

Airports Economic Regulatory Authority of India

Order No. 15/2018-19

**AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi – 110003.**

Date of Issue: 16.08.2018.

**Service : Cargo Handling Services.
Service provider : Concor Air Limited
Airport : Chhatrapati Shivaji International Airport, Mumbai.**

In the matter of Multi Year Tariff Proposal (MYTP) and Annual Tariff Proposal(ATP) for the second control period in respect of M/s CONCOR AIR LIMITED (M/S CONCOR)for providing Domestic Cargo Handling Services at Chhatrapati Shivaji International Airport, Mumbai.

1. M/s Concor Air Limited is the one of the Cargo Handling agencies appointed by Mumbai International airport Ltd. (MIAL) for carrying out Cargo Handling services at Chhatrapati Shivaji International Airport, Mumbai. The Domestic and International Cargo terminals are separate terminals, independent of each other and located at different locations. The Concession agreement in respect of Domestic Cargo was entered between M/s Concor and MIAL on 18.02.2013 on Build Own Operate and Transfer (BOOT) basis and valid upto 30.09.2024. M/s Concor started its operations from 01.05.2013 at the existing Domestic Common User Terminal at Marol, Mumbai. MIAL commenced domestic cargo operations at CSLA in 2010. The Authority in terms of Order No. 32/2012-13 dated 15.01.2013 allowed M/s Concor the third party concessionaire to charge the tariff as were being charged by MIAL on the date of taking over of service. The tariff effective/applicable from 1.04.2009 for Domestic Cargo being operated by M/s Concor is still continuing till date. The Authority vide the following Orders allowed AOs/ISPs to continue with the existing tariff till the determination of tariffs for Second Control period:

- a) Order No.50/2015-16 dated 31.03.2016.
- b) Order No. 11/2016-17 dated 29.09.2016.
- c) Order No. 19/2016-17 dated 31.03.2017.
- d) Order No. 12/2017-18 dated 29.09.2017.

2. M/s Concor submitted their MYTP/ATP for Domestic Cargo online on 17th March, 2016 and submitted the consolidated Balance Sheet for FY 2016-17 and FY 2017-18. M/s Concor has submitted ATP for FY 2016-17 wherein, M/s Concor has proposed tariff increase of 20%. M/s Concor submitted the Annual Compliance



Statement (ACS) for the FY 2016-17 and FY2017-18. M/s Concor has submitted the Concession Agreement entered with MIAL for examination of the Authority. M/s Concor has projected an increase of 5% in volume year on year from FY 2018-19 to FY2020-21.

3. a) Materiality: As per Clause 4.4 of the CGF Guidelines, 2011 for the regulated service(s) provided for Cargo Handling facility at the major airports, the percentage share of Cargo Handling for Chhatrapati Shivaji International Airport, Mumbai is **27.89%** which is greater than **2.5%** Materiality Index (MIg) for the above subject service. Hence the regulated service is deemed '**Material**' for the second control period.

b) Competition: As per the information available, M/s CSC is the other Cargo Service Provider which is rendering similar service at Chhatrapati Shivaji International Airport. However, M/s EICI is providing Courier Cargo Service at the same airport. As two Cargo Handling agencies are operating, the Cargo Handling service is deemed '**Competitive**'.

c) Reasonableness of existing User Agreement(s): M/s Concor has submitted valid User Agreements for Chhatrapati Shivaji International Airport, Mumbai. Till date none of the Users has complained on the Cargo Handling services of M/s Concor.

4. i) The Authority considered the submissions by M/s Concor and issued a Consultation paper No. 07/2018-19 dated 22nd June, 2018 wherein, the Authority proposed that the service for Cargo handling being provided by M/s Concor at Chhatrapati Shivaji International Airport, Mumbai, is deemed "**Material and Competitive**" and hence in accordance to the provisions of Chapter V of the AERA Guidelines, the tariff will be determined under "**Light Touch Approach**" for the duration of Second Control Period (01.04.2016 to 31.03.2021). The Authority proposed in the above Consultation Paper that that M/s Concor may be allowed to charge tariff with an increase tariff of 11% in FY2018-19 on the existing tariff and continue with same tariff for FY 2019-20 and FY2020-21.

(ii) The Authority noted that M/s Concor's Return on Average RAB i.e. -7.04% for FY 2016-17 and -1.83% for FY 2017-18 and the turnover/loss % in FY 2016-17 and FY2017-18 is -6% and -2% respectively.

(iii) The Authority observed that M/s Concor incurred losses in FY 2016-17 & FY2017-18 mainly due to increase in minimum wages and considered the shortfall while calculating the Aggregate Revenue Requirement (ARR) for FY2018-19.

(iv) The Authority sought written evidence based feedback, comments and suggestions from stakeholders on the above mentioned consultation paper (CP) by



13th July, 2018. The Authority vide email dated 24.04.2018, informed the same to all concerned stakeholders on their registered email IDs. In response, M/s Concor and Mumbai International Airport Ltd. (MIAL) submitted their comments on the proposal made by the Authority. No other stakeholder has commented on the Consultation Paper. The Authority vide Public Notice No. 15/2018-19 dated 19.07.2018 displayed in its website the comments of the above mentioned stakeholders.

(v) The Authority vide above mentioned Consultation Paper(CP) proposed/assumed an volume increase of 18% in FY2018-19 and 16% for FY2019-20 & FY2020-21 on the basis of past CAGR. The above assumption resulted in proposed 11% increase in tariff. M/s Concor & MIAL commented on CP that the future growth in volume at CSI Airport, Mumbai would be curtailed due to congestion and limited increase in Aircraft Traffic Movement (landing/parking) due to fewer slots left to be filled. The Authority after quantifying/examining the comments received from above mentioned stakeholders decided to moderate the volume increase to 14% year on year for FY2018-19 to FY2020-21. It was found that 20% tariff increase in FY2018-19 will be sufficient to meet the ARR of the ISP. The Authority further decided that the increased tariff in FY2018-19 should be continued/maintained at same level for FY2019-20 and FY2020-21.

ORDER

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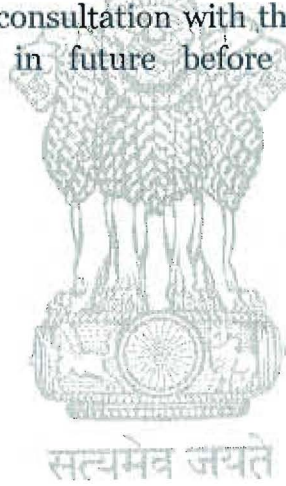
Upon careful consideration of the material available on record, the Authority, in exercise of powers conferred by Section 13(1) (a) of the AERA Act, 2008, hereby orders that:

- (i) The service for Cargo handling being provided by M/s Concor at Mumbai International Airport Ltd (MIAL) “**Material and Competitive**” and hence in accordance to the provisions of Chapter V of the AERA Guidelines, the tariff will be determined under “**Light Touch Approach**” for the duration of Second Control Period (01.04.2016 to 31.03.2021).
- (ii) The Authority is of the view that ‘the Guidelines’ need not be followed in a routine manner. Further even in ‘Light Touch approach,’ the Authority examines the margins, the growth of profit and Return on RAB to ensure that extraordinary profits do not accrue to the service provider and that the ultimate customer is not burdened with higher tariffs as the latter does not have any say in the User Agreements.
- (iii) Having regard to reasonable Return on RAB, as detailed in Consultation Paper, the increase proposed by M/s Concor in tariff of 25% to 30% year on year from FY 2018-19 to 2020-21 is not allowed. However having regard to higher operating costs and the loss being incurred by M/s Concor a one time increase of 20% on the existing tariff is considered sufficient to provide a



reasonable return to the ISP. Accordingly, M/s Concor is allowed to charge tariff from the date of issue of the order to 31.03.2021 of the second control period for Cargo Handling Service rendered at Mumbai International Airport, Mumbai as per **Annexure-I**.

- (iv) Tariff determined as above will be maximum tariff to be charged. No other charge is to be levied over and above the approved tariff.
- (v) M/s Concor should submit Annual Compliance Statements duly audited and conduct the Stakeholders consultation with the users on the proposed Annual Tariff Proposals (ATPs) in future before approaching AERA for tariff determination.



By the Order of and in the
Name of the Authority

(Ramendra Pratap Shukla)
Deputy Chief

To,

**CONCOR AIR LIMITED (CONCOR),
Concor Bhawan,
C-3, Mathura Road,
New Delhi - 110076.
(Through Shri Deepak Kapoor, Chief Executive Officer)**



M/s Concor Air Limited.

Annexure-I

Annual Tariff for FY2018-19, FY 2019-20 and FY2020-21 from the date of issue of this order.

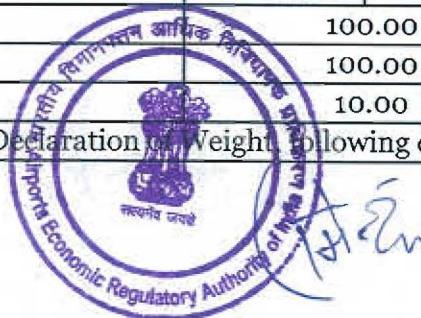
Domestic Cargo Payable by Shippers/Consignors/Agents

A) Inbound Charges

Sl No	Particulars	Current Rate (in Rs.)		Tariff for FY2018-19, FY2019-20 & FY2020-21	
		Minimum	Rate per kg	Minimum	Rate per kg
1	Terminal Charges				
	(Terminal Charges inclusive of Offloading/Loading/Shifting & Forklift Usage)				
1.a	General Cargo	100.00	0.90	120.00	1.08
1.b	Special (AVI)	200.00	1.80	240.00	2.16
1.c	PER/DGR/VAL	200.00	1.80	240.00	2.16
2	Courier Handling	100.00	1.00	120.00	1.20
3	In addition to the above, in the event of Mis-Declaration of Weight, following charges				
3.a	2%-5% variation		1.30		1.56
3.b	More than 5%		3.25		3.90

Outbound Charges

Sl No	Particulars	Current Rate (in Rs.)		Tariff for FY2018-19, FY2019-20 & FY2020-21	
		Minimum	Rate per kg	Minimum	Rate per kg
1	Standard Charges for processing and handling				
	(Terminal Charges inclusive of Offloading/Loading/Shifting & Forklift Usage)				
1.a	General Cargo	100.00	0.90	120.00	1.08
1.b	Special (AVI)	200.00	1.80	240.00	2.16
1.c	PER/DGR/VAL	200.00	1.80	240.00	2.16
2	Courier Handling	100.00	1.00	120.00	1.20
3	Amendment in Airway Bill (Per AWB)	100.00		120.00	
4	Return Cargo Charges (Per AWB)	100.00		120.00	
5	Strapping Charges (Per Bag)	10.00		12.00	
6	In addition to the above, in the event of Mis-Declaration of Weight, following charges				



6.a	2%-5% variation	1.30	1.56
6.b	More than 5%	3.25	3.90

Domestic Cargo-Payable by Airlines

Sl No	Particular	Rate per kg	Min Charges	Minimum Charges	Tariff for FY2018-19, FY2019-20 & FY2020-21	
1	Cargo Handling Charges	0.86	216	per flight	1.03	260.00
2	Screening Charges	1.35	135	per AWB	1.62	162.00
3	Transit Segregation	1.08	135	per flight	1.30	162.00
4	Transit Storage	1.08			1.30	0.00
5	Documentation Charges	1.08	216	per flight	1.30	260.00
Notes:						
Additional Services & Charges						
	DGR Acceptance Check		1512	Per AWB	1814.40	
	Dry Ice acceptance Checklist		756	Per AWB	907.20	
	Live Animal Acceptance		1080	Per AWB	1296.00	

Demurrage Charges/ Storage - Payable by Shipper/consignors/agents/airlines

A) Inbound

Sl. No.	Particular	Minimum Rates	Rates per Kg	Tariff for FY2018-19, FY2019-20 & FY2020-21	
1	General	125.00	0.90	150.00	1.08
2	Special	200.00	1.80	240.00	2.16
3	Per/DGR/VAL	200.00	1.80	240.00	2.16

B) Outbound

Sl. No.	Particular	Minimum Rates	Rates per Kg	Tariff for FY2018-19, FY2019-20 & FY2020-21	
1	General	125.00	0.90	150.00	1.08
2	Special	200.00	1.80	240.00	2.16
3	Per/DGR/VAL	200.00	1.80	240.00	2.16



Note (INBOUND & OUTBOUND CARGO)

- 1 Consignment of Human Remains, Coffins including unaccompanied Baggage of the deceased and Human eyes will be exempted from the Purview of
- 2 Free Period for Outbound Cargo/ Inbound cargo shall be one day (24hrs) for Shipper's / consignee which would be revised based on determination by the Govt. from time to time.
- 3 All bills will be rounded off to the next INR 5 as per rules.
- 4 All Charges above are excluding any taxes and levies and the same will be charged extra as per rules.
- 5 All charges will be levied on "Gross Weight" or "Chargeable Weight" whichever is higher. Wherever the gross weight or volume weight is indicated on Airwaybill and found more; Charges would be levied on " Actual Gross Weight "or Actual Volumetric Weight which ever is higher.
- 6 Valuable consignment means "cargo with high declared value for example, rare and precious metal such as gold , Platinum, iridium, rhodium, ruthenium, osmium and palladium and their alloy/products; various precious stone, rubies, emeralds, sapphires, opals, jade articles, diamond, pearl and its jewellery/product; watches made of silver, gold or platinum, valuable documents including books, paintings, and antiques etc; currency notes, securities, stamps and articles that have been declared with value of no less than 1000 US Dollars per kilogram of gross weight.

