



# Airports Economic Regulatory Authority of India

**Multi Year Tariff Proposal for 1<sup>st</sup> Control Period  
submitted by Cargo Service Centre India Private  
Limited for providing Cargo handling services at  
Perishable Cargo Terminal, CSI Airport, Mumbai**

**New Delhi: 3<sup>rd</sup> June, 2011**

**AERA Building  
Administrative Complex  
Safdarjung Airport  
New Delhi – 110 003**

Cargo Service Centre India Private Limited (CSC), have submitted their Multi Year Tariff Proposal (MYTP), for the first control period of 5 years, for providing Cargo Handling Services at the Perishable Cargo Terminal at CSI Airport, Sahar Cargo Complex vide their proposal dated 09.05.2011. CSC had also sought interim approval to start cargo handling service at the Perishable Cargo Terminal at CSI Airport, Mumbai by 16.05.2011 and approval of the proposed tariff till the final Multi Year Tariff Order is issued by this Authority.

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.

3. On preliminary scrutiny, it was observed that while **CSC's perishable cargo** terminal was expected to be ready for commercial operations by 01.05.2010 and CSC have had several rounds of stake holder consultations with the Trade in **December'2010, the proposal** seeking interim approval to start cargo handling service at the subject facility was submitted only on 09.05.2011 seeking interim approval to start cargo handling service at CSC Perishable Cargo Terminal at CSI Airport, Sahar Cargo Complex, Mumbai by 16.05.2011.

4. Since the Authority had to follow a transparent consultative process while exercising its powers and discharging its functions, in terms of Section 13 (4) of the AERA Act, 2008, the Authority vide its letter dated 13.05.2011, conveyed to CSC that it would not be possible for this Authority to approve the tariff without following the laid down procedure and grant approval by the date (i.e., 16.05.2011) as proposed in their proposal.

5. Subsequently, the proposal submitted by CSC has been examined. CSC in their **MYTP, have submitted that they are registered under the Company's Act, 1956** and were awarded a concession by Mumbai International Airport Limited (MIAL) to design, build, operate and manage second Perishable Cargo Terminal at CSI Airport, Mumbai. The project is a BOT Concession for a period of 5 years.

6. In respect of 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 airport. The materiality shall be assessed based on cargo volume in 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 percentage share of cargo volume for Mumbai Airport, as per April-2009 to March'2010 AAI statistics, is 30.7% which is greater than 2.5%. Hence the service is deemed 'material'.**

7. As per the information furnished by CSC in Form F 1(b) on the Competition Assessment, following service providers are rendering similar services at Mumbai airport:

- a. Air India – managing and operating the existing perishable cargo terminal called the APEDA Facility as well as the general cargo facility
- b. MIAL – which operates the general cargo facility as well as provides the facility for storage of temperature controlled products

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 more than two the service is deemed 'material' but competitive.**

8. The Guidelines further provide that the Authority shall determine tariff(s) for service providers(s) based on a light touch approach for the duration of the control period wherever such regulated service is 'material but competitive'

9. CSC have also submitted the Annual Tariff Proposal for the first tariff year of the Control Period, i.e., 2011-12 (w.e.f 16.05.2011) as at **Annexure –I** (collectively)

10. The proposal made by CSC was considered by the Authority in its 39<sup>th</sup> Meeting and 40<sup>th</sup> Meeting held on 26.05.2011 and 03.06.2011 respectively. The Authority also noted that in terms of Clause 7.3 & 7.4 of the Guidelines, the Authority shall upon due consideration of the MYTP and stakeholder consultations thereon make a Multi Year Tariff Order (MYTO) for a Control Period. After issuance of the MYTO, the service provider shall submit its Annual Tariff Proposal (ATP). The ATP for the first tariff year of the first control period is required to be submitted within 75 days of the issue of MYTO. As per Clause 11.2, the ATP is required to be submitted in the manner and form provided in AI.8.1 of Appendix I. The proposal is required to be supported by the following:-

- a) Details of consultations with stakeholders
- b) Evidence of User Agreements clearly indicating the Tariff proposal by the service provider and agreed to by the User.

11. It was observed that CSC has started operating w.e.f. 16.5.2011 and has not been able to charge for the services provided in absence of approval of tariff by the Authority. CSC have confirmed that until approval of the tariff is received from the Authority no TSP, security or handling charges would be collected and have requested this Authority to expedite the approval of the MYTP. CSC have submitted the ATP for 2011-12, i.e., the first tariff year of the first control period along with the MYTP. CSC have adopted standard user agreement as per IATA guidelines and the same have been modified to fit the individual requirement of the airline based on feedback from the legal dept of the concerned airline. CSC have submitted that at the moment, three carriers have indicated verbal acceptance of their proposed tariff and desire to use their services and Emirates has confirmed acceptance of CSC's tariff by acknowledging the tariff proposal.

12. In view of the above, the Authority has after careful consideration of the proposal tentatively decided as under:

- (i) The service for perishable cargo being provided by CSC at CSI Airport, **Mumbai is 'material' and 'competitive'**. Therefore, the Authority tentatively decided to adopt a **"Light Touch Approach"** for determination of tariff for the 1<sup>st</sup> Control period w.e.f 01.04.2011.
- (ii) CSC has started operating w.e.f. 16.5.2011 and has not been able to charge for the services provided in absence of approval of tariff by the Authority. In order to ensure the economic and viable operations of CSC, the Authority, as a special case, decided to propose the approval for the ATP for the first tariff year, i.e., 2011-12, w.e.f 16.05.2011 **(Annexure I)** at this stage itself.

13. The above tentative decision of the Authority is hereby put forth for stakeholder consultation. In the circumstances and the fact that the entity is proposed to be regulated under light touch approach, the Authority has decided to accept the claim of confidentiality in respect of MYTP submissions, wherever claimed, and has redacted relevant information from the proposal. Remaining documents are at **Annexure-II** collectively

14. The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in para 12 above, latest by 17.06.2011 at the following address:

**Shri Sandeep Prakash**

**Secretary**

**Airports Economic Regulatory Authority of India**

**AERA Building,**

**Administrative Complex,**

**Safdarjung Airport,**

**New Delhi- 110003**

**Email: [sandeep.prakash@aera.gov.in](mailto:sandeep.prakash@aera.gov.in), [sandeep.moca@nic.in](mailto:sandeep.moca@nic.in)**

**Tel: 011-24695040**

**Fax: 011-24695039**

**Yashwant S. Bhawe**  
**Chairperson**

BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

AT NEW DELHI

SUBMISSION OF PROPOSAL FOR DETERMINATION OF ANNUAL TARIFF FOR AND ON BEHALF OF:


M/S CARGO SERVICE CENTER INDIA PRIVATE LIMITED

I, Radharamanan Panicker, aged 52 year's resident of Flat No. 305, Dheeraj Basera, Opposite Soni Complex, Malad (W), Mumbai- 64, acting in my official capacity as Chief Executive Officer in M/s Cargo Service Center India Private Limited having its registered office at 301-303, Rangoli, Sahar road, Sahar, Andheri (E), Mumbai- 99 do hereby state and affirm as under that:

1. That I am duly authorized to act for and on behalf of M/s Cargo Service Center India Private Limited in the matter of making this submission before the Airports Economic Regulation Authority of India, New Delhi ('the Authority');
2. I am competent to make this submission before the Authority;
3. I am making this submission in my official capacity and the facts stated herein are based on official records;
4. The contents of the Annual Tariff Proposal submission which include inter alia:
  - (i) Proposed detailed break-up of Tariff(s) based on Clause 11.2 where the Authority has specified a light touch approach for the duration of the Control Period, pursuant to Clause 3.2;

and

- (ii) Justifications are correct and true to my knowledge and belief and nothing material has been concealed there from.

  
Radharamanan Panicker  
Chief Executive Officer



Form F14(a): Annual Tariff Proposal for Tariff Year t - Format for providing information on EMAY(ref: Section A1.8 of Appendix I)

S.No.	Particulars	For Tariff Year t
1	Yield per Unit	INR 5.88 Per Kg.
2	Error Correction term (from year t-2)	0
3	Estimated Maximum Allowed Yield (EMAY)	INR 5.88 Per Kg.

Note:

- 1) Year 1 Aggregate Revenue Requirement ( ARR) as per guidelines is INR 21.17 Crores
- 2) Estimated Volume to be handled from the Perishable Cargo Terminal\* 36,000 Metric Tonnes

\*

The total estimated Tonnage of Temperature Controlled Pharmaceuticals and other Perishable products is around 100000 Ton Per annum and we are expecting around 35% to 36% to handle in the first year. This is also on the higher side because we have only Two Truck docks available for receiving the cargo.

*Handwritten signature*



-h/2

Form - 14(b)

A - City Side Tariff

**TARIFF FOR TERMINAL STORAGE AND PROCESSING CHARGES (TSP) AT NEW PERISHABLE CARGO TERMINAL  
BUILT, MANAGED AND OPERATED BY CARGO SERVICE CENTER INDIA PVT LTD AT MUMBAI AIRPORT  
EFFECTIVE FROM 1ST APRIL, 2011 AND VALID FOR ONE YEAR**

S.No.	Charges	Rate	Chargable to	Remarks
1	TSP Charges for Non Horticulture product requiring temperature control	Rs 1.50 / Kg subject to minimum of Rs.150 per AWB	Forwarder / Shipper / Airline	Free period shall be one working day(24 hours) for examination/processing by shipper. Charges include offloading from trucks
2	TSP Charges for Horticulture product like Fruits, Vegetable and flowers	Rs 0.75 / Kg subject to minimum of Rs.75 per AWB	Forwarder / Shipper / Airline	Free period shall be one working day(24 hours) for examination/processing by shipper. Charges include offloading from trucks
3	Demurrage/Storage Charges beyond 24 hrs free period	Rs.1.50 per kg per day subject to minimum of Rs.150 per AWB	Forwarder / Shipper / Airline	Storage is subject to availability
<b>Optional Services</b>				
4	Special Handling ( Pharmaceutical, to maintain product temperature on request)	Rs 2000 / Pallet	Shipper / Airline	Only applicable if special packaging of ULD is required
5	Back to Town	50 % of TSP charges	Forwarder / Shipper	If not cleared within 24 hrs of intimation, storage charges will be applicable

- Note
- 1.TSP charges is inclusive of forklift use
  - 2.Charges will be on gross weight or chargeable weight of consignment, whichever is higher
  - 3.Minimum charge for TSP will be for 100 kgs - gross or chargeable weight of consignment, whichever is higher
  - 4.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.
  - 5.All invoices will be rounded off to nearest Rs.5.



Form - 14(b)

B - Air Side Tariff

**GENERAL TARIFF FOR VARIOUS ELEMENTS OF CARGO HANDLING FOR THE  
AIRLINE CUSTOMERS AT NEW PERISHABLE CARGO TERMINAL BUILT  
MANAGED AND OPERATED BY CARGO SERVICE CENTER INDIA PVT LTD AT  
MUMBAI AIRPORT**

**EFFECTIVE 1<sup>ST</sup> APRIL 2011 AND VALID FOR ONE YEAR**

S.No.	Price Driver	Price	Currency
1	Export handling per kg for Horticulture, Sea food and meat products including fruits, vegetable and flowers, subject to a minimum chargeable weight of 500 kgs per flight	3	INR
2	Export handling per kg for all other product including Pharmaceuticals and Vaccines, subject to a minimum chargeable weight of 500 kgs per flight	2.25	INR
3	DGR export acceptance per AWB	1400	INR
4	DRY Ice Checklist per AWB	700	INR
5	DGR-fee, in case shipment above 20 pieces, per additional piece	50	INR
6	ULD cleaning / unit	5000	INR
7	Perishable cargo storage beyond free period after acceptance per kg per day subject to minimum chargeable weight of 100 kgs per AWB	1.5	INR
8	Full HAWB data capture per HAWB	26	INR
9	X-ray screening/physical examination per Kg subject to minimum chargeable weight of 500 kgs per flight	1.75	INR
10	Special Handling ( Pharmaceutical, to maintain product temperature on request by shipper/airline) per pallet	2000	INR





- 3 -

ANNEXURE - II

BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

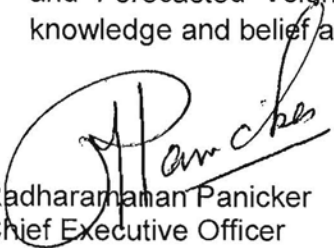
AT NEW DELHI

SUBMISSION OF MULTI YEAR TARIFF PROPOSAL FOR AND ON BEHALF OF:

M/S CARGO SERVICE CENTER INDIA PRIVATE LIMITED

I, Radharamanan Panicker, aged 52 year's, resident Flat No. 305, Dheeraj Basera, Opposite Soni Complex, Malad (W), Mumbai- 64 of acting in my official capacity as Chief Executive Officer in M/s Cargo Service Center India Private Limited having its registered office at 301-303, Rangoli, Opposite Air Cargo Complex, Sahar Road, Andheri (E), Mumbai- 99 do hereby state and affirm as under that:

1. That I am duly authorized to act for and on behalf of M/s Cargo Service Center India Private Limited in the matter of making this submission before the Airports Economic Regulatory Authority of India, New Delhi ('the Authority') ;
2. I am competent to make this submission before the Authority;
3. I am making this submission in my official capacity and the facts stated herein are based on official records ;
4. The contents of this submission which include inter alia (i) Business Plan; (ii) Information relating to the Regulatory Building Blocks; (iii) Competition Assessment; (iv) Historical and Forecasted Volumes; and (v) Historical Revenues, are correct and true to my knowledge and belief and nothing material has been concealed there from.

  
Radharamanan Panicker  
Chief Executive Officer

form F1(a): Historical and Proposed Revenue Requirement

Figures in INR Cr

S No	Aggregate Revenue Requirement	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
		1	2	3	4	5
1	Return on RAB	3.33	3.34	3.30	3.26	2.95
	Regulatory Asset Base (RAB)	19.16	17.61	17.44	17.22	15.55
	Fair Rate of Return (FRR)	18.9%	18.9%	18.9%	18.9%	18.9%
2	Depreciation	1.49	1.62	1.72	1.72	1.73
3	Expenses	15.49	19.17	21.17	22.73	24.74
	Concession Fees	5.97	6.82	7.11	7.39	7.65
	Payroll Costs	4.12	4.76	5.45	5.73	6.22
	Administrative and General Costs	2.43	2.90	3.26	3.58	4.01
	Utilities and Outsourcing Costs	2.26	2.90	3.28	3.70	4.18
	Repair and Maintenance Costs	0.14	1.06	1.18	1.31	1.45
	Interest on Working Capital	0.11	0.13	0.15	0.17	0.19
	Other Outflows	0.45	0.59	0.71	0.86	1.03
4	Tax	0.86	0.87	0.86	0.85	0.77
5	Revenue from non-regulated Services	0.00	0.00	0.00	0.00	0.00
6	Aggregate Revenue Requirement	21.17	24.99	27.06	28.56	30.18

**Form 1(b) - Competition Assessment (Ref: Sec A1.3 of Appendix 1)**

SI No	Details of competitive facilities
1	Air India
2	Mumbai International Airport Limited (MIAL)
3	Cargo Service Center (CSC)



Form F7: Format for identifying Initial Regulatory Asset Base (ref:Section A1.5 of Appendix I)

Fixed Asset already commissioned as on...								
	Asset Name	Asset Type	Description of the Asset	Commission Date	Useful Life years	Original Cost of Asset	Depreciation Rate	Accumulated Depreciation
1	Material Handling	Plant & Machinery	Material Handling	1st April, 2011	10	6.73	10%	-
2	Handling Equipments	Plant & Machinery	Material Handling	1st April, 2011	10	0.59	10%	-
3	Civil	Building	Building Construction Cost	1st April, 2011	30	1.55	3%	-
4	PEB	Building	Building Construction Cost	1st April, 2011	30	1.76	3%	-
5	Architect	Building	Building Construction Cost	1st April, 2011	30	0.11	3%	-
6	Electrical	Building	Building Construction Cost	1st April, 2011	30	0.86	3%	-
7	Fire Hydrant	Building	Building Construction Cost	1st April, 2011	30	0.33	3%	-
8	External wiring & Peripheral construction	Building	Building Construction Cost	1st April, 2011	30	0.10	3%	-
9	Misc.	Building	Building Construction Cost	1st April, 2011	30	0.58	3%	-
10	Interior Cost	Furniture & Fittings	Office Setup Cost	1st April, 2011	16	1.44	6%	-
11	Airconditioning	Furniture & Fittings	Office Setup Cost	1st April, 2011	16	0.15	6%	-
12	Puf Panel & Refrigeration Cost	Electrical Installation	Refrigeration	1st April, 2011	7	1.75	14%	-
13	X-Ray	Electrical Installation	Security Equipments	1st April, 2011	14	1.35	7%	-
14	Security Access System	Electrical Installation	Security Equipments	1st April, 2011	14	0.10	7%	-
15	IT Hardware & software	Electrical Installation	IT Hardware & Software Cost	1st April, 2011	6	0.45	16%	-
16	Other Project related Expenditure Capitalised		Finance & Legal Expences capitalised	1st April, 2011		2.05		-
	<b>Total</b>					<b>19.91</b>		-

		Last available audited year	Financial year before tariff	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
A	Opening RAB			19.91	18.42	16.80	18.08	16.36
	Building			5.90	5.72	5.52	8.22	7.93
	Plant & Machinery			8.15	7.38	6.54	5.69	4.85
	Electrical Installation			4.08	3.65	3.19	2.72	2.25
	Furniture & Fittings			1.77	1.67	1.56	1.44	1.33
B	Additions- WIP Capitalization					3.00		0.12
	Building					3.00		
	Plant & Machinery							
	Electrical Installation							0.12
	Furniture & Fittings							
C	Disposals / Transfers							
	Building							
	Plant & Machinery							
	Electrical Installation							
	Furniture & Fittings							
D	Depreciation Charges	-	-	1.49	1.62	1.72	1.72	1.73
	Building	-		0.18	0.20	0.30	0.30	0.30
	Plant & Machinery	-		0.77	0.84	0.84	0.84	0.84
	Electrical Installation	-		0.43	0.47	0.47	0.47	0.48
	Furniture & Fittings	-		0.10	0.11	0.11	0.11	0.11
E	Closing RAB (A+B-C-D)			18.42	16.80	18.08	16.36	14.74
	Building			5.72	5.52	8.22	7.93	7.63
	Plant & Machinery			7.38	6.54	5.69	4.85	4.01
	Electrical Installation			3.65	3.19	2.72	2.25	1.89
	Furniture & Fittings			1.67	1.56	1.44	1.33	1.22
F	Average RAB			19.16	17.61	17.44	17.22	15.55

- # Projected values to be provided  
# fields in italics are indicative only  
# information for last financial year for which audited accounts are available

**Form 11 (a) : Employee Strength (ref: Section AI.5 of Appendix I)**

S.N.	Particulars - with detailed breakup	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
A	Department-wise Full-Time Employees					
	Management	7	7	7	7	7
	Operations	116	116	131	138	144
	Security	43	43	43	45	49
	Support Staff	11	11	11	12	12
	Total	177	177	192	202	212
B	Department Part-Time/Contractual Employees					
	Department 1					
	Department 2					
	Department 3					
	Department 4					