To,

Date-05/07/2024

Director (P &S, Tariff)
Udaan Bhavan, 3rd Floor
D block Rajiv Gandhi Bhavan.
Safdarjung Airport
New Delhi 110003

Respected Sir,

Greetings from DACAAI

Subject : DACAAI Written Submission on Adani-LGBIA CP 1/2024-25 dated 6.6.2024 and further to the SH meeting held on 21st June, 2024 :
Need for a De-novo look at the principles for fixing tariff for Domestic Air Cargo - Reduce the LGBIA tariff to maintain viability of domestic air cargo.

DACAAI being Stakeholder of domestic air cargo sector and actual user of cargo terminal services since inception, it is the only registered Association representing domestic air cargo service providers operating on pan India airports across India. Our members handle approx. 90% of cargo; contribute approx. Rs.75000 cr to exchequer and employ approx. 1 lakh people. Domestic Air Cargo constitutes 36% of the total air cargo movement in India.

DACAAI having submitted its views to AERA in various 'Stakeholder Consultations Papers/Meetings' on MYTPs starting from 2011-12 to 2021-26, have to state that under the procedural and technical formulae, the essence and need of domestic air cargo growth oriented tariff regulation has been lost.

In the following paragraphs, we would like to bring to your kind notice some basic principles that need to be considered based on DACAAI's experience of 13 years and request that a fresh view may be taken by AERA in respect of domestic air cargo tariff regulation. This is also emphasised in view of the steep tariff increases have been approved for Bengaluru, Surat, Mumbai etc where no new infrastructure additions have been made but the terminal and airlines charges have been increased.

These are relevant to the current Adani-LGBI MYTPs for 3rd Control Period MYTPs : CP 1/2024-25 dated 6th June, 2024 and may kindly be taken as DACAAI's written submissions to the CP on LGBIA due on 6 July, 2024.

1. Lack of Competition : Except at Delhi airport where there are 2 CUT operators; most of the other CUTs are single operator. Therefore, there is no competition as envisaged in the AERA guidelines. Even in Delhi, practically customer has no choice of selecting either terminal or the airline as these are fixed with the operators. Therefore, there is a monopolistic situation. Besides, as per TD-SAT order, with DIAL/MIAL having been taken out of Purview of AERA, there are multiple tariff regulations which are counterproductive to the growth of air cargo.

2. **Lack of Infrastructure :** Except Bengaluru, where a proper planned domestic CUT is in operation along with action for futuristic development, all other CUTs are abysmally small. Most of these **remain makeshift till date.** CUTs are operating from old dilapidated pax terminals with inadequate space; improper layout with negligible capex or modifications for over 14 years.

3. **High Dwell Time - Inefficient cargo handling process :** As an outcome of gross lack of infrastructure and inefficient handling, the dwell time of cargo has increased from 5-6 hours to 12-13

hours thereby losing the essence of speed for which customers use premium air cargo mode. This has resulted in shifting substantial tonnage away from air to surface.

4. **Multiple heads of Terminal handling Charges :** There are multiple heads of terminal handling charges, each with a 'minimum' which works as a deterrent for small and short haul consignments. Coupled with several revisions of tsp charges, the air cargo is rendered unviable. The TSP charges constitute approx. 30-35% of airfreight.

5. **Lack of Service Level Agreement with Users; No-service quality monitoring mechanism :** At the CUTs while the charges are levied as per AERA approved tariff; surprisingly there are no service level agreements with users neither there is service quality monitoring mechanism. Therefore, the quality of service has deteriorated drastically. Besides, AERA while it approves the MYTPs and YoY tariff revisions, the SLAs and Service quality is not built in to be strived for by CUT operators.

DACAAI has been pursuing to impress upon the CUT operators in order to bring efficiency of ground processes CUTs must **achieve the 'dwell time' of Departure minus 120 minutes for outbound; and Arrival (+) 90 minutes for inbound cargo.** In case, the air cargo is not delivered within 5-6 hours at destination, it is no good for customers.

Therefore, AERA may kindly consider integrating SLAs and service quality monitoring system vis a vis the levy of terminal handling charges. Without accountability being fixed, the service quality cannot be achieved. During initial period of 2010-11, AERA had given reduction in charges on account of deficiency in service.

6. **There is a Strong Case of Substantial Reduction in Terminal Handling Charges :** As a principle, with higher volumes handled, charges should come down. But, handling the increasing tonnage with the same grossly inadequate infrastructure, with poor quality service, congestion, delays etc; the TSP charges have been revised upwards to the extent of 20-30% YoY in MYTPs in recent past for Bengaluru and at other CUTs. Cumulative effect of revision of tariff YoY has taken Terminal charges to the extent of 30-35% of airfreight resulting in making air cargo unviable and shift to other modes.

7. Secondly, the investments made by CTOs in 'makeshift' facilities have been depreciated multiple times for over 13-14 years. The CUTs have earned substantial revenues from the same facilities with negligible additional capex which makes our case for overall Reduction in tariff. Thirdly, since only insignificant capex has been deployed in domestic facilities; there is no justification for such a hefty increases in domestic tariff. The increases, if any could only be justified to inflationary effect. The main thing to keep in mind is to keep domestic air cargo "to be viable by air and to retain its speed."

8. Sir, while domestic sector has a potential to double its tonnage, but the above challenges don't allow it. In fact, the tonnage has been stagnant between 1.3-1.2 mmtpa for the past 4-5 years and is declining. Therefore, we request your good self to kindly get a *de novo* technical survey of the state of CUTs infrastructure, the service standards vis a vis the tariff revisions under various MYTPs and get the tariff parameters reassessed, in the interest of viability of the domestic air cargo business with ever increasing flight space which is only used approximately 50%. This is further to DACAAI views expressed during the Stakeholders Meeting Chaired by Chairman AERA on LGBI on 21st June, 2024 and may kindly be taken as DACAAI's written submission. Based on the above factual position, we sincerely and humbly request your good self to kindly look into our request for reduction of the proposed tariff keeping in view the viability of domestic air cargo at LGBIA

9. DACAAI shall be happy to make a detailed presentation on the subject of domestic air cargo sector, inter alia, the challenges and the impact of constant YoY tariff increases in hampering its growth potential, for which we request Chairman AERA, to give time for hearing as per your convenience before approving the LGBIA tariff.

Warm regards,

Ravijeet Sehrawat.
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