फाइल संख्या ऐरा/20010/एमवाईटीपी/जीएचएसी/एचआईएएल/सीपी-III/2021-26

File No. AERA/20010/MYTP/GHAC/C/HIAL/CP-III/2021-26

आदेश संख्या 04/2023-24

Order No. 04/2023-24

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

मैसर्स जीएमआर हैदराबाद एयर कार्गो (जी.एच.ए.सी.) द्वारा राजीव गांधी अंतर्राष्ट्रीय हवाईअड्डा, हैदराबाद में प्रदान की जाने वाली कार्गो हैंडलिंग सेवाओं के संबंध में तृतीय नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26) के लिए टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF
DETERMINATION OF TARIFF IN RESPECT OF CARGO HANDLING SERVICES PROVIDED BY GMR HYDERABAD AIR CARGO (GHAC)
AT RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD
FOR THE THIRD CONTROL PERIOD
(FY 2021-22 TO FY 2025-26)

जारी करने की तारीख: 24.04.2023

Date of Issue: 24.04.2023

ऐरा भवन/AERA Building

प्रशासनिक कॉम्पलेक्स/Administrative Complex

सफदरजंग हवाईअड्डा/Safdarjung Airport

नई दिल्ली/New Delhi – 110003

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AERA/ AUTHORITY	Airports Economic Regulatory Authority of India
AAI	Airports Authority of India
ACIS	Air Cargo Inspection System
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
ACS	Annual Compliance Statement
ACAAI	Air Cargo Agent Association of India
AO	Airport Operator
BCAS	Bureau of Civil Aviation Security
CAPEX	Capital Expenditure
CHAAH	Custom House Agent Association Hyderabad
CAGR	Compounded Annual Growth Rate
CGF	Cargo, Ground Handling & Fuel Throughput
FY	Financial Year
GHAC	GMR Hyderabad Air Cargo
GACAEL	GMR Air Cargo and Aerospace Engineering Ltd.
GHACLPL	GMR Hyderabad Air Cargo and Logistics Private Ltd.
GST	Goods and Service Tax
ISP	Independent Service Provider
HMACLP	Hyderabad Menzies Air Cargo Pvt. Ltd.
HIAL	Hyderabad International Airport Pvt. Limited
MYTP	Multi-Year Tariff Proposal
MYTO	Multi-Year Tariff Order
MT	Metric Ton
OPEX	Operating Expenditure
PAT	Profit After Tax
PBT	Profit Before Tax
RAB	Regulatory Asset Base
RGIA	Rajiv Gandhi International Airport
SqM	Square Meter
YoY	Year on Year

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Airports Economic Regulatory Authority of India
सत्यमेव जयते

CHAPTER-1: BACKGROUND

1.1 Profile of the Service Provider

1.1.1 GHIAL and Hyderabad Menzies Air Cargo Pvt. Ltd. (HMACPL) [now known as GMR Hyderabad Air Cargo and Logistics Private Ltd. (GHACLPL)] entered into "Amended and Restated Operation and Maintenance Agreement" dated 16.11.2010, whereby GMR Hyderabad International Airport Limited (Airport Operator) granted concession to HMACPL to Operate and Maintain the Cargo Terminal at Rajiv Gandhi International Airport (RGIA), Hyderabad for a period of 15 years commencing from the Airport Opening date i.e. March 14, 2008.

1.1.2 Subsequently, GHACLPL was merged with GMR Air Cargo and Aerospace Engineering Ltd. (GACAEL), a 100% subsidiary of GMR Hyderabad International Airport Limited (GHIAL).

1.1.3 GHIAL further entered into an "AMENDATORY CUM ADDENDUM AGREEMENT" with GMR Hyderabad Air Cargo (GHAC), a division of the GMR Air Cargo and Aerospace Engineering Ltd. (GACAEL), whereby the Concession term which was earlier expiring on 22.03.2023 has been extended for a further period of 15 years up to 22th March 2038.

1.1.4 GHAC is providing Domestic & International Cargo Handling Services at Rajiv Gandhi International Airport (RGIA), Hyderabad. GHAC is the only Service Provider for International Cargo Handling at RGIA; whereas, Blue Dart is the other Service Provider for Domestic Cargo Handling at RGIA, Hyderabad & doing self-Cargo Handling.

1.1.5 Bureau of Civil Aviation Security (BCAS) has granted security clearance to GHAC, a division of GMR Air Cargo and Aerospace Engineering Ltd. (GACAEL) on 22.09.2020, which is valid for a period of five years from the date of issue of security clearance or the period of validity of contract with the airport operator, whichever is earlier.

1.1.6 Currently, GHAC has capacity to handle 150000 MTs of Cargo and proposes to increase the existing cargo handling capacity by 50% by the end of the Third Control Period. The details of existing Area and Cargo Handling Capacity is given below:

Table-1: Existing Area and Capacity

Terminals	Existing area (SqM)	Capacity (MT)
Export (including Pharma Zone)	5,724	65,000
Import	3,175	30,000
Domestic	2,730	50,000
Interim Express/Courier	344	5,000
Total	**11,973**	**150,000**
Office Building	3,100	

1.2 Background of the tariff determination exercise

1.2.1 The Authority, vide its Multi-Year Tariff Order (MYTO) No. 10/2012-13 dated 20.06.2012 decided to adopt 'Light Touch Approach' for determination of the Tariffs for the First Control Period in respect of Hyderabad Menzies Air Cargo Pvt. Ltd., considering the reasonableness of User Agreements & stakeholders' consultation. In the same Order. the Authority had determined Tariff for the Tariff year 2011-12 and Tariff year 2012-13 of the 1st Control Period. Subsequently, the Authority determined the Annual Tariffs for M/s HMACPL in respect of remaining period of the 1st Control Period, vide Annual Tariff Order indicated below:

i. Order No. 24/2013-14 dated 17.06.2013 for tariff year 2013-14;
ii. Order No. 10/2014-15 dated 29.08.2014 for tariff year 2014-15;
iii. Order No. 32/2015-16 dated 21.08.2015 for tariff year 2015-16.

1.2.2 M/s HMACPL (now known as GMR Hyderabad Air Cargo) at the time of MYTP submission for the 2nd Control Period provided copies of User Agreements with Airlines and also provided the documents related to Stakeholders' Consultation done with Air Cargo Agent Association of India (ACAAI) and Custom House Agent Association Hyderabad (CHAAH).

On the basis of the reasonableness of the User Agreements & stakeholders' consultation, the Authority vide Order No. 24/2017-18 dated 27.11.2017 decided to adopt "Light Touch Approach" for determination of Tariff for HMACPL in respect of 2nd Control Period (01.04.2016 to 31.03.2021). In the same Order, the Authority also determined the Tariffs for the first three Tariff Years (FY 2016-17, FY 2017-18 & FY 2018-19) of the 2nd Control Period.

1.2.3 Thereafter, the Authority vide following Interim/ Regular Orders, allowed M/s GMR Hyderabad Air Cargo to continue levy of existing Tariff (as on 31.03.2019) for the further periods as given below:

i. Interim Order No 05/2019-20 dated 22.05.2019 for the period from 01.04.2019 up to 30.09.2019;
ii. Interim Order No 08/2019-20 dated 26.09.2019 for the period from 01.10.2019 up to 31.03.2020;
iii. Order No. 27/2019-20 dated 25.02.2020 for the period from 01.04.2020 up to 31.3.2021.

1.2.4 Subsequently, the Authority through Interim Orders allowed the ISP to continue levy the Tariff prevailing as on 31.03.2021 for further periods as detailed below

i. Interim Order No 67/2021-22 dated 25.03.2021 valid up to 30.09.2021;
ii. Interim Order No. 18/2021-22 dated 15.09.2021 valid up to 31.03.2022;
iii. Interim Order no. 46/2021-22 dated 17.03.2022 valid up to 30.09.2022;
iv. Interim Order no. 24/2022-23 dated 23.09.2022 valid up to 31.03.2023
v. Interim Order no. 42/2022-23 dated 23.03.2023 valid up to 30.09.2023, or, till the determination of regular tariff for the Third Control Period, whichever is earlier.

1.3 Submission of MYTP by GHAC for the Third Control Period

1.3.1 M/s GHAC submitted MYTP for the Third Control Period (FY 2021-22 to FY 2025-26) vide their letter dated 14.07.2022.

1.3.2 Based on the review of MYTP & observations of the Authority, GHAC has submitted requisite information/ clarifications vide various emails during the period from August, 2022 to February, 2023.

1.4 Stakeholders' Consultation by GHAC for the Third Control Period

1.4.1 The Authority notes that GHAC has conducted Stakeholders' Consultation meeting on 18.05.2022 and submitted the copy of 'Minutes' of Meeting along with its MYTP submission.

1.4.2 Stakeholders' Consultation meeting on Air Cargo Terminal Expansion/Upgrade Proposals and MYTP of GMR Hyderabad Air Cargo (GHAC) for the Third Control Period was attended by Air Cargo Agents Association of India (ACAAI), Hyderabad, Customs Brokers Association (CBA), The Federation of Telangana Chambers of Commerce & Industry (FTCCI) and Director Logistics, Government of Telangana (GoT) among other attendees. The Authority observes from the minutes of meeting that none of the stakeholder raised any concern relating to Tariff proposed by the ISP in respect of Cargo Handling Services at Hyderabad Airport for the 3rd Control Period.

1.5 Submission of the ACS by GHAC for the Second Control Period

1.5.1 GHAC, along with its MYTP submissions for the 3rd Control Period also submitted the Annual Compliance Statement (ACS) for the FY2019-20 and FY2020-21.

1.5.2 The Authority, carefully examined the MYTP for the Third Control Period and the various clarifications & additional information submitted by GHAC in respect of the Cargo Handling Services provided by the ISP at RGIA, Hyderabad and issued its Consultation Paper (CP) No. 15/2022-23 dated 14.02.2023, inviting suggestions/comments from the Stakeholders on the various proposals of the Authority contained in the CP with the following timelines:

- Date of Issue of the Consultation Paper: 14th February, 2023.
- Date for submission of written comments by Stakeholders: 7th March, 2023.
- Date for submission of counter comments: 15th March, 2023

1.5.3 Pursuant to issuance of CP no. 15/2022-23 dated 14.02.2023, following Stakeholders submitted their comments to the Authority within the stipulated timeframe:

(i)	M/s SpiceJet Ltd.
(ii)	GMR Hyderabad Air Cargo (GHAC)

1.5.4 The comments received from the above stakeholders were uploaded on the AERA's website vide Public Notice no. 24/2022-23 dated 09.03.2023. The Authority, in response to Public Notice no. 24/2022-23 dated 09.03.2023, received counter comments from GHAC on 15.03.2023. Thus, on receipt of the Comments and Counter Comments from all the Stakeholders, the Consultation Process concluded on 15.03.2023

1.5.5 The Authority, after considering the comments of Stakeholders and all the relevant aspects of case has finalized this Tariff Order.

CHAPTER-2: METHODOLOGY FOR TARIFF DETERMINATION

2.1 Principles for Determination of Aeronautical Tariff

2.1.1 The Authority vide its Order No. 12/2010-11 dated 10.01.2011 and Direction No. 04/2010-11 issued on 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports and issued 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 the Aircraft) Guidelines, 2011 ("the Guidelines").

2.1.2 As stipulated in the Guidelines, the Authority shall follow a three-stage procedure for determining its approach to the regulation of Regulated Service(s) as under:

2.1.2.1 Stage 1: The Authority shall first assess "Materiality" according to provisions of Clause 4;

2.1.2.2 Stage 2: The Authority shall then assess "Competition" according to provisions of Clause 5; and

2.1.2.3 Stage 3: The Authority shall then assess the existing User Agreement(s), according to provisions of Clause 6.

2.1.3 Accordingly, the Authority has done the assessment at the three stages as under:

Stage I: Materiality Assessment:

$$\text{Materiality Index } (MI_C) = \frac{\textit{Cargo volume at RGIA Hyderabad}}{\textit{Total Cargo Volume at Major Airports}}\ \boldsymbol{X100}$$

The Materiality Index at RGIA, Hyderabad = 143,884 MTs / 3,228,862 MTs

= 4.46%

The percentage share of Cargo Handling for RGIA, Hyderabad for the FY 2019-20 is 4.46% which is more than 2.5% Materiality Index (MI_c) for the Cargo services. Hence the regulated service is deemed as **'Material'** for the Third Control Period.

Stage-II: Competition Assessment:

2.1.4 As per the information furnished by GHAC in Form F1 (b) on competition Assessment, M/s GHAC is the only service provider in terms of handling of International Cargo and with regard to Domestic Cargo, Blue Dart is doing self-handling, for which the Authority has not determined the Tariff at Rajiv Gandhi International Airport, Hyderabad. Therefore, in the instant case, Cargo Handling Service at RGIA is deemed "Non-Competitive".

Stage-III: Reasonability of User Agreement:

2.1.5 As per Clause 3.2 (iii) of the Guidelines, wherever the Regulated Service provided is 'Material and non-Competitive' but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a Light Touch Approach for the duration of the Control Period, according to the provisions of Chapter V.

2.1.6 As per clause 11.2 of the AERA (CGF) Guidelines 2011, the Annual Tariff Proposal (ATP) is required to be submitted in the manner and form provided in AI 8.2 of Appendix-I to the Guidelines and should be supported by the following:

a) Form B and Form 14 (b) (Proposed Tariff Card);

b) Evidence of Consultation with Stakeholders;

c) Evidence of User Agreement(s), if any, between the Service Provider and the User of Regulated Service(s) clearly indicating the Tariff proposed by the Service Provider.

2.1.7 The Authority, vide mail dated 29.07.2022, sought details of valid User Agreements with Shippers and Airlines from GHAC. In response thereto, ISP submitted User Agreements with 23 scheduled Airlines vide email dated 10.08.2022, and the same have been reviewed by the Authority as per the clause 3.2 of CGF Guidelines, 2011.

2.1.8 GHAC has submitted a copy of letter from GHIAL (Airport Operator) dated 19.05.2022 informing about the grant of new Concession to the second Cargo Services Provider (M/s Quinlan Bird Cargo Pvt. Ltd.) to Develop, Operate and Maintain a second Air Cargo Terminal at Hyderabad airport. The new ISP and the Airport Operator have executed the Concession Agreement on 30th October, 2020; accordingly, new Cargo Terminal Operator is expected to commence its cargo services in due course of time.

2.1.9 Earlier, the Authority during the 1st & 2nd Control Period had also determined Tariff for the ISP following the "Light Touch Approach", based on the User Agreements and Stakeholders consultations.

2.1.10 In view of the above, considering the User Agreements submitted by the ISP and likelihood of Second Cargo Terminal Operator also starting the operations in future, the Authority decides to consider Tariff determination for GHAC for the Third Control Period under "Light Touch Approach".

2.2 <u>The Authority's decision regarding Determination of Tariff in respect of the GHAC for the Third Control Period</u>

2.2.1 Based on the material before it and its analysis as given in Para 2.1.10, the Authority decides to determine Tariff for the GHAC in respect of Cargo Handling Services provided at RGIA, Hyderabad for the Third Control Period by adopting **'Light Touch Approach'**.

CHAPTER-3: CARGO VOLUME FORECAST

3.1 Cargo Volume Projection by GHAC for the Third Control Period

3.1.1 Actual Cargo volumes handled by GHAC during the 2nd Control Period is tabulated below as submitted by the ISP:

Table-2: Actual Cargo Volume handled by GHAC for the 2nd Control Period

(In MT)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	Total	CAGR (FY17-FY20)
Domestic Cargo							
Outbound Cargo	17,497	18,405	19,489	19,561	14,776	89,728	
Inbound Cargo	22,364	23,801	28,665	30,207	20,945	125,982	
Total Domestic Cargo (A)	**39,861**	**42,206**	**48,154**	**49,768**	**35,721**	**215,710**	**7.68%**
International Cargo							
Export Cargo	52,952	60,635	64,589	63,057	49,473	290,706	
Import Cargo	18,197	22,219	23,244	21,675	16,515	101,850	
Total International Cargo (B)	**71149**	**82854**	**87833**	**84732**	**65988**	**392,556**	**6.00%**
Total (C)=(A+B)	**111,010**	**125,060**	**135,987**	**134,500**	**101,709**	**608,266**	**6.61%**

3.1.2 GHAC in its MYTP submission submitted that over the next 10 years, overall Hyderabad air cargo market is expected to grow more than 10% annually in volumes terms, from the current 140,075 MT (as per AAI statistics for FY 2021-22) to 330,000 MT (FY 2030-31).

However, ISP submitted that with the commissioning of Cargo Terminal 2 by the second Cargo Terminal Operator, it is expected that some market share will be taken away by new Cargo Operator. Accordingly, GHAC has estimated Cargo Volume growth of 7.6% for its Cargo business during the Third Control Period. In FY2026 (last tariff year of the Control Period), GHAC's Cargo Volumes are expected to reach to 175,000 MT from 125756 MT (FY 2021-22).

3.1.3 The total Cargo Volumes projected by GHAC for itself in respect of the Third Control Period is given below:

Table-3: Cargo Volume Projected by GHAC (Cargo to be handled by GHAC) for the Third Control Period

(in MT)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total	CAGR
Domestic Cargo							
Outbound	23,350	25,941	28,424	30,210	33,250	141,175	
Inbound	26,926	29,354	31,416	33,390	36,750	157,836	
Total (A)	**50,276**	**55,295**	**59,840**	**63,600**	**70,000**	**299,011**	**8.63%**
International Cargo							
Export	54,790	59,029	62,824	65,460	71,000	313,103	
Import	20,690	21,000	21,936	22,440	24,000	110,066	

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total	CAGR
Total (B)	**75480**	**80029**	**84760**	**87900**	**95000**	**423,169**	**5.92%**
Express Cargo							
Export Express Cargo	0	2,000	3,000	4,500	6,000	15,500	
Import Express Cargo	0	1,500	2,000	3,000	4,000	10,500	
Total (C)	**0**	**3500**	**5000**	**7500**	**10000**	**26,000**	**41.90%**
Total Cargo Volumes [D=A+B+C)	**125,756**	**138,824**	**149,600**	**159,000**	**175,000**	**748,180**	
Y-o-Y % Change:							
Domestic Outbound		11.10%	9.57%	6.28%	10.06%		
Domestic Inbound		9.02%	7.02%	6.28%	10.06%		
Total Domestic Cargo		**9.98%**	**8.22%**	**6.28%**	**10.06%**		
Export Cargo		7.74%	6.43%	4.20%	8.46%		
Import Cargo		1.50%	4.46%	2.30%	6.95%		
Total International Cargo		**6.03%**	**5.91%**	**3.70%**	**8.08%**		
Outbound express cargo			50.00%	50.00%	33.33%		
Inbound express cargo			33.33%	50.00%	33.33%		
Total Express Cargo			**42.86%**	**50.00%**	**33.33%**		
Total Cargo Volumes		**10.39%**	**7.76%**	**6.28%**	**10.06%**		

3.1.4 Subsequently, GHAC vide letter dated 19.01.2023 has submitted revised cargo volumes from FY 2022-23 to FY 2025-26. The revised Cargo Volume Projected by the ISP for the Third Control Period is given below:

Table 4: Revised Cargo Volume Projections submitted by GHAC (Cargo to be handled by the GHAC) for the Third Control Period

(Cargo Volume in MT)

Particulars		2021-22	2022-23	2023-24	2024-25	2025-26
Domestic	Outbound	23,350	24,773	27,133	29,295	31,261
	Inbound	26,926	29,390	32,190	34,755	37,088
	Total (a)	**50,276**	**54,164**	**59,322**	**64,051**	**68,349**
International	Export	54,790	54,578	58,652	62,487	65,882
	Import	20,690	18,657	19,433	20,562	21,043
	Total (b)	**75,480**	**73,235**	**78,085**	**83,049**	**86,925**
International Express Courier Cargo	Outbound express cargo	-	600	2,000	3,000	4,000
	Inbound express cargo	-	-	1,000	1,500	2,500
	Total (c)	**-**	**600**	**3,000**	**4,500**	**6,500**
Total (a+b+c)		**1,25,755**	**1,27,998**	**1,40,408**	**1,51,599**	**1,61,774**
Grand Total for the Control Period				**7,07,534**		

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3.2 The Authority's Examination on Cargo Volume Projected by GHAC for the Third Control Period at CP stage

3.2.1 The Authority observed that during the 2nd Control Period (first four years of the Second Control Period i.e., from FY2016-17 to FY 2019-20), Domestic and International Cargo Volume grew at a CAGR of 7.68% and 6% respectively.

3.2.2 In respect of Cargo Volume Projections for the Third Control Period, the Authority noted that Domestic and International Cargo Volumes were projected to increase at CAGR of 8.63% and 5.92% respectively, during the current Control Period. (Refer Table 3).

3.2.3 The Authority sought clarification regarding projected drop in growth of cargo volumes in FY 2023-24 and FY 2024-25 (refer Table 3), as compared to volume growth projected for FY 2022-23. The ISP vide email dated 07.12.2022 submitted that the projected drop in cargo volume projection was due to likely diversion of the cargo volumes to the second Cargo Terminal Operator.

3.2.4 As regard to Domestic Cargo projections, the Authority observed (from the Table 3) that GHAC had already achieved pre-Pandemic Volumes and in case of International Cargo, pre-pandemic volumes were projected to be achieved during FY2023-24.

3.2.5 In respect of revised Cargo Volume Projection for the Third Control Period submitted by the GHAC (Table 4), the Authority noted from the submission of the GHAC that based on current Cargo Volume trends (April 2022 to December, 2022), ISP revised Cargo Volume Projections from FY 2022-23 to FY 2025-26.

3.2.6 In this regard, the Authority reviewed actual cargo volumes for the Hyderabad International Airport as per the AAI statistics. It was observed that the total domestic cargo volumes for the period (April to December, 2022) had increased by 6.7% and the international cargo volumes had dropped fractionally (0.6%) during the same period, as compared to corresponding period in FY 2021-22. The overall Cargo Volumes for the period from April 2022 to December 2022 still had a positive growth of 2.8%.

The Authority felt that during a short-term trend comprising of few months, there may be ups and downs in the volume projections; unless there is a fundamental change in the underlying assumptions affecting long term trend, it may not be appropriate to revise projections for a relatively longer period.

Further, the Authority noted that GHAC assumed commencement of operations by the second Cargo Terminal Operator, who had been awarded concession by the airport operator in 2020 to develop, operate and maintain second Cargo Terminal at the airport. As per the ISP, a significant portion of Cargo Volumes is likely to get diverted/shifted to the second cargo terminal operator (from FY 2023-24 onward). The Authority noted that there was no information regarding the starting of activity by the new ISP nor they have approached AERA in this regard. Thus, during the consultation process there was no firm timeline available for commencement of operations by the Second Cargo Terminal Operator.

In view of the foregoing, the Authority decides to consider cargo volume projections for the Third Control Period, as initially submitted by GHAC (as per Table- 3).

3.3 Stakeholders' comment and response of the ISP on Cargo volumes for the 3rd Control Period

The Authority received following comments on cargo volumes projected for the Third Control Period:

3.3.1 **Comments of GHAC on Cargo Volumes:** GHAC in its comments regarding Cargo volume for the Third Control Period submitted as under:

"In our MYTP submission dated 14 July'22 we had considered the projected cargo volume for full year FY23 based on Q1 FY23 actuals, market growth rates and prevailing macro-economic scenario. During this YTD period of 3 months, the market was growing at 6.6% (average growth rate for HYD, DEL, BOM, BLR, MAA,

CCU, and COK) and accordingly we had considered a growth rate of 10.4% for full year FY23, which was around 3.8% higher growth rate w.r.t. the market. Subsequently, due to elapsed time period since July'22 submission and significant change in macro-economic scenario (slowdown), we had, vide our submission dated 19 Jan'23, submitted revised figures based on the actual YTD FY23 10-month figures updating our Cargo volumes as well as CAPEX scheduling and OPEX. As per this revised submission, the cargo volume growth rate for the full year FY23 was considered at 1.8% YoY growth i.e., from 125,755 MT (FY22) to 127,998 MT (FY23) which was 3.3% higher than the market growth rate of -1.5% (average growth rate for HYD, DEL, BOM, BLR, MAA, CCU, COK) for the YTD FY23 10-month period of Apr'22-Jan'23. This revised submission was fully aligned and consistent with our earlier submission only, factoring in the actual performance of the market. In fact, for the subsequent period i.e., for FY24, 25 and 26, we have taken CAGR of 8% which was also the same as in our initial July'22 submission.

In view of the above we request the Authority to consider cargo volume as per our submission dated 19th Jan'23 which is more representative of the actual cargo volume numbers for FY23."

3.3.2 **Comments of SpiceJet on Cargo Volumes:** SpiceJet has submitted its comments regarding Cargo volume for the Third Control Period as follows:

"It is humbly submitted that the impact on cargo volumes due to second Cargo Terminal Operator as well as establishment and operation of Second Cargo Terminal may be known only sometime after the commencement of operations of second Cargo Terminal Operator and Second Cargo Terminal. In addition, there is no impact of any competition for GHAC as they are the only service provider in terms of International cargo. It may also be noted that GHAC has already achieved pre pandemic domestic volumes, and projected to achieve pre pandemic international volumes by 2023-24. The operations have normalised and recovered from the impact of Covid-19. Past trends during abnormal times of Covid-19 may not show similar trends in the future after normalisation of operations.

Thus, Authority may please kindly note the following factors:

(a) The hike in tariff is proposed on the assumption of erosion of cargo volumes of GHAC due to second Cargo Terminal Operator and operation of Second Cargo Terminal. However, there is no historical data or trend to arrive at the loss of volumes as proposed.

(b) The hike in tariff is proposed on the basis of second Cargo Terminal Operator and operation of Second Cargo Terminal the assumption that cargo volumes will be bifurcated. At this juncture it may be premature to estimate the actual loss of volumes. We may be able to gauge the impact once the second Cargo Terminal Operator as well as Second Cargo Terminal is operational, for which as on date there is no firm timeline available for commencement of operation by the second cargo terminal operator.

(c) Thus, is submitted that at this point in time, it may not be realistic to assess the impact of the aforementioned factors on the cargo volumes and therefore it is requested that Authority may rationalize the volumes significantly upwards while considering only a minimal impact from the above mentioned uncertain factors. Authority may thereafter true up the actual volumes during the 4th Control Period, when a clearer picture emerges.

In addition, we request AERA to conduct an independent expert study for Cargo Volumetric projections, in accordance with the Airport Economic Regulatory Authority of India Act, 2008 (AERA Act)."

3.4 GHAC's response on SpiceJet's comments regarding Cargo volume for the 3rd Control Period

3.4.1 GHAC has submitted its response on SpiceJet's comments regarding Cargo volume for the Third Control Period as follows:

"The decadal growth rate (FY13-FY23) of Hyderabad Air Cargo is 5.3% CAGR. The traffic volume in FY13 was 76,100 MT while in the current year FY23, it is expected to be 127,998 MT. For the 3-year period (FY24-FY26), the Authority has considered extremely steep growth rate of 11% CAGR from 127,998 MT to 175,000 MT. We have requested the Authority to consider growth rate of 8% during FY23 to FY26 i.e., from 127,998 MT to 1601,774 MT based on the actual cargo volume figures for FY23.

In view of the above facts, a CAGR of 8% for remaining 3 years of current CP is reasonably high and certainly a very steep target considering the 2nd cargo terminal."

3.5 Authority's Analysis on the Stakeholders' comments on the Cargo Volume proposed for the Third Control Period

3.5.1 The Authority notes the comments of GHAC regarding Cargo volume projections and has reviewed the actual cargo volumes for the Hyderabad International Airport as per the AAI statistics. It is observed that the total domestic cargo volumes for the period (April, 2022 to February, 2023) had increased by 4.7% and the international cargo volumes dropped fractionally (0.1%) during the same period, as compared to corresponding period in FY 2021-22. The overall Cargo Volumes for the period from April 2022 to February 2023 still had a positive growth of 2.1%. The Authority is of the view that short-term trend, comprising of few months, may have slight ups and downs in the volume projections; unless there is a fundamental change in the underlying assumptions affecting long term trend, it may not be appropriate to revise projections for a relatively longer period.

3.5.2 The Authority further notes the comments of M/s SpiceJet regarding the commencement of operations of the Second Cargo Terminal and its impact on the volume of GHAC during the Third Control Period and response thereto from GHAC. It is observed that the ISP has not addressed the comments of the Stakeholder regarding commencement of operations by second cargo operator and has only reiterated the data as stated in Para 3.3.1. The Authority notes that as on date, there is no firm information relating to commencement of operations by the Second Cargo Terminal Operator.

As regard to the proposal of M/s SpiceJet that the AERA may conduct an independent expert study on the Cargo volumetric projections; the Authority, if required, may get an independent study conducted on Cargo Volume Projections for the Hyderabad airport in future.

The Authority, based on its examination of projected cargo volumes & actual figures of cargo volumes handled by the Hyderabad airport during FY 2022-23 (up to Feb. 2023), maintains the same view as taken at consultation stage and decides to consider the Cargo Volumes for the ISP as was proposed during the Consultation Stage mentioned at Table-3.

3.6 The Authority's decision regarding Cargo Volume for the Third Control Period

Based on the material before it and its analysis the Authority decides the following regarding Cargo Volume for the Third Control Period:

3.6.1 To consider the Cargo Volumes projected for the Third Control Period in respect of GHAC as per Table-3.

CHAPTER-4: CAPITAL EXPENDITURE (CAPEX), REGULATORY ASSET BASE (RAB) AND DEPRECIATION

4.1 CAPEX Projection by GHAC for the Third Control Period

4.1.1 GHAC in its MYTP submission projected a total capital expenditure of ₹256.29 crores which included Cargo Handling Equipment, Software, Infrastructure improvements, Plant & Machinery, Furniture, and Fittings, Office equipment, Computers and Vehicles. The details of capital expenditure projected by GHAC for the Third Control Period is tabulated below:

Table-5: Capital Expenditure as projected by GHAC for the Third Control Period

(Amount in Crore)

	Capital Addition	FY22	FY23	FY24	FY25	FY26	Est. Amount (Rs. Cr.) (incl. GST)
A	**Expansion and Automation Projects**						
(i)	New Domestic Cargo Terminal (Including Material Handling Equipment)	-	33.06	13.25	-	-	46.31
(ii)	New Perishables Export Terminal by modifying the existing domestic terminal space (including Material Handling Equipment)	-	6.00	23.34	-	-	29.34
(iii)	(a) New dedicated Express Cargo facility (including Material Handling Equipment)	-	-	33.52	-	-	33.52
	(b) Office Space (part of ExpressTerminal)				8.00		8.00
(iv)	Common Utilities and Facilities	-	11.08	18.66	-	-	29.74
(v)	Air Cargo Inspection System (ACIS) Procuring and Installing ACIS	-	25.00	-	-	-	25.00
(vi)	Interest During Construction (IDC)	-	1.68	-	-	-	1.68
	Total (i to vi) (1)	-	**76.81**	**88.77**	**8.00**	-	**173.59**
B	**Upgrade/Replacement Projects**						
(i)	General Capex		11.95	13.78	5.93	6.80	38.46

	Capital Addition	FY22	FY23	FY24	FY25	FY26	Est. Amount (Rs. Cr.) (incl. GST)
	(Upgrade/Replacement)						
(ii)	General Capex undertaken (incl. CWIP)	13.38	-	-	-	-	13.38
	Total (i to ii) (2)	**13.38**	**11.95**	**13.78**	**5.93**	**6.80**	**51.84**
C	**CAPEX incurred in FY22 and capitalized (3)**	**6.32**	-	-	-	-	**6.32**
D	**Additional Projects included**						
(i)	Automation related				11.17	2.30	13.48
(ii)	Airside Transshipment	-	-	-	6.19	-	6.19
(iii)	Transshipment Shed at Import Terminal			4.88			4.88
	Total (i to iii) (4)	-	-	**4.88**	**17.36**	**2.30**	**24.55**
	Grand Total (1 to 4)	**19.70**	**88.77**	**107.43**	**31.29**	**9.10**	**256.29**

4.1.2 GHAC further submitted the details of proposed increase in capacity and terminal area during the Third Control Period as per Table-6.

Table-6: Existing Area and proposed increase in Cargo Terminal Area and Cargo Handling Capacity

Sr. No	Terminals	Existing Area (SqM.)	Capacity (MT)	Proposed in SqM. (Including existing area)	Capacity (MT)
1	Export (incl. PZ)	5,724	65,000	Same as existing area	90,000
2	Perishables Export		-	2,880	
3	Import	3,175	30,000	3,975	35,000
4	Domestic	2,730	50,000	7,060	80,000
5	Express Cargo	344	5,000	2,275	20,000
	Total	**11,973**	**150,000**	**21,914**	**225,000**
6	Office Building	3,100	-	7,650	-
7	Airside Transshipment		-	1,500	-

4.1.3 GHAC submitted that the existing Terminal was designed to handle 150,000 MT of Cargo. In FY19, GHAC had handled 135,000 MT. The justifications & requirement for the expansion of Cargo Handling Facilities to cater to future demand is given in the following sections:

4.1.4 **Constraints/Improvement Areas Infrastructure – Domestic Terminal**: GHAC submitted that the current Domestic Terminal capacity is 50,000 MT, whereas in FY2021-22, ISP had handled more than 50,000 MT and reached its saturation capacity levels and the peak operations have become constrained (refer photos placed at Annexure-I of CP). GHAC therefore submitted that the expansion of the domestic terminal was required to ensure smooth operations in the Third Control Period.

4.1.5 **Need for Perishable Facility**: ISP submitted that in various Forums and direct interactions, the Trade Associations, Government Officials & other Stakeholders requested them for the exclusive Perishable Cargo Handling facilities at Hyderabad Airport to support their business requirements. Currently, these exporters send their export shipments from other ports in Bengaluru and Mumbai, which is costing them in terms of transportation to Mumbai & Bangalore, product damagesduring transit, losses and transactional challenges. Hence, GHAC planned for Perishables Cargo Export Terminal in an area of 2,880 SqM. with annual capacity of 25,000 MT to support Hyderabad Trade and Farmers of the region.

4.1.6 **Need for Express Terminal**: The requirement for Express Terminal at RGIA, Hyderabad was highlighted by Express Shippers and Customs in various forums as they were dependent on Mumbai & Bangalore Express facilities. To address the immediate demand, an Interim Express cargo facility (accommodated in the existing International Cargo Terminal) had been inaugurated on 22nd March, 2022. The current area is 344 SqM. This facility is a temporary arrangement till the completion of the main Express Terminal. The current existing capacity of the express cargo facility is 5,000 MT and the demand is expected to reach 20,000 MT in next 5-7 years.

4.1.7 **Need to upgrade Transshipment Area**: Transshipment share among Imports has been increasing and currently 10-20% of Imports shipments are transshipments. Although GHAC has a dedicated space for transshipment but the surge in Transshipment volumes has been increasing and are expected to take major portion of Imports in future. Unlike other ports, in Hyderabad proportion of Imports in International Cargo is low @ 25% which adversely affects both Airlines and Exporters due to this directional imbalance leading to lower capacity and higher cost of Exports. Hence, GHAC submits to Authority that it will invest in the upgrade of Transshipment Area and streamline transshipment operations to grow the import shipments which is required and benefit the overall air cargo trade to/from the Region.

4.1.8 **Mandatory requirement by Customs for ACIS as per GHAC**: According to GHAC, they are mandated to procure X-ray-based Air Cargo Inspection System (ACIS) as per the Handling of Cargo in Customs Area Regulation, 2009 (HCCAR). The same is detailed in letter No. 21019/15/2013-Cus (AS) Pt-1 dated 18 June 2019 by the Central Board of Indirect Taxes and Customs (anti-smuggling unit). As per the ISP, the requirement of ACIS was again highlighted by the Office of the Deputy Commissioner of Customs in its letter C.No.S/01/Estt/06/2017-ACC Vol-II dated 01 December 2021. The letter also highlighted that this procurement must be carried out on an urgent basis. Accordingly, the same has been considered as part of the Capital Expenditure plan during the period. The estimated cost of the project is Rs. 21.84 Crores (as per the revised CAPEX).

4.1.9 **Upgrade/Replacement of Existing Infrastructure/Facilities:** GHAC highlighted that the existing infrastructure/facilities is ageing and requires imminent revamp/replacement/upgrade. The same has already been initiated in FY 2021-22 and will continue in phases over the Control period till FY26. As per ISP, above project covers Civil Infrastructure/Extension, Material Handling Equipment, Security Equipment, IT equipment, Building Renovation among others. The estimated cost of the project is Rs. 35.17 Crores (as per the revised CAPEX).

4.1.10 **Common utilities and facilities:** GHAC submitted that the proposed Common Utilities & Facilities include new car park to support/complement the proposed developments and meet the utility/associated facility requirements for the same. ISP further stated that proposed scheme include works such as Airside sheds/Canopy, Utility building, Power Sub-Station, demolitions, external civil works incl. roads/pavements/trenches, external services for Electrical/HVAC/Firefighting, Plumbing/Drainage, Security Rooms incl. Gates/ Bollards/UVSS/Gate houses/Morcha etc.

Capex on Other Facilities proposed by Stakeholders: GHAC submitted that post the Stakeholders' Consultation meeting, they made separate presentations of their proposals to around 40 members across Agent Association (ACAAI) and Airline Association (BAR) on 27th May'22 and 14th Jun'22 respectively to explain the details and seek their inputs/feedback.

a) GHAC submitted that based on the inputs/feedback given by Chairman, ACAAI- Hyderabad Sub Region, vide their letter dated 7th July, 2022, GHAC has considered the suggestions (related to Office Space, Storage Space, Automation, Transshipment etc.) made by ACAAI and suitably revised its CAPEX proposals

b) ISP also submitted that in the meeting held on 14th Jun'22 with the HYD Airline Community (BAR Association) which saw participation of 15 members, their proposals for Expansion/Upgrade and MYTP were again presented and discussed upon. During the meeting, the Airline community emphasized the need for having an Airside Transshipment facility, adequate Office Space and improved service levels/efficiencies/automation. Based on the inputs/feedback received from interactions with above mentioned Stakeholder, GHAC included additional office space, automation/ material handling equipment, larger transshipment sheds covering both airside (air to air) as well landside (air to road) and few other projects.

ISP submitted that corresponding CAPEX, for these inclusions as suggested by the industry associations, is around Rs. 27.53 Crores (revised CAPEX) and the same has been included in their CAPEX proposals submitted to the Authority.

4.1.11 Subsequently, GHAC vide email dated 19.01.2023 submitted the revised CAPEX proposal for the Third Control Period amounting to Rs. 242.64 Crores (as against original CAPEX of Rs 256.29 crores), after rationalization as per Table given below:

Table-7: Revised Capital Expenditure as projected by GHAC for the Third Control Period

(₹ in Crore)

	Capital Addition	FY22	FY23	FY24	FY25	FY26	Total
A	**Expansion and Automation Projects**						
(i)	New Domestic Cargo Terminal (including Material Handling Equipment)	-		45.00	-	-	45.00
(ii)	New Perishables Export Terminal by modifying the existing domestic terminal space (including Material Handling Equipment)	-			28.53	-	28.53
(iii)	(c) New dedicated Express Cargo facility (including Material Handling Equipment)	-			34.74	-	34.74

	Capital Addition	FY22	FY23	FY24	FY25	FY26	Total
	(d) Office Space (part of Express Terminal)				6.12		6.12
(iv)	Common Utilities and Facilities	-		11.29	19.02	-	30.31
(v)	Air Cargo Inspection System(ACIS) Procuring and Installing ACIS	-		21.84	-	-	21.84
	Total (i to v) (1)	0.00	**0.00**	**78.14**	**82.30**	**0.00**	**160.44**
B	**Upgrade/Replacement Projects**						
(i)	General Capex (Upgrade/Replacement)	-	10.58	12.96	5.29	6.33	35.17
(ii)	General Capex undertaken (incl. CWIP)	13.38	-	-	-	-	13.38
	Total (i to ii) (2)	**13.38**	**10.58**	**12.96**	**5.29**	**6.33**	**48.55**
C	**CAPEX incurred in FY22 and capitalized (3)**	**6.32**	-	-	-	-	**6.32**
D	**Additional Projects included**						
(i)	Automation related				10.94		10.94
(ii)	Airside Transshipment	-	-	-	5.75		5.75
(iii)	Transshipment Shed at Import Terminal				4.52		4.52
	Total (i to iii) (4)	6.32	-	-	21.21		27.53
	Grand Total (1 to 4)	**19.70**	**10.58**	**91.10**	**114.92**	**6.33**	**242.64**

4.1.12 The supporting documents, from stakeholders / regulatory agencies, in respect of CAPEX proposed for the Third Control Period as submitted by the ISP were placed at **Annexure-I** of CP.

4.1.13 As the 10 months of the financial year (FY 2022-23) had elapsed, the Authority sought the status of Capital CAPEX of Rs 10.58 crores proposed for FY 2022-23. In response thereto, GHAC informed that they have already incurred the CAPEX proposed for FY 2022-23 (Rs. 10.58 crores).

4.2 Depreciation Projection by GHAC for the Third Control Period

4.2.1 GHAC submitted projected depreciation for the Third Control Period, based on the revised CAPEX totaling to Rs. 242.64 crores, as given in Table-8.

Table-8: Depreciation as projected by GHAC for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Infrastructure improvements	1.89	2.48	4.67	8.96	11.65	29.65
Plant & Machinery	2.26	2.61	3.97	6.19	7.31	22.34
Furniture and Fittings	0.11	0.29	0.35	0.19	0.21	1.15
Office equipment	0.26	0.28	0.17	0.23	0.25	1.19
Computers	0.69	1.07	0.33	0.38	0.42	2.89
Vehicles	0.06	0.06	0.09	0.11	0.11	0.43
Software	0.35	0.71	0.2	0.24	0.26	1.76
Total	**5.62**	**7.5**	**9.78**	**16.3**	**20.21**	**59.41**

4.3 Average RAB Projection by GHAC for the Third Control Period

4.3.1 GHAC, taking into account opening RAB as on 01.04.2021, Additions to RAB (Table-7) and Depreciation (Table-8) proposed the following RAB/Average RAB for the Third control Period.

Table-9: Average RAB projected by GHAC for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
(A)Opening RAB of						
(i) Infrastructure improvements	28.13	27.55	40.26	90.64	163.94	
(ii) Plant & Machinery	11.18	12.54	16.38	47.01	72.63	
(iii) Furniture and Fittings	0.70	0.85	1.03	0.98	1.08	
(iv) Office equipment	0.72	0.69	0.86	1.06	0.97	
(v) Computers	2.11	1.91	1.57	1.43	1.25	
(vi) Vehicles	0.37	0.31	0.24	0.50	0.39	
(vii) Software	1.27	1.33	1.29	1.33	1.32	
Total (i to vii)	**44.48**	**45.18**	**61.63**	**142.95**	**241.58**	
(B)Additions-WIP Capitalization						
(i) Infrastructure improvements	1.32	15.18	55.06	82.26	3.75	157.57
(ii) Plant & Machinery	3.61	6.45	34.6	31.81	1.91	78.38
(iii) Furniture and Fittings	0.27	0.47	0.3	0.3	0.30	1.64

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
(iv) Office equipment	0.23	0.45	0.38	0.13	0.13	1.32
(v) Computers	0.48	0.74	0.19	0.19	0.19	1.79
(vi) Vehicles	0	0	0.34	0	0.00	0.34
(vii) Software	0.41	0.67	0.23	0.23	0.06	1.60
Total (i to vii)	**6.32**	**23.96**	**91.10**	**114.92**	**6.34**	**242.64**
(C) Disposals/ Transfers						
(D) Depreciation Charge						
(i) Infrastructure improvements	1.89	2.48	4.67	8.96	11.65	29.65
(ii) Plant & Machinery	2.26	2.61	3.97	6.19	7.31	22.34
(iii) Furniture and Fittings	0.11	0.29	0.35	0.19	0.21	1.15
(iv) Office equipment	0.26	0.28	0.17	0.23	0.25	1.19
(v) Computers	0.69	1.07	0.33	0.38	0.42	2.89
(vi) Vehicles	0.06	0.06	0.09	0.11	0.11	0.43
(vii) Software	0.35	0.71	0.2	0.24	0.26	1.76
Total (i to vii)	**5.62**	**7.5**	**9.78**	**16.3**	**20.21**	**59.41**
Closing RAB (E=A+B-C-D) Net block						
(i) Infrastructure improvements	27.55	40.26	90.64	163.94	156.04	
(ii) Plant & Machinery	12.54	16.38	47.01	72.63	67.22	
(iii) Furniture and Fittings	0.85	1.03	0.98	1.08	1.17	
(iv) Office equipment	0.69	0.86	1.06	0.97	0.84	
(v) Computers	1.91	1.57	1.43	1.25	1.02	
(vi) Vehicles	0.31	0.24	0.5	0.39	0.28	
(vii) Software	1.33	1.29	1.33	1.32	1.12	
Total (i to vii)	**45.18**	**61.63**	**142.95**	**241.58**	**227.69**	
Average RAB (A+E)/2	**44.83**	**53.41**	**102.29**	**192.27**	**234.64**	

4.4 Authority's Examination on CAPEX, Depreciation and Average RAB at CP stage

4.4.1 The Authority noted that the existing Cargo Terminal has a total designed capacity to handle 1,50,000 MT of Cargo volumes, with an area of 11973 SqM. The Authority, further noted from the ISP's submission that Cargo volumes were projected to surpass the existing cargo handling capacity by the Third Control Period.

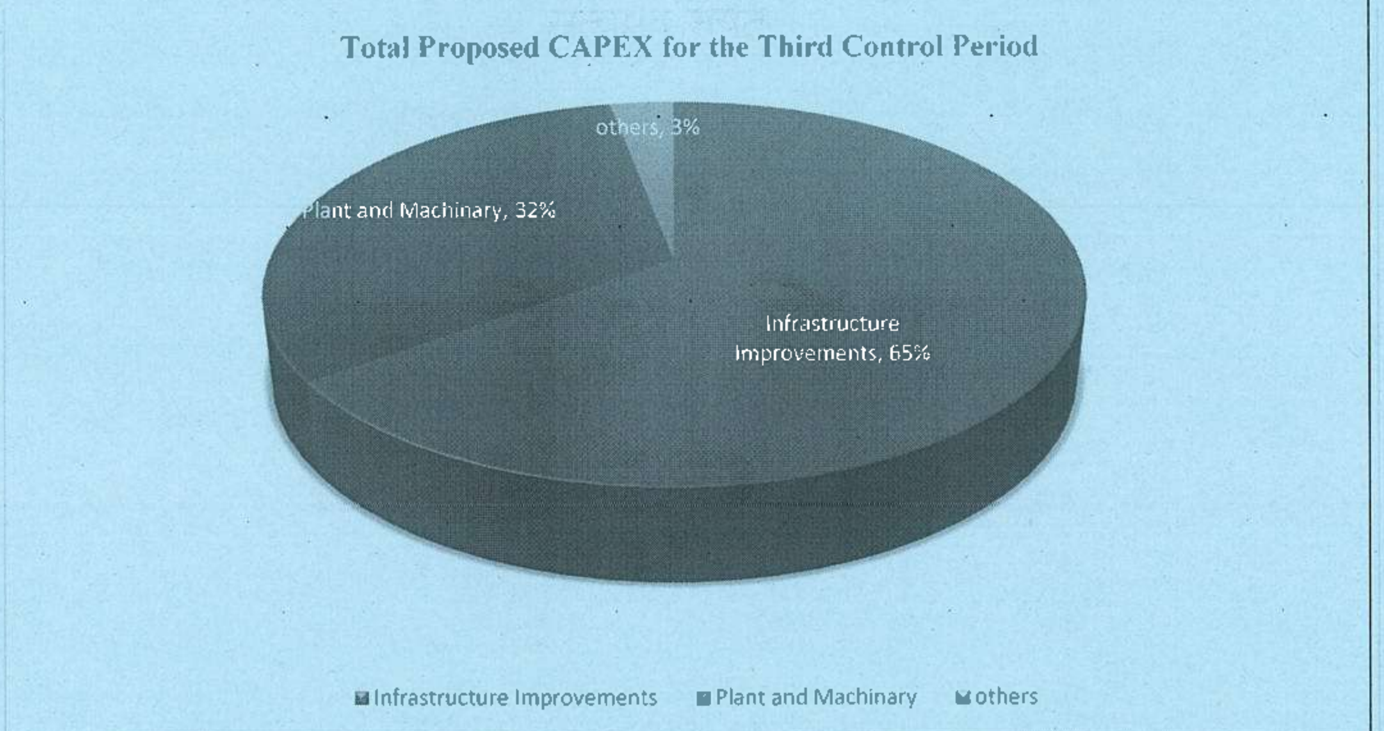
4.4.2 The Authority noted that Domestic Cargo Terminal has cargo handling capacity of 50,000 MT. During FY2021-22, GHAC had handled more than 50,000 MT and surpassed its designed capacity level. Considering that Domestic Cargo Terminal already reached saturation capacity, the Authority felt that in order to handle the Domestic Cargo Volume smoothly and to meet the future demand, it was imperative to expand the Domestic Terminal Cargo Handling capacity. Accordingly, the ISP's proposal to expand the Domestic Cargo's capacity from 50,000 MT to 80,000 MT with an investment of Rs. 45 crores seemed reasonable.

4.4.3 The Authority noted from the submission of the ISP that Interim Express Courier Cargo facility, having an area of 344 Sqm. was commissioned on 22nd March, 2022 and same has been temporarily located in International Cargo Terminal. ISP submitted that during FY2023-24, the projected Express Cargo Volumes are likely to surpass the total cargo handling capacity of the interim Express Courier Terminal i.e., 5000 MT and demand for express cargo is expected to reach to 20000 MT in next 5-7 years. In order to cater to expected increase in Express Cargo Volumes, ISP proposed to construct a dedicated Express Courier Terminal on an area of 2275 Sqm. with Cargo handling capacity of 20000 MT.

4.4.4 As regard to CAPEX on Air Cargo Inspection System (ACIS), the Authority noted that ISP had proposed CAPEX on ACIS at an estimated cost of Rs. 21.84 crores, in compliance of Customs Department's Handling of Cargo in Customs Area Regulation, 2009 (HCCAR) [conveyed to ISP as per Customs' letter Nos. 21019/15/2013-Cus (AS) Pt-1 dated 18th June and C. No. S/01/ Estt/06/2017-ACC Vol-II dated 1st December 2021]. The Authority, at Consultation stage, proposed to consider aforesaid CAPEX on ACIS considering it as regulatory requirement.

4.4.5 The Authority further noted that ISP also proposed various other Capital Works (including Perishable Cargo Facility) and Common Utilities & Facilities based on the consultations and feedback/ suggestions received from the stakeholders. The details of such Capital Works proposed by the ISP on the suggestions/ inputs by the Stakeholders are given above at para 4.1.5 & 4.1.10.

4.4.6 The Authority noted that out of total CAPEX proposed by the ISP for the Third Control Period, major portion of CAPEX is towards creation of new infrastructure / expansion of existing Cargo Handling Facilities. 'Infrastructure Improvements' share in total CAPEX was approx. 61%, Plant & Machinery account for 36% and other Assets' share in total CAPEX comes to meager 3%. The pictorial depiction of proposed Capex was shown below:



4.4.7 The Authority noted that GHAC considered Useful life of the assets and depreciation rates as per AERA Order 35/2017-18.

4.4.8 The Summary of Average RAB, considering the addition to RAB and Depreciation, for the Third Control Period was given below:

Table-10: Summary of Average RAB projected by GHAC for the Third Control Period at CP stage

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
(A) Opening RAB	44.48	45.18	61.63	142.95	241.58	
(B) Additions-WIP Capitalization	6.32	23.96	91.10	114.92	6.34	242.64
(C) Depreciation	**5.62**	**7.5**	**9.78**	**16.3**	**20.21**	**59.41**
(D) Closing RAB	**45.18**	**61.63**	**142.95**	**241.58**	**227.69**	
Average RAB (A+D)/2	**44.83**	**53.41**	**102.29**	**192.27**	**234.64**	

4.5 Stakeholders' comments on CAPEX for the 3rd Control Period

The Authority received following comments on the CAPEX proposed for the Third Control Period:

4.5.1 **Comments of SpiceJet on Deferment of Capital Expenditure - Regulatory Asset Base:** SpiceJet regarding Deferment of Capital Expenditure - Regulatory Asset Base for the Third Control Period submitted as under:

"In order to support the airlines to continue and sustain its operations due to adverse impact of Covid-19, all non-essential CAPEX proposed by GHAC should be put on hold/deferred to the Fourth Control Period, unless deemed critical from a safety or security compliance perspective.

Without prejudice to the above, in case GHAC` wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use. Similarly, if any proposed Capex projects can be deferred from the Third Control Period to the Fourth Control Period, same should be considered by AERA.

In view of the upcoming second Cargo Terminal Operator, while on one hand GHAC is projecting lesser volumes, on the other hand it is suggesting increase in capital expenditure, which is contradictory. In particular, refer Table 7, the Capital Additions of "New Perishables Exports Terminal by modifying the existing domestic terminal space" of INR 28.53 Crores and" New Dedicated Express Cargo facility" of INR 34.74 Crores, appear to be unjustified additions due to the expected fall in business caused by second Cargo Terminal Operator. Authority is requested to kindly review the same,

It is humbly submitted that the proposed hike in tariff due to CAPEX planned in 3rd Control Period may be a bit premature as it would be possible to gauge only in the last year of 3rd Control Period (2025-26) whether significant work has progressed in development of infrastructure, procurement of latest equipment and repairs / renovation, as proposed in the CP. Thus, as the actual requirement and its actual impact would only be evident in the last year of 3rd control period (2025-26), Authority is humbly requested that the proposed hikes in tariff be deferred to the 4th Control Period based on ground realities at that time."

4.6 GHAC's response on SpiceJet's comments regarding Deferment of Capital Expenditure for the 3rd Control Period

4.6.1 GHAC submitted its response to aforesaid comments as under:

"The CAPEX proposed by us is based on the requirements highlighted by the Cargo users/ customers/ stakeholders/ regulators and considering the current constraints and future growth. Only based on these, we

have finalized our expansion plans. The rationale and details for each of the components and associated facilities have been clearly mentioned in our submissions.

The hike in tariff is based on the Regulatory Building Block and standard Approach followed by the Authority for a Control Period. The same also considers the funding requirement of the proposal. Hence, to say that the proposed hike in CAPEX may be a bit premature is not fair and not representative of the facts."

4.7 Authority's Analysis on the Stakeholders' comments w.r.t. CAPEX proposed for the Third Control Period

4.7.1 The Authority notes the comments of M/s SpiceJet that all non-essential capital expenditure should be put on hold/deferred to the Fourth Control Period etc. and response of GHAC stating that CAPEX is an investment into creating integrated facilities that is built to provide efficient services and to meet the foreseeable future growth in cargo volume. The Authority is of the opinion that it would be unfair/ unreasonable to expect quality services from the Service Provider, if the required CAPEX on Cargo Handling Infrastructure, Equipment & allied facilities is not allowed. The Authority further notes from the ISP's submission that cargo volumes recently handled at domestic cargo and express cargo terminals have exceeded their designed capacity levels, therefore in such a situation, it is imperative for the Cargo Terminal Operator to expand the capacities to take care of current as well as future cargo demand.

4.7.2 The Authority has also made reference to the User Consultation meeting held on 18th May 2022 which was attended by Director Logistics, Industries and Commerce Department, Government of Telangana (GoT) among other attendees, who in its letter has supported the need of expansion of Cargo Terminal handling capacity, including development of new dedicated facility for perishable Cargo Terminal. Similarly, another stakeholder i.e. M/s Sam Agri also supported the proposal of new Perishable Cargo Terminal, with temperature controlled facilities offering different temperature zones as per specific need of cargo shipments. M/s Sam Agri further supported the expansion of capacity of domestic cargo terminal, which as per the stakeholder, will facilitate movements of domestic fruits & vegetables and related items.

4.7.3 In view of the foregoing, the Authority considers CAPEX proposed by the ISP for expansion & upgradation of Cargo Handling Facilities, including development of new dedicated facility for handling perishable cargo & domestic cargo terminal, during the Third Control Period, as reasonable and the same is required to provide better facilities to Users and to cater to future demand.

4.7.4 The Authority received no comments on "Depreciation" for the Third Control Period from any stakeholder.

4.7.5 Considering the above and based on comments of the stakeholders, the Authority decides to maintain the same view regarding CAPEX, RAB & Depreciation for the Third Control Period as was taken at Consultation stage as mentioned in Table-10.

4.8 Authority's decision regarding Capital Expenditure (CAPEX), Depreciation and Average RAB for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Capital Expenditure, Depreciation and Average RAB:

4.8.1 To consider Additions to RAB (CAPEX), Depreciation and Average RAB for the Third Control Period as given in Table-10.

CHAPTER-5: FAIR RATE OF RETURN (FRoR)

5.1 Submission of GHAC regarding FRoR

5.1.1 GHAC has assumed FRoR @ 16% for the computation of Aggregate Revenue Requirement (ARR) in respect of the Third Control Period. The assumptions & factors considered by the ISP for considering FRoR at 16% are as follows:

(a) Higher risk associated with Private Cargo Operators: ISP submitted that the risk associated with a government-run Cargo Operator is significantly lower than those associated with a Private Cargo Operator.

(b) Optimum debt-equity ratio: GHAC has considered an efficient leverage while undertaking the capital expenditure for the Third Control Period.

(c) Competition: Cargo Operator submitted that they face competition from Blue Dart Terminal and the Cargo Terminals in other metro cities such as Mumbai, Bengaluru, and Chennai (being south-centrally located in India with similar distances from these cities). GHAC highlighted that competition is likely to further increase with the introduction of a new cargo operator at GHIAL.

(d) Funding risk: As per the ISP Financial closure is critical to ensure that GHAC has the required liquidity to fund the capital expansion that is required to provide much needed facilities and services to GHAC's users. However, due to the uncertainty in future cash flows in the aviation sector, banks are reluctant to fund high value projects. GHAC further submitted that this may lead to delay in financial closure and expected return on projects as well.

(e) Covid-19: Aviation is one of the worst affected sectors of the Covid-19 pandemic, with a number of domestic and international flights (passenger flights and cargo flights) being grounded amid the lockdowns. Though the effects of the pandemic have gradually diminished in India over the last two years, GHAC's operations depend on restrictions and local policies of various countries in the world. Enforcement of local lockdowns in China and various other parts of the world due to the Covid-19 pandemic is bound to have an impact on GHAC directly and indirectly.

(f) Global political uncertainty: The Covid-19 pandemic and other developments in globalpolitics have led to abrupt changes in global trade. This has increased the volatility in the global economy. There is a risk of global political developments adversely impactingGHAC's revenues.

5.2 Authority's Examination on Fair Rate of Return proposed by the GHAC for the Third Control Period at CP stage

5.2.1 **Debt and Cost of Debt**: The Authority noted that GHAC considered debt amounting to ₹133.91 crore to be availed in two tranches i.e. ₹59.22 crore in FY 2023-24 and ₹74.70 crore in FY 2024-25. For calculation of FRoR, the Authority considered the Outstanding Debt in each of the five years of the Control Period, after accounting for the repayments made by ISP, as submitted in Form no. F 6(a) of MYTP.

Table-11: Debt projected by GHAC for the Third Control Period

(Amount in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26
Outstanding at the beginning of the year	0	0		59.22	133.91
Loan Availed	0	0	59.22	74.70	0
Repayments during the year	0	0	0		
Outstanding at the end of the year	0	0	59.22	133.91	133.91

5.2.2 The outstanding loan figures had been considered by the Authority as per table given above for computation of FRoR % for the GHAC.

5.2.3 The Authority observed that ISP considered cost of debt @ 10%, however no supporting documents or basis thereof had been furnished by the GHAC. The Authority noted that the average bank lending rates of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of June 2022 has been in the range of "8.39% to 8.93% p.a.". Accordingly, the Authority proposed to consider an efficient Cost of Debt (K_d) for GHAC @ 9% p.a. for the Third Control Period instead of 10% as proposed by the ISP.

5.2.4 **Cost of Equity:** The Authority noted that GHAC assumed a consolidated FRoR at 16% without detailed computation. The Authority, for the purpose of computation of FRoR proposed to consider Cost of Equity @ 14% for the Third Control Period, which is consistent with the AERA's approach in respect of Cost of Equity considered in the case of other ISPs.

5.2.5 Considering the Cost of Debt and Cost of Equity proposed by the Authority, the FRoR for GHAC in respect of the Third Control Period was worked out as under:

Table-12: FRoR proposed by the Authority in respect of GHAC for the Third Control Period at CP stage

(Amount in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Cost of Debt (K_d)	-	9%	9%	9%	9%	
Cost of Equity (K_e)	14%	14%	14%	14%	14%	
Share Capital (A)	19.04	19.04	19.04	19.04	19.04	
Reserve & Surplus (B)	76.98	72.51	83.84	92.22	107.15	
Total Equity (C)=(A+B)	96.02	91.55	102.88	111.26	126.19	
Debt (D)	0.00	0.00	59.22	133.91	133.91	327.04
Total Capital (E)=(C+D)	96.02	91.55	162.09	245.18	260.10	854.94
Gearing (G)	0.00%	0.00%	36.53%	54.62%	51.49%	
Weighted Average Gearing (WG) $= \{\Sigma^5_{T=1} (E_T * G_T)/\Sigma^5_{T=1} E_T\}$						38.25%
FRoR = ((WG*Kd)+(1-WG)*Ke)						**12.09%**

5.2.6 As per the above table, FRoR for GHAC worked out to be 12.09% and same was applied for calculating the Return on RAB and Discounting Factor in calculation of ARR.

5.3 Stakeholders' comments on FRoR for the 3rd Control Period

The Authority has received following comments on FRoR for the Third Control Period:

5.3.1 **Comments of GHAC on FRoR:** GHAC in its comments submitted as under:

"The Authority has considered Cost of Debt @ 9.00% based on RBI publication of June'22. Post June'22, the RBI has increased the Repo Rate in August'22, September'22, December'22 and recently in February'23 by a total of 140 basis points during this period. The 1-year MCLR of various scheduled banks has also increased by 120-130 basis points between Jun'22 and Feb'23. E.g., SBI increased from 7.20% (15 May'22) to 8.50% (15 Feb'23), ICICI increased from 7.55% (1 Jun'22) to 8.70% (1 Feb'23).

In view of the same, we request the Authority to consider Cost of Debt @ 10.40% instead of current 9.00% while calculating FRoR."

5.3.2 **<u>Comments of M/s SpiceJet on FRoR:</u>** M/s SpiceJet submitted its comments as under:

"It is submitted that only a reasonable Fair Rate of Return (FRoR) to the service provider may be provided. It is observed that AERA has considered FRoR of 12.09%, which is the net of income tax return to the service provider, for the Third Control Period. However, while such fixed/ assured return favours the service provider, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs. Due to such fixed/assured returns, service providers have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne mostly by airlines.

In the present scenario the assured return on investment through the proposed FROR to GHAC appears onerous for the airlines. In view of the above, AERA is requested to kindly review the proposed return on RAB to GHAC and requested to minimize the effect on the airlines."

5.4 GHAC's response to SpiceJet's comments regarding FRoR for the 3rd Control Period

5.4.1 The counter comments of GHAC on the FRoR are as follows:

"The Authority regulates the Tariff of ISPs. The FRoR for the same is based on the cost of capital i.e., Cost of Equity and Cost of Debt. The Consultation Paper is based on the same fundamentals. Hence, the point raised by SpiceJet on FRoR is redundant."

5.5 Authority's Analysis on the Stakeholders' comments w.r.t. FRoR for the Third Control Period

5.5.1 The Authority notes the comments of GHAC regarding Cost of Debt highlighting upward trend in the cost of debt. However, it is worthwhile to mention that even after upward revision of the MCLR (Marginal cost of Fund based Lending), the bank lending rates have not surpassed the Cost of Debt considered by AERA for GHAC for the Third Control Period.

5.5.2 As regard to comments of M/s SpiceJet to review the Authority's proposal to allow 12.09% Return on RAB to the ISP, it is stated that the FRoR for the ISP has been considered by the Authority based on the mix of Cost of Debt & Cost of Equity and the basis of considering Cost of Debt & Cost of Equity as explained at para 5.2.

5.5.3 Further, the Authority also notes that Civil Aviation is a capital-intensive sector having investments with long gestation period. In such situation, investors require adequate return on capital employed, commensurate with cost of investments and investment risks. Therefore, following the AERA's consistent regulatory approach for ISPs, the Authority has computed FRoR, after considering cost of equity and efficient cost of debt, at 12.09%. The Authority decides to adopt FRoR for GHAC for the Third Control Period, as proposed by the Authority at consultation stage.

5.5.4 The Authority based on its examination and analysis maintains the same view on the FRoR as was taken at consultation stage and decides to consider FRoR as mentioned in the Consultation Paper at Table-12.

5.5.5 The Authority observed that the ISPs bring different mix of debt and equity, which leads to considerable variation in the Fair Rate of Return. The Authority will analyze this issue in future and may rationalize and shift to notional gearing ratio, for the computation of FRoR.

5.6 Authority's decision regarding FRoR for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following regarding FRoR for the Third Control Period:

5.6.1 To consider the Cost of Equity, Cost of Debt and FRoR for the Third Control Period as per Table-12.

CHAPTER-6: OPERATING EXPENSES

6.1 OPEX Projection by M/s GHAC for the Third Control Period

6.1.1 As provided in Clause 9.4 of the Guidelines mentioned in Direction No. 04/ 2010-11, the Operation and Maintenance (O&M) Expenditure shall include all expenditures incurred by the Service Provider(s) including expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.

6.1.2 Operation and Maintenance Expenditure submitted by GHAC has been segregated into the following categories:

(a) Payroll Costs;
(b) Admin and General Expenses;
(c) Utility and Outsourcing Costs;
(d) Concession Fees and
(e) Repair and Maintenance Expenditure
(f) Customs Deployment Charge

6.1.3 GHAC has proposed to the following OPEX at RGIA, Hyderabad for the Third Control Period.

Table-13: Operating Expenses as proposed by GHAC for the Third Control Period

(₹ in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Costs	26.46	30.85	36.63	41.99	48.05	183.98
Administrative and General Costs	23.12	21.06	25.50	29.12	33.43	132.24
Utilities and Outsourcing Costs	9.86	11.31	12.97	16.19	19.29	69.62
Concession Fees	15.41	16.19	23.71	29.15	35.86	120:32
Repair and Maintenance Costs	4.44	4.88	5.37	6.71	8.39	29.80
Customs Deployment Charge	0	2.4	3.28	4.25	4.5	14.43
Total	**79.27**	**86.70**	**107.48**	**127.43**	**149.53**	**550.41**

6.1.4 Detailed break up of OPEX is also submitted by the ISP which is given in forthcoming paras:

6.1.5 **Payroll Cost:** GHAC in its submission has projected a growth rate of 10% Y-o-Y over the actual salary cost of FY22 in the Salaries and Wages as tabulated below:

Table-14: Employee Cost as projected by GHAC for the Third Control Period

(₹ in Crore)

Employee Benefit Expenses	FY22 (Actuals)	FY23	FY24	FY25	FY26	Total
Normal Salary Escalation for existing manpower		10%	10%	10%	10%	

Employee Benefit Expenses	FY22 (Actuals)	FY23	FY24	FY25	FY26	Total
Employee Costs for existing Headcount (1)	26.46	29.10	32.01	35.22	38.73	161.52
Cumulative Increase in Headcount (Nos)		50	120	160	200	
Salary Escalation for additional manpower			10%	10%	10%	
Average Salary considered per employee		0.035	0.039	0.042	0.047	
Employee Costs for new Headcount (2)	0	1.75	4.62	6.77	9.32	22.46
Total Employee Costs (1+2)	**26.46**	**30.85**	**36.63**	**41.99**	**48.05**	**183.98**

6.1.6 **Administrative Expenses:** GHAC has submitted that administrative expenses for the Third Control Period have been projected considering FY 2021-22 as a base year. Further as per the ISP, major portion of administrative expenses comprises of technical fee and license fee. ISP submitted that License fee is escalated annually @ 10% & technical fee is payable @ 8% of their Gross Revenue (as per agreement). In case of other administrative expenses, the ISP projected a decrease of 14% in FY 2022-23 and further projected increase @ 8% on Y-o-Y basis from FY 2023-24 onwards.

6.1.7 **Repair & Maintenance Expenses:** GHAC has proposed R & M Expenses for the Third Control Period considering repairs required for old Cargo Infrastructure and new capacity addition proposed during the Control Period as per following Table:

Table 15: Repair and Maintenance Expenses projected by GHAC for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Building maintenance	0.52	0.57	0.63	0.79	0.99	3.50
Equipment Maintenance & Repair	1.81	1.99	2.19	2.74	3.42	12.14
Operational Equipment Oil/Fuel and Cleaning material	0.03	0.04	0.04	0.05	0.06	0.23
IT Software Maintenance	1.47	1.62	1.78	2.22	2.78	9.87
IT Data Centre Maintenance	0.29	0.32	0.35	0.44	0.55	1.94
IT equipment maintenance and supplies	0.08	0.09	0.09	0.12	0.15	0.52
Office equipment maintenance	0.24	0.26	0.29	0.36	0.45	1.61
Total	**4.44**	**4.88**	**5.37**	**6.71**	**8.39**	**29.80**

6.1.8 **Utilities and Outsourcing Costs:** GHAC has submitted that Y-o-Y increase in utilities costs have been projected based on past trends and after considering the actual increase in unit rates of electricity charges by

18% during FY 2022-23. The ISP has proposed further increase in electricity unit rates by 20% in FY 2024-25. Similarly, unit rate of water has also been projected to increase by 20% in FY 2024-25.

6.1.9 **Concession Fess:** The ISP vide email dated 07.12.2022 submitted that as per their Concession Agreement, they are required to pay Concession Fee @18% of their Gross Revenue to the Airport Operator.

6.1.10 **Customs Cost Recovery:** GHAC submitted that expenses on Customs Cost Recovery (in respect of International Express Courier Cargo Terminal) are projected based on the letter received fromCustoms on 30th Jun'22 and after considering increase in deployment of Customs officials from the current 4 nos. to 16 nos., to cater to the projected volume during the Third Control Period. Further, projected expenses also factored 6% p.a. increase in salary cost.

6.2 Authority's Examination on Operating Expenses for the Third Control Period at CP Stage:

6.2.1 **Payroll Cost:** The Authority notes that GHAC has considered an increase of 16.61% in FY 2022-23, 18.73% in FY 2023-24, 14.62% in FY 2024-25 and increase of 14.44% in FY 2025-26 in payroll costs. The Authority vide email dated 11.08.2022 sought basis of Y-o-Y increase in payroll expenses considered by GHAC. The ISP in its response vide email dated 23.08.2022 submitted that due to projected increase in level of operations and expansion of capacity, manpower headcount is projected to increase from 590 to 790 during the Third Control Period. The ISP has further highlighted that since no increase was provided to employees during FY2020-21 (COVID hit year), a higher increase was provided to the existing employees in FY2021-22. The Authority observes that ISP has considered 10% Y-o-Y increase in salary costs for existing and new employees.

It is further observed from the submission of the GHAC that due to high attrition rate in Air Cargo industry (around 35% p.a.), it is challenging for the Cargo Operators to retain employees. As per the ISP, in order to address the issue of high attrition of manpower, a 10% Y-o-Y increase in Salary proposed from FY23 is reasonable and same is in line with historical growth in payroll costs.

In addition, considering the capacity expansion proposed by the ISP, requiring increase in headcounts and taking into account the impact of annual escalation in salaries & wages etc., the Authority considered projected increase in Payroll Cost proposed by the ISP for the Third Control Period as reasonable.

6.2.2 **Administrative Expenses:** The Authority notes that GHAC projected a decrease of 14% in administrative expenses in FY 2022-23 as compared to FY 2021-22. Thereafter, ISP has projected an increase @ 8% on Y-o-Y basis from FY 2023-24 onward, considering actual expenses incurred in FY 2021-22 as base for projecting administrative expenses for the Third Control Period. The Authority observes that technical fee [@ 8% of Gross Revenue (as per agreement)] and License Fee which is annually escalated @10% Y-o-Y basis forms part of administrative expenditure of the ISP. The Authority also observed that technical fee and License fee together constitutes around 57% of total administrative expenses projected by the ISP.

It is pertinent to note that the Existing area i.e. 11,973 SqM of Cargo Terminal is projected to increase to 21,914 SqM during the Third Control Period; in order to administer the projected area after expansion, which is almost double the size of the existing area, a 8% Y-o-Y increase in administrative expenses seemed reasonable.

The Authority noted that Technical Fees payable to Airport Operator is linked to Gross Revenue of the ISP. As the projected Revenue as per the Authority's calculation had undergone a change, the Authority proposed to consider Administrative Expenditure as per Table-16 for the Third Control Period.

6.2.3 **Repair & Maintenance Expenses:** The Authority noted that GHAC has projected R&M Expenses for the Third Control Period, after considering repair & maintenance requirements in respect of Cargo Infrastructure, including Plant & Equipment, Software maintenance etc., as per Table 15.

The Authority is mindful of higher R&M Expenses for maintaining old cargo terminal facilities (commissioned in 2008), aging plant and machinery etc. Further, it is observed that major Infrastructure additions (FY 2023-24 & FY 2024-25) viz. Construction of new Domestic Cargo Terminal, New Perishable Export Terminal, New Dedicated International Express Cargo Terminal etc. have been proposed by the ISP, resulting in significant increase in area by 83% for Cargo Handling facilities, from 11,973 Sqm to 21,914 Sqm, (excluding of Office Space & airside transshipment area).

Considering the above, and acknowledging the need of regular repair & maintenance to keep the Cargo Terminal & allied infrastructure in good working conditions, to provide better facilities to the Users, the Authority proposed to consider the R&M expenses as submitted by the ISP for the Third Control Period.

Utilities and Outsourcing Costs: The Authority observed that GHAC projected increase in Utilities & Outsourcing costs for the Third Control Period, considering past trends and actual increase in unit rates of electricity charges during FY 2022-23. The Authority noted that Water Charges were increased in first tariff year i.e. FY 2021-22 by 10%, and as per the ISP, unit rate of electricity had been increased by 18% in FY 2022-23 (by Telangana Govt.). Considering the past trends, ISP projected further increase of 20% in electricity and water charges in FY 2024-25. Further, it is pertinent to mention that there is projected major increase in operational area in FY 2024-25 (creation of Perishable Cargo Terminal & creation of Dedicated Express Cargo Facility), which is another factor for projected increase in utility cost in FY 2024-25 and FY 2025-26.

As regard to outsourcing costs, the Authority noted that ISP has considered increase in headcounts of outsourced manpower (Operation and Housekeeping), which is in line with the projected increase in Cargo Volumes. Further, ISP has considered around 10% increase in salaries of outsourced manpower on Y-o-Y basis for the Third Control Period.

Taking note of projected increase in Cargo Volumes and area of Cargo Terminal during the Third Control Period, the increase proposed by the ISP in Utilities and Outsourcing costs seemed reasonable.

6.2.4 **Custom Cost Recovery:** The Authority noted that expenses related to Customs' Cost Recovery (in respect of Express Courier Cargo Terminal) are calculated based on the Customs' letter received by ISP on 30th Jun'22 and considering increase in manpower of Customs officials from the current 4 to 16 nos. Also, Customs Cost Recovery expenses have been factored in 6% p.a. increase in salary cost. As Customs' Cost Recovery charges are of nature of statutory obligation, therefore, the Authority proposed to consider these expenses as submitted by the ISP for the Third Control Period.

6.2.5 **Concession Fess:** The Authority from the submission of GHAC noted that the Concession Fee @ 18% of Gross Revenue is payable by ISP to the Airport Operator.

6.2.6 Considering the above and taking into account the clarifications furnished by the ISP, the Authority proposed to consider 'Payroll Costs', 'Administrative and General Costs (except Technical Fees), 'Utilities and Outsourcing Costs', 'Repair and Maintenance Costs' and 'Customs Cost Recovery' for the Third Control Period, as projected by the ISP.

6.2.7 However, in respect of Concession fees and Technical Fees, which are linked to Revenues, the Authority proposed to consider these expenses based on the Revenues computed by the Authority for the Third Control Period. The OPEX proposed to be considered by the Authority for GHAC for the Third Control Period is given below in Table-16.

Table-16: Operating Expenses proposed to be considered by the Authority for the Third Control Period at CP stage

(₹ in Crore)

Particulars	2021-22*	2022-23	2023-24	2024-25	2025-26	Total
(i) Payroll Costs	26.46	30.85	36.63	41.99	48.05	183.99
Admin. and General Costs:						
(a) Admin. and General Costs (other than technical fee)	15.85	13.87	14.96	16.17	17.50	78.34
(b) Technical Fee (Refer-Table-19)	7.27	7.83	10.68	13.62	15.61	55.01
(ii) Sub Total (a)+(b)	23.12	21.7	25.64	29.79	33.11	133.35
(iii) Utilities and Outsourcing Costs	9.86	11.31	12.97	16.19	19.29	69.62
(iv) Concession Fee (Refer-Table-19)	15.41	17.62	24.04	30.64	35.13	122.84
(v) Repair and Maintenance Costs	4.44	4.88	5.37	6.71	8.39	29.80
(vi) Customs Cost Recovery Cost	0.00	2.40	3.28	4.25	4.50	14.43
Total OPEX (i to vi)	79.28	88.77	107.94	129.58	148.48	554.04

**As per actual figures*

6.3 Stakeholder's Comments on OPEX projected for the Third Control Period:

The Authority received following comments on the OPEX projected for the Third Control Period:

6.3.1 **M/s Spice Jet's Comment on Abolishment of Royalty Charges/ Concession Fee and OPEX projected for the 3rd Control Period:** SpiceJet in its comments submitted as under:

(a) *Any attempt to award the contracts by the airport operator on highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost.*

It is general perception that service providers have no incentive to reduce their expenses, as most of any such increase would mostly be passed on to the airlines/stakeholders through the tariff determination mechanism process, and indirectly the airlines would be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the airport operator under various headings without any underlying services. These charges are mostly passed on to the airlines by the airport operator or other services providers.

It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

We humbly submit the following:

i. *The rates of royalty (concession fees) at RGIAL as mentioned in the Consultation Paper by GHAC for Cargo Services is 18% of Gross Revenue to the Airport Operator (and as high as 105% by some Ground Handling Service providers for International Freighter aircraft flights).*

ii. *In this regard, kindly refer to the submission of Federation of Indian Airlines (FIA) to AERA dated 30th July 2021 in response to AERA consultation paper No. 11/2021-22 dated 2 July, 2021 for determination of aeronautical tariffs in respect of Rajiv Gandhi International Airport, Shamshabad,* *and Hyderabad for the third control Period. In this submission, FIA had submitted that the royalty charges are passed on to the airlines by the service providers, without any underlying services, and further, that it may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. FIA had requested in the afore mentioned consultation paper to abolish such royalty which may be included in any of the cost items - aeronautical and non –aeronautical.*

iii. *In repose to the above-mentioned submission by FIA, AERA had mentioned in the tariff order No. 12/2021-22 dated 31st August 2021 that the Authority had noted FIA's comments on royalty and cargo tariff and would take the suggestions into account while determining the said tariff for the Independent Service Provider.*

iv. *Accordingly, in response to the consultation paper No. 21/ 2021-22 dated 14/10/ 2021 for determination of tariff for the third control period (FY 2021-22 to FY 2025-26) in respect of M/s Globeground India Pvt. Ltd. (GGIPL) for providing ground handling services at RGIAL, SpiceJet in its response dated 28 October 2021 to the said consultation paper had submitted that there needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator. SpiceJet had further reiterated and urged Authority to abolish such royalty (24% in the case of GGIPL) which may be included in any of the cost items.*

v. *However, the Authority had in its tariff order no. 31/2021-22 dated 23rd December 2021 noted that it considers the process of "Award of Contract" as non-regulatory in nature and is of the view that all such issues, including royalty share to Airport Operators, may be taken up by the Stakeholders with the Service Providers/Airport Operators in appropriate forums.*

vi. *Similar observations have been made by the Authority in other consultation paper for determination of aeronautical tariff (example Ahmedabad tariff Order No. 40/2022-23 dated 18th January 2023, in reference to consultation paper number No 10/2022-23 dated 20th October, 2022), wherein Authority has noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous Stakeholders' consultation process.*

vii. *However, when the issue of royalty is taken up at the time of tariff determination process for service providers providing Cargo, Ground Handling etc., Authority has noted (refer tariff order 32/2022-23 dated 29th December 2023 in regard to determination of tariff for cargo handling services for M/s CDCTM at IGIAL) that the Concession Fee paid by the ISP to the Airport Operator is as per the Concession Agreement executed between the Service Provider and the Airport Operator, and further that the Authority was of the view that bidding process to award such contracts, based on which ISP pays Revenue Share to Airport Operator, is a non-regulatory issue and such matters may be dealt between the stakeholders at the appropriate forum.*

viii. *Thus, it is observed that while Authority mentions that it has noted comments on royalty and would take the suggestions into account while determining the tariffs for independent service providers like CGF etc., at the time of issuing that tariff order, the Authority decided that:*

a. *Royalty is a non-regulatory issue and such matters may be dealt between the stakeholders at the appropriate forum.*

b. *This is a matter between the Independent Service Providers and the Airport Operator as per their agreement and that this is non-regulatory matter in nature.*

Sir, it is humbly requested that royalty charges may please be abolished, whether be it for aeronautical and non – aeronautical services, as royalty when allowed by AREA as a fundamental concept on aero *charges becomes an allowable charge, the concept of which is then extended by non-aero service providers like in-flight caterers, etc. and applied on airlines and drives up the cost of the airlines. These charges are mostly passed on to the airlines by the service provider without any underlying benefits, which is against the preamble of the National Civil Aviation Policy 2016 for increasing efficiency of airlines and reducing cost. Thus, we once again humbly submit and urge AERA to abolish such royalty which may be included in any of the cost items"*

(b) *"Authority may kindly note that "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users." The said policy document also emphasizes on balancing the interests of airports on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner."*

"It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator. As this is particularly a period of economic difficulty for airlines, AERA is humbly requested to ensure that Airport Operator does not take the decision to award concession agreements solely on the revenue share being offered. Basing decisions solely on highest revenue share being offered breeds inefficiencies and tends to disproportionately increase the cost, as envisioned in the abovementioned guiding principle"

(c) *"It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. It may also be noted that cost incurred by GHAC impacts the airlines, as such cost is passed through or borne mostly by the airlines. In order to ensure that there is no adverse impact/increase in the tariff, we request AERA to kindly put on hold any increase in operational expenditure by GHAC not related to safety or security. Further, we submit that:*

(i) Payroll Costs: The Y-o-Y increase after 2023-24 may please not be more than approx. 6%, in line with recent proposals of AERA in other consultation papers, rather than the proposed Y-O-y increase of 10%.

(ii) Administrative & General Expenses, Repair & Maintenance Expenditure, Utility Expenses: The Y-o-Y increase after 2023-24 may please not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers.

(iii) Utilities and Outsourcing Costs: The Y-o-Y proposed by GHAC is 18-20% in electricity and water charges. The Y-o-Y increase after 2023-24 may please not be more than approx. 5%, in line with recent proposals of AERA in other consultation papers.

In view of the above, GHAC may please be directed to pass on cost benefits to the airlines."

6.4 GHAC's response to SpiceJet's comments on the Abolishment of Royalty Charges/ Concession Fee and OPEX projected for the 3rd Control Period:

6.4.1 GHAC's response on SpiceJet's comments regarding Abolishment of Royalty Charges/ Concession Fee and OPEX Cost rationalization for the Third Control Period is as follows:

(i) GHAC has submitted that the *points raised [at para 6.4.1 (a) & (b)] do not directly relate to the current ongoing process of Tariff determination of our 3rd Control Period.*

(ii) (b) All OPEX line items have been reasonably projected based on historic trends, business requirement, external/ market factors. For e.g., in case of Payroll costs, in addition to the annual increments, we have also factored in the Manpower required for handling additional Cargo as well optimization/automation and economies of scale as volume increases. Similarly, the Utility Costs factors in the Actual power Tariff increase in the recent past along with increase in the Area and need for Temperature controlled facilities as part of the proposed Expansion. Repairs & Maintenance (R&M) expenses factors in ageing of assets now at 15+ years many of which require higher repair and replacements. It also factors in regular R&M for the Expanded Area.

Overall, we have been judicious and have optimized our OPEX despite increase in Terminal Area and Capacity and enhanced cargo volume that we'll be handling in the future."

6.5 Authority's Analysis on the Stakeholders' comments on the OPEX proposed for the Third Control Period

6.5.1 As regard to comments of M/s SpiceJet on abolishment of Royalty Charges, payable by the ISP to the Airport Operator, the Authority notes that the Concession Fee paid by the ISP to the Airport Operator is as per the Concession Agreement executed between the Service Provider and the Airport Operator.

6.5.2 It is not out of place to mention that Royalty/Concession Fee/Revenue Share paid by the ISPs to the Airport Operators help in subsidizing Aeronautical Charges levied by the Airport Operators to the Airlines. Considering the hypothetical situation where no Royalty/Revenue Share/Concession Fee is paid to the Airport Operators, then the Aeronautical Charges would have to be increased to the extent of amount recovered by the Airport Operator in the form of Royalty/Revenue Share/Concession Fees. Thus, the Royalty/Revenue Share/Concession Fees paid by the ISPs to the AOs is ultimately balanced out and benefits the airlines in the form of lower Aeronautical Charges due to cross subsidy of Aeronautical Charges.

6.5.3 Further, the Authority maintains a consistent view that bidding process to award such contracts, based on which ISP pays Royalty/Revenue Share to Airport Operator, is a non-regulatory issue and such matters may be dealt between the stakeholders at an appropriate forum.

6.5.4 In respect of M/s SpiceJet's comments regarding economic oversight of Airports & Air Navigation Services in context of ICAO's guiding principles (ICAO doc 9082) and award of concession by airport operator on revenue sharing basis. In this regard, the Authority notes that ICAO guiding principles relating to the charges for Airport Services, encourages States to incorporate four key principles of non-discrimination, cost relatedness, transparency, and consultation with users. It is stated that the Authority's regulatory approach for economic oversight of airports relating to Tariff determination of Aeronautical Services at Major Airports is compliant with ICAO's above referred guiding principles for charges for Airport Services and the same is in accordance with the mandate given to the Authority as per the AERA Act, 2008.

6.5.5 The Authority notes the response of GHAC, relating to the comments M/s Spice Jet requesting AERA not to consider any increase in operational expenditure (other than related to safety or security) and Y-o-Y escalations in various components of OPEX may be considered at around 5%, stating that all OPEX line items have been reasonably projected based on historic trends, business requirement, external/ market factors etc.

As per the ISP, during pandemic period, payroll expenses were low and no salary hike was given to employees and upward revision in payroll costs were deferred. Now with the improvement in the pandemic situation, expenses in post Covid period, including FY 2022-23, are expected to reach back to their normal levels. Further, it is observed from the ISP's submission that Y-o-Y increase in payroll expenses have been projected after considering the factors like increase in level of operation, capacity expansion requiring increase in headcounts and taking into account the impact of annual escalation in salaries & wages etc.

The Authority, taking note of projected increase in cargo volumes & cargo handling capacity which requires additional manpower for cargo handling and annual escalations in salary & wages as per industry practice, considers the projected payroll expenses for the 3rd Control Period as reasonable.

As regard to comments of M/s SpiceJet suggesting annual escalations in various components of OPEX may not be more 5%, the Authority notes that many components of OPEX, like electricity & water charges, License Fee which is escalated annually @ 10%, Technical Fee & Concession Fee levied by the Airport Operator @ 8% and 18% of Gross Revenue of the ISP respectively as per concession agreement, are beyond the control of the ISP. It is not practically feasible to restrict annual escalation in OPEX components @ 5% as suggested by the stakeholder.

Further, seemingly high R&M costs projected by the ISP is mainly due to higher requirement for repairs and maintenance in respect of old terminal building which is ~14 years old. As regard to projected Utility Expenses, the major reasons for increase in Utility Expenses by the ISP on Y-o-Y basis is increase in unit rates of utilities (electricity & water) by the concerned authorities and significant increase in area of Cargo Handling Facilities (around 83%) leading to more consumption of electricity & water.

The Authority at consultation stage had examined projected OPEX for the Third Control Period in detail and wherever required, requisite clarifications/ justifications were obtained from the ISP.

Considering the above, including stakeholders' comments, and based on the analysis of projected OPEX for the Third Control Period, the Authority maintains the same view on the OPEX projected for the 3rd Control Period, as taken at the consultation stage.

6.6 Authority's decision regarding Operating Expenses (OPEX) for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Operating Expenses for the Third Control Period:

6.6.1 To consider the Operating Expenses in respect of the Third Control Period for GHAC as per Table -16.

CHAPTER-7: AIR FREIGHT STATION (AFS)

7.1 Introduction

7.1.1 Ministry of Civil Aviation (MoCA), in order to strengthen Air Cargo Logistics Infrastructure in the Country, vide OM no. AV.13011/03/2013-ER dated 28th October, 2014 issued Policy guidelines on 'Air Freight Station' (AFS) to create an off-airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

i. Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export
ii. Create an enabling environment for promoting International Air Cargo operations by reaching outto hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
iii. Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilized.

The Policy document also emphasizes the following primary functions to be performed at Air FreightStation:

a. Receipt of Export cargo for processing and to make the cargo "Ready for Carriage" condition, including Unit Load Device (ULD), building of export cargo and scanning of Cargo. While ULDswill be the ideal mode of handling cargo for and from AFS, export/import consignments both in palletized /ULD and bulk, loose form shall also be facilitated
b. Transit operations by Road to and from serving Airport
c. All Customs related requirements for import and exports including inspection of cargowherever required
d. Unitization of Cargo
e. Temporary storage of Cargo and Unit Load Device (ULDs)
f. Re-building of ULDs of export cargo
g. De-Stuffing of Import Cargo
h. Storage, Examination, Packing and Delivery of Import Cargo
i. Auction/Disposal of 30 days old uncleared Import Cargo
j. Maintenance and Repair of ULDs.

7.1.2 The policy guidelines governing Air Freight Station would be common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters / Importers and all regulatory organizations.

7.1.3 The Authority is conscious of MoCA's policy initiative on AFS, which has a larger national intent to strengthen and develop air cargo logistics in the country and same is expected to reduce the bottlenecks in air-cargo logistics and help in ease of doing business, particularly for exporters. AERA supports the progressive step taken by the Govt. and feels that concept of AFS Cargo needs to be incentivized by way of lower charges vis-à-vis rates applicable to normal cargo (Cargo directly received by the Cargo Terminal Operator).

7.2 Authority's Examination of Tariff proposed for AFS Cargo in respect of the Third Control Period at CP Stage:

7.2.1 The Authority noted from the submission of the GHAC that ISP had considered composite Tariff for Built up Pallets (BUP) instead of charges based on per Kg. of Cargo for the AFS Cargo, which is as follows:

(Rs./ Unit)

BUP Charge - General Cargo	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
BUP Charge (upto LD3)	1560/unit	1841/unit	2172/unit
BUP Charge (above LD3 - lower deck pallet)	3120/unit	3682/unit	4345/unit
BUP Charge (above LD3 - main deck pallet)	4680/unit	5522/unit	6516/unit
BUP Charge -Other than General Cargo			
BUP Charge (upto LD3)	2400/unit	2832/unit	3342/unit
BUP Charge (above LD3 - lower deck pallet)	4800/unit	5664/unit	6684/unit
BUP Charge (above LD3 - main deck pallet)	7200/unit	8496/unit	10025/unit

7.2.2 The Authority, taking cognizance of MoCA's AFS Policy dated 28.10.2014 and to encourage the concept of AFS Cargo in the country as step towards improvement of air cargo logistics in the country, proposes to adopt lower TSP charges for BUPs/ ULDs pertaining to AFS Cargo as proposed by the ISP, including Perishable/ Pharmaceuticals/ Special/ Valuable/ Hazardous Cargo etc., as compared to normal TSP charges applicable to Other than AFS Cargo.

7.2.3 The Authority noted that TSP charges proposed by the GHAC for BUPs pertaining to General Cargo are lower by 34% to 54% on per kg basis as compared TSP charges proposed for General Cargo. In case of BUPs Other than General Cargo, TSP charges proposed by the ISP are lower by 59% to 79% when compared on TSP charges proposed for General Cargo on per Kg basis.

7.2.4 The Authority, invited the specific views/ comments of the Stakeholders on the proposal of the Authority regarding lower TSP charges for AFS Cargo, particularly considering that AFS is a relatively new concept in Indian Civil Aviation, and proposed to consider the views/ suggestions of the Stakeholders before issuing the Tariff Order.

7.3 Stakeholders' comments on AFS for the 3rd Control Period

The Authority received following comments on AFS for the Third Control Period:

7.3.1 <u>Comments of SpiceJet on AFS</u>: SpiceJet submitted its comments regarding AFS as under:

"Since the Air Freight Station (AFS) would be an off-Airport common user facility and would be offering services for handling and temporary storage of import / export goods loaded on ULDs, it would reduce the congestion of cargo in airports and the cost is also saved. Implementing the same would be hugely beneficial for all customers who are in the business of "Import & Export". It will also help online connectivity, along

with document filing where agents do not have to come to the airports. All activities, such as Customs documentation and examination, Cargo Acceptance Check, Security Checks, and warehousing will be carried out at the AFS.

It would also streamline the cargo operations, as a provision for having a bonded trucking service for the export cargo from the offline airport to the airline operating station would make is economically viable and competitive pricing. More importantly, it will help to save on demurrage charges, as it will help customers take the delivery of cargo within one or two days. There would be no congestion at the custodian warehouse.

In view of the above, decentralization would help in break the warehousing monopoly, and would benefit the cargo business by letting market forces determine lower TSP charges, and should be encouraged. In addition, it is recommended that the AFS should also have provisions for Airline's self-handling setup, which can also support the airlines for remote advance cargo acceptance and cost-effective operations."

7.4 GHAC's response on M/s SpiceJet's comments regarding AFS

7.4.1 GHAC, on the comments of M/s SpiceJet's responded as under:

"We understand and note the points mentioned about AFS operations. In order to facilitate movement of completely built pallet units from AFS, we've already considered a separate discounted category in our proposed Tariff Rate Card. We look forward to working with Air Cargo Trade on this to the benefit of all the stakeholders involved."

7.5 Authority's Analysis on the Stakeholders' comments relating to AFS Cargo for the Third Control Period

7.5.1 The Authority notes the comments of M/s SpiceJet regarding AFS and response thereto by GHAC stating that they have already considered lower charges for Built-up pallets in their submission.

7.5.2 The Authority notes that in the instant case, ISP itself has proposed significantly lower charges for AFS BUPs (lower by 34% to 79% depending upon BUP Cargo category), when BUP Cargo charges are compared on per kg basis, with the TSP charges applicable to normal cargo (cargo directly received by CTO).

7.6 AERA's view on the Tariff applicable to AFS Cargo

7.6.1 As regard to AFS Cargo, the Authority is cognizant of the fact that number of cargo handling activities are performed by the AFS Operators themselves at their premises, which forms the basis for charging AFS Cargo at significantly lower rates by the CTO, as compared to charges applicable to normal cargo (directly handled by the CTOs at their terminals).

However, it is pertinent to mention that even in case of AFS Cargo, there are number of activities which are performed by the CTOs at their terminals, including activities relating to acceptance of Build-up-Pallets/ULDs at Cargo Terminal (city-side), unloading from truck at truck dock area, moving cargo to storage racks/security hold area, transporting of cargo form build-up station/SHA to release bay, shifting ULDs from release bay to Ground Handler's dollies, digital messages to customer's airlines etc. On the basis of aforesaid activities performed by CTOs at their premises for AFS Cargo, CTOs also levy TSP/ Other Charges to AFS Cargo, in proportion to the services rendered but not at the level of charges for normal cargo.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
सत्यमेव जयते
Airports Economic Regulatory Authority of India

CHAPTER 8: AGGREGATE REVENUE REQUIREMENT

8.1 Aggregate Revenue Requirement (ARR) submitted by GHAC for the Third Control Period

8.1.1 GHAC has submitted the ARR for the Third Control Period as given below:

Table 17: ARR projected by GHAC for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Aggregate Revenue Requirement	87.75	98.22	128.86	169.19	201.37	685.39

8.1.2 GHAC has submitted its projected Revenue for the Third Control Period before Tariff Increase as per following Table:

Table-18: Revenue projected by the ISP at existing Tariff for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total Regulated revenue at existing yield	84.03	93.37	97.57	104.14	114.10	493.19
Revenues from other than Regulated Services	6.79	4.53	4.76	5.29	5.93	27.30
Total Revenue	**90.82**	**97.90**	**102.34**	**109.46**	**120.01**	**520.49**

8.1.3 GHAC, vide letter dated 19.01.2023 (received vide attachment to email dated 20.01.2023) has proposed following %age increase in existing Tariff for Cargo Handling Services (other than Import) for the Third Control Period:

(a) 50% for FY2023-24 w.e.f. 01.04.2023
(b) 18% for FY2024-25 w.e.f. 01.04.2024
(c) 18% for FY2025-26 w.e.f. 01.04.2025

8.1.4 GHAC has submitted the Tariff Rate Card incorporating the proposed Tariff increase for the Third Control Period as per **Annexure-II** of CP.

8.2 Authority's Examination on Aggregate Revenue Requirement (ARR) for the Third Control Period at CP stage:

8.2.1 The Authority noted that GHAC had proposed Tariff increase for the Third Control Period w.e.f. 01.04.2023 in respect of Cargo Handling Services relating to Export Cargo and Express Courier Cargo only. No Tariff increase in respect of Import Cargo Handling Services was proposed by the ISP for the Third Control Period.

8.2.2 The Authority observes that as per the ISP, the share of Exports Cargo to Total International Cargo (Export plus Import) is around 75 %.

8.2.3 The Authority felt that a significant portion of total CAPEX & OPEX is incurred on providing of Import Cargo Handling Services, therefore, CAPEX & OPEX thereof should be allocated to Import Cargo Services also.

It would not be appropriate to load entire burden of proposed Tariff increase to Users of Export Cargo Handling Services, as it will adversely affect the price competitiveness of export goods.

In view of the above, the Authority proposed to consider uniform % tariff increase in percentage terms to Export, Import & International Express Cargo handling services, as given in the ARR Table 19 below. The above is in line with AERA's consistent approach regarding uniform rate of Tariff increase for all the services provided by the ISP.

8.2.4 The Authority further notes that while proposing Revised Tariff for the Third Control Period (effective from 01.04.2023), GHAC had restructured Tariff Rate Card. The major changes / additions made in Tariff Structure for Cargo Handling Services are as follows:

(a) GHAC has merged the rates of few Cargo Handling Services;
(b) ISP has removed few services from the revised Tariff Rate Card; and
(c) ISP has introduced some new cargo handling services and charges thereof.
(Details of modifications/ additions in the Tariff Rate Structure proposed by the ISP was placed at **Annexure-III** of CP)

8.2.5 The Authority sought clarifications and rationale behind the proposed changes/ re-structuring in the Tariff Rate Card for the Third Control Period. The ISP vide email dated 28.01.2023 submitted detailed justifications/ rationale for the amendments/additions in the Tariff Structure and same was placed at **Annexure -III** of CP. In view of the justifications/ clarification furnished by the ISP for amending the Structure of the Tariff Rate Card for the Third Control Period, the Authority proposed to adopt changes in the Tariff Rate Card (effective from FY 2023-24 onward). The Authority solicited specific comments of the Stakeholders on the changes/ restructuring proposed by the ISP in the Tariff Rate Card Structure.

8.2.6 The Authority, considering projected Revenue at existing Tariff (as per Table-18) and after review of various regulatory building blocks, including re-computation of FRoR & OPEX, computed ARR for GHAC in respect of the Third Control Period as per table given below:

Table-19: ARR proposed by the Authority for GHAC for the Third Control Period at CP stage

(₹ in Crore)

Particulars		**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Average RAB (Refer Table-10)	**(a)**	44.83	53.41	102.29	192.27	234.64	
Fair Rate of Return (Refer Table-12)	**(b)**	12.09%	12.09%	12.09%	12.09%	12.09%	
Return on Average RAB **(c) = (a*b)**		5.42	4.84	12.37	23.25	28.38	74.26
Technical fee	**(d)**	7.27	7.83	10.68	13.62	15.61	55.01
Concession fee	**(e)**	15.41	17.62	24.04	30.64	35.13	122.84
Other Opex	**(f)**	56.60	63.32	73.22	85.31	97.74	376.19
Total Opex **(g) = (d+e+f)**		79.28	88.77	107.94	129.58	148.48	554.04
Depreciation (Refer Table-10)	**(h)**	5.62	7.50	9.78	16.30	20.21	59.41
Tax*	**(i)**	0.00	0.00	0.00	0.00	0.00	
ARR **(j) = (c+g+h)**		90.32	101.11	130.09	169.13	197.06	687.71
Discount Rate		12.09%	12.09%	12.09%	12.09%	12.09%	
PV Discount		1.12	1.00	0.89	0.80	0.71	
PV of ARR		**101.23**	**101.11**	**116.06**	**134.60**	**139.91**	**592.92**

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Regulated Revenue at existing Tariff	84.03	93.35	97.57	104.14	114.10	493.19
Revenue from non-regulated services	6.79	4.53	4.76	5.29	5.93	27.30
Tariff increase on regulated revenue	**0%**	**0%**	**32%**	**20%**	**20%**	
Revenue after Tariff Increase	90.82	97.88	133.55	170.25	195.15	687.65
PV of Revenue after Tariff Increase	**101.80**	**97.88**	**119.14**	**135.49**	**138.56**	**592.87**

**GHAC submitted that due to b/f of losses, no Provision for Tax is considered for the Control Period.*

8.2.7 The Authority noted that to meet the ARR requirement for GHAC as per above table requires increase in Tariff w.e.f. FY 2023-24 onward up to FY 2025-26. In this regard, it is pertinent to note that since FY 2011-12 of First Control Period (FY 2011-12 to FY 2015-16), the Tariff for the Cargo Handling Services provided by the Cargo Terminal Operator has not been increased. Further, considering the increase in operating expenditure in all these years due to annual inflation, escalation in salary & wages etc., coupled with the proposed increase in cargo handling capacity, including construction of new dedicated International Express Cargo Terminal, during the Third Control Period, the increase in Tariff for the ISP is imperative to have viable operations and to cater to future demand.

8.2.8 However, the Authority, considering that the aviation sector is gradually recovering from the aftermath of Covid-19 pandemic and its overall adverse impact on aviation sector, proposed to stagger the Tariff increase for the Third Control Period, instead of allowing one-time increase in Tariff rates.

8.2.9 Accordingly, the Authority, based on the its computation of ARR for GHAC for the Third Control Period, proposes following % Tariff increase for the Third Control Period for all regulated Cargo Handling Services:

- 32% increase for FY 2023-24 (w.e.f. 01.04.2023)
- 20% increase for FY 2024-25 (w.e.f. 01.04.2024)
- 20% increase for FY 2025-26 (w.e.f. 01.04.2025)

The Tariff Rate Card proposed by the Authority for GHAC for the Third Control Period is placed at **Annexure-IV** of CP.

8.2.10 The Authority expects GHAC to bring efficiency in executing the CAPEX and adhere to the committed timeline. Further, the ISP is also expected to optimize the OPEX proposed for the Third Control Period in the interest of all the Stakeholders.

8.2.11 The Authority is aware that Concession for establishment & operation of Second Cargo Terminal at Hyderabad Airport has already been awarded by the Airport Operator in FY 2020 which is expected to become operational in future. With the coming up of second cargo terminal at Hyderabad airport, the market competition among the service providers will help in keeping Tariff of cargo handling services at reasonable levels.

8.3 <u>Stakeholders' comments on the Tariff proposed for the 3rd Control Period</u>

The Authority received comments from the following stakeholders on the Tariff proposed for the Third Control Period:

8.3.1 <u>Comments of GHAC on International Express/Courier Handling Charges and Import TSP Tariff:</u>

GHAC has submitted its comments regarding International Express/Courier Handling Charges and Import TSP for the Third Control Period as under:

(a) *"In our CP 15/2022-23, Page No. 33, Para 8.2.3, the Authority has proposed for uniform tariff increase in percentage terms to Export, Import & International Express Cargo handling services as below:*

"The Authority feels that a significant portion of total CAPEX & OPEX is incurred on providing of Import Cargo Handling Services, therefore, CAPEX & OPEX thereof should be allocated to Import Cargo Services also.
It would not be appropriate to load entire burden of proposed Tariff increase to Users of Export Cargo Handling Services, as it will adversely affect the price competitiveness of export goods.
In view of the above, the Authority proposes to consider uniform tariff increase in percentage terms to Export, Import & International Express Cargo handling services, as given in the ARR Table 19 below. The above is in line with AERA's consistent approach regarding uniform rate of Tariff increase for all the services provided by the ISP."

The uniform Tariff increase proposed as per Table 19 is 32%, 20%, 20% for FY24, FY25 and FY26 respectively. However, the same has been missed in the Tariff Rate Card proposed by the Authority as in Annexure IV, page no. 76."

(b) *"We had proposed no increase in Imports TSP till FY2026 as Airlines operating from Hyderabad Airport are facing directional imbalance between imports (~25% of Intl.) and exports (~75% of Intl.) which is making the freighter airlines to impose higher export freight rates out of HYD to make-up for this imbalance. In order to address this imbalance and facilitate better and competitive freight rates for both Exporters and Importers from our region we had proposed not to increase the Import TSP for few years (till FY26) as a measure to indirectly support growth of both Export and Import cargo. Hence, our proposed approach was not at all intended to load Exports at the cost of Import.*

Accordingly, we once again request the Authority to consider our request to not increase Import TSP till FY26 and suitably adjust the differential ARR with increase in non-Import TSP tariff line items."

8.3.2 <u>Comments of M/s SpiceJet on the Tariff increase:</u> SpiceJet has submitted its comments regarding Tariff increase for the Third Control Period as follows:

"Authority is requested to carefully peruse the reasons for the restructuring of the Tariff Rate Card, such that there are no hidden cost impact or imbalance on the users. The ISP proposal for the charges is very high as 15 to 20 % increase, which may be note is not as per the CPI and this is opposed strongly. To enhance business, the service provider must target volumes instead of rate increase, which should be competitive in comparison to road and sea shipping.

The % increase on the charges especially on the domestic handling is exorbitant with a year on year increase from 50% to18%. The freight charges in the domestic market are softening due to various modes of competition, especially with road connectivity between major cities and ease in logistic movement from state to state. In case of an increase in airfreight, the volumes will tend to decrease as there will be a market shift by the freight community.

Currently airlines have been struggling to support the cargo business post COVID-19, as there have been drop in volumes of pre-Covid levels in terms of per flight and this needs to be strengthened for the next few years to enhance the infra requirement as projected. To offset the high fuel prices and low % freights we request to defer these increases beyond the level of 2 to 3% on year on year basis.

YoY Charges increase in %								
DOMESTIC								
GENERAL CARGO	**CATEGORY**	**2022-23**	**2023-24**	**% change**	**2024-25**	**% change**	**2025-26**	**% change**

YoY Charges increase in %								
	OUTBOUND (BUP)	1.06	1.59	50%	1.88	18%	2.21	18%
	INBOUND (BUP)	1.06	1.59	50%	1.88	18%	2.21	18%
INTERNATIONAL								
GENERAL CARGO	OUTBOUND (TSP)	1.1	1.5	36%	1.77	18%	2.09	18%
	INBOUND (TSP)	4.75	4.75	0%	4.75	0%	4.75	0%

We humbly request AERA to kindly consider our submission as mentioned above, and review the proposed tariffs in light of the same, as the proposed rates of tariff are very high, especially in the back drop of COVID-19. It is in the interest of all the stakeholders not to implement such high tariffs in order to encourage middle class people to travel by air, which will help in sharp post COVID-19 recovery of the aviation sector. Customers of airlines have limited capacity to pay for the air fares, and when the cost of travel goes up (caused in part due to high service provider charges), the air traffic goes down, leading to further losses and financial crisis for airlines.

In the given circumstances, it is humbly submitted that it is imperative that AERA does not take any steps, including by way of approving the proposed high tariffs, during the Third Control Period, which would precipitate further adverse financial impact on the airlines. In this regard, we also humbly request AERA to not implement any Y-O-Y increase in tariffs during the Third Control Period and defer any increase in the same to the subsequent control period, given the scenario described above."

8.4 GHAC's response on M/s SpiceJet's comments regarding Tariff increase proposed for the 3rd Control Period

8.4.1 GHAC has submitted its response on SpiceJet's comments regarding Tariff increase for the Third Control Period as follows:

"It is to be noted for a period of almost 14 years, from 2008 onwards, there is no increase in the approved Tariff rates. If one has to only look at average CPI growth during this period, then resulting increase would be 2-3 times of the current Tariff. We would also like to highlight that ARR also includes the impact of investment being made for expanded capacity to handle higher volumes.

Further, Hyderabad Air Cargo has been pursuing volume growth relentlessly through several strategic and Industry first initiatives as a result of which it has been among the top 2 performing Metro Airport in terms of Cargo Volume growth during the last decade. Even during the current FY, Hyderabad's cargo volume growth is better than other Metro peers.

Regarding comparison with road and sea, the same is not comparable as the type of cargo, its pricing and market structure/segment is separate from that of Air Cargo."

8.5 Authority's Analysis on the Stakeholders' comments on the Tariff increase proposed for the Third Control Period

8.5.1 The Authority notes the comments of GHAC regarding increase in Tariff for International Express Cargo and Import cargo. The Authority, w.r.t. International Express Cargo clarifies that inadvertently, percentage Tariff increase proposed by the Authority in Consultation Paper for Export/Import Cargo Handling charges was not applied on to the International Express Cargo charges as proposed. The Authority, considering the comments of the ISP, has now considered the same % increase in Tariff for International Express Cargo Charges as proposed at the CP stage. Now, the uniform percentage tariff increases as applicable to Import/Export Cargo Handling Charges is also applicable to the International Express Cargo Charges. The revised International Express Cargo Charges decided by the Authority can be referred to at **Annexure-I.**

Further, w.r.t. Tariff increase on Import Cargo Charges, the Authority maintains the same view as taken at Consultation Stage that a significant portion of total CAPEX & OPEX is incurred on providing of Import Cargo Handling Services, therefore, share of CAPEX & OPEX is required to be allocated to Import Cargo Services also. It would not be appropriate to load entire burden of proposed Tariff increase to Users of Export Cargo Handling Services, as it will adversely affect the price competitiveness of export goods. Therefore, the Authority decides to maintain the uniform Tariff increase for Import and Export Cargo Charges, as proposed at CP stage.

8.5.2 The Authority notes the comments of M/s SpiceJet regarding Tariff increase and response of GHAC on the same stating that for a period of almost 14 years, from 2008 onwards, there has been no increase in the approved Tariff rates. The Authority is aware that since FY 2011-12 of First Control Period (FY 2011-12 to FY 2015-16), the Tariff for the Cargo Handling Services provided by ISP have not been increased. Further, considering the increase in operating expenditure in all these years due to annual inflation, escalation in salary & wages etc., coupled with the proposed increase in cargo handling capacity, including construction of new dedicated International Express Cargo Terminal, during the Third Control Period, the increase in Tariff for the ISP is imperative to have viable operations and to cater to future demand. Thus, keeping the above factors in background, the Authority concurs with the response of the ISP against the comments of the Stakeholder.

8.5.3 For removal of doubts, the Authority would like to clarify as against the comments of SpiceJet *"The % increase on the charges especially on the domestic handling is exorbitant with a year-on-year increase from 50% to18%."* that the Tariff increase mentioned above were proposed by GHAC and not by the Authority. The % of Tariff increase decided by the Authority for the ISP in respect of the Third Control Period is given below:

- 32% increase for FY 2023-24 (w.e.f. 01.05.2023)
- 20% increase for FY 2024-25 (w.e.f. 01.04.2024)
- 20% increase for FY 2025-26 (w.e.f. 01.04.2025)

8.5.4 Considering the above, including the stakeholders' comments, the Authority decides uniform percentage increase in Tariff rates for all the Cargo Handling Services for the Third Control Period as indicated above.

8.6 Authority's decision regarding ARR for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Aggregate Revenue Requirement (ARR):

8.6.1 To consider ARR for the GHAC for the Third Control Period as per Table-19.

8.6.2 To consider the revised Tariff Rates for the GHAC for the Third Control Period as per **Annexure-I.**

CHAPTER 9: PROFITABILITY ANALYSIS

9.1 Profitability of GHAC for the Third Control Period

9.1.1 Based on the projected revenue and expenditure, M/s GHAC submitted its projected Profit and Loss Summary for the Third Control Period as under:

Table-20: P&L Summary submitted by GHAC for the Third Control Period

(₹ in Crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenues from Regulated Services						
Cargo Handling Revenue	63.38	63.71	102.09	129.57	163.70	522.44
Demurrage collection	20.66	21.70	24.90	27.10	29.60	123.96
Revenues from other than Regulated services	6.79	4.53	4.76	5.29	5.93	27.30
Total Revenue (1)	**90.82**	**89.94**	**131.75**	**161.96**	**199.22**	**673.70**
Operating Expenses						
Payroll Costs	26.46	30.85	36.63	41.99	48.05	183.99
Administrative and General Costs	23.12	21.06	25.50	29.12	33.43	132.24
Utilities and Outsourcing Costs	9.86	11.31	12.97	16.19	19.29	69.62
Concession Fees	15.41	16.19	23.71	29.15	35.86	120.32
Repair and Maintenance Costs	4.44	4.88	5.37	6.71	8.39	29.80
Customs Deployment Charge	0.00	2.40	3.28	4.25	4.50	14.43
Total OPEX (2)	**79.27**	**86.70**	**107.48**	**127.43**	**149.53**	**550.41**
Earnings before depreciation interest and taxation (EBDIT) (3= 1-2)	11.55	3.24	24.27	34.54	49.69	123.29
Depreciation and Amortization (4)	5.62	7.51	9.78	16.29	20.22	59.43
Earnings before interest and taxation (EBIT)(5=3-4)	5.93	-4.27	14.49	18.24	29.47	63.86
Total interest and finance charges (6)	0.19	0.20	3.16	9.86	14.55	27.95
Profit/ loss before tax (7=5-6)	**5.74**	**-4.47**	**11.33**	**8.39**	**14.92**	**35.91**
Provision for tax (8)	-5.51	0.00	0.00	0.00	0.00	-5.51
Profit/ loss after taxation	**11.25**	**-4.47**	**11.33**	**8.39**	**14.92**	**41.41**

9.2 Authority's Examination on Profitability projected for GHAC for the Third Control Period

9.2.1 Based on its proposals on various building blocks including the proposed tariff increase as detailed in the chapters, the Authority, has computed the Profitability for M/s GHAC for the Third Control Period as shown in table below:

Table-21: P&L Summary proposed to be considered by the Authority for the Third Control Period at CP stage

(₹ in crore)

Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Revenue (Refer Table-19) **(a)**	**90.82**	**97.88**	**133.55**	**170.25**	**195.15**	**687.65**
Total OPEX (Refer Table-16) **(b)**	79.28	88.77	107.94	129.58	148.48	554.04
Earnings before Depreciation Interest and Taxation (EBDIT) **(c)=(a-b)**	11.54	9.11	25.61	40.67	46.68	133.61
Depreciation and Amortization (refer Table-10) **(d)**	5.62	7.50	9.78	16.30	20.21	59.41
Earnings before Interest and Taxation (EBIT) **(e) = (c-d)**	5.92	1.61	15.83	24.37	26.47	74.20
Total interest and finance charges (refer Table-20) **(f)**	0.19	0.20	3.16	9.86	14.55	27.95
Earnings before Tax (EBT) **(g) = (e-f)**	5.73	1.41	12.67	14.51	11.92	46.24
Provision for Corporate tax (refer table-20) **(h)**	-5.51	0.00	0.00	0.00	0.00	-5.51
Profit/ loss after taxation (PAT) **(i) = (g-h)**	**11.24**	**1.41**	**12.67**	**14.51**	**11.92**	**51.75**
PAT/Revenue (i) / (a)	**12.38%**	**1.44%**	**9.49%**	**8.52%**	**6.11%**	**7.53%**

From the above table, the Authority observed that the ISP has projected a post-tax average return of 5% on its cargo handling business during the Third Control Period.

9.3 Stakeholders' comments on Profitability for the 3rd Control Period

The Authority received following comments on Profitability Statement projected for the Third Control Period:

9.3.1 **Comments of SpiceJet on Profitability:** SpiceJet in its comments on projected profitability of GHAC for the Third Control Period as under:

"In the current situation, airlines in India are staring at significant losses and with limited financial support from the Government, airlines are constrained to implement severe cost control measures to sustain their operations. On the other hand, it is noted that as per the proposed P&L Summary (Table 21), the service provider is expected to report significant profits. This contradiction of service providers to airlines making profits, while the airlines themselves making losses is contradictory in principle. We request Authority to reconsider this anomaly which would be caused by the proposed hikes."

9.4 <u>GHAC's response to SpiceJet's comments on Profitability projection for the 3rd Control Period</u>

9.4.1 GHAC in its response on SpiceJet's comments on Profitability projected for the Third Control Period submitted as under:

"Airlines operate in a free market, wherein the pricing of the services is determined by an Airline considering the market forces. On the other hand, ISPs operate under a regulated environment. It is not rational to compare both these businesses.

Further, the point of linking the profit/losses of any company with that of its service providers is not at all rational."

9.5 <u>Authority's Analysis on Stakeholders' comments on Profitability projection for the Third Control Period</u>

9.5.1 The Authority notes the comments of M/s SpiceJet regarding profitability and response thereto from GHAC stating that business model of Cargo Terminal Operator and of Airlines is not similar, as the airlines operate in an environment which is completely different from the business environment of Cargo terminal Operators, hence their profitability are not comparable.

9.5.2 The Authority partly agrees with views of the ISP that Airlines and Cargo Operators have different business models & operating dynamics, hence their financial figures are not comparable.

9.5.3 Considering the above, the Authority decides to maintain the same view on ISP's projected profitability as taken during the consultation stage.

9.6 <u>Authority's decision regarding projected Profitability for the Third Control Period</u>

Based on the material before it and its analysis, the Authority decides the following regarding projected Profitability of the ISP for the Third Control Period:

9.6.1 To consider the projected Profitability Statement in respect of the ISP for the Third Control Period as per Table-21.

CHAPTER 10: SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned summary provides the Authority's decisions relating to relevant chapters on the tariff determination exercise for GHAC in respect of Third Control Period:

Chapter No.	Para	Summary of Authority's Decisions	Page No.
Chapter No.2	2.2.1	Based on the material before it and its analysis as given in Para 2.1.10, the Authority decides to determine Tariff for the GHAC in respect of Cargo Handling Services provided at RGIA, Hyderabad for the Third Control Period by adopting **'Light Touch Approach'**.	09
Chapter No. 3	3.6.1	To consider the Cargo Volumes projected for the Third Control Period in respect of GHAC as per Table-3.	14
Chapter No. 4	4.8.1	To consider Additions to RAB (CAPEX), Depreciation and Average RAB for the Third Control Period as given in Table-10.	24
Chapter No. 5	5.6.1	To consider the Cost of Equity, cost of Debt and FRoR as per Table-12.	27
Chapter No. 6	6.6.1	To consider the Operating Expenses in respect of the Third Control Period for GHAC as per Table-16.	36
Chapter No. 8	8.6.1	To consider ARR for the GHAC for the Third Control Period as per Table-19.	45
	8.6.2	To consider the revised Tariff Rates for the GHAC for the Third Control Period as per **Annexure-I.**	
Chapter No. 9	9.6.1	To consider the projected Profitability Statement in respect of the ISP for the Third Control Period as per Table-21.	48

CHAPTER 11: ORDER

Upon careful consideration of the material before it, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008, hereby orders that:

(i) The services relating to Cargo Handling being provided by GHAC at Rajiv Gandhi International Airport (RGIA), Hyderabad is deemed "Material and Non-Competitive. The Authority decides to determine Tariff for the GHAC in respect of Cargo Handling Services provided at RGIA, Hyderabad for the Third Control Period by adopting 'Light Touch Approach' based upon the reasonableness of the User Agreements & stakeholders' consultation.

(ii) GHAC is allowed to levy the Tariff for Cargo Handling Services for the Third Control Period (FY2021-22 to FY 2025-26) with effect from 01.05.2023 up to 31.03.2026 as per **Annexure-I.**

(iii) Tariff determined hereinunder is the maximum Tariff to be charged. No other charge is to be levied over and above the approved Tariff rates.

(iv) The Tariff rates approved hereunder are excluding of all applicable taxes.

(v) The Airport Operator shall ensure compliance of this Order.

By the Order of and in the Name of the Authority

(Col. Manu Sooden)
Secretary

To

Shri Saurabh Kumar, Chief Executive Officer
M/s GMR Hyderabad Air Cargo
(A division of GMR Air Cargo and Aerospace Engineering Limited)
Plot NO.1, GMR Aerospace Park GMR Hyderabad SEZ Limited,
Rajiv Gandhi International Airport,
Shamshabad, Hyderabad-500108

Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport New Delhi-110003 for information.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
सत्यमेव जयते
Airports Economic Regulatory Authority of India

Annexure-I

APPROVED TARIFF RATE CARD FOR THE CARGO HANDLING SERVICES PROVIDED BY GMR HYDERABAD AIR CARGO (GHAC) AT RGIA, HYDERABAD FOR THIRD CONTROL PERIOD [FY 2021-22 TO FY 2025-26]

REVISED TARIFF RATES ARE EFFECTIVE FROM 01.05.2023

(Rates in ₹)

I – INTERNATIONAL CARGO HANDLING CHARGES

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
EXPORTS : AGENTS						
Terminal, Storage And Processing Charge [TSP] - (per Shipping Bill)						
General Cargo	158	1.32	190	1.58	228	1.90
Pharma[$]	304	3.21	364	3.85	437	4.62
PER (incl. Fruits & Veg.)[#]	304	3.21	364	3.85	437	4.62
Special Cargo (incl. DG/VAL/VUN/AVI/Project/OD)[@, #]	304	3.21	364	3.85	437	4.62

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
Express Acceptance*$	Express Acceptance: 25% more than the rate for the category the cargo falls under, subject to Acceptance. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under		Express Acceptance: 25% more than the rate for the category the cargo falls under, subject to Acceptance. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under		Express Acceptance: 25% more than the rate for the category the cargo falls under, subject to Acceptance. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under	
Demurrage / Storage Charge (rate per kg per day or part thereof)						
General Cargo	264	1.32	317	1.58	380	1.90
Pharma$	330	3.21	396	3.85	475	4.62
PER (incl. Fruits & Veg.)#	330	3.21	396	3.85	475	4.62
Special Cargo (incl. DG/VAL/VUN/AVI/OD)@,#	330	3.21	396	3.85	475	4.62
Repacking/Strapping Charge	33/package subject to min. charges Rs 82/AWB	-	40/package subject to min. charges Rs 98/AWB	-	48/package subject to min. charges Rs 118/AWB	-
Shrink Wrap of ULD$	3967/ULD	-	4760/ULD	-	5712/ULD	-
Shrink Wrap of Euro Pallet/Skid$	594/Euro Pallet or skid	-	713/Euro Pallet or skid	-	856/Euro Pallet or skid	-
Return Cargo Charge	660	-	792	-	950	-
Weight / Volume Mis-Declaration Charge						
2-5% variation	158	2 times of differential weight	190	2 times of differential weight	228	2 times of differential weight

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	**Rs (per kg)**	**Min Rate (per AWB)**	**Rs (per kg)**	**Min Rate (per AWB)**	**Rs (per kg)**
More than 5% variation	158	5 times of differential weight	190	5 times of differential weight	228	5 times of differential weight
Bonded trucking (loading charge)	158	1.32	190	1.58	228	1.90
HAWB consolidation charges$	1200/HAWB	-	1440/HAWB	-	1728/HAWB	-
Dry Ice Acceptance$	1597/MAWB	-	1916/MAWB	-	2299/MAWB	-
Special Pallet Service Charge (Thermal Cover/Bubble Wrapping/Metal Wrapping) $	3000/pallet	-	3600/pallet	-	4320/pallet	-
BUP Charge - General Cargo$						
BUP Charge (upto LD3)	1560/unit	-	1872/unit	-	2246/unit	-
BUP Charge (above LD3 - lower deck pallet)	3120/unit	-	3744/unit	-	4493/unit	-
BUP Charge (above LD3 - main deck pallet)	4680/unit	-	5616/unit	-	6739/unit	-
BUP Charge -Other than General Cargo$						
BUP Charge (upto LD3)	2400/unit	-	2880/unit	-	3456/unit	-
BUP Charge (above LD3 - lower deck pallet)	4800/unit	-	5760/unit	-	6912/unit	-
BUP Charge (above LD3 - main deck pallet)	7200/unit	-	8640/unit	-	10368/unit	-
Bar Code Label Printing Charges$	6/Label	-	7.2/Label	-	8.4/Label	-
<u>IMPORTS : AGENTS</u>						
Terminal, Storage And Processing Charge [TSP] - (per Bill of Entry)						
General Cargo	158.40	6.27	190.08	7.52	228.10	9.03
Pharma$	330.00	12.54	396.00	15.05	475.20	18.06
PER (incl. Fruits & Veg.)#	330.00	12.54	396.00	15.05	475.20	18.06

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	**Rs (per kg)**	**Min Rate (per AWB)**	**Rs (per kg)**	**Min Rate (per AWB)**	**Rs (per kg)**
Special Cargo (incl. DG/VAL/VUN/AVI/Project/OD) [@,#]	330.00	12.54	396.00	15.05	475.20	18.06
Express Delivery**[$]	Express Delivery: 25% more than the rate for the category the cargo falls under, subject to delivery. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under		Express Delivery: 25% more than the rate for the category the cargo falls under, subject to delivery. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under		Express Delivery: 25% more than the rate for the category the cargo falls under, subject to delivery. Minimum Charges: 25% more than the minimum charge for the category the cargo falls under	
Demurrage / Storage Charge (rate per kg per day or part thereof)						
General Cargo						
Upto 48 hours	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
Cargo cleared between 48 hours and 96 hours	389/BOE	1.72	467/BOE	2.06	560/BOE	2.47
Cargo cleared between 96 hours and 720 hours		3.43		4.12		4.94
Cargo cleared after 720 hours		5.15		6.18		7.41
Pharma[$]						
Upto 48 hours	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
Cargo cleared between 48 hours and 96hours	1531/BOE	6.86	1837/BOE	8.24	2204/BOE	9.88
Cargo cleared between 96 hours and 720 hours		13.73		16.47		19.77

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
Cargo cleared after 720 hours		20.59		24.71		29.65
PER (incl. Fruits & Veg.)#						
Upto 48 hours	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
Cargo cleared between 48 hours and 96 hours		6.86		8.24		9.88
Cargo cleared between 96 hours and 720 hours	1531/BOE	13.73	1837/BOE	16.47	2204/BOE	19.77
Cargo cleared after 720 hours		20.59		24.71		29.65
Special Cargo# (incl. DG/VAL/VUN/AVI/Project/OD) @						
Upto 48 hours	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
Cargo cleared between 48 hours and 96 hours		6.86		8.24		9.88
Cargo cleared between 96 hours and 720 hours	1531/BOE	13.73	1837/BOE	16.47	2204/BOE	19.77
Cargo cleared after 720 hours		20.59		24.71		29.65
Transshipment Charge-International to Domestic						
General cargo	165	2.38	198	2.85	238	3.42
Pharma/PER/Special cargo	310	2.38	372	2.85	447	3.42
Documentation Charges	132	-	158	-	190	-
Merchant Overtime Charge (Beyond customs working hours)						
General cargo	284 per Bill of Entry	-	341 per Bill of Entry	-	409 per Bill of Entry	-
Pharma/PER/Special cargo	1320 per AWB	-	1584 per AWB	-	1901 per AWB	-

Particulars	FY 2023-24.		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
Bonded trucking (Breakdown/unloading)	264	0.86	317	1.03	380	1.24
Packing/Repacking/Strapping Charge#	33/package subject to min. charges Rs 82/AWB	-	40/package subject to min. charges Rs 98/AWB	-	48/package subject to min. charges Rs 118/AWB	-
HAWB Deconsolidation$	1200/HAWB	-	1440/HAWB	-	1728/HAWB	-
Bar Code Label Printing Charges$	6/Label	-	7.2/Label	-	8.4/Label	-

**Cargo Acceptance & Loading within 4 hours from ETD for RFC (ready for carriage) AWBs - subject to feasibility*

***Cargo Delivery within 4 hours from ATA or Time of Receipt at the Warehouse, whichever is later (subject to Customs clearance & feasibility).*

$ New Services proposed by GHAC w.e.f. FY 2023-24

 # Restructuring of Rates/Services by GHAC w.e.f. FY 2023-24

@ - PER / DG / VAL / VUN / AVI / Project / OD refers to: Perishable / Dangerous goods/Valuable /Vulnerable/ Live Animal/ Project/ Odd Dimension

Notes:-

(1) Consignments of Human Remains, Coffins including Unaccompanied Baggage of the deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges.

(2) Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' or 'chargeable weight' whichever is higher.

(3) Free period: ^

Export Cargo - 12 hrs. for examination/processing by Shippers/Exporters/Agents

"Import Cargo -

Computation of Free Period will start from the Segregation time of Flight till time of generation of Release Note

After Expiry of above mentioned stipulated Free Period, Demurrage for next 48 hrs, will be charged on 'per kg per day non -cumulative basis inclusive of holidays, provided the consignment is cleared within 96 hours from Segregation time.

Number of hours applicable for demurrage will be computed as the time between Segregation Time and "" Time of generation of Release Note"". Each 24 hrs. cycle will be taken as 01 day and any part thereof will be counted as one full day.

After Expiry of the stipulated free period i.e. 48 hrs., if the total time between Segregation time and generation of the Release Note exceeds 96 hrs., Demurrage charges will be levied on cumulative basis inclusive of holidays from Segregation Time as per above table."

^ Free period for demurrage calculation will change as per directions of Ministry of Civil Aviation (MOCA) from time to time. Demurrage shall be charged on "Per Kg per Day basis".

(4) Each 24 hrs. cycle will be taken as 01 day, and any part thereof will be counted as one full day.

(5) All bills will be rounded off to the next INR 5 as per rules.

(6) Valuable consignment means "cargo with high declared value for example, rare and precious metal such as gold, platinum, iridium, rhodium, ruthenium, osmium and palladium and their alloys/ products; various precious stones, rubies, emeralds, sapphires, opals, Jade articles, diamond, pearl and its jewelry / products; watches mad e of silver, gold or platinum, valuable documents Including books, paintings, and antiques etc.; currency notes, securities, stamps and articles that have been declared with value of no less than 1000 US Dollars per kilogram of gross weight."

(7) For Consolidation TP Cargo-TSP Charges will be levied to all types of Cargo, in addition to Transshipment charges mentioned above. Demurrage Charges will be applicable as per General Cargo tariff.

(8) Release of Empty ULDs to Cityside or Acceptance from Cityside will be treated as handling of Cargo and all applicable Tariff shall be charged.

(9) Back to town charges are at 100 % of all applicable charges including TSP charges.

(10) All charges above are excluding GST which shall be levied at prevailing rates.

(11) The tariff charged will be applicable as per the tariff prevailing at the time of invoicing.

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Airports Economic Regulatory Authority of India
सत्यमेव जयते

II – DOMESTIC CARGO HANDLING CHARGES

(Rates in ₹)

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
DOMESTIC OUTBOUND: AGENTS						
Terminal, Storage And Processing Charge [TSP]						
Dom. Outbound#	264	2.71	317	3.25	380	3.90
Postal Dept. Mails	306	0.99	367	1.19	441	1.43
Demurrage / Storage Charge (rate per kg per day beyond 24 hrs from Acceptance)						
Dom. Outbound#	264	2.71	317	3.25	380	3.90
Postal Dept. Mails	306	0.99	367	1.19	441	1.43
Packing/Repacking/Strapping Charge#	33/package subject to min. charges Rs 82/AWB	-	40/package subject to min. charges Rs 98/AWB	-	48/package subject to min. charges Rs 118/AWB	-
Return Cargo Charge	132	-	158	-	190	-
Air Waybill Amendment Charge	132	-	158	-	190	-
Weight / Volume Mis-Declaration Charge						

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
2-5% variation	158	2 times of differential weight	190	2 times of differential weight	228	2 times of differential weight
More than 5% variation	158	5 times of differential weight	190	5 times of differential weight	228	5 times of differential weight
DOMESTIC INBOUND : AGENTS						
Terminal, Storage And Processing Charge [TSP]						
Dom. Inbound#	264	2.71	317	3.25	380	3.90
Postal Dept. Mails	459	1.69	551	2.03	661	2.43
Demurrage / Storage Charge (rate per kg per day beyond 24 hrs from ATA)						
Dom. Inbound#	330	2.90	396	3.48	475	4.18
Postal Dept. Mails	459	1.69	551	2.03	661	2.43
Packing/Repacking/Strapping Charge#	33/package subject to min. charges Rs 82/AWB	-	40/package subject to min. charges Rs 98/AWB	-	48/package subject to min. charges Rs 118/AWB	-

Restructuring of Rates/Services by GHAC w.e.f. FY 2023-24.

Notes:-

(1) Consignments of Human Remains, Coffins including Unaccompanied Baggage of the deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges.

(2) Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' or 'chargeable weight' whichever is higher.

(3) 50% of the General Cargo Charges will be applicable to Newspapers (Daily) TV Reels, applicable to domestic cargo.

(4) All bills will be rounded off to the next INR 5 as per rules.

(5) Valuable consignment means "cargo with high declared value for example, rare and precious metal such as gold, platinum, iridium, rhodium, ruthenium, osmium and palladium and their alloys/ products; various precious stones, rubies, emeralds, sapphires, opals, Jade articles, diamond, pearl and its jewellery / products; watches mad e of silver, gold or platinum, valuable documents Including books, paintings, and antiques etc.; currency notes, securities, stamps and articles that have been declared with value of no less than 1000 US Dollars per kilogram of gross weight."

(6) Release of Empty ULDs to Cityside or Acceptance from Cityside will be treated as handling of Cargo and applicable Tariff shall be charged.

(7) Back to town charges are at 100 % of all applicable charges including TSP charges.

(8) All charges above are excluding GST which shall be levied at prevailing rates.

(9) The tariff charged will be applicable as per the tariff prevailing at the time of invoicing.

(10) Each 24 hrs. cycle will be taken as 01 day, and any part thereof will be counted as one full day.

III – AIRLINES CHARGES

(Rates in ₹)

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
INTERNATIONAL AIRLINES- EXPORTS						
Unitization/Build-up/Palletization	446/flight	1.87	535/flight	2.25	642/flight	2.70
Courier/Express/Mail Charges	446/flight	1.87	535/flight	2.25	642/flight	2.70
Demurrage / Storage Charge (rate per kg per day or part thereof)						
General Cargo	231	2.64	277	3.17	333	3.81
Pharma$	400	5.30	480	6.36	576	7.64
PER (incl. Fruits & Veg.)#	400	5.30	480	6.36	576	7.64
Special Cargo# (incl. DG/VAL/VUN/AVI/Project/OD/Express /Courier)	400	5.30	480	6.36	576	7.64
Empty Pallet Stack$	1200/unit	-	1440/unit	-	1728/unit	-
X-Ray screening charges	154	3.15	185	3.78	222	4.53
Cool Dolly Charge$	4800/Trip	-	5760/Trip	-	6912/Trip	-
NOTOC Preparation$	2400/Trip	-	2880/Trip	-	3456/Trip	-
IMPORTS						
De-unitization/Break-down/De-Palletization	446/flight	1.87	535/flight	2.25	642/flight	2.70
Demurrage / Storage Charge (rate per kg per day or part thereof)						
General Cargo	231	2.64	277	3.17	333	3.81
Pharma$	446	7.05	535	8.46	642	10.15
PER (incl. Fruits & Veg.)#	446	7.05	535	8.46	642	10.15

Particulars	FY 2023-24		FY 2024-25		FY 2025-26	
	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)	Min Rate (per AWB)	Rs (per kg)
Special Cargo# (incl. DG/VAL/VUN/AVI/Project/OD//Express/Courier)	446	7.05	535	8.46	642	10.15
Transshipment Charges						
Transshipment charges-International to International	446/flight	2.80	535/flight	3.36	642/flight	4.03
Transshipment charges-International to Domestic	446/flight	2.80	535/flight	3.36	642/flight	4.03
Sector Charges$	602/flight	3.00	722/flight	3.60	866/flight	4.31
DOMESTIC AIRLINES- OUTBOUND						
Unitization/Build-up/Palletization	342/flight	1.40	410/flight	1.68	492/flight	2.01
Courier/Express/Mail Charges	342/flight	1.47	410/flight	1.76	492/flight	2.12
X-Ray Screening Charge	170	2.17	204	2.60	245	3.12
NOTOC Preparation$	2400/Trip	-	2880/Trip	-	3456/Trip	-
	342/flight	1.40	410/flight	1.68	492/flight	2.01
DOMESTIC AIRLINES- INBOUND						
De-Unitization/ Break-Down/ De-Palletization	342/flight	1.40	410/flight	1.68	492/flight	2.01
Courier/Express/Mail Charges	426/flight	1.47	511/flight	1.76	613/flight	2.11
Transshipment Charges						
Domestic to Domestic/International	268/flight	1.47	322/flight	1.76	386/flight	2.11

$ *New Services proposed by GHAC w.e.f. FY 2023-24*

\# *Restructuring of Rates/Services by GHAC w.e.f. FY 2023-24*

Notes:-

(1) Free period for demurrage calculation will change as per directions of Ministry of Civil Aviation (MOCA) from time to time (currently 36 hours).

(2) Each 24 hrs. cycle will be taken as 01 day, and any part thereof will be counted as one full day.

(3) Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' or 'chargeable weight' whichever is higher.

(4) Back to town charges are at 100 % of all applicable charges including TSP charges.

(5) The operating Expenditure (CAMC, Manpower, Utilities, Rentals, R&M etc.) for ACIS and related activities has not been considered. Accordingly, the same will be recovered on a per kg basis based on actual cost estimates.

(6) All charges above are excluding GST and GST will be charged as per rules.

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
Airports Economic Regulatory Authority of India
सत्यमेव जयते

IV – INTERNATIONAL EXPRESS/COURIER CARGO HANDLING CHARGES

(Rates in ₹)

INTERNATIONAL EXPRESS/COURIER		FY 2023-24	FY 2024-25	FY 2025-26
		per kg Rate	per kg Rate	per kg Rate
Exports	Facilitation Fees (Rate/kg)	15.8	19.0	22.8
Imports	Facilitation Fees (Rate/kg)	21.1	25.3	30.4
Detention/ Demurrage Fees	0-3 Days	Nil	Nil	Nil
	4-5 Days	Rs 2.64 per Kg per day for the fourth and fifth day or Rs 36 whichever is higher	Rs 3.17 per Kg per day for the fourth and fifth day or Rs 42 whichever is higher	Rs 3.8 per Kg per day for the fourth and fifth day or Rs 50 whichever is higher
	6-10 Days	Rs 2.64 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 36 whichever is higher	Rs 3.17 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 42 whichever is higher	Rs 3.8 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 50 whichever is higher
	11-20 Days	Rs 3.96 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 36 whichever is higher	Rs 4.75 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 42 whichever is higher	Rs 5.7 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 50 whichever is higher
	21-30 Days	Rs 5.94 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 36 whichever is higher	Rs 7.13 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 42 whichever is higher	Rs 8.56 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 50 whichever is higher
	From 31st Day	Rs 7.92 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 36 whichever is higher	Rs 9.5 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 42 whichever is higher	Rs 11.4 per Kg per day counted from actual time of arrival of flight (ATA) or Rs 50 whichever is higher
X-Ray		3.15	3.79	4.54

Airports Economic Regulatory Authority of India

सत्यमेव जयते

Notes:-

(1) Consignments of Human Remains, Coffins including Unaccompanied Baggage of the deceased and Human Eyes will be exempted from the purview of the Facilitation and Demurrage charges.

(2) Charges will be levied on the "gross weight" or the "chargeable weight" of the consignment whichever is higher. Wherever the "gross weight and/ or volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight or 'actual volumetric weight' or 'chargeable weight' whichever is higher.

(3) All bills will be rounded off to the next INR 5 as per rules.

(4) Back to town charges are at 100 % of all applicable charges including Facilitation Fee.

(5) All charges above are excluding GST which shall be levied at prevailing rates.

(6) The tariff charged will be applicable as per the tariff prevailing at the time of invoicing.

(7) Unitization/ De-unitization charges for the services provided in the main Cargo Terminal will be charged as per the applicable AERA approved Tariffs.

(8) For the purpose of charging, the weight will be rounded up to the nearest kg.

(9) For both Export and Import, the Detention/Demurrage charges to be charged on HAWB. The time period shall be till the time of generation of Release Note.

(10) For both Export and Import, Facilitation Fees to be charged on MAWB.

(11) Each 24 hrs. cycle will be taken as 01 day, and any part thereof will be counted as one full day.