

**Airports Economic Regulatory Authority of India**

**Order No. 01/2020-21**

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

**Date of Order: 03<sup>rd</sup> April, 2020**

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

**In the matter 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 Calicut International Airport.**

The Authority had issued Multi Year Tariff Order (MYTO) No. 34/2017-18 dated 10.01.2018, ordering that the cargo handling service rendered by KSIEL at Calicut 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 1<sup>st</sup>, 2<sup>nd</sup> & 3<sup>rd</sup> tariff year of the 2<sup>nd</sup> control period accordingly. Further the tariffs prevailing as on 31.03.2019 is extended up to 31.03.2020 vide various orders issued by the 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 public notice No.04/2018 dated 01.03.2018 issued by Customs Department granting approval for Cargo operations up to 30.11.2021.

4. On a review of the existing approved tariff rates of M/s KSIEL, Calicut 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. 13% increase is proposed for import general cargo. M/s KSIEL vide email dated 24.01.2020 has submitted the revised proposal for de palletisation/de containerisation charges of Rs. 0.75 paise per Kg and the minimum charge per Airway bill as Rs.60/- as against the original proposal of Rs.0.80 paise per Kg and Rs.100/- per AWB.

5. In support of the proposed increase in tariff, KSIEL has stated that no increase was made during the year from 2007-2011, and only a nominal increase was made in the year 2012 and 2013, with no increase made in 2014-15 to 2016-17. The increase approved by AERA for 2017-18 was implemented from Feb' 2018. KSIEL also stated that it has added additional infrastructures at Calicut cargo complex i.e. provision of new x-ray machine, trolleys, office automation items etc.

The Authority also noted that the following Capex has been proposed at Calicut Air Cargo Terminal by M/s KSIEL:

- X Ray Machine 50 lakhs
- Hydraulic Trolleys 2 lakhs
- Furniture & Fixtures 8 lakhs

6. M/s KSIEL has implemented the last revision from February 2018, hence, the financial analysis of KSIEL for F Y 2017-18 and 2018-19 is given below:

Particulars	2017-18	2018-19	Increase/Decrease
Volume of Cargo handled (in MT)	19464	19261	(-) 1%
Total Revenue (Rs in Lakhs)	447	760	70%
Profit after Tax (Rs in Lakhs)	109	353	224%
Profit Margin (in %)	24%	46%	22
Average RAB (Rs in Lakhs)	602	555	(-) 47
Return on Average RAB (in %)	18%	64%	46



7. The Authority also observed that M/s KSIEL has conducted the User Consultation meeting on 19.07.2019. However, the stakeholders highlighted the requirement of improvement in infrastructure facilities in cargo terminal before effecting any revision in tariff. Even though, KSIEL has stated that they have decided to purchase new equipments to improve the infrastructure facility and the proposed tariff hike is quintessential, the Authority considering the return on RAB and profit margin, is of the view that the existing tariff is sufficient to meet the requirement of M/s KSIEL at Calicut Airport.

8. Regarding the Authority's observation on validity of MOU beyond 16.08.2020 with AAI/AAICLAS, M/s KSIEL has clarified that they are hopeful of getting the MoU renewed for 3 years beyond 16.08.2020 with AAI/AAICLAS.

9. The Authority considered the submissions made by KSIEL and issued the Consultation Paper No. 19/2019-20 dated 19.02.2019 proposing the following for stakeholder consultation:

- (i) The Authority proposes to continue the existing approved tariff for F Y 2019-20 and F Y 2020-21.
- (ii) Tariff proposed as above will be maximum and demurrage free period shall be as per Government orders issued from time to time.

10. The Consultation Paper No. 19/2019-20 dated 19.02.2020 was put on AERA website and the last date for receipt of Stakeholder comments was 11.03.2020. Till date no comments/views have been received from any stakeholder. Hence, the Authority presumes that the Stakeholders have no objection to the proposal.

11. In view of above, the Authority has decided to continue with the existing tariff of Cargo services at Calicut airport for the remaining period of second control period (01.04.2016 to 31.03.2021). In case there is no extension of MOU for Cargo Services between KSIEL and AAI/AAICLAS at Calicut Airport beyond 16.08.2020 then the tariff will be valid up to 16.08.2020 only.

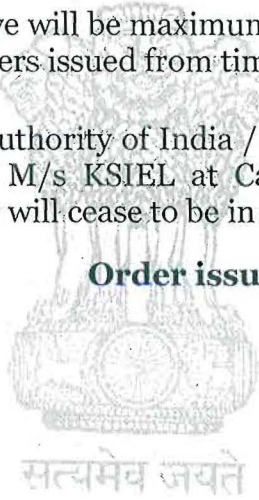


## ORDER

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 to levy the existing approved tariffs as on 31.03.2019 (**Annexure – I**) for F Y 2019-20 and FY 2020-21.
- (ii) Tariff proposed as above will be maximum and demurrage free period shall be as per Government orders issued from time to time.
- (iii) In case the Airports Authority of India / AAICLAS does not renew the Cargo Handling Services of M/s KSIEL at Calicut International Airport beyond 16.08.2020, this order will cease to be in operation beyond 16.08.2020.

**Order issued in the Name of the Authority**



*Ram Krishan*

**(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.**

**AERA**



**Kerala State Industry Enterprises**  
**Annual Tariff Year 2019-20 and 2020-21**

International Cargo				2019-20 & 2020-21	
Type of Cargo					
Export Cargo				Rate in Rupees per Kilogram	Minimum rate per AWB
1		<b>Terminal, Storage and Processing Charges</b>			
	a	General		0.80	150
	b	Valuable Goods		6.00	1000
	c	Perishable		0.70	125
	d	Newspaper and TV reel Consignments		0.70	125
	e	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.		0.00	0
2		<b>X-Ray Screening Charges</b>		1.50	0
3		<b>Demurrage Charges-Export Cargo</b>			
	a	General		0.80	150
	b	Valuable Goods		10.00	1500
	c	Perishable		0.70	125
	d	Newspaper and TV reel Consignments		0.70	125
	e	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.		0.00	0
<b>Import Cargo</b>					
1		<b>TSP Charges</b>			
	a	General		4.00	185
	b	Valuable Goods		6.00	1000
	c	Perishable		0.00	0
	d	Newspaper and TV reel Consignments		0.00	0
	e	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.		0.00	0
2		<b>DE Palletisation/DE Containerisation/DE Unitisation/DE Staffing Charges</b>			
	a	General		0.50	30
	b	Valuable Goods		0.00	0
	c	Perishable		0.00	0
	d	Newspaper and TV reel Consignments		0.00	0
	e	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.		0.00	0
3		<b>Demurrage Charges- Import Cargo</b>			
	a	General		1.25	265
	b	Valuable Goods		10.00	1500
	c	Perishable		0.00	0
	d	Newspaper and TV reel Consignments		0.00	0
	e	Human remains, Coffin including unaccompanied baggage of Deceased and Human Eyes etc.		0.70	150
<b>Transshipment Cargo</b>					
1		Transshipment charges-International to International		3.00	250
2		Transshipment charges-International to Domestic		3.00	250

