

**[F.No. AERA/20010/MYTP/KSIE/TVM/C/2011-12]**  
**Airports Economic Regulatory Authority Of India**  
**Order No.4/2011-12**

AERA Building,  
Administrative Complex,  
Safdarjung Airport,  
New Delhi -110 003

Date of Order: 26<sup>th</sup> July, 2011

Date of Issue: 27<sup>th</sup> July, 2011

**In the matter of Multi Year Tariff Proposal submitted by  
Kerala State Industrial Enterprises Limited for the services  
provided for Cargo Facility at the Air Cargo Terminal,  
Thiruananthapuram International Airport, Thiruananthapuram**

Kerala State Industrial Enterprises Limited (KSIEL) have submitted their Multi Year Tariff Proposal (MYTP) for the services provided for the Cargo facility at Air Cargo Terminal, Thiruananthapuram International Airport, Thiruananthapuram in respect of the 1st Control Period of 5 years starting w.e.f 01.04.2011, vide their application dated 20.05.2011. KSIEL, is a Government of Kerala Undertaking, and was incorporated on 25th January 1973. The main activities of KSIE at present are management of Air Cargo Complexes at Trivandrum and Calicut Airports; Marketing/ Trading and E-Commerce; Functioning as the Virtual Office of APEDA in Kerala; Managing Kerala Soaps Unit at Calicut and Setting up of a Container Freight Station at Kalamassery, Cochin.

2.1 KSIEL have submitted the MYTP as per Chapter II of 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).

2.2 As stipulated in the Guidelines, the Authority shall follow a three stage process for determining its approach to the regulation of a regulated service –

- (i) Materiality Assessment;
- (ii) Competition Assessment;
- (iii) Assessment of reasonableness of the User Agreements between the service providers and the users of the regulated services.

2.3 In respect of the regulated service(s) provided for the cargo facility at the airport, the Authority considers that materiality of the service is linked to the cargo volume at the major airport. The materiality shall be assessed based on cargo volume in MT at the major airport as a percentage of cargo volume in metric MT at all major airports, in terms of Clause 4.3 of the Guidelines. It is observed that the percentage share of cargo volume for Thiruananthapuram International Airport, Thiruananthapuram, as per April-2009 to March'2010 AAI statistics, is 1.7% which is less than 2.5% Materiality Index fixed for the subject service. Hence the regulated service is deemed '**not material**'.



2.4 As per the Guidelines (Clause 3.2 of the Guidelines), based on the assessment of materiality, when such regulated service is deemed 'not material', the Authority shall determine tariff(s) for the service provider(s) based on a light touch approach. In the instant case, the regulated service being provided by KSIEL at Air Cargo Terminal, Thiruananthapuram International Airport, Thiruananthapuram is 'not material' and shall come under the light touch approach for tariff determination.

3.1 In view of the position stated above, the Authority, vide Consultation Paper No. 07/2011-12 dated 22.06.2011, proposed for stakeholder consultation that the cargo service being rendered by KSIEL at the Air Cargo Terminal, Thiruananthapuram International Airport, Thiruananthapuram is "not material" and hence the Authority may adopt a "light touch approach" for determination of tariff for the 1<sup>st</sup> Control Period w.e.f. 01.04.2011.

3.2 The Authority has not received comments from any stakeholder other than KSIEL itself, who have vide their letter No. ACC/60(01)/432 dated 05.07.2011 submitted that the assessment made in the Consultation Paper for a light touch approach is as per the Guidelines issued by the Authority.

3.3 Further, it has been submitted that:

- (i) The cargo tariff at Trivandrum Cargo Terminal was last revised on 01.04.2007 and are comparatively lower when compared to the rates prevailing at other cargo complex.
- (ii) KSIEL was called upon to spend substantial amount towards relocation of its export cargo operations at the Air Cargo Terminal, Trivandrum Airport.
- (iii) KSIEL has also been required to provide fully furnished office accommodation, EDI service centre along with attached facilities and residential accommodation, transport facilities to the Customs Department.
- (iv) The company has also been called upon to bear the cost of CISF security expenses for the Export Complex.

3.4 In view of the above, KSIEL have submitted that it has become imperative to revise the tariff to continue its operation in a smooth and viable manner as the expenses towards Customs and CISF were not anticipated by them. While they were considering an increase w.e.f. 01.04.2011, the subject service had come under the ambit of this Authority and hence making it mandatory to seek the permission of this Authority before implementing any such tariff revision.

3.5 KSIEL have, hence, indicated that any revision in tariff shall now be from a prospective date and have submitted that the Authority consider the aspects mentioned above before passing appropriate orders after considering the submissions of other stakeholders.





4. The Authority has carefully considered the submissions made by KSIEL as at para 3.3 to 3.5 and notes that it is, presently, considering the MYTP submitted by the KSIEL. The tariff(s) will be determined pursuant to the Annual Tariff proposal (ATP) to be filed within 75 days of the MYTP being decided by the Authority (Clause 7.4 of the Guidelines refers). Therefore, KSIEL, shall have sufficient time to undertake stakeholder consultation and submit a revised tariff, if required, for the consideration of the Authority.

5. Upon careful consideration of material available on record, and the submissions made by the KSIEL, the Authority, hereby orders that:

- (i) Services provided for the cargo facility by the Kerala State Industrial Enterprises Ltd, at Air Cargo Terminal, Thiruananthapuram International Airport, Thiruananthapuram are 'not material'. Hence these shall be regulated under 'light touch' approach during the first control period of 5 years commencing 01.04.2011.
- (ii) KSIEL may submit the ATP for the first tariff year of the first control period for the consideration of the Authority within a period of 75 days of the issue of this Order in accordance with the Guidelines.

By the Order of and in the  
Name of the Authority

  
(Sandeep Prakash)  
Secretary

To,

M/s Kerala State Industrial Enterprises Ltd.,  
St. Joseph Press Building,  
Cotton Hill,  
Trivandrum – 695 014  
(Through Shri Febi Varghese, Managing Director)

