

1. *All the Tariff rates mentioned above are excluding applicable taxes;*
2. *Tariff determined as above will be maximum Tariff to be charged from the users of the cargo handling service. No other charges to be levied over and above the approved Tariff;*
3. *Export Cargo- Ref. to MoCA Order no. AV-16011/3/2016-ER dated 02.12.2016 total free period available for export cargo would be 48 hrs. (i.e. Two working days) as decided by Govt. of India from time to time;*
4. *Import Cargo- Free period shall be 48 hrs from segregation time or as decided by Govt. of India from time to time;*
5. *Free storage period for express shipment shall be 48 hrs. Including the date and time of the arrival of flight. For the next 48 hrs. (02 working days), demurrage will be charged at "per kg; per 24 Hours" non-cumulative basis, provided the consignment is cleared within 96 hrs. (Four working days). If clearance is affected after 96 hrs. (04 working days) demurrage will accrue for the entire period from the date/time of the arrival of the flight;*
6. *All the charges may be rounded off to nearest Rs. 1.*