

**F.No. AERA/20010/MYTP/DCSC-IGI/2011-12]**

**Airports Economic Regulatory Authority of India**

**Order No. 13/2011-12**

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

**Date of Order : 29<sup>th</sup> September,2011**

**Date of Issue : 7<sup>th</sup> October,2011**

**In the matter of Multi Year Tariff Proposal submitted by M/s Delhi Cargo Service Centre Private Limited for the services provided for Cargo Handling Facility at Cargo Terminal, IGI Airport, New Delhi.**

M/s Delhi Cargo Service Centre Private Limited (DCSC) have vide application dated 29.06.2011, submitted their Multi Year Tariff Proposal (MYTP) for the first control period of 5 years commencing w.e.f. 01.04.2011, in respect of the tariff for the services provided for Cargo Facility at the Cargo Terminal, IGI Airport, New Delhi. Subsequently, DCSC have also submitted their Annual Tariff Proposal (ATP) vide their letter no. nil dated 05.07.2011.

2.1 DCSC have submitted that the Greenfield Cargo Terminal is being developed in multiple phases and the first phase of the Terminal was expected to be ready for commercial operations by 01.08.2011 wherein cargo handling and warehousing services for all types of international cargo will be provided to customers.

2.2 In terms of Clause 3.5 and Clause 7.1 of the Guidelines [The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to Aircraft) Guidelines, 2011] issued by the Authority, a new Service Provider who has been granted permission for providing the regulated service(s) at a major airport shall, within two months of the date of grant of such permission, submit to the Authority for its consideration, a MYTP in accordance with the Guidelines.

2.3 In respect of the regulated service(s) provided for cargo facility at the major airports, the Authority considers that materiality of the service is linked to the cargo volume at the major airport. The materiality shall be assessed based on cargo volume in Metric Tonnes (MT) at the major airport as a percentage of cargo volume in MT at all major airports, in terms of Clause 4.3 of the Guidelines [The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to Aircraft) Guidelines, 2011]. The percentage share of cargo volume for IGI Airport, is 26.4% which is greater than 2.5% Materiality Index fixed for the subject service. Hence the service is deemed 'material'.





2.4 As per the information furnished by DCSC in Form F1 (b) on the Competition Assessment, following service provider is rendering similar service at IGI Airport:

(i) M/s Celebi Delhi Cargo Terminal Management India Pvt. Ltd.

2.5 The Guidelines provide that where a regulated service is being provided at a major airport by two or more service providers(s), it shall be deemed 'competitive' at that airport. In the instant case with the total number of players being two, the service is deemed 'material but competitive.'

2.6 As per Clause 3.2 of the Guidelines, based on the assessment of materiality and competition, when such regulated service is deemed 'material but competitive', the Authority shall determine tariff(s) for the service provider(s) based on a light touch approach for the duration of the Control Period. Hence the regulated service being provided by DCSC at IGI Airport, New Delhi is 'material but competitive' and shall come under the light touch approach for tariff determination.

2.7 DCSC have furnished the basis for arriving at the details, including the Aggregate Revenue Requirements, the rationale for the projections/various parameters used; justification, assumptions and cost drivers used for calculating O&M Expenditure; supporting documents for the administration and general expenses and also for R&M Expenditure etc;

2.8 DCSC have submitted that they have initiated user consultation process with all stakeholders (airlines, agents, shippers, forwarders and customs officials) in order to address all concerns and issues regarding the process to be adopted for

- (i) cargo handling;
- (ii) tariff to be levied; and
- (iii) the quality of services.

2.9 DCSC have also submitted a summary of the consultation that has taken place with the stakeholders. As regards user agreements, DCSC have adopted the Standard Ground Handling Agreement (SGHA) as per IATA guidelines and submitted that agreements with each airline are modified to fit the individual requirements based on feedback from the legal department of the concerned airlines, and different levels of service quality requirements; and that in the cargo industry. The agreements will be formalized only after start of commercial activities.

2.10 DCSC have submitted details of their capex plan, depreciation, basis of arriving at the operation and maintenance expenditure in the proposal. As regards assessment of O&M expenditure, it has been submitted that since international terminal has not commenced operation, O&M expenditure is based on their experience in handling cargo, asset base created and the required service level as defined in the Service Level Agreements (SLAs). However, for domestic terminal, which is already in operation, the projection of the O&M costs are based on the past figures and projection for the cost and revenue for remaining 4 years of the control period is based on inflation (weighted average of CPI Industrial worker and WPI. 50% weight has been allocated to both the indices).

2.11 According to DCSC, the Greenfield Cargo Terminal shall cater to perishable cargo, general cargo (export & import) and domestic cargo. DCSC have submitted that they have determined aggregate revenue requirement in line with requirement





in the guidelines and have submitted the details of all computation to various regulatory building blocks along with the proposal.

2.12 DCSC had also requested for confidentiality of certain financial information, sensitive to their business.

3. The Authority considered the MYTP submitted by DCSC:

(i) This is the first control period for which the tariff determination is being undertaken. DCSC's facilities are likely to become operational very soon. Therefore, in terms of clause 3.4 of the Guidelines, a view could be taken that the service provided by DCSC would be "material but competitive", even though at the commencement of control period only one service provider i.e., Celebi was providing the subject service.

(ii) The Authority also noted that DCSC had submitted the MYTP/ATP for cargo facility services provided by them in respect of IGI Airport, New Delhi as per the timelines prescribed in the Guidelines.

4. Accordingly, the Authority, vide Consultation Paper No. 15/2011-12 dated 27.08.2011, proposed for stakeholder consultation that

(i) The cargo service by DCSC at IGI Airport, New Delhi is 'material' but 'competitive' 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.

(ii) ATP submitted by DCSC may also be approved at this stage itself with effect from the date of commencement of operations by DCSC.

5. In response to the aforesaid Consultation Paper, comments have been received from Air India (AI).

6.1 The Authority observed that the comments of AI pertain to the approach determined by the Authority to assess competition. The Authority, therefore, felt that it would itself need to address the points raised by AI, as the comments of the AI are not of a nature for which some factual matter needs to be verified from third party - like the airport operator or the service provider.

6.2 The issues raised by Air India and the Authority's views on each are as under:

(i) AI stated that "*with the two players the situation as on date is DCSC is only catering for domestic cargo handling and Celebi for international cargo handling and therefore it is monopolistic situation and to be treated under 'material but non-competitive environment'. Given the status-quo situation, the airlines have no option and is compelled to go the individual handlers and agree on the prices charged by the individual concessionaires*".

In this regard, upon considering the submissions by DCSC, the Authority is of the opinion that it is apparent that DCSC is seeking approval of charges in respect of the operations at their international terminal only. Further, there exists M/s Celebi Delhi Cargo Terminal Management India Pvt. Ltd. (i.e., Celebi Cargo) which is already providing international cargo services at IGI Airport, Delhi. Hence, the services provided for International cargo facility by DCSC would be "competitive" owing to the fact that the day DCSC's facility starts its operations, there will be an existing player, i.e., Celebi Cargo providing



similar services. Thereafter, the airlines will also have an option of choosing between two service providers. In all, action of DCSC to commence its operation will be conducive to engender competition. But they cannot do so unless AERA determines the tariffs. Hence to determine tariffs for DCSC will be in public interest.

- (ii) AI has further stated that *“the two service providers (DCSC and CDC) get benefit in terms of assured duopoly till the total cargo handled in the aggregate of the preceding 12 months at the IGI Airport reaches mutually agreeable (among DIAL, DCSC and CDC) volumes or 2 million tonnes, whichever is earlier. After that DIAL has the right to introduce a third terminal operator for development and operation of another cargo terminal offering similar services. Therefore, even after both the concessionaires start handling international and domestic cargo, the duopoly situation may lead to other problems”*.

In this regard, the Authority observes that in its comments on Consultation Paper No. 5/2010-11 relating to determination of tariff for services provided for cargo facility, ground handling and supply of fuel to the aircraft guidelines, NACIL had comments as under:

*“.....AERA has proposed defining “competition” as a regulated service being provided by three or more service providers. NACIL suggests that this be reduced to two or more service providers and supports the view of various stakeholders in this regard. Our experience at Cochin airport where we compete with BWFS Bird support this view.....”*

It was based on their and similar comments at the time of framing the Guidelines that AERA revised the proposal of “three or more service providers” to “two or more service providers” scenario to be treated as “competitive” during “competition” assessment. Hence, it is incorrect for AI now to make a completely contrary suggestion at this stage. Furthermore, once “competition” is defined as two or more players, the issue of “duopoly” is irrelevant, apart from being somewhat of a tautology. Nor has AI elaborated on what other problems it apprehends by the duopoly situation. Therefore, the Authority is not persuaded to accept AI’s contention that the two-player scenario at IGI Airport will not amount to a “competitive” environment.

- (iii) AI has also stated that *“also DIAL has a 26% stake in both the cargo concessionaires at Delhi. With the Airport operating having a stake in both the concessionaires it is their view that it is non-competitive environment also. With DIAL having a material interest in the business; one as a shareholder - share of the profit, two as the Airport Operator – revenue from concession fee it will lead to a non-competitive environment wherein DIAL will be able to have an active say in the rates charged to airlines. Hence it is their view that even though the market will have two players it should fall under material but non-competitive environment.”*

The Authority is not persuaded by the argument that by 26% equity stake, DIAL will have a decisive say in the decision making process of



DCSC. Moreover, Authority was of the view that the composition of various service providers as well as a monopolistic or restrictive or unfair trade practice – if indulged in by any entity, is outside the Authority's jurisdiction. Authority was then of the view that the inherent competition in a two-service provider environment should adequately take care of any concerns in this regard.

## ORDER

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

- (a) The services provided by Delhi Cargo Service Centre Private Limited, the Cargo facility Service provider at IGI Airport, New Delhi are "material but competitive". Hence the Authority will adopt a "light touch approach" for determination of tariff for the 1<sup>st</sup> Control Period w.e.f 01.04.2011
- (b) Approved the tariff for the cargo services provided by DCSC at IGI Airport, Delhi, with effect from the date of commencement of operations by DCSC as per **Annexure I**.

By the Order of and in the  
Name of the Authority

  
(Capt. Kapil Chaudhary)  
Secretary

To,

M/s Delhi Cargo Service Centre Pvt. Ltd.,  
A-294/1, Road No. 6, NH-8,  
Mahipalpur Extension,  
New Delhi – 110037  
(Through: Shri Radharamanan Panicker, Managing Director & CEO)





Form - 14(b) - 1  
City Side Tariff

MAX. TARIFF FOR TERMINAL STORAGE AND PROCESSING CHARGES (TSP), DEMURRAGES AND OTHER CHARGES AT NEW CARGO TERMINAL BUILT, MANAGED AND OPERATED BY DELHI CARGO SERVICE CENTER PVT LTD AT DELHI AIRPORT

S.No.	Charges		Rate	Remarks
<b>1. TSP Charges</b>				
1.1.	Export	General Cargo	Rs 1.00 / Kg subject to minimum of Rs.100 per AWB	Charges include unloading from trucks at truck docks
		Special Cargo*	Rs 2.00 / Kg subject to minimum of Rs.200 per AWB	
1.2.	Import	General Cargo	Rs 4.50 / Kg subject to minimum of Rs.225 per AWB	Charges include loading into trucks at truck docks
		Special Cargo*	Rs 9.00 / Kg subject to minimum of Rs.450 per AWB	
<b>2. Demurrage Charges beyond free period</b>				
2.1.	Export Cargo	General Cargo	RS 1.25 / Kg / Day	Demurrage free period shall be as per government order issued from time to time
		Special Cargo*	Rs 2.50 / Kg / Day	
2.2.	Import - General Cargo	Beyond free period & upto 5 days	Rs 1.50 / Kg / Day	Demurrage free period shall be as per government order issued from time to time
		Between 5 - 30 days	Rs 3.00 / Kg / Day	
		Beyond 30 days	Rs 4.50 / Kg / Day	
2.3.	Import - Special Cargo*	Beyond free period & upto 5 days	Rs 3.00 / Kg / Day	
		Between 5 - 30 days	Rs 6.00 / Kg / Day	
		Beyond 30 days	Rs 9.00 / Kg / Day	
2.4.	Import - Valuable Cargo*	Beyond free period & upto 5 days	Rs 6.00 / Kg / Day	
		Between 5 - 30 days	Rs 12.00 / Kg / Day	
		Beyond 30 days	Rs 18.00 / Kg / Day	
<b>3. Security Charges</b>				
3.1.	Export	- If inclusive of X-ray / Physical examination	Rs 2.00 / Kg subject to minimum of Rs.200 per AWB	If Chargeable to shipper
		- If exclusive of X-ray / Physical examination	Rs 1.15 / Kg subject to minimum of Rs. 115 per AWB	



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4. 512B Charges				
4.1.	Export	DGR Acceptance fee	Rs 2000 / AWB	
		Live Animal export acceptance	Rs 2000 / AWB	
4.2.	Import	Delivery Order Fees - MAWB	Rs 1000 / AWB	
		Delivery Order Fees - HAWB	Rs 500 / AWB	
5. Other Charges				
5.1.	Export	Special Handling ( Pharmaceutical, to maintain product temperature on request)	Rs 2000 / Pallet	Only applicable if special packaging of ULD is required
		Back to Town	50 % of applicable TSP charges	If not cleared within 24 hrs of intimation, demurrage charges will be applicable
5.2.	Export/Import	Handling of Shipper Built ULD or handling of full ULD for delivery to Consignee	50 % of applicable TSP charges	

Note

- 1 Consignment of human remains, coffins including baggage of deceased & Human eyes will be exempted from the perview of TSP charge.
- 2 TSP charges is inclusive of forklift use inside the terminal. No additional forklift charges will be levied.
- 3 Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the "actual gross weight" or the "actual volumetric weight" whichever is higher.
- 4 Minimum charge for TSP will be for 100 kgs for export and 50 kgs for import - gross or chargeable weight of consignment, whichever is higher.
- 5 Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/or any other such cargo which requires/have special handling/storage instructions
- 6 Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelor's cheque, diamonds (including diamonds of industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg & above.
- 7 Demurrage free period shall as per government order issued from time to time
- 8 For misdeclaration of weight above 2% and upto 5% of declared weight penal charges double the applicable TSP charges will be levied. For variation above 5%, the penal charges will be five times the applicable TSP charges of the differential weight. No penal charges will be there for variation upto and inclusive of 2%. This will not apply to Valuable Cargo.
- 9 While it is our intention not to allow any other agencies to operate inside the facility, in case for special reason exporters wants to engage their own labour, discount of 5% will be granted in TSP charges for offloading the cargo from truck and putting on custom examination area, and on pallets.
- 10 Packing / Repacking charges will also be applicable in case required.
- 11 All invoices will be rounded off to nearest Rs.5. As per IATA Tact Rule book Clause-5.7.2, rounding off procedure, when rounding off Unit is 5.

For Example:

When the results of calculations are between/and	Rounded off amount will be
102.5 - 107.4	105
107.5 - 112.4	110

- 12 In case of premium service request, such service shall be provided at a premium of 25% over normal handling rates.



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**Air Side Tariff**

**MAXIMUM TARIFF FOR VARIOUS ELEMENTS OF CARGO HANDLING FOR THE AIRLINES CUSTOMERS AT CARGO TERMINAL BUILT, MANAGED AND OPERATED BY DELHI CARGO SERVICE CENTER PVT LTD AT DELHI AIRPORT**

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S.No.	Charges	Price	Currency	Price Driver	Remarks
1	Export Handling General Cargo Special Cargo	2.10 2.50	INR INR	Per KG Per KG	subject to minimum charge of INR1000 per flight
2	Import Handling General Cargo Special Cargo	1.75 2.25	INR INR	Per KG Per KG	subject to minimum charge of INR1000 per flight
3	Cargo handling for Transfer Cargo	2.20	INR	Per KG	
4	Security Handling - If inclusive of X-ray / Physical examination - If exclusive of X-ray / Physical examination	2.00 1.15	INR INR	Per KG Per KG	subject to minimum charge of INR1000 per flight
5	Demurrage charges a) Export Cargo - General cargo - Special cargo - Valuable cargo b) Import Cargo - General cargo - Special cargo - Valuable cargo	1.50 2.50 6.00 1.50 3.00 6.00	INR INR INR INR INR INR	Per KG Per KG Per KG Per KG Per KG Per KG	
6	Handling of Shipper Built ULD or handling of full ULD for delivery to Consignee	50% of Applicable Handling Charges	INR	Per KG	
7	DRY Ice Checklist charges	1000	INR	Per AWB	
8	DGR Acceptance fee	2000	INR	Per AWB	
9	Live Animal export acceptance charges	2000	INR	Per AWB	
10	Export Perishable Temperature Check as per CHM	150	INR	Per AWB	
11	Valuable escort service to & fro to the aircraft	1100	INR	Per AWB	
12	Full HAWB data capture charges	50	INR	Per AWB	
13	ULD cleaning charges	5000	INR	Per Unit	

S.No.	Charges	Price	Currency	Price Driver	Remarks
14	DGR-fee, in case shipment above 20 pieces	50	INR	Per Additional Unit	
15	Special Handling	2000	INR	Per Unit	Pharmaceutical, to maintain product temperature on request by shipper/airline
16	Charges Collect Fees	500	INR	per AWB	



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Note:

- 1 Demurrage will be applicable to airlines if custom cleared cargo is stored in the warehouse beyond the free period in case of export cargo
- 2 In case of import cargo, demurrage will be applicable in case the segregation of import cargo is not completed due to airline fault.
- 3 Handling rates provided above are inclusive of scope of handling services including physical handling, document handling and IT handling.
- 4 Handling rates will vary depending on whether the document handling fees are collected by the airline or DCSC.
- 5 Charges will be on the "gross weight" or the "chargeable weight" of consignment, whichever is higher. Wherever the "gross weight" and (or) volume weight is wrongly indicated on the AWB and is actually found more, charges will be levied on the
- 6 In case of premium service request, such service shall be provided at a premium of 25% over normal handling rates.
- 5 Special cargo consists of perishable and temperature sensitive products, live animals, hazardous goods, valuables and/or any other such cargo which requires/have special handling/storage instructions
- 6 Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveler's cheque, diamonds (including diamonds of industrial use), diamond jewelry & watches made of silver, gold, platinum and items valued at USD 1000 per kg & above.
- 7 Demurrage free period shall as per government order issued from time to time



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