

Letter No. - GAL/Cargo/AERA / 2025-26/ 120

Date – 19th Dec' 2025

To,

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
Udaan Bhawan, Third Floor,
Safdarjung Airport,
New Delhi – 110003

Sub: Submission of the comments to the Consultation Paper for the 1st Control Period of Cargo Handling Services at Manohar International Airport, Mopa, Goa (GOX).

Reference: Consultation Paper no 05/2025-26 dated 28.11.2025

Dear Sir,

We write with reference to the consultation paper issued by the Authority for the Cargo Handling Services at Manohar International airport captioned above. The Authority in the consultation paper has directed stakeholders to submit the comments to the consultation paper latest by 19th December 2025.

We hereby submit our comments to the consultation paper issued by the Authority, as Annexure A, for your kind consideration.

Thanking you,

Yours Sincerely,

For GMR Goa Air Cargo Logistics (A division of GMR Airports Limited)



Rajesh Kumar Arora
President & CEO
Commercial & Growth



Annexure - A

Authority's consideration: - Useful life of Building

Para 3.10.1: - The Authority noted that in its MYTP submission, GAL stated that it has considered Useful Life of Assets as per the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18 for computing the depreciation for the period 05.09.2023 to 31.03.2024. **However, the Authority observes that GAL had considered useful life of Buildings as 20 years (based on the term of concession agreement) in place of 30 years and for Furniture & Fixtures as 10 years in place of 7 years (3 years in case of trolleys).**

Part of Para 3.10.2: - However, due to change in the useful life of some assets as mentioned above, the Authority re-calculated the depreciation from 05.09.2023 to 31.03.2024 as presented below:

Table 15: Depreciation proposed to be considered by the Authority for the period 05.09.2023 to 31.03.2024

(Rs in crores)

Sl. No	Particulars of Assets	Depreciation as per GAL	Depreciation as proposed by AERA
1.	Buildings	0.96	0.61*
2.	Plant & Machinery	0.49	0.49
3.	Furniture & Fixtures	0.29	0.39*
4.	Computer Equipment	0.16	0.16
5.	Network Server	0.15	0.15
6.	Motor Vehicles	0.03	0.03
7.	Office Equipment	0.07	0.07
	Total	2.16	1.91

GGAC response

As per AERA order bearing # 35 / 2017-18 dated 12th Jan'2018, in the matter of Determination of Useful life of Airport Assets read with amendment # 1 dated 09th April'2018, in case of Building we have considered useful life in line with Concession Agreement which is 20 years. Following are the relevant extracts of Note 4 of Annexure # 1 of abovementioned order: -

“Where assets are developed/ constructed / put to use, they should be depreciated over the available lease period or the useful life prescribed, whichever is less. Value to be depreciated should be determined after reducing any asset realisation value that the Operator may get, when the lease is surrendered. For the purpose of identifying the balance useful life, balance period

remaining out of the initial lease period plus the first extension at the option of the Operator should be considered, unless confirmed decision for non-renewal of lease is taken and recorded by the Airport Operator.”

Accordingly, in case of Building we have considered useful life in line with Concession Agreement which is 20 years.

Further, in case of Furniture and Fixture, we have considered useful life as 7 years, not 10 years as mentioned by AERA in its Consultation Paper.

Therefore, the Authority is requested to consider useful life as submitted by GAL in MYTP.

Authority's consideration: - Employee Cost Capitalized as soft Cost in Building

Para 3.5.11: - After reviewing the details of mandatory training indicated in above table, the Authority observes that ISP has considered manpower deployment from June, 2022 onward which is almost fifteen months prior to the commencement of Cargo Operation at Mopa, Goa airport. **Further, it is noted that, six to seven months initial training are enough for handling the cargo operations at an airport. Therefore, the Authority proposed to consider manpower cost from January, 2023 onward in place of June, 2022 onward as considered by the GAL. Accordingly, the Authority proposes to rationalize the Soft Costs (employee expenses) by Rs. 2.05 crores.**

GGAC response

The above man-power cost is already considered as actually incurred hence Authority is requested to kindly consider the same. The following are the justification for hiring manpower since June 2022: -

The Commercial Operations Date (COD) for the airport was declared and deferred multiple times, creating uncertainty in operational timelines. Despite this, early recruitment was essential to meet regulatory and operational requirements.

Key Reasons for Early Hiring:

1. Regulatory Compliance & Training Needs:

- Government of Goa mandated providing employment opportunities to local Goans.
- Limited availability of trained and experienced staff in Goa due to the presence of another operational airport.
- Employees needed to complete mandatory regulatory certification courses, requiring sufficient lead time for training.

2. Operational Readiness:

- Manohar International Airport commenced operations in **January 2023**.
- Cargo terminal was still under construction; hence, a **temporary setup** was arranged at the passenger terminal to start cargo operations.
- Domestic cargo operations began on **20 January 2023**, necessitating trained manpower from day one.

3. Training & Skill Development:

- Early recruitment enabled **on-the-job training** through buddy programs at other airports.
- This ensured employees were fully equipped to handle operations smoothly upon commencement.

Strategic Outcome: By hiring in June 2022, we ensured:

- Compliance with GoG's local employment mandate.
- Adequate time for regulatory certifications and skill development.
- Seamless operational readiness for the airport's early start vision.

Therefore, the Authority is requested to consider manpower cost (Soft Cost) from June 2022 onward as submitted by the GAL in MYTP.

Authority's consideration: - Pre CoD depreciation Capitalized as soft Cost in Building

Para 3.5.12: - The Authority notes that ISP has considered Rs 0.36 crore depreciation for the prior period under soft cost. The Authority proposes not to consider depreciation a part of soft cost, as depreciation shall be taken only from the date the assets is put to use.

GGAC response

When a company undertakes a large project (e.g., building an airport terminal, power plant, or factory), it often uses temporary assets such as:

- Construction equipment (cranes, bulldozers, mixers)
- Temporary site facilities (portable offices, storage units)
- Specialized tools purchased for the project
- Admin Assets (Such as Computer, laptop etc.)

These assets are not part of the final capitalized asset (e.g., the building or plant) but are necessary to complete the construction.

Under Ind AS 16, items of Property, Plant and Equipment (PPE) include assets used either to construct another asset—and depreciation of those temporary PPE items (like cranes or scaffolding) used during construction can be capitalized as part of the asset under construction, provided it meets specific conditions.

Ind AS Guidance

Definition and Recognition of PPE

- PPE includes tangible items held for use in production, rental, administrative purposes—or to construct another asset.
- Depreciation starts when the asset is ready for use. However, when temporary assets are used *during* construction of another asset, their depreciation can be capitalized.

Cost Elements of PPE

- Ind AS 16 requires that any cost directly attributable to bringing the asset to its working condition is capitalised. These costs include transport, installation, and dismantling.
- Depreciation of temporary assets used exclusively or primarily in constructing the main asset is a cost directly attributable to that construction.

Depreciation Treatment

- As per Ind AS 16 paragraphs 43–45, depreciation of each significant part of an item must be treated separately.
- The depreciation during the construction phase may be capitalized by debiting Construction in Progress (CIP) and crediting Accumulated Depreciation for the temporary asset.

Accordingly, such assets are admin asset which are required pre COD. Accordingly, depreciation on such assets to be allowed to be capitalized as soft cost / EDC.

Therefore, the Authority is requested to consider Pre-CoD depreciation (Soft Cost) as part of Asset cost as submitted by the GAL in MYTP.

Authority's consideration for Pre-CP – Cost of Equity & Notional Debt Gearing

3.14.3 The Authority generally considered the notional Debt-Equity ratio of 48:52 (Debt: Equity) for Airport Operators, so as to encourage efficient capital structure of the airport operators, which is in the interest of all the stakeholders. Of late, the Authority has started applying notional gearing ratio of 48:52 (Debt: Equity) to ISPs also, as Cargo Handling is basically a subset of airport operations (activities).

It is pertinent to mention that at many airports airport operators themselves perform Cargo Handling Services, whereas at many airports cargo handling activity is outsourced to ISPs. Hence, as per the Authority, application of normative gearing ratio in case of ISPs is also in order.

3.14.4 For the purpose of application of notional debt-equity ratio indicated above, the Authority proposes to considered the notional Cost of Debt @ 9%, based on one-year Marginal Cost of Fund based Lending Rate (MCLR) of State Bank of India (prevailing as on 15.3.2025), as was recently considered by AERA for Varanasi airport & Port Blair airport and Fuel Farm Facility at Mopa Goa, Airport operated by BPCL(ISP).

3.14.5 As regard to Cost of Equity, the Authority proposes to considered Cost of Equity @ 15.18%, which is generally considered by the Authority for airports, including AAI operated Airports and as recently considered for the ISP (BPCL) in repeat of its Fuel Farm Facility at MoPA, Goa airport.

3.14.6 Based on the above, Authority proposed FRoR in respect of GAL, for the period 05.09.2023 to 31.03.2024 as per the table given below:

Table 18: FRoR proposed to be considered by the Authority for the period 05.09.2023 to 31.03.2024.

Sl. No	Parameter	Percentage (%)
1.	Weighted Average notional Equity (A)	52%
2.	Weighted Average notional Debt (B)	48%
3.	Cost of Equity (C)	15.18%
4.	Notional Cost of Debt (D)	9.00%
5.	FRoR (E=A*C+(1-A) *D)	12.21%

Authority's consideration for CP-1 – Cost of Equity & FRoR

8.2.1 The Authority notes that GAL submission that the capital expenditure for the First Control Period is entirely being funded through the internal resources. Hence, no debt component was projected by GAL in its MYTP submission.

8.2.2 The Authority views the 20.92% cost of equity considered by ISP as on the higher side. Financing Capex entirely through internal funds makes the capital structure inefficient and not in the interest of stakeholders, particularly users, as it ultimately leads to higher tariff and has cascading effect of the competitiveness of cargo logistic supply chain.

8.2.3 The Authority, in line with the approach indicated at para 3.14.3 to 3.14.5 for the determination of FRoR, proposes to consider FRoR in respect of GAL for the First Control Period as per table given below:

Table 48 FRoR proposed to be considered by the Authority for the First Control Period

S. No	Parameter	%
1	Weighted Average gearing of Equity (A)	52%
2	Weighted Average gearing of Debt (B)	48%
3	Cost of Equity (C)	15.18%
4	Cost of Debt (D)	9.00%
	FRoR (E=A*C+(1-A) *D)	12.21%

Accordingly, the Authority proposes to consider FRoR for the First Control Period @12.21% as computed in the table above.

GGAC response

AERA considered Cost of Equity @ 15.18%, which is generally considered by the Authority for airports, including AAI operated Airports and as recently considered for the ISP (BPCL) in repeat of its Fuel Farm Facility at MoPA, Goa airport. This approach of AERA is contrary to the Tariff computation guidelines which suggest that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.

Further, the Authority has considered notional gearing ratio citing that the Authority has started applying national gearing ratio of 48:52 (Debt: Equity) to ISPs also, as Cargo Handling is basically a subset of airport operations (activities). This approach of AERA is contrary to the approach followed by AERA in case of 100% equity.

Following is the summary of AERA order in case of ISPs having 100% equity or negligible debt: -

1) Order no. 06/ 2021-22 dated 13th Aug 2021, In the matter of determination of tariff for Indian Oil Sky Tanking Private Limited (IOSPL) Providing Into Plane Services at CSI Airport, Mumbai for the 3rd Control Period (FY 2021-22 To FY 2025-26).

Following are the relevant extract: -

" 7.1.3 The Authority has noted that IOSPL, Mumbai has not used any debt for financing its Regulatory assets and used only equity funds, therefore only cost of equity has been considered for the determination of FRoR.

7.1.4 The Authority examined the various components of FRoR submitted by IOSPL, Mumbai and noted that FRoR determined by IOSPL, Mumbai is reasonable. The Authority had recently determined and considered 14% FRoR for other service provider.

7.1.5 The Authority, has therefore, considered the same FRoR (14%) as proposed by IOSPL, Mumbai for 3rd Control Period which has been shown in the Table 19 below:"

Table 19: FRoR proposed by Authority for IOSPL, Mumbai for the 3rd Control Period

Particulars	2021-22	2022-23	2023-24	2024-25
FRoR	14%	14%	14%	14%

We request the Authority to consider an appropriate return on equity for the GGIAL considering the above factors and allow cost of equity as submitted with the MYTP and consider the Actual Debt Gearing as AERA approved in case of other ISP having 100% equity.

Authority's consideration: - Operating Expenses:

Particulars (in Rs. Crs.)	MOPA Submission	AERA Proposed	Variance	Remarks
Payroll Cost and other Staff expenditure	80.12	76.98	-3.14	Authority has proposed 10% Y-o-Y increase in employees' payroll expenses in place of 12% Y-o-Y increase considered by the ISP, except for FY 2025-26 wherein 42% (instead of 44%) increase is proposed by the Authority
Administrative, General, and other Expenditure	14.59	14.22	-0.36	Rs. 0.20 Cr. CSR expenses are the corporate social responsibility of a company and as per statutory provision, it is to spent as an appropriation of corporate profit not as an operating expense. Rs. 0.16 Cr. rationalized on actual incurrence basis
Repairs and Maintenance	8.07	5.16	-2.92	Rs. 0.52 Cr. (Rs. 0.69 Cr Vs Rs. 0.17 Cr.) consumables stores and spares rationalized for FY'25 on actual incurrence basis. Total reduction in CP is Rs. 2.92 Cr.
Utilities cost	8.58	8.08	-0.50	Considered YoY increase of 5% instead of 8%
Concession fee	35.20	34.08	-1.12	Basis revenue %
Total	146.57	138.53	-8.03	

Payroll Cost: - The average annual salary increase is expected to be 12% to 13%, considering the annual inflation and minimum appraisal as per industry benchmarks. **In this regard, it is requested to kindly consider the Payroll Cost as submitted in MYTP.**

CSR Expenses: - TDSAT vide its order dated 21st Jul'2023 in case of DIAL allowed CSR expenses as a part of Operating Expenses. The relevant extract of above order is as follows:

"168. The aforesaid decision is binding upon AERA. We are in full agreement with the respondent given hereinabove in AERA Appeal No. 8 of 2018 for quashing and setting aside the decision of AERA for disallowing CSR expenses as part of operating expenses. Necessary true up shall be given of the CSR expenses which have already been incurred by the appellant.

Thus, in view of the aforesaid facts and reasons, Issue No. VII is answered in affirmative. Amount equal to CSR ought to be considered as part of operating expenses."

Thus, we humbly request the Authority to consider the CSR expenditure as part of the regulatory building blocks.

Repair & Maintenance: - AERA disallowed consumables & Spare expenses for FY'25 and rationalized by Rs. 0.52 Cr. basis actual incurrence basis (i.e. Rs. 0.17 Cr against Rs. 0.69 Cr.) and apply growth on rationalized amount. In this regard, it is submitted that Mopa Cargo is newly established business and FY'25 actual number cannot be considered as benchmark for projection. As the volume increases consumables and spares will increase significantly. **Thus, it is requested to kindly allow expenses as requested in MYTP.**

Authority's consideration Considerable reduction in Minimum Charges is Proposed Tariff

11.2.2 AERA advised the ISP to thoroughly review the structure of Tariff Rate Card to make it simpler & easier to understand. The ISP was also advised to review the provision of minimum charges for various cargo handling services thoroughly. In this regard, ISP vide email 10.12.2024 submitted that *"GGACL has researched various tariff orders and accordingly, have included tariff items which are necessary and essential in providing the air cargo services However, in order to facilitate easy understanding of the Tariff Items, we have revised the Tariff Card in a structured way, with less line items."*

11.2.3 It is noted that in the revised Tariff Rate Card, ISP has lower number of tariff heads as compared to Tariff Rate Card in the original submission. However, the ISP has not reviewed the minimum charges against various cargo handling services. As per the Authority, there is more scope of simplification of the structure of Tariff Rate Card and rationalization of Minimum Charges against various heads of charges. The Authority in this Consultation Paper has rationalized the minimum charges for various cargo handling services [maximum up to fifty (50) times of Rate per unit of Cargo).

The Authority solicits specific comments of Stakeholders on the structure of Tariff Rate Card including minimum charges for various cargo handling services proposed by the Authority for ISP.

GGAC response

The Authority has considerably reduced the minimum charges. The following are the justifications that minimum charges proposed by ISP are reasonable: -

1. **Capital Intensive:** Cargo operations at airport are highly capital-intensive involving state of the Art Technology (Building, X-Ray, CCTV's Machinery, forklift etc), Software's and highly skilled Manpower. This results into significant fixed costs. To ensure the sustainable functioning of these facilities, it is imperative to levy minimum charges. Thus, minimum charge for domestic cargo consignments is a mechanism to ensure the recovery of fixed costs incurred for the processing and handling of every single Air Waybill (AWB), irrespective of the weight of the shipment. A consignment, even if it weighs only a few grams, mandates a series of essential, time-consuming, and cost-intensive activities.
2. **Slot Management and Aircraft Departure Time:** Air cargo involves precision due to management of Slot and Aircraft departure time; a single delay can have a cascading effect on departing airport thus leading to affect multiple airports.

Entertaining small cargo packets without a minimum charge will increase the quantum and can affect precision. Precision not only enhances operational efficiency, but it also improves customer satisfaction. Clients value reliability and knowing that their shipments will arrive on time builds trust and strengthens business relationships.

Thus, given the time sensitive nature of the airline and airfreight industry, it is vital that all stakeholders actively pursue cargo consolidation prior to warehouse handover and airline booking

3. Robust Aviation Compliance driven process: The movement of Air Cargo involves a systematic compliance drive process and minimum charges ensure:

- Capex and Operating cost recovery for low volume or fragmented cargo
- Discourage the movement of inefficient, small sized cargo under self-mode
- Promote cargo consolidation through agents leading to optimizing resource use

The present policy of minimum charges ensures fair utilization of warehouse capacity while maintaining cost effectiveness for all stakeholders.

4. Compensating for space: For air cargo, a shipment's cost is based on its chargeable weight, which is the greater of its actual weight and its volumetric (dimensional) weight. The minimum charge ensures that a small but awkwardly shaped item that takes up valuable space is not underpriced.

5. Less change of Hands: Each change of hands in the cargo journey between handlers, agents and other intermediaries introduces operational inefficiencies and risk such as:

- Delay in processing and clearance
- Increased documentation and compliance steps
- Higher manpower and security involvement

The minimum charge policy minimizes such transactional touchpoints (since shipment will be routed through Agents) thereby improving the overall speed and reliability of the cargo movement.

6. Standard Commercial Practice: The application of a minimum charge is a standard commercial practice across the logistics and air cargo industry, both domestically and internationally. Courier and logistics companies universally levy a minimum charge for low-weight shipments to cover the last-mile fixed costs (pickup, processing, documentation). Cargo Terminal Operators (CTOs) at other major and non-major airports, whose tariffs are also regulated by AERA, incorporate a minimum charge (often consolidated within the Terminal, Storage & Processing - TSP charges) to address the same cost-recovery principle.

Also the airlines have the mechanism of charging minimum amount on small packages. The below table indicate the rates charges by the Airlines

Freight cost will vary based on Sector, Time, Commodity type & other factors

Airlines

Blue dart	Min 10kg	10-45 kg	46-100 kg	101-500 kg	500+ kg	
	Flat rate	Rs 60/kg	Rs55/kg	Rs50/kg	Rs 45/kg	
Akasa	0-35 kg	35-70 kg	71-100 kg	100+kg		
	~ Rs 1400 + TSP	Rs 40/kg + TSP	Rs35/kg+ TSP	Rs30/kg+ TSP		
Air India	Min 20Kg	21 - 44 kg	45 - 99 kg	100 - 299kg	300-499 kg	500 + kg
	Rs 1500 + TSP	Rs 77/kg + TSP	Rs 42/kg + TSP	Rs 38/kg + TSP	Rs 25/kg + TSP	Rs 20/kg + TSP
Indigo	Min 20Kg	21 - 44 kg	45 - 99 kg	100 - 299kg	300-499 kg	500 + kg
	Rs 1500+ TSP	Rs 70/kg + TSP	Rs 55/kg + TSP	Rs 32/kg + TSP	Rs 18/kg + TSP	Rs 15/kg + TSP

Thus, Minimum charge is required for very small consignments (e.g., under 1 kg), since the cost incurred for the activities (documentation, X-ray, physical handling), software and manpower far exceed the revenue that will be generated by a pure per-kilogram rate.

A small package requires the more operational touchpoints and security procedures as a heavy package. If only a per-kilogram rate is applied, the revenue from a light package would be insufficient to cover the fixed cost (capex + opex) of service delivery, leading to an unrecoverable operating deficit on all low-weight traffic.

Also, the small packets without minimum charge will increase the processing time thus affecting the ATM.

Therefore, the Authority is requested to minimum charges as submitted by GAL in MYTP.

GGAC response on Proposed Tariff Card & Revenue: -

In Consultation Paper AERA has computed revenue on proposed tariff proposed to be implemented from Dec'25 which looks to be not possible at the moment. Accordingly, AERA is requested to kindly revise the proposed Tariff card and recompute the revenue basis implementation date of revised tariff in consultation with the cargo operator.