



Federation of Freight Forwarders' Associations in India

National Apex Body of CUSTOMS BROKERS' ASSOCIATIONS IN INDIA

FFFAI/REP/414/2022

14.12.2022

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airports,
New Delhi – 110003,

Respected Sir,

Subject: Comments /Observations on Consultation Paper 13/2022-23 dated 25-11-2022 in the matter of Determination of Tariff for Cargo Handling Services for Delhi Cargo Service Center Pvt. Ltd. (DCSC) at Indira Gandhi International Airport (IGIA), Delhi for the Third Control Period (FY 2021-22 to FY 2025-26)

DCSC submitted MYTP for the Third Control Period (FY 2021-22 to FY 2025-26) wherein they have proposed 38% increase in Tariff on Y-o-Y basis starting from FY 2022- 23 to FY 2024-25 & 41% in FY 2025-26 for Cargo Handling Services for the Third Control Period based on which AERA has issued the subject Consultation paper seeking comments/observations of the stakeholders.

The said consultation paper has been issued at the time when the global and domestic industry is still reeling under the impact of Covid-19 pandemic lockdown. The growth has been impacted to such an extent that the complete revival is still not there for the industry.

At this juncture, when the Indian industry was expecting a hand holding from the Govt of India for its revival with reduction in the tariff and discounts, AERA has submitted the said consultation paper for the comments/observations of the stakeholders.

1. Projection for decrease in cargo volumes

DCSC anticipates reduction in projected cargo volumes (both domestic and international) in the later part of the Third Control Period on account of the following factors:

- (a) Cargo Handling of Vistara & AirAsia to be taken over by Air India.
- (b) Operationalization of Cargo Hub at Jewar Airport.

Our Comments

- (a) Presently, there is no such orders for said 'taking over' of Cargo Handling operations of Vistara and Air Asia by Air India. Such assumption by DCSC cannot be taken as the basis for seeking hike in the tariff. Hence **it is not accepted.**





- (b) DCSC has anticipated decrease in international cargo volumes by 10% and 20% in the FY 2024-25 and FY 2025-26 respectively with the operationalization of Cargo Hub at Jewar Airport. This assumption for hike in tariff **needs to be viewed by AERA on real time basis** before taking a call for hike in tariff for the said FYs.

2. Projected CAPEX for the third Control Period

DCSC has projected a total CAPEX amounting to Rs.410.12 crores for the Third Control Period (FY 2021-22 to FY 2025-26). This will be utilized for remodelling of the existing infrastructure, Upgradation of the IT infrastructure and system and other modernization and mechanization/automation activities.

Our Comments

DCSC, during the submission of their ATP for FY 2018 19 (circulated by AERA vide Consultation Paper 14/2018-19 dated 16-08-2018) has submitted various development activities including creation of new infrastructure and other operational and IT upgradations as one of the justifications for hike in the tariff.

This Consultation paper fails to inform/brief the stakeholders on the update of those development activities but now submits another CAPEX details of Rs 410.12 crores again justifying the hike in tariff schedule.

AERA may seek an update of CAPEX projections from DCSC before considering the hike in tariff rates as sought by DCSC vide this consultation paper.

3. Levy of 'Documentation & Supervision Services' charges for handling Domestic(inbound/outbound) cargo.

DCSC has proposed to levy the above charges @ Rs 2.47/- per kg (minimum of Rs 89/- per AWB) for General cargo & Rs 2.47/- per kg (minimum of Rs 200/- per AWB) for Special cargo respectively.

In the absence of details of the services/activities, proposed to be provided for levy of this charge, the **same may be rejected** and deleted from the tariff chart.

4. Levy of Domestic Security Handling charges.

The tariff chart indicates levy of Domestic Security handling charges exclusive of X-ray/physical examination on Agent/Shipper/Airlines @ Rs 2.07 per kg (Minimum rate Rs 165 /- per AWB). In the absence of details of the services/activities, proposed to be provided for levy of this charge, the **same may be rejected** and deleted from the tariff chart.'





5. Miscellaneous charges and Miscellaneous activity charges.

Provision of the Misc charges has been made in the tariff chart for levy @ Rs 2.89 per kg (Minimum rate Rs 180 /- per AWB) and Rs 1854/- per AWB for Misc activities on city side on Agent/Shipper/Consignee/Airlines. In the absence of details of the services/activities, proposed to be provided for levy of these charges, the same **may be rejected** and deleted from the tariff chart.

6. Detention and Demurrage charges in case of Import Cargo

DCSC has proposed levy of 'detention charges' per day per kg along with Demurrage charges @Rs 8.28 per kg on Import shipments, not cleared by the consignee within the free period.

Since Demurrage charges is levied on the cargo lying with CTO beyond the 'free period' on per kg per day basis, the purpose behind levy of 'detention charges' is not understood. It is just the duplication of charges. It is recommended that **only single charge, 'Detention' OR 'Demurrage' charge be retained** as per the earlier practice in vogue for handling of Import cargo beyond the 'free period' by CTO at their Air cargo Terminal.

7. Levy of TSP charges for handling Special Cargo-Project/Heavy Cargo in case of both export and import cargo.

DCSC has proposed levy of TSP charges w.r.t subject cargo @ Rs 4.95 per kg (minimum of Rs 4960 per AWB) for export cargo and Rs 18.18 per kg (minimum of Rs 18184 per AWB) for import cargo.

Since already TSP charges @ Rs 2.22 per kg (minimum Rs 173 per AWB) and Rs 9.84/- per kg (minimum Rs 496/- per AWB) has been proposed to be levied on import and export cargo respectively for General cargo, clarification is sought whether these TSP charges (on Special Cargo-Project/Heavy Cargo) are additional charges **OR** TSP charges for General cargo will not be levied on Special Cargo-Project/Heavy Cargo.

Earlier, vide AERA order No 22/2018-19, the heavy/project cargo was defined as cargo having gross weight/volumetric weight of 1MT and above, whereas, vide this said consultation paper, the weight benchmark is 3MT for the heavy/project cargo, thereby justifying the increase in subject charges from @ Rs 4.30 per kg (minimum of Rs 4301 per AWB) for export cargo and Rs 15.77 per kg (minimum of Rs 15772 per AWB) for import cargo, approved by AERA vide Order No 22/2018-19 .

On receipt of the clarification, the comments /observations will be submitted.





8. Levy of Special Handling charges to export 'Pharma' shipments for maintaining the product temperature, on request & Export Perishable Temperature Check as per CHM.

DCSC has proposed levy of Special Handling charges on export 'Pharma' shipments for maintaining the product temperature, on request & Special Handling charges on export 'Pharma' shipments for maintaining the product temperature on request) @ Rs 3306/- per pallet & Rs 248/- per AWB respectively on Agent/Shipper/Airlines.

In this regard, it is informed that DCSC has already proposed to levy TSP charges @ Rs 4.96 per kg (minimum Rs 447/- per AWB) on export Pharma shipments, which is almost 150% more than the TSP charges leviable on General cargo.

These additional charges will be added burden on the shipper and will lead to avoidable increase in the transportation cost of the pharma shipments.

Further, since CTO is charging special TSP for export pharma shipments, it is their responsibility to ensure maintenance and checking of the requisite temperature for the pharma shipments.

In view of the above, these **special charges are rejected by FFFAI** and may accordingly be removed from the tariff chart.

9. Express services for handling of Import shipments.

The **said charges**, proposed to be levied by DCSC @ Rs 11.67 per kg (minimum Rs 827/- per AWB OR 25% more than the TSP rate for the category of the cargo falls under, whichever is higher) **are not acceptable** since AERA, while recommending the said charges, has not stipulated the type of express services along with the time period stipulation, DCSC proposes to provide to its stakeholders. These charges, newly introduced by DCSC in this consultation paper, lacks justification and is accordingly rejected.

All custodian in term of HCCAR 2009 are duty bound to provide speediest service in fastest possible time for timely clearances. Custodian cannot charge addition premium for under the head of express service from the trade.

10. Storage charges in case of Import Cargo

DCSC has proposed levy of 'Storage charges' as per the slab period of 10 days on 'per kg' on Import shipments.





[ESTD. 1962]

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Since Demurrage charges is levied on the cargo lying with CTO beyond the 'free period' on per kg per day basis, the purpose behind levy of 'Storage charges' is not understood. It is just the duplication of charges. It is recommended that **only single charge, 'Detention', 'Storage' OR 'Demurrage' charge be retained** as per the earlier practice in vogue for handling of Import cargo beyond the 'free period' by CTO at their Air Cargo Terminal.

11. X ray charges and Demurrage charges on 'Withdraw' shipments.

DCSC has roposed levy of X ray charges and Demurrage charges on 'Withdraw shipments' @ Rs 2.04 per kg (minimum Rs 204/- per AWB) & Rs 2.33 per kg per day (minimum Rs 232/- per AWB) respectively, whereas for normal export cargo these charges are Rs 1.90 per kg (minimum Rs 190/- per AWB) & Rs2.16 per kg per day (minimum Rs 216/- per day) respectively.

The levy of the x-ray charges on 'withdraw' shipments is not justified since there is no requirement of x-ray screening for 'withdraw' export shipments.

In view of the above, **these charges are rejected by FFFAI** and may accordingly be removed from the tariff chart.

Providing security is the sovereign function of the custodian as per HCCAR 2009 and there should not be any additional cost for the same.

a) Repacking charges:

Further, it is informed that DCSC is levying 'repacking charges' on those consignments (10% of the packages) also which are cleared by the Customs under 'green channel' of RMS (Risk Management System) wherein there is no opening/closing of the packages as no examination is carried out by the Customs. AERA may consider **insertion of 'foot note' indicating that 'repacking charges' to be levied on those package(s) only, opened physically by the CTO for Customs examination.**

AFS Cargo

Though DCSC has proposed a TSP charge of Rs. 2.97/ kg for handling AFS Cargo (Export) during FY23 (w.e.f. 01.01.2023). Thereafter, enhanced TSP charges i.e., Rs. 3.17/ kg (6.73% increase) for remaining period of the Third Control Period, however AERA, vide the said consultation paper has proposed 30% lower TSP charges for AFS Cargo, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc.,





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The process for handling of AFS cargo, as submitted by DCSC includes warehousing of cargo (transporting cargo to Storage racks/SHA) and its palletization.

OUR COMMENTS.

- The AFS Cargo will transported in palletized form/ULDs with security clearance from the AFS to Airport premises after x ray scanning, as required under extant BCAS norms. Hence DCSC will mainly be dealing with Pallets/ ULDs in case of AFS Cargo, wherein no warehousing/palletisation of cargo is required at Airport premises.
- Payment of TSP charges, twice, one each to AFS and CTO will lead to complexity of the Air cargo clearance procedure and avoidable harassment to the shipper/its authorized representative(s). Hence shippers may be given the option to **pay TSP charges to AFS operator only** are physically handling the cargo and CTO may be permitted to handle loaded pallets/ULDs only as forwarded by AFS for the Airlines to be loaded in their respective Aircraft.
- CTO may charge Rs 1250/- per pallet (up to 1500 kgs) and 50% of the General cargo TSP charges for pallets more than 1500 kgs i.e., [(Total weight of the pallet – 1500 kgs) X 50% of General Cargo TSP rate].
- These charges, as recommended above. will not bring a loss to CTO w.r.t handling of AFS cargo.
- The export cargo volume handled by CTO will be increased since AFS will be tapping the market outside Delhi for exporting the cargo from IGIA through AFS, which, presently is being diverted to other Airports

FFFAI is of the opinion that above recommendations will go a long way in further developing the AFS concept and de- congestion of the Airport premises which will be utilized for only movement of the cargo and AFS facility will be utilized for storing and processing of the cargo.

The AFS commissioning has larger national intent to strengthen and develop air cargo logistics in the country which will reduce the bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters. This needs to be incentivized by way of lower charges vis-à-vis rates applicable to Air cargo being handled by CTOs.





The **Observations/Comments of FFFAI** are as follows:

- **Penalty/discount in TSP/demurrage charges and other type of charges for delay in delivery of cargo.**

The tariff chart must stipulate the time period for each activity/service proposed to be provided by the DCSC. The tariff chart should also include penalty/discount in TSP/demurrage charges and other type of charges for any delay in processing/delivery of cargo on the part of DCSC, to the consignee. This tariff chart should form the part of the SLA with the trade bodies/associations.

- **Levy of single "rate per kg.**

On perusal of the said consultation paper, it is observed that DCSC has submitted plethora of 'other charges' for handling of both domestic and international cargo in addition to the TSP/Demurrage charges. These charges, if approved by AERA, will lead to the confusion and avoidable duplication of the levy of charges, as already pointed out above.

In order to have complete transparency of the levy of charges on handling of both international and domestic by the Cargo terminal Operator and avoid duplication in levy of the charges, FFFAI is of the opinion that Cargo Service Center Pvt. Ltd. (DCSC) at Indira Gandhi International Airport (IGIA), Delhi, may be advised to have a **single "rate per kg" policy** for handling of all type of cargo for the levy on shippers/consignee(s), which will include all gamut of activities/services required to be performed/provided for handling of both international (Export/Import) and Domestic (Inbound/outbound) cargo at their Cargo Terminal, irrespective of nature/type of cargo. This policy will avoid levy of ambiguous charges viz., Misc. charges/activities, Quick ramp transfer, customs facilitation fee, express delivery etc.

In view of the above, AERA is requested to give due favourable consideration to the above-mentioned recommendations on the levy of charges for cargo being handled at both AFS and Airport premises.

Thanking you,

Yours truly,

For Federation of Freight Forwarders' Associations in India

Sd/-

Vipin Vohra

Convenor

Airfreight Council

