

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

Airports Economic Regulatory Authority of India

Order No. 26/2019-20

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

Date of Order: 19th February, 2020

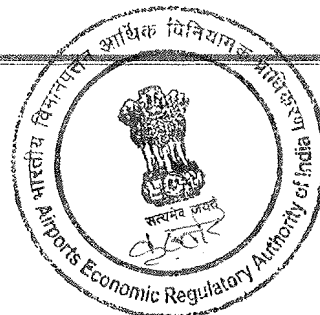
Service : Cargo Handling Services
Service provider : M/s Kerala State Industrial Enterprises Limited
(KSIEL)
Airport : Trivandrum International Airport,
Thiruvananthapuram.

In the matter of the Annual Tariff Proposal for Tariff Year 4 and Tariff Year 5 (01.04.2019 to 31.03.2020 & 01.04.2020 to 31.03.2021) of the second control period (01.04.2016-31.03.2021) of M/s Kerala State Industrial Enterprises Ltd. (KSIEL) for providing Cargo Handling services at Trivandrum International Airport.

The Authority had issued Multi Year Tariff Order (MYTO) No. 36/2017-18 dated 23.01.2018, ordering that the cargo handling service rendered by KSIE at Trivandrum International Airport, is "not material" and hence the Authority will adopt "light touch approach" for determination of tariff for the second control period w.e.f. 01.04.2016-31.03.2021. The Authority also determined the tariff for 1st, 2nd & 3rd tariff year of the 2nd control period accordingly. Further the tariffs prevailing as on 31.03.2019 is extended up to 31.03.2020 vide various orders issued by AERA from time to time.

2. As per clause 7.4 of the Authority's Guidelines [Airports Economic Regulatory Authority of India (Terms and Condition for determination of tariff for services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011], after issuance of the MYTO, the service provider shall submit to the Authority its ATP (s), provided that an ATP shall be submitted at least 75 days prior to the start of the Tariff Year. As per the clause 11.2 of the Guidelines, the ATP is required to be submitted in the form and manner as provided in Appendix AI 8.2 wherein it is mentioned that the ATP should be supported by:

- Form B and Form F14 (b),
- Detail of consultation with stakeholders
- Evidence of User Agreements clearly indicating the Tariff(s) proposed by the service provider.



3. M/s Kerala State Industrial Enterprises Limited (KSIEL) has submitted its ATP for Tariff year 4 (2019-2020) and Tariff year 5 (2020-21) vide submission dated 19.10.2019. M/s KSIEL has also submitted the Annual Compliance Statement (ACS) for the FY 2016-17 to 2017-18 along with a Chartered Accountant's Certificate stating that the financial statements submitted are based on the data compiled by the management from the unaudited financials approved by the Board of Directors of the company. M/s KSIEL has also submitted a copy of the customs approval for Cargo operations up to 31.12.2023 vide letter dated 21.12.2018.

4. On a review of the existing approved tariff rates of M/s KSIEL, Trivandrum with the proposed tariff rates for Tariff year 4 and Tariff year 5, it has been observed that M/s KSIEL has proposed 19% increase in TSP charges of export general cargo and 14% increase for perishable cargo, however no increase is proposed for valuable cargo and X-ray charges. 50% increase is proposed for import general cargo.

5. In support of the proposed increase in tariff, KSIEL has submitted that:

- Rs. 180 Lakhs is proposed to be invested in FY 2020-21
- Increase in lease rent from Rs.243 per sq. mtr. to Rs.1575 per sq. mtr. by Airports Authority of India
- Increase in administrative and other running cost
- Decrease in cargo volume.

6. The Authority has observed that, as per the submission, the volume of cargo handled by KSIEL at Trivandrum airport is reduced from 27872 MT in 2016-17 to 26169 in 2017-18 and further reduced to 23017 in 2018-19. As per the submissions, M/s KSIEL incurred a loss of Rs. 0.97 lakhs in 2016-17 and Rs. 133.25 lakhs in 2017-18 and had marginal profit of Rs.65 lakhs in FY 2018-19. The Authority also observed that M/s KSIEL has conducted the User Consultation meeting on 19.07.2019 but the Stakeholders are unwilling to accept the proposed increase in tariff for the time being but agreed for a bilateral dialogue, if required. However, the users highlighted the requirement of improved infrastructure facilities in cargo terminal before effecting revision in tariff. In this regard KSIEL has stated that proportionate tariff hike quintessential to stay in the line, meeting all expenditure. Further they have decided to purchase new equipments also to improve the infrastructure facility in cargo terminal. In view of justifications submitted by KSIEL viz. loss for the last two years, decrease in the volume, the Authority proposed to consider the revised proposal submitted by KSIEL and sought comments of the stakeholders on the proposed increase in tariffs for cargo services provided by KSIEL at Trivandrum Airport.

7. M/s KSIEL further informed that the lease agreement with AAI for the land taken on lease is not renewed and the same is under litigation due to enhanced licence fee imposed by AAI. However, the Authority noted that M/s KSIEL is operating the Cargo Handling Service at Trivandrum International Airport since 1979.

8. The Authority considered the submissions made by KSIEL and issued the Consultation Paper No. 12/2019-20 dated 23.12.2019 proposing the following for stakeholder consultation:

- (i) Allow KSIEL to continue the levy of tariffs existing as on 31.03.2019 till implementation of revised tariff for FY 2019-20.



- (ii) Revised tariff as submitted by M/s KSIEL shall be applicable for FY 2019-20 and FY 2020-21.
- (iii) Tariff proposed as above will be maximum and demurrage free period shall be as per Government orders issued from time to time.

9. **Stakeholders Comments**

9.1 **M/s FIA** submitted that there should be no increase in tariff from the existing rates as suggested by stakeholders in user consultation meeting and also to maintain the market stability for cargo operations at Trivandrum Airport. FIA further submitted that there should be nominal TSP charges for agriculture products / perishable cargo as such nominal charges would benefit farmers and promote the transportation of the agricultural products / produce. FIA further submits that since perishable commodities have low commercial value, nominal / low tariff should be charged on such perishable cargo.

9.2 **ACAAI:** The increase in rate proposed by M/s Kerala State Industrial Enterprises Ltd. (KSIEL) is recommended subject to implementation of the capex proposals which are mentioned in CP No. 12/2019-20 dated 23.12.2019, as the existing infrastructure at Trivandrum Airport is not up to the standard which was committed in the earlier years by KSIEL.

10. In response to Stakeholders comments, M/s KSIEL stated the following:

- I) No revision of tariff had been made during 2013 to 2018 in Trivandrum Air cargo Complex and only a very nominal increase was made for the year 2018-19. Even the revised tariff as approved by AERA was negotiated by the Trade and the reduced rate is applicable for the last two years.
- II) The rate proposed is for the period 2020-21 with a nominal increase to the tariff year 2018-19. The reasons for the proposed revision is due to the following reasons:
- KSIE is installing new x-ray machine, ETD machine and other allied items in the export Terminals of KSIE at Trivandrum.
 - KSIE is in the process of getting Regulated Agent Status as prescribed by BCAS and for the same also earlier mentioned infrastructure facilities are needed.
 - Moreover, X-ray screeners are to be engaged by KSIE in addition to the necessary induction of staff.
 - Increase in wages and salary to the staff is another reason for the proposed increase in tariff.
 - Increase in the cost of other utilities, fuel, consumables, repair and maintenance charges of equipments etc. also cause for the proposed enhancement.



11. **Authority's Analysis**

11.1 The Authority observed that FIA commented not to increase the tariff as suggested by stakeholders in user consultation meeting held by KSIE and also to maintain the market stability for cargo operations at Trivandrum Airport, however, ACAAI recommended the tariff increase subject to the implementation of capex proposed in the consultation paper.

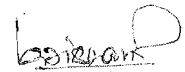
11.2 The Authority considered the comments of M/s FIA and ACAAI, the trade body representing Cargo Agents, and also considered the view of M/s KSIE on the comments of the Stakeholders. Considering the proposed capital expenditure and low volume of cargo handling at Trivandrum airport, Authority decides to increase the tariff as proposed by M/s KSIEL at Trivandrum Airport. However, M/s KSIE may ensure the timely completion of additional infrastructure facilities proposed during this control period.

ORDER

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

- (i) The Authority has decided to allow KSIEL to continue the levy of tariffs existing as on 31.03.2019 for FY 2019-20.
- (ii) The tariffs for the fifth tariff year (FY.2020-21) of the second control period for cargo handling services provided by Kerala State Industrial Enterprises Ltd at Trivandrum International Airport, Thiruvananthapuram are determined, as at "**Annexure I**".
- (iii) The revised tariff will be effective from 01.04.2020.
- (iv) Tariff proposed as above will be maximum and demurrage free period shall be as per Government orders issued from time to time.

Order issued in the Name of the Authority



(Ram Krishan)
Director (Policy & Statistics)

To

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

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



KSIE - Trivandrum

International Cargo		2020-21	
		Rate in Rupees Per Kg	Minimum Rate per AWB
Type of Cargo		per kg	Rate
A.	Export Cargo		
a	Terminal, Storage and Processing Charges		
	General Cargo	0.95	150.00
	Valuable Cargo	6.00	1000.00
	Perishable	0.80	150.00
	News Paper and TV reel consignment	0.70	125.00
b	Demurrage charges		
	General Cargo (rate per Kg per day above 36 hours)	0.95	150.00
	Valuable Cargo (rate per Kg per day above 36 hours)	10.00	1500.00
	Perishable(rate per Kg per day above 36 hours)	0.80	150.00
	News Paper and TV reel consignment(rate per Kg per day above 36 hours)	0.70	125.00
c	X-ray Screening charges	1.50	0.00
B	Import Cargo		
a	TSP		
	General Cargo	4.50	200.00
	Valuable Cargo	6.00	1000.00
	Perishable	3.00	150.00
	News Paper and TV reel consignment	0.70	125.00
b	Demurrage charges		
b1	General Cargo		
	up to 7 days	0.00	0.00
	IIInd week (8 to 14 days)	1.20	250.00
	IIIrd week (15 to 21 days)	1.50	250.00
	IVth week onwards (from 22nd day onwards)	1.65	250.00
b2	Valuable Cargo		
	8th day onwards	10.00	1500.00
b3	Perishable	0.70	150.00
b4	News Paper and TV reel consignment	0.70	125.00
C	Charges for handling Transshipment Cargo		
c1	Tansshipment charges- International to International	3.00	250.00
c2	Tansshipment charges- International to Domestic	3.00	250.00

