
Re: Stakeholder's Consultation Meeting w.r.t C P No. 11/2021-22, In the matter of determination of Aeronautical Tariff of HIAL for the Third Control Period

From : dineshk aviation <dineshk.aviation@gmail.com> Tue, Jul 20, 2021 10:08 PM
Subject : Re: Stakeholder's Consultation Meeting w.r.t C P No. 11/2021-22, In the matter of determination of Aeronautical Tariff of HIAL for the Third Control Period 📎 2 attachments
To : Manu Sooden <secretary@aera.gov.in>
Cc : RAM KRISHAN <director-ps@aera.gov.in>, Jaimon Skaria <jaimon.skaria@gov.in>

Secretary,
Airport Economic Regulatory Authority,
AERA Building
Administrative Complex,
Safdarjung Airport, New Delhi – 110003

Dear Sir,

Greetings from DACAAI

Sub : **Written submissions in respect of Consultation Paper no. C P No. 11/2021-22, In the matter of determination of Aeronautical Tariff Proposals HIAL for the Third Control Period.**

With reference to AERA Consultation Paper no. 11/2021-22, in the matter of determination of Aeronautical Tariff for HIAL for the Third Control Period DACAAI's written submissions suggestions/comments are as under :-

The pandemic and lockdowns had an devastating impact on aviation and all its component stakeholders like airlines, airports and the service providers in related businesses including domestic air cargo handling. During pandemic, the domestic air cargo freight remained unregulated unlike the passenger fares and this resulted in movement of essential goods and medical supplies only, to combat the covid. The tonnage of domestic air cargo declined from 1.32 lakh MMT in 2019-20 to just 0.95 MMT in 2020-21, registering 28% dip. Most domestic service providers are MSMEs and even they have been affected so much that many have been driven out of business due clients non payment or delays.

Any kind of increase in the tariff over the previous control period only go to add the logistics costs on the users and therefore, needs to be taken with a careful consideration of the market affordability.

1. Domestic Air Cargo has stiff competition from Road transport:

Domestic Air Cargo faces much competition from Road/Rail. Since the terminal charges are very high and when air freight, first and last mile cost is added to it, the domestic consignments including the agri-horti and perishable products become unviable for air carriage. Besides, the average total terminal charges per kg on domestic cargo comes to Rs.10 per kg. In this price, the shippers can get their cargo by road at their door or warehouse. The air loses its premium product position.

This results in domestic air cargo moving away from air to Road/Rail since road infrastructure have become much more better with express highways which are preferred for next day (24 hours) delivery timelines. But the effect is coming upon the aviation sector especially when a huge flight capacity has been

created. Since the last decade number of aircraft have risen from 250 to 640 and more are on order. As you are aware, number of freighters in domestic sector now has increased from 7 five years ago, to 26. Indigo, Spicejet, Blue Dart and others are ordering more aircraft to be operated as freighters. Even pax aircraft were used as freighters during pandemic.

2. Different Cargo Terminals Operators, Different Charges

We have observed that there is a vast difference in the terminal charges at different cargo terminals operated by JV, Private and AAICLAS. As a principle, for the same service of domestic cargo handling by air, one can expect a 5-10% variation, but as an example here between Ahmedabad and JV operated Bengaluru there is a difference of 67.88% for outbound cargo charges (Ahmedabad o/b is Rs.7.37 per kg & BLR it is 4.39 per kg). DCSC, Delhi Airport increased charges steeply upwards (February, 2021). There was no stakeholder consultation with DACAAI, the actual user.

Sir, presently CONCOR, CIAL, BIAL, HIAL Proposals are with AERA which have proposed a steep increases for control period 2021-26. All these charges are paid ultimately by Shippers/DACAAI Agents only to render air carriage unviable. The arbitrary increases made by CTOs resemble their monopolistic position where each CTO levies different charges for same service?

DACAAI requests AERA to keep our submissions in mind while deliberating on the tariff increases which the trade cannot afford. It will otherwise impact the airlines, all stakeholders and aviation as a whole.

Clubbing of Multiple heads of charges to a Single head "Terminal Handling Charge"

The Terminal charges are under multiple heads at Cargo Terminals. In domestic air cargo there is no unitisation, deunitisation function, These are applicable to international cargo but it is being charged to us. Security clearance is another such head which is not applicable. The X ray charges, Security Clearance, Agent TSP etc cannot be unbundled just to inflate charges. It is pertinent to realise that there is a single agency handling Domestic cargo. Domestic air cargo does not remain in storage either and moves fast. According to our study 96-97% cargo is delivered to airlines at origin or to consignee at destination within 6 hours. Therefore, DACAAI would urge upon you Sir, that this aspect needs thorough examination by AERA for a proper tariff evaluation. DACAAI suggests **"one reasonable single terminal charge" of say Rs 3-4/ per kg to be uniformly applied at all cargo terminals at airports** with minimum variation. This will result in better planning of loads in the market, promotion of domestic air cargo and aviation getting increased volumes.

Presentation to Sub Group constituted by MoCA on challenges to increasing domestic air cargo logistics (Annex 1).

We are attaching a presentation which was made to the Hon'ble Minister of Civil Aviation, Shri Hardeep S Puri. Understanding the challenges being faced by domestic air cargo logistics and difficult situation in aviation sector, Hon'ble Minister has ordered a Sub-Committee under MoCA, airlines reps, JV Cargo Terminal Operator reps, AAICLAS and DACAAI to go into various aspects with a view to ensure that premium service advantage of domestic air cargo is maintained which shall result in optimally airline flight capacity which now goes unutilized up to 35-40%.

Promoting movement of fruit vegetables and perishables by air to benefit farmers finding all India market -

The perishables, agri-horti produce moves very fast from the airport terminals but surprisingly the Cargo Terminal Operators are Charging double Terminal Charges on perishables. Most perishables are delivered within one hour of arrival of flight as well as lifted from origin station by airlines.

Impact of High Terminal charges along with freight & other costs on perishables with CTOs charging double terminal charges makes it totally unviable for farmers. With a view to promote movement of fruit and vegetables and other agri-horti produce aqua, fish culture, shrimps etc the CTOs must charge only 50% of normal terminal charges on the agri-horti produce and perishables. By offering this 50% concession in terminal charges the fruit and vegetable and perishables volumes can be quadrupled benefitting all stakeholders like airlines, airports and service providers.

A Presentation showing the impact of various charges including first mile and last mile charges on Fruits, Vegetables, Coriander and other products is attached for your kind perusal.

(Annex 2)

We are also attaching another presentation which gives a snapshot view as to how the terminal charges, airfreight, first and last mile cost affects products like coriander and fruit & vegetables.

Domestic Air Cargo attracts 18% GST increasing logistics cost

Besides, there is 18% of GST applicable on domestic air cargo including agri-horti-fruit & vegetables whereas by Road/Rail it is exempt. Hence there is an added cost of availing air freight for such cargo. We have taken up with GST Council and related forums to exempt agri-horti produce from GST levy. We have also requested the GST Council to remove the anomaly and reduce GST on general air cargo equal to Road i.e. 5% RCP and 12% with ITC.

In view of the foregoing factual discussion and with a view to achieve growth in air cargo, DACAAI offers the following suggestions for your kind consideration :

DACAAI Suggestions :

- 1. Freeze all kind of charges including aeronautical or cargo handling terminal charge increase for next 2021-22, 2022-23 & 2023 :** AERA may consider that in view of recovery in aviation sector which is likely only in 2023-24, There should be no increase in terminal charges at the Cargo Terminals during this period when the industry can consolidate and bring back the lost tonnage.
- 2. Clubbing of multiple heads of terminal charges into One Single Per Kg "Terminal Handling Charge" :** There should be a single component of terminal charge instead of multiple heads which will facilitate standardized and easy system calculation. A per kg charge of Rs. 3 to 4 for entire cargo handling services at CTOs is considered reasonable which trade can afford. AERA & CTOs may please keep this in consideration while proposing and fixing charges.
- 3. Uniformity of Charges for same service :** Sir, You will observe Sir, that every cargo terminal is charging a different amount for the same service. DACAAI feels that comparable Cargo Terminal Operators must have a similar single per kg terminal charge which will allow more domestic air cargo volumes, better planning of loads and promoting of domestic air cargo. The reason for DACAAI suggestion is as a principle that the service and process of domestic air cargo handling is similar at every cargo terminal, therefore, there has to be a similarity and reasonability and affordability in charges to support increasing volumes of cargo.
- 4. CTOs to offer 50% flat discount in Terminal Charge to boost movement of agri-horti produce :** With a view to promote movement of fruit and vegetables and other agri-horti produce aqua, fish culture, shrimps etc the CTOs must charge 50% of normal terminal charges on the agri-horti produce and perishables. By offering this 50% concession in terminal charges the fruit and vegetable and perishables volumes can be quadrupled benefitting all stakeholders like airlines, airports and service providers.
- 5. Airlines may offer a flat 50% of the freight rates for fruit, vegetables, agri horti produce to increase its movement by air multifold.** As the Road Rail domestic cargo is GST exempt, same treatment should be given to this sector to benefit farmers and increase domestic cargo foot print. This will use the unused capacity with airlines earning revenues by all stake holders.

DACAAI requests your good self to keep the above difficulties of domestic air cargo logistics and boost its volumes. Thanking you for the opportunity given to DACAAI to present its views.

Warm Regards,

Amit Bajaj
President

Sir,