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Tariff Authority for Major Ports

G No. 173 **New Delhi,** **12 July 2010**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Cochin Port Trust for fixation of container / cargo related charges at CFS and other facilities at the Port as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/40/2007 - COPT

Cochin Port Trust **- - - -** **Applicant**

O R D E R
(Passed on this 16th day of June 2010)

This case relates to a proposal received from the Cochin Port Trust (COPT) for fixation of container / cargo related charges at Container Freight Station (CFS) and other Port facilities.

2. In September 2005, the COPT filed a proposal for introduction of container storing and cargo supervision charges at Ernakulam wharf, Mattancherry wharf and CFS of Cochin Port on the ground that the then approved Scale of Rates of COPT did not prescribe separate tariff for the services offered at the CFS except stuffing and de-stuffing charges.

The COPT had reported that prior to handing over its Rajiv Gandhi Container Terminal (RGCT) to India Gateway Terminal Private Limited (IGTPL) in April 2005, various container related services offered by the port at the Ernakulam wharf, Mattancherry wharf and its CFS were complementing the container handling operations at the RGCT. With the IGPTL taking over the RGCT, all the container handling charges are levied by the IGTPL except stuffing and de-stuffing charges which is continued to be levied by the port. With the more profitable terminal operations privatised, the port finds that the CFS activity is in deficit. In order to compensate the loss of revenue and to make the CFS activity self reliant, the COPT had proposed to introduce cargo supervision charge at its wharves and the CFS.

3.1. This Authority while disposing of the above proposal vide Order No.TAMP/59/2005-COPT dated 26 June 2006 approved the following interim tariff arrangement for services provided by the port at its CFS:

(i). In case of LCL import/export cargo, the COPT shall collect the LCL cargo management charges at the wharfage rates prescribed in Schedule 3.1. of its existing Scale of Rates.

Concession of 10% on the rates specified in the wharfage schedule will be allowed subject to a minimum of Rs.550/- for a 20' container, Rs.825/- for a 40' container and Rs.1100/- for a container above 40'.

(ii). Storage charges on containers (FCL/LCL) loaded or empty) at Port wharves and CFS were prescribed at par with the storage charge on containers, applied prior to privatization, at the following rates:

Sl. No.	Period of occupation	Rate per container per day or part thereof			
		20' container		40' container	
		Foreign-going (in US$)	Coastal (in Rs.)	Foreign-going (in US$)	Coastal (in Rs.)
1.	First three days	Free	Free	Free	Free
2.	4th day to 15th day	3.00	138	6.00	276
3.	16th day to 30th day	6.00	276	12.00	552
4.	Thereafter	12.00	552	24.00	1104

3.2. The rate proposed for supervision charges @ Rs.200 per 20' container was not approved by this Authority in the absence of any justifiable analysis furnished by the port to support the proposed tariff.

The COPT was advised to review the interim tariff arrangement approved at CFS and file a separate proposal for levy of tariff for various services offered thereat duly justifying the cost of services provided and include the same in the general revision proposal which was under consideration by this Authority.

3.3. The COPT could not propose separate rate for CFS activity during the previous general revision of tariff concluded in January 2007 but agreed to file a revised proposal.

4.1. In this backdrop, the COPT has filed the instant proposal for fixation of cargo and container related charges at CFS and other facilities rendered by the port. The main points made in the proposal by COPT are as below:

(i). The following activities are carried out at the CFS:-

(a). Stuffing of export cargo; (both LCL and FCL)

(b). De-stuffing of import cargo; (both LCL and FCL)

(c). Storage of containers placed for stuffing and de-stuffing in the open area attached to the CFS

(d). Storage of cargo inside the covered area of the CFS and in the open area attached to the CFS

(ii). The CFS activity does not provide any service that is normally provided on the wharf towards landing / loading of cargo from / to vessels. Therefore, separate storage charge on per tonne basis is proposed on import cargo de-stuffed from containers and export cargo admitted for stuffing into containers at CFS and other port facilities. This is proposed in lieu of the prevailing Cargo Management Charges approved by this Authority vide Order dated 26 June 2006.

(iii). It has proposed to retain the storage charges on containers at CFS approved by TAMP vide Order dated 26 June 2006 which is produced at para 3.1. (ii). It has, however, proposed a separate slab for container above 40' in line with tariff guidelines.

The storage charges are proposed at a progressive rate to act as a deterrent towards prolonged storage and the potential congestion of such facilities to the detriment of trade.

(iv). Storage charges on personal effects / unaccompanied baggage de-stuffed from containers is proposed on per cubic meter basis.

(v). Three days free period is proposed considering the fact that the average dwell time of cargo at CFS is 4.30 days.

(vi). Renewal charges @ Rs.100 per ton or part thereof is proposed towards cargo admitted for stuffing at the CFS and shut out without stuffing into containers.

4.2. It has furnished cost sheet of CFS operations as on 31 March 2007 which reflects the following position:-

(**Rs. in lakhs**)

Sr. No.	Particulars	Stuffing / De-stuffing	Storage Charges on Cargo	Ground Rent on Containers	Total
1.	Income	141.74	36.96	19.21	197.91
2.	Variable Cost	258.28	38.38	25.59	322.25
3.	Fixed Cost	26.00	36.08	20.16	82.24
4.	Return	8.25	8.25	--	16.50
5.	Cost plus Return (2+3+4)	292.53	82.71	45.75	420.99
6.	Deficit	(-) 150.79	(-) 45.76	(-) 26.54	(-) 223.09

With regard to the deficit reflected, it has submitted that it would be impracticable to cover the full deficit, as the same may not be in the interest of trade. The port intends to vigorously market the facility and therefore, from the marketing perspective, it proposes to increase the prevailing charges for stuffing and de-stuffing of containers marginally by 20%, with the specific objective of attracting higher volumes through a competitive tariff.

4.3. The COPT proposal does not indicate additional income likely to accrue due to container / cargo related tariff proposed for services at CFS and other port facilities.

4.4. Accordingly, the port has proposed the following tariff for container/cargo related charges at the CFS and other port facilities.

(i). Stuffing and De-stuffing charges:

Sr. No.	Description	Rates per container	
		20' above	40' above
1.	For half a container load	1380	2250
2.	For full container load	2760	4500

(ii). Storage charges on container (FCL / LCL, loaded or empty):

Sr. No	Period of Occupation	20' above		40' above		Above 40'	
		Foreign-going (in US$)	Coastal (in Rs.)	Foreign-going (in US$)	Coastal (in Rs.)	Foreign-going (in US$)	Coastal (in Rs.)
1.	First 3 days	Free	Free	Free	Free	Free	Free
2.	4 to 15th day	3.00	138	6.00	276	9.00	414
3.	16 to 30th day	6.00	276	12.00	552	18.00	828
4.	Thereafter	12.00	552	24.00	1104	36.00	1656

(iii). Storage charge on import cargo destuffed from container and export cargo admitted for stuffing at CFS and other port facilities:

Sl. No	Period of occupation	Rate per ton or part thereof per day or part thereof	
		Covered space (Rs.)	Open space (Rs.)
1.	First 3 days	Free	Free
2.	4th to 15th day	20	12
3.	16th to 30th day	40	24
4.	Thereafter	75	45

(iv). Storage charges on personal effects / unaccompanied baggage de-stuffed from containers:

Sl. No	Period of occupation	Rate per cubic metre or part thereof per day or part thereof (Rs.)
1.	First 3 days	Free
2.	4th to 15th day	25
3.	16th to 30th day	50
4.	Thereafter	100

(v). Renewal charges for export cargo admitted for stuffing at the CFS without stuffing into containers is proposed at Rs.100 per ton or part thereof.

(vi). The COPT has also proposed various conditionalities governing the tariff proposed for CFS activity.

5. In accordance with the consultative procedure prescribed, the COPT proposal was forwarded to the concerned users / user organisations seeking their comments. The comments received from users / user organisations were forwarded to COPT as feed back information. The COPT has furnished its comments on the comments of the users / user organisations.

6. Based on a preliminary scrutiny of the proposal, the COPT was vide our letter dated 22 May 2009 advised to furnish additional information / clarifications.

7.1. A joint hearing in this case was held on 20 June 2009 at the COPT premises. The COPT made a presentation of its proposal. The COPT in its proposal has clarified that storage charge at progressive rates are proposed for all cargo types instead of LCL cargo management charge and demurrage. At the joint hearing, the concerned users / user associations have made their submissions.

7.2. As decided at the joint hearing, the COPT was advised to furnish additional information / clarifications sought vide office letter dated 22 May 2009. The COPT vide its letter dated 2 November 2009 has furnished its response. A summary of the queries raised by us and the clarifications furnished by the COPT are tabulated below:

<table>
<tr><th>Sl. No.</th><th>Queries raised by us</th><th>Reply received from COPT</th></tr>
<tr><td>(i).</td><td>The income from CFS activity considered by the COPT in the cost statement at Rs.197.91 lakhs in the year 2006-07 does not tally with the total handling and storage income from CFS activity reported for the year 2006-07 at Rs.481.06 lakhs (as per the break up for 2006-07 given in RE 2007-08 / BE 2008-09). Income from individual services i.e. stuffing / de-stuffing, storage charges on cargo and ground rent on containers considered in the cost statement also do not match with the actuals reported for the year 2006-07. The income from CFS activity may be updated with reference to the actuals reported in the Annual Accounts. The actuals for 2007-08 may also be furnished.</td><td>There is no separate income code for CFS other than cargo management charges. The income generated from CFS for the years 06-07 to 08-09 (actuals) and the estimates for the period 09-10 to 11-12 is given below:
<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Income Code</th><th rowspan="2">Description</th><th rowspan="2">Propor-tion</th><th colspan="6">Amount (Rs. in lakhs)</th></tr>
<tr><th>06-07</th><th>07-08</th><th>08-09</th><th>09-10</th><th>10-11</th><th>11-12</th></tr>
<tr><td>1</td><td>203</td><td>Cargo Management</td><td>100%</td><td>97.57</td><td>7.44</td><td>83.47</td><td>105</td><td>219.37</td><td>219.37</td></tr>
<tr><td>2</td><td>229</td><td>Ground rent</td><td>75%</td><td>33.97</td><td>4.94</td><td>5.90</td><td>5.25</td><td>3.94</td><td>3.94</td></tr>
<tr><td>3</td><td>231</td><td>Demurrage</td><td>75%</td><td>96.21</td><td>143.65</td><td>126.10</td><td>187.5</td><td></td><td></td></tr>
<tr><td>4</td><td>236</td><td>Stuffing/ destuffing</td><td>75%</td><td>122.22</td><td>105.72</td><td>97.85</td><td>131.25</td><td>98.44</td><td>98.44</td></tr>
</table></td></tr>
<tr><td>(ii).</td><td>Since the year 2008-09 is already over, the cost statement may be updated with actuals for the year 2008-09 as per provisional Annual Accounts.</td><td>The revised cost statement furnished now has been updated with 2008-09 (actual) figures.</td></tr>
<tr><td>(iii).</td><td>Considering the tariff validity period is for three years as per the tariff guidelines, the COPT may furnish the traffic estimated to be handled at the CFS, income and expenditure for the next three years 2009-10, 2010-11 and 2011-12.</td><td>The estimates for 2009-10 to 2011-12 are furnished in the revised cost statement.</td></tr>
<tr><td>(iv).</td><td>(a). The actual container traffic handled at the CFS during the last three years 2006-07, 2007-08 and 2008-09 and estimates for the years 2009-10 to 2011-12 may be furnished in the cost statement.

(b). With reference to traffic projections, furnish the break up of container traffic likely to avail CFS facilities during each of the years with reference to the container likely to be handled by the India Gateway Terminal Private Limited (IGTPL) at Rajiv Gandhi Container Terminal (RGCT) operations and the traffic to be handled by the port when the RGCT operations reverts to the port as per the License Agreement.</td><td>(a) and (b). The required details are furnished below:

(in TEUs)
<table>
<tr><th rowspan="2">Description</th><th>2006-07</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th><th>2011-12</th></tr>
<tr><th colspan="4">Actuals</th><th colspan="2">Estimates</th></tr>
<tr><td>Traffic at CFS</td><td>5793</td><td>5282</td><td>4761</td><td>3684</td><td>2763</td><td>2763</td></tr>
<tr><td>Traffic at RGCT</td><td>226808</td><td>253715</td><td>260473</td><td>310000</td><td>0</td><td>0</td></tr>
<tr><td>Traffic at ICTT</td><td>0</td><td>0</td><td>0</td><td>0</td><td>478000</td><td>588000</td></tr>
<tr><td>CFS traffic as % of total traffic</td><td>2.55</td><td>2.08</td><td>1.83</td><td>1.19</td><td>0.58</td><td>0.47</td></tr>
<tr><td>Estimated reductions when compared with 2006-07 traffic at CFS (in %)</td><td>0</td><td>9</td><td>18</td><td>36</td><td>52</td><td>52</td></tr>
</table>
Note – The traffic at CFS upto 31st October 2009 is 2149 TEUs which has been considered to arrive at the projections for 2009-10. For the years 2010-11 to 2011-12, 75% of the figures of 2009-10 have been considered, since reduction in traffic is anticipated due to the shifting of operations from RGCT to ICTT.</td></tr>
<tr><td>(v).</td><td>(a). Furnish detailed working of the income estimation at the existing rate as well as the proposed rate for the throughput likely to be handled at CFS for the years 2009-10 to 2011-12.

(b). The estimation of storage income prescribed in dollar terms for</td><td>(a). The income estimate at the existing rate and proposed rate for the throughput likely to be handled at CFS for the year 2009-10 to 2011-12 is furnished.

(b). The proposed rate for storage charges on containers has been updated based on the current dollar exchange rate of</td></tr>
</table>

	foreign-going vessel may be updated based on the current foreign exchange rate. The exchange rate adopted for estimation of income may be indicated.	Rs.46.71 as on 28/10/2009.
(vi).	As per clause 2.5.1. of the tariff guidelines, the expenditure projections has to be made with reference to current movement of Wholesale Price Index for all commodities and adjusted for traffic growth, if any, while furnishing the proposal for revision of tariff.	Expenditure projection has been made in the cost statement for the year 2009-10 to 2011-12 based on the anticipated operating expenditure of CFS for the period including the forth coming wage revision settlement and other R & M expenditure.
(vii).	(a). The National Industrial Tribunal Award of 2006 on manning scales has already been notified. Clause 2.6.2. of the revised tariff guidelines also require the port to regularly review the manning scale. As per the revised Manning Scale, one forklift is sufficient for stuffing and de-stuffing of containers. The port has, however, considered two forklift prescribed trucks for estimating this cost item. Further, the revised manning scale prescribes 1 tally clerk and 4 mazdoors for the stuffing and destuffing operation. The port has, however, considered 15 workers per gang for estimating the cost of gangs. The COPT may consider to modify the estimates with reference to the revised Manning Scales.	(a). The National Tribunal Award 2006 for revised manning scale for different operations/ functions was implemented in Feb. 2009. Subsequently it was withdrawn due to severe labour unrest. However, an MoU has been signed with the Labour Unions for implementation of modified manning scales. Hence the award has not been considered while preparing the proposed SOR. Necessary action is being taken to conduct time and motion study for different operations in the Port. Modifications, if any, in the case of revision of manning scale and consequent reduction in employee cost will only be possible after the result of such studies.
	(b). Furnish the existing manning scale for different services offered at the CFS, the manning scale proposed to be followed by the COPT and the cost thereon for the container traffic estimated to be handled at CFS for the three years 2009-10 to 2011-12.	(b). The existing manning scale for cargo handling labour, for stuffing/ destuffing activities is 12 mazdoors plus one leader for one gang.
	(c). Confirm that the datum for the incentive payments are revised periodically. Please indicate when the existing datum were fixed.	(c). The datum for incentive payments is revised periodically. The existing datum was fixed w.e.f. 01/12/2004.
	(d). The relevance of considering 993 gangs for estimating the cost of forklift is not clear. Please clarify.	(d). As per the manning scale, two fork lifts are provided per gang per shift for stuffing/ destuffing operations at the CFS.
	(e). Explain the basis of estimating the forklift charges at Rs.420 per hour.	(e). The charge of Rs.420/- per hour is the applicable charges for hiring light duty fork lifts to users for foreign cargo. At present only foreign cargo is being handled at CFS.
	(f). Explain the basis of considering the wage cost at Rs.571 per worker per day for assessing the cost of gang. Please furnish detailed break up of this cost and also confirm whether the cost includes the impact of the wage revision.	(f). The break-up of Rs.571/- towards wage cost per worker per day is given below: Salary - Rs.415.00 Incentive - Rs.125.00 PLR - Rs.14.38 Encashment - Rs.16.46 --------------- **Total Rs.570.84 (Rounded off to Rs.571)** **=========** The impact of wage revision has not been included.

(viii).	<u>Cost of office staff & supervisory staff</u>:	
(a).	Furnish the breakup of the 41 members of staff deployed for supervision work. Clarify whether it is for one shift or three shifts. Also, confirm that the proposed deployment is as per the revised manning scale giving reference to the relevant clause.	(a). The breakup is as under: Asst. Traffic Manager - 1 W/ Supdt. - 4 Dy. WS - 3 Asst. WS - 3 Shed Foreman - 6 Tally Supervisor - 4 Shed Writer - 4 Shed Clerk - 6 Maistry - 5 Lascar - 4 Full time sweeper - 1 ------------------ **Total - 41** ------------------ The CFS operates only for two shifts a day, from 0600 hrs to 2200 hrs. The staff deployed is for the two shifts. The aforesaid deployment is outside the scope of the manning scale.
(b).	The estimation of staff cost includes night waiting allowance and overtime cost whereas the estimation of cost of forklift charges and gang cost is done for 8 hours. Please examine the inconsistency observed and modify the estimates, if necessary.	The night waiting allowance in the cost calculation of staff at CFS has been excluded. However, over time expenses is a legitimate cost as the staff are some times required to do overtime duty due to operational exigencies.
(c).	<u>Overhead</u>: (i). Explain the basis of estimating overhead for the CFS operation at 50% of the operating cost. (ii). The cost statement filed by the COPT for general revision proposal shows that the estimated management and general overheads constitutes around 25% of the total operating cost in the cargo related activity which includes this activity also. In the light of the above, justify the estimation of overhead at 50% of the operating cost for services at CFS. (iii). The break up of the cost items relevant to CFS operation which are grouped under overheads may be listed along with the actual for the years 2006-07, 2007-08 and 2008-09.	 (i). The revised cost statement attached is after considering the actual overhead. (ii). It has been amended in the revised cost statement. (iii). The breakup of overheads of CFS includes the cost of office and general administration, and the allocated cost of service departments like medical, security, fire fighting etc., lighting, water supply, billing, auditing, accounting etc.
(ix).	(a). Furnish the break up of Rs.4 crores investment considered in the cost statement. Indicate the date of commissioning of the assets and confirm whether the expenditure was capitalised in the books of accounts of 2006-07. The gross block and the net block as considered in the Annual Accounts for the years 2007-08 and 2008-09 may be furnished along with estimated position for the years 2009-10 to 2011-12.	(a). **Capital investment of CFS** 30/03/1986 - Construction - Rs.19.76 Lakhs 03/04/1995 - Construction - Rs.372.76 Lakhs ------------------------ Total Rs.392.52 Lakhs ------------------------ Annual depreciation - Rs.9.58 Lakhs ------------------------ Net Block as on 31/3/09 Rs.246.41 Lakhs Net Block as on 31/3/08 Rs.255.99 Lakhs

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<tr><td></td><td>

(b). As per clause 2.7.1. of the tariff guidelines, depreciation need to be considered on the written down value of assets based on the life norms prescribed in the Companies Act 1956. The depreciation computed by the COPT in the cost calculation does not seem to be in line with the tariff guidelines.

(c). As per the tariff guidelines, both the major port trusts / private terminals are entitled to claim return on capital employed which is presently allowed @ 16%. In this context, explain why return is computed at 6% in the cost calculation.

Since the return percentage of 16% takes into account cost of debt, interest on investment need to be excluded from the computation.</td><td>Net Block for the years 2009-10, 2010-11 and 2011-12 are Rs.236.8 lakhs, Rs.227.25 lakhs and Rs.217.65 lakhs respectively.

(b). The depreciation is computed by straight line method in the books of accounts as per guidelines of Government. It is a deviation from TAMP guidelines which has already been addressed in the general tariff revision proposal.

(c). In the revised cost statement attached, ROI @ 16% has been considered and interest on investment has been excluded.</td></tr>
<tr><td>(x).</td><td>The basis of estimating the lease rent for CFS area may be explained.</td><td>Lease rent for CFS area has been considered as an opportunity cost. The rates have been calculated as per the charges available in the SOR for licensing of covered and open area.</td></tr>
<tr><td>(xi).</td><td>The COPT has recently filed its general revision proposal for review of its Scale of Rates which is taken on consultation. Please ensure that the estimation of expenditure / overheads / net block / return on net block to be considered in this proposal are in conformity with the estimates included in the general revision proposal.</td><td>CFS operations is a sub-activity of the cargo handling activity. The details of the main activity in the cost statement include the income and expenditure of CFS operation.</td></tr>
<tr><td>(xii).</td><td>The existing Scale of Rates prescribes levy of demurrage at the rate applicable on cargo in respect of cargo de-stuffed / stuffed at the CFS. The basis of arriving at the proposed storage charge on import / export cargo, de-stuffed / stuffed at CFS for covered space / open space may be explained.</td><td>Storage charges at CFS are proposed in lieu of cargo management charges. Also, the storage charges are proposed at telescopic rates to substitute the provisions for demurrage. The proposal is a trade promotion initiative to reduce the cost to the user and to attract cargo towards optimum utilisation of the resources.</td></tr>
<tr><td>(xiii).</td><td>The reasons for reducing the free period on cargo stuffed / de-stuffed at CFS from 7 days for import cargo and 12 days for export cargo to 3 days in the proposed Scale of Rates may be explained. The average dwell time of cargo lying at CFS in the last two years 2007-08 and 2008-09 may be indicated for both import cargo and export cargo separately. The additional income likely to accrue due to reduction in free period on cargo stuffed / de-stuffed at CFS may be indicated.</td><td>The free period has been rationalised as cargo management charges and demurrage charges at CFS have been substituted with telescopic storage charges which is less costly to the user.

The average Dwell time at CFS is as under.
(in days)
<table>
<tr><th>Type of cargo</th><th>2007-08</th><th>2008-09</th></tr>
<tr><td>Import</td><td>8.9</td><td>8.5</td></tr>
<tr><td>Export</td><td>3.5</td><td>3.2</td></tr>
</table>

As may be seen from the traffic in these years, the Port CFS is predominantly an export CFS where stuffing operations for export account for almost 80% of the total handling and therefore the average dwell time of cargo at CFS in 2008-09 has been only 4.26 days.</td></tr>
</table>

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<tr>
<td>(xiv).</td>
<td>Though the COPT has attempted to furnish cost calculation for each of the activities i.e. stuffing / de-stuffing, storage charge on cargo, ground rent on containers, it is not clear how the proposed rates for CFS facility is arrived at to meet the deficit estimated in each of the activities. In this regard, furnish detailed calculation of income at the existing and at the proposed level of tariff.</td>
<td>The detailed calculation of income at the existing and proposed tariff are as below:
<table>
<tr><th>Particulars</th><th>08-09</th><th>09-10</th><th>10-11</th><th>11-12</th><th>10-11</th><th>11-12</th></tr>
<tr><td></td><td colspan="2">At existing tariff</td><td colspan="2">At existing tariff</td><td colspan="2">At proposed tariff</td></tr>
<tr><td>Traffic at CFS (TEUs)</td><td>4761</td><td>3684</td><td>2763</td><td>2763</td><td>2763</td><td>2763</td></tr>
<tr><td>Stuffing/ destuffing (Rs. in lakhs)</td><td>130.46</td><td>175</td><td>175</td><td>75.71</td><td>210</td><td>210</td></tr>
<tr><td>Ground rent</td><td>7.87</td><td>7.00</td><td>4.57</td><td>4.57</td><td>4.57</td><td>4.57</td></tr>
<tr><td>Storage</td><td>83.47</td><td>105.00</td><td>48.44</td><td>48.44</td><td>48.44</td><td>48.44</td></tr>
</table>
Note: The COPT has subsequently vide letter dated 4 January 2010 corrected the income estimation in line with the figures considered in general revision proposal.</td>
</tr>
<tr>
<td>(xv).</td>
<td>The circumstances requiring the port to propose separate storage charge on personal effects / unaccompanied baggage de-stuffed from the container may be explained. The additional income likely to accrue on account of the new tariff item may be indicated for each of the years 2009-10 to 2011-12.</td>
<td rowspan="2">(xv) and (xvi). Personal effects are destuffed and delivered at a separate shed (Q6) at the Ernakulam Wharf. The activity for destuffing passenger baggage is the same as that for cargo at CFS. The additional income likely to be accrued on account of the new tariff item for the period from 2009-10 to 2011-12 is meagre.

Wharfage and demurrage on personal effects as per the prevailing SOR are specified per CBM. The storage charges at telescopic rates were proposed in lieu of wharfage and demurrage as they have been done away with in the case of personal effects destuffed from containers and delivered. The storage charges were proposed per CBM also since the personal effects are generally voluminous with less weight unlike cargo. Presently, the average weight of cargo per TEU at CFS is 14 MT whereas the average weight of personal effects per TEU is only 4 MT. However the average volume of personal effects per TEU is about 25 CBM which obviously requires a large storage area. Therefore, it was considered appropriate to propose storage charges for personal effects in CBM. However, recently, the Government's decision to implement Port Community System (PCS) for all Major Ports has facilitated online transaction and processing of documents for cargo clearance. The documents required for import and export cargo such as Bill of Entry and Shipping Bill respectively are available online. The document required for clearance of imported personal effects is the Baggage Declaration, which is not yet available online. However, these documents contain only the unit of weight and do not contain the volume of goods. This has necessitated the Port trust to rely on other offline documents like Bill of Lading where the volume of the goods in CBM is available. This obviously makes the online transaction cumbersome. Therefore if approved, the Port would like to propose storage charges for personal effects also in MT as in the case of cargo but at six times the rate proposed per CBM in order to equalize the financial impact of the earlier proposal.

The revised charges proposed are as under.
<u>Storage Charges on Personal Effects/Unaccompanied Baggage De-stuffed from Containers</u>
<table>
<tr><th>Sl. No.</th><th>Period of occupation</th><th>Rate per tonne or part thereof per day or part thereof (Rs.)</th></tr>
<tr><td>1.</td><td>First 3 days</td><td>Free</td></tr>
<tr><td>2.</td><td>4th to 15th day</td><td>150</td></tr>
<tr><td>3.</td><td>16th to 30th day</td><td>300</td></tr>
<tr><td>4.</td><td>Thereafter</td><td>600</td></tr>
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<tr>
<td>(xvi).</td>
<td>The basis of arriving at the proposed storage charge on personal effects / unaccompanied baggage de-stuffed from containers may also be indicated. Also, explain the reasons for proposing the unit of levy for this tariff item on rate per cubic metre per day or part thereof basis.</td>
</tr>
</table>

(xvii).	The proposed note no. 1 may be modified to state that the free days for container shall be counted from the date of placement of container for stuffing / de-stuffing in the CFS.	The condition on ground rents has been incorporated in the proposed schedule.
(xviii).	The conditionalities 1 to 4 prescribed in the existing Scale of Rates under Schedule 4.2 - Ground Rent on Containers relating to commencement of free period, storage charges applicable for abandoned FCL containers are not found to have been included in the proposed schedule. These conditionalities applicable for ground rent on containers may be incorporated in the proposed schedule.	The said conditionalities have been incorporated in the general tariff revision proposal.
(xix).	Explain the reasons and the basis for introducing the proposed charge of Rs.100 per tonne towards removal for export cargo admitted for stuffing at the CFS and other port facilities and shut out without stuffing into containers.	The charges have been proposed as a penalty for using the space at CFS for storage of cargo without fulfilling the intended activity which is stuffing of such cargo into containers.

8.1. The COPT has subsequently vide letter dated 4 January 2010 furnished corrected cost statement for CFS stating that the figures are reconciled with the relevant figures reported / estimated in the general revision proposal. At the proposed tariff, the port has estimated additional income of Rs.27.19 lakhs in each of the years 2010-11 and 2011-12. The CFS activity is estimated to be in deficit to the tune of Rs.62.49 lakhs in 2009-10, Rs.202.68 lakhs in 2010-11 and Rs.201.15 lakhs in 2011-12 at the proposed tariff. Subsequently, the port has vide email dated 3 June 2010 furnished the actual traffic, income and cost for CFS activity for the year 2009-10.

8.2. The port has vide its letter dated 21 April 2010 while pointing out some corrections in the Scale of Rates approved in the Order dated 23 February 2010 suggested to modify the heading of the existing Schedule 5.2. by substituting the words ‘other Port facilities with ‘other stuffing/ destuffing facilities at the Port’.

9. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website http://tariffauthority.gov.in.

10. With reference to the totality of the information collected during the processing of this case, the following position emerges:

(i). The Cochin Port Trust (COPT) has vide email dated 3 June 2010 furnished the actual traffic, income and the cost for the year 2009-10. Since the year 2009-10 is already over, the actuals furnished by the COPT earlier vide its letter dated 4 January 2010 are taken into consideration. Accordingly, the cost statement for the Container Freight Station (CFS) activity filed by the port reflect a revenue deficit of Rs.143.48 lakhs in the year 2009-10 and Rs.457.61 lakhs for the two years 2010-11 and 2011-12 at the existing tariff level. The proposal of the port is to partly recover the revenue deficit in this activity by seeking hike in the existing stuffing and destuffing tariff and rationalizing the charges prescribed for LCL cargo management charge and demurrage charge for cargo destuffed/ stuffed at the CFS and other port facilities.

(ii). The following are the main modifications done in the cost statement filed by the COPT:

(a). From the statistics furnished by the port, it is observed that around 1.8 to 2% of the container traffic handled at the Rajiv Gandhi Container Terminal Limited (RGCT) avails the services of the port CFS. Citing that the migration of container handling operations by the India Gateway Terminal

Limited from Rajiv Gandhi Container Terminal Limited to International Container Transhipment Terminal (ICTT), Vallarapadam, the port has projected the container traffic at the port CFS to reduce from 4761 TEUs handled in the year 2008-09 to 3684 TEUs in 2009-10 (Actuals reported at 3880 TEUs) and has further scaled down the traffic projections to 2763 TEUs during each of the years 2010-11 to 2011-12.

At Cochin Port Trust, full fledged CFS facility is developed. When a facility is created, endeavor should be to achieve its optimum utilisation. The CFS facility offered by the port is reportedly the only one available in the port area but it faces competition from the other private CFS developed / to be developed elsewhere. The port has admitted that the container traffic at CFS is withering away. Hence as rightly pointed by some of the user associations increase in CFS tariff may further drive away the traffic. As the rates fixed by this Authority are ceiling levels, the port should market its CFS to attract volumes and also explore possibilities of improving the productivity of the services offered at the CFS so as to improve the utilisation of facilities created.

Though generally a reasonable growth in traffic is considered in tariff determination, for the purpose of this analysis, the container traffic likely to avail the CFS services during the years 2010-11 to 2011-12 is maintained at 3880 TEUs at the traffic reported to have been handled at the CFS in the year 2009-10. Consequent to this modification, the estimation of income is maintained at the level reported by the port for the year 2009-10.

(b). The permissible level of annual escalation in estimated expenditure based on Whole Sale Price Index that is allowed in the tariff revision exercise undertaken in the year 2010-11 is 3.76%. The annual escalation of relevant cost items is considered at the stated level for each of the years 2010-11and 2011-12 over the actuals / estimates of the respective previous years.

(c). The actual cost of operating the light duty fork lift truck for the year 2009-10 is furnished by the port which is linked to the container traffic handled at the CFS. Since the traffic estimates for 2010-11 and 2011-12 are maintained at the same level as 2009-10, the cost estimation for operating this equipment is considered at the actual cost furnished by the port for the year 2009-10 subject to annual escalation of 3.76% per annum for the years 2010-11 and 2011-12.

(d). The estimation of cost of labour deployed for stuffing and destuffing operations and cost of office and supervisory staff allocated to the CFS activity does not include the impact of recently concluded wage revision for the port workers. The impact of wage revision considered in the general revision proposal of the port was 15% of the total wage cost in the year 2009-10. Recently, 23% increase in salary and wages for all the employees and workers of Major Port Trusts was granted. The estimation of wage cost of labour and office and supervisory staff for the year 2010-11 is, therefore, modified to include the effect of wage revision. For the subsequent two years, the stated level of annual escalation is considered.

(e). The port has not furnished the actual net Finance and Miscellaneous Expense (FME) after excluding the net finance income allocable to this activity for the year 2009-10. While appraising the cost position for the port as a whole as the part of the recently concluded general revision of tariff, the estimates of Finance and Miscellaneous Expense (FME) were adjusted mainly with reference to estimation of pension payments. Allocation of net Finance and Miscellaneous expenses to this activity is also revised to that extent.

(f). The COPT has included the estimated lease rent for the CFS area in its calculations citing that it is an opportunity cost. The tariff is set for all the existing Major Port Trusts following the cost plus method prescribed in the tariff guidelines of 2005. While prescribing the rates in the existing Scale of Rates of the Cochin Port Trust for other services and also at other Major Port Trusts, lease rent for land is not factored for each of services offered by the port. The value of land is considered as part of the asset block and return is allowed on historical value of land. The notional lease rent estimated by the COPT in the cost calculation is, therefore, not recognised.

(g). Return @16% is calculated by the port on the net block of the assets relevant for CFS activity. Return on investment has to be linked to the capacity utilisation and the tariff guidelines stipulates a minimum cut off level of 60% capacity utilisation for availing full return. It is observed that 4761 TEUs availed the CFS service in the year 2008-09 (the highest reported at 6234 TEUs per annum in 2004-05). In the instant case, the port has not assessed the designed capacity of the CFS and hence the capacity utilisation level cannot be derived. Computation of return on net block is only an arithmetical exercise in the instant case as the activity will be in substantial deficit to the tune of Rs.272.87 lakhs for the two years 2010-11 and 2011-12 even before allowing return on capital employed. This deficit is not fully bridged even if the tariff increase proposed by the port is allowed.

(iii). Subject to the above analysis, the cost statement for the years 2009-10 to 2010-11 is modified and the modified cost statement is attached as **Annex - I**. Since the year 2009-10 is already over, the effect of the cost position for the years 2010-11 and 2011-12 is considered to decide on the tariff review. The total deficit in this activity after return is Rs.344.06 lakhs for the years 2010-11 and 2011-12 which works out an average deficit of 85% of the estimated operating income at the existing level of tariff.

While disposing the general revision proposal of the port on 23 February 2010, status quo was maintained in tariff items for CFS till a separate Order is passed disposing of the CFS proposal. It was observed that the general cargo handling activity was in huge deficit and the port as a whole also reflected substantial deficit for the years 2010-11 and 2011-12 at the pre-revised tariff. Even after granting tariff increase in the revised Scale of Rates approved on 23 February 2010, deficit of Rs.152.52 crores remain uncovered for the years 2010-11 and 2011-12. Given the overall financial position of the port and the deficit reflected in this activity also, the proposal of the port seeking revision in the CFS tariff items with some rationalization deserves consideration as discussed in the subsequent analysis.

(a). The port has proposed 20% hike in the existing charges for stuffing and de-stuffing cargo from containers at the CFS. Some of the user association such as Cochin Steamer Agents Association and Kerala Chamber of Commerce and Industry have pointed out the low productivity in the stuffing / destuffing operation in comparison to the other private CFS and have argued that if the productivity is increased overall deficit can be reduced.

Stuffing and destuffing of containers is mainly labour oriented service. The port has agreed to implement the revised manning scale based on the report of the study of the manning scale which is being undertaken by the port. It has to be recognised that even if the revised manning scale is implemented and the productivity levels are improved, it may reduce the cost of direct labour but the overall deficit position of the port may not undergo any change in short term as the cost of surplus labour will figure under overheads. As already pointed out earlier, the overall cost position of the port and the cost statement for this activity shows substantial deficit warranting hike in the existing charge. The port itself has proposed only 20% hike in the existing charge which will cover only a part of the deficit.

In view of the overall financial position of the port and the huge deficit in this activity, the proposed increase of 20% in the rates for stuffing and de-stuffing is approved.

(b). As per the existing Scale of Rates, the cargo stuffed / destuffed at the CFS is required to pay LCL cargo management charge which is in the range of Rs.20/- to 50/- per tonne for most of the commodities, in addition to the general demurrage charges applicable for cargo in transit.

The COPT has proposed to rationalise the existing arrangement with a single tariff item i.e. storage charge on import/ export cargo stuffed / de-stuffed leviable at the CFS yard in lieu of existing LCL cargo management charges and demurrage charge.

Uniform free period of 3 days is proposed for both import and export cargo destuffed / stuffed at the CFS yard and other port facilities as against existing free days of 7 days for import and 12 days for export cargo as available for cargo handled at wharves availing the transit storage facility. The port has justified the proposed free days on the basis of the average dwell time of import and export cargo at CFS which is 4.3 days for the year 2008-09. It is relevant here to mention that the existing storage tariff prescribed for cargo availing CFS services is not determined exclusively for the CFS operation. The proposal of the port is to prescribe a separate storage schedule with exclusive applicability to the CFS. Clause 5.8.1. for the tariff guidelines provides a flexibility to the ports to determine free period. The proposed free period is accepted.

The storage charge for cargo stuffed or de-stuffed lying in CFS and other port facilities is proposed separately for covered and open at Rs.20 and Rs.12 per tonne per day for covered space and open space respectively for the first slab of 4 to 15 days. For the subsequent slabs, the storage charge is proposed at 2 and 3.75 times the rate proposed for the first slab. The storage charge proposed for CFS cargo is higher than the existing tariff so as to enable faster evacuation of cargo from the yard. This Authority has always held that the storage area is a scarce resource which should be utilised optimally. The telescopic rates proposed for overstayal of cargo beyond 15 days will act as a deterrent and also enable the port to optimally use the resources and the CFS area. The proposed storage charge is, therefore, approved. Under the tariff arrangement now approved, the existing LCL cargo management charge leviable at the wharfage rate stands deleted and storage charge is applicable after expiry of the prescribed free period which is likely to provide some relief to users as stated by the port. The additional revenue may not be significant as the major cargo i.e. 80% of container traffic handled at the CFS is reported to be export which stays on an average for 3.2 days.

The existing note 2 about levy of LCL cargo management charge under schedule 5.4. of the existing Scale of Rates and note 3 under schedule 5.2. prescribing condition for levy of demurrage charge stands deleted in view of prescription of separate tariff for storage charge on cargo stuffed and destuffed at CFS and other port facilities.

Schedule 5.3. of the existing Scale of Rates of the Cochin Port Trust stipulates conditions for levy of storage charge on abandoned FCL containers which will apply to containers handled at CFS also.

(c). The port has proposed to introduce two new tariff items viz. storage charges on personal effects / unaccompanied baggage de-stuffed from containers and renewal charges at Rs.100 per ton for export cargo admitted for stuffing at the CFS and shut out without stuffing into containers.

For personnel effects and unaccompanied baggage, the storage charge proposed after 3 days free period is Rs.25 per cubic metre for the first slab from 4th to 15 days with increasing rates for further stayal of such items in the port area. The storage charge proposed for personnel effects and unaccompanied baggage is higher than the storage rate proposed for other cargo mainly because the personal effects are generally voluminous and occupy more storage area. The financial impact of this tariff item will be meager as stated by the port.

Recognising that the wharfage rate and demurrage charge in the existing Scale of Rates for unaccompanied baggage received at wharf is prescribed with reference to cubic metre basis, the storage charge for unaccompanied baggage and personnel effects handled at CFS is also prescribed based on the cubic metre as per the original proposal.

The basis for arriving at the proposed rate of Rs.100 per tonne towards removal charge of export cargo admitted for stuffing at the CFS and shut out without stuffing into containers is not furnished by the port. Since the proposal for levy of removal charge is mainly to deter using the space at CFS for storage of cargo without fulfilling the intended stuffing activity, the proposed rate may be accepted. This may not have any significant financial impact as such occasions may be rare.

(iv). The port has retained the existing storage charge on containers at the CFS and other port facilities without any modification.

The port has vide its letter dated 21 April 2010 while pointing out some corrections in the Scale of Rates approved on 23 February 2010 suggested to modify the heading of the existing Schedule 5.2. by substituting the words 'other Port facilities' by 'other stuffing/ destuffing facilities at the Port'. The heading the relevant schedule may be modified as "Storage Charge on Containers (FCL/LCL, Loaded or empty) at CFS and other stuffing/ destuffing facilities at the Port" as suggested by the port.

(v). The additional income from the revised rates approved in the stuffing charge is estimated to be Rs.49 lakhs for the two years 2010-11 and 2011-12. As regards the introduction of storage charge on cargo in lieu of existing LCL cargo management charge and demurrage charge, the port has estimated 20% increase in the revenue. The port has not furnished any detailed working in support of the additional revenue estimation. Based on the position indicated by the COPT, the additional revenue from storage charge on cargo will be Rs.27 lakhs for the two years under consideration.

The additional income from the new tariff items viz. storage charge on personnel effects and removal charge will not be significant as stated by the port. Thus, even after approving the hike / rationalisation proposed by the port, this activity will continue to remain in the deficit to the tune of Rs.267.5 lakhs for the two years. It has to be recognised that the port has themselves not proposed to cover the full deficit in the instant tariff proposal probably recognising that it will have an adverse impact on the traffic volume of the port. Presently the CFS activity is being cross subsidised by some other activities of the port. The port is, therefore, advised to reassess the business model of CFS facility which seems to be under utilised. The port should explore the possibilities of improving volumes at CFS or else, reutilization and redeployment of assets pertaining to the CFS to achieve optimum utilisation of the resources.

(vi). The port has proposed a condition stating that if containers lying at CFS and other port facilities are to be shifted for stuffing / destuffing, then housekeeping / shifting charge will have to be paid at the rates approved for the IGTPL who offers the said service. As already decided in para 12 (xxxiii) of the Order passed on 23 February 2010 approving the general revision of the Scale of Rates of the COPT, it is not found relevant to prescribe such a condition in the Scale of Rates of the port. In any case, since the IGTPL is expected to move the containers operations from RGCT to ICTT at Vallarpadam, the proposed condition is not found relevant.

(vii). The port has proposed certain conditions regarding commencement of free period on containers placed for stuffing / de-stuffing, import cargo, export cargo and personal effects handled at CFS. The proposed conditions are incorporated subject to some minor modifications in the language to the extent the conditions are not in consistent with the prescription in the existing Scale of Rates.

(viii). The tariff guidelines stipulate a tariff validity cycle of 3 years. The cost position considered in this analysis is till March 2012. It is found appropriate to review this tariff item along with the review of other tariff items prescribed in its Scale of Rates. That being so, the CFS tariff would be valid till 31 March 2012 to make it co-terminus with the validity of its revised Scale of Rates.

11. In the result, and for the reasons given above, and based on collective application of mind, this Authority approves to substitute the existing Schedule 5.2. with the following and delete the existing Schedule 5.4. from revised Scale of Rates of the COPT approved by this Authority vide Order No.TAMP/11/2009-COPT dated 23 February 2010:

"Chapter - V

5.2. Container / Cargo Related Charges at the CFS and other Stuffing/De-stuffing Facilities at the port

5.2.1. Stuffing and De-stuffing charges at CFS and other Port Facilities

Sl. No.	Description	Rate per container (Rs.)	
		20'	40' and above
1.	For half a container load	1380	2250
2.	For full container load	2760	4500

Notes:

1. A container, which is stuffed or de-stuffed, 50% or less of its normal capacity, is treated as half a container.

2. In the event of stuffing/de-stuffing of cargo necessitated for topping up of the container, examination, accounting or proper stacking, and such stuffing/de-stuffing results in 50% or less than 50% of the cargo being stuffed/de-stuffed, only 50% of the stuffing/de-stuffing charges will be collected in such cases.

5.2.2. Storage Charges on Containers (FCL/LCL, Loaded or Empty) at CFS and other Stuffing / De-stuffing facilities at the port

Sl. No.	Period of occupation	Rate per container per day or part thereof					
		20'		40'		Above 40'	
		Foreign going (in US$)	Coastal (in Rs.)	Foreign going (in US$)	Coastal (in Rs.)	Foreign going (in US$)	Coastal (in Rs.)
1.	First 3 days	Free	Free	Free	Free	Free	Free
2.	4^{th} to 15^{th} day	3.00	138	6.00	276	9.00	414
3.	16^{th} to 30^{th} day	6.00	276	12.00	552	18.00	828
4.	Thereafter	12.00	552	24.00	1104	36.00	1656

Note:
The existing conditions prescribed in Schedule 5.3. relating to levy of storage charge on abandoned FCL container will apply to containers handled at the CFS and other Stuffing / De-stuffing facilities at the port.

5.2.3. Storage Charges on Import Cargo De-stuffed from Containers and Export Cargo Admitted for Stuffing into Containers at CFS and other Port Facilities

Sl. No.	Period of occupation	Rate per ton or part thereof per day or part thereof	
		Covered space (Rs.)	Open space (Rs.)
1.	First 3 days	Free	Free
2.	4th to 15th day	20	12
3.	16th to 30th day	40	24
4.	Thereafter	75	45

5.2.4. Storage Charges on Personal Effects/ Unaccompanied Baggage De-stuffed from Containers

Sl. No.	Period of occupation	Rate per cubic metre or part thereof per day or part thereof (Rs.)
1.	First 3 days	Free
2.	4th to 15th day	25
3.	16th to 30th day	50
4.	Thereafter	100

Notes:

1. Free period shall exclude Customs notified holidays and Port non-operating days.

2. The free days for containers shall be counted from the date of placement of the container for stuffing or de-stuffing in the CFS.

3. The free days for import cargo and personal effects de-stuffed from the containers shall commence from the day following the date of de-stuffing, and for export cargo the free period shall commence from the date of admittance of cargo into the CFS for stuffing.

4. Free period shall exclude any delay on the part of the port to stuff or de-stuff the container, as certified by the concerned officer authorised by the COPT.

5.2.5. Removal Charges for export cargo admitted for stuffing at the CFS and other stuffing / de-stuffing facilities of the port, and shut out without stuffing into containers

Rs.100/- per ton or part thereof at the time of removal

Note:
The removal charges shall be in addition to the storage charges wherever applicable. ”

(Rani Jadhav)
Chairperson

Annex - I

COST STATEMENT OF CFS ACTIVITY AT COCHIN PORT TRUST

(**Rs. in lakhs**)

Sr. No.		Actuals furnished by COPT	Furnished by COPT – Actuals **	Furnished by COPT – Estimate	Furnished by COPT – Estimate	Estimates modified by TAMP – Actuals	Estimates modified by TAMP – Estimate	Estimates modified by TAMP – Estimate
		2008-09	**2009-10**	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**
I.	Traffic at CFS in TEUs	**4761**	**3880**	**2763**	**2763**	**3880**	**3880**	**3880**
II.	**INCOME**							
	Stuffing / destuffing	130.46	123.33	87.50	87.50	123.33	123.33	123.33
	Storage Charges for Cargo	83.47	68.02	48.44	48.44	68.02	68.02	68.02
	Ground Rent	7.87	12.03	4.57	4.57	12.03	12.03	12.03
	TOTAL (I)	**221.81**	**203.38**	**140.51**	**140.51**	**203.38**	**203.38**	**203.38**
III.	**VARIABLE COST**							
	Cost of servcies of Light duty fork lift tru	57.75	47.06	31.77	31.77	47.06	48.83	50.67
	Cost of gangs engaged	76.89	62.66	49.90	49.90	77.07	79.97	82.98
	Cost of Office Staff & Supervisory staff,	93.82	76.46	104.91	104.91	94.04	97.58	101.25
	Overhead allocation	56.57	46.10	56.89	56.89	46.10	47.84	49.63
	Total (II)	**285.03**	**232.29**	**243.46**	**243.47**	**264.28**	**274.22**	**284.53**
IV.	**FIXED COST**							
	Depreciation	9.58	9.58	9.58	9.58	9.58	9.58	9.58
	Lease Rent on land	31.44	32.04	32.64	33.24	-	-	-
	Total (III)	**41.02**	**41.62**	**42.22**	**42.82**	**9.58**	**9.58**	**9.58**
V.	**Operating Surplus (I-II-III-IV)**	**-104.25**	**-70.53**	**-145.17**	**-145.78**	**-70.48**	**-80.42**	**-90.73**
VI.	Net FME-FMI	39.24	35.07	47.74	47.74	36.90	50.65	51.07
VII.	**Surplus / Deficit (V-VI)**	**-143.49**	**-105.60**	**-192.91**	**-193.52**	**-107.38**	**-131.08**	**-141.80**
VIII.	Capital Employed	246.41	236.83	227.25	217.65	236.830	227.25	217.65
	Return on capital employed @16%	39.43	**37.89**	36.36	34.82	37.89	36.36	34.82
IX.	**Net surplus/deficit**	**-182.91**	**-143.48**	**-229.27**	**-228.34**	**-145.28**	**-167.44**	**-176.62**
X.	Net Surplus/ Deficit in percentage to the operating income		-71%	-163%	-163%	-71%	-82%	-87%
XI.	Average net surplus/ deficit in percentage to the operating income for the years 2010-11 and 2011-12						-85%	

** The port has vide email dated 3 June 2010 furnished actual traffic handled, income, variable and fixed cost for the year 2009-10 which is updated in the cost statement dated 4 January 2010 filed by the port.

SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/40/2007-COPT - Proposal from the Cochin Port Trust for fixation of container / cargo related charges at CFS and other facilities at the Port.

The summary of comments received from users / user organisations and comments of Cochin Port Trust (COPT) thereon are tabulated below:

Sl. No.	Comments of users / user organisations	Comments of COPT
1.	**India Gateway Terminal Pvt. Ltd.**	
(i).	The growth of container throughput through the Rajiv Gandhi Container Terminal (RGCT) is vitally dependent on the availability of efficient container freight station facilities (CFS) in and around the Cochin Port. Unfortunately despite the passage of many years the only CFS facility that is proximate to the RGCT remains the Port-operated CFS.	(i). It has clearly identified the vital role of the port CFS which is presently the only one available in the port area. It was precisely with this understanding that the proposed hike in stuffing and destuffing charges at CFS has been restricted to 20% even though an analysis of the costing of the CFS recommends a much steeper hike.
(ii).	The high cost of stuffing/de-stuffing, exceptionally high manning scales and uncompetitive tariff for stuffing and de-stuffing have been the bane of customers using the Port CFS. Unless a cost effective CFS is provided to support the efforts of RGCT to increase its throughput, the growth of container traffic through Cochin Port will be stymied.	(ii) & (iii). It is noteworthy that the present throughput at the port CFS is less than 3% of the terminal throughput and the apprehension of IGTPL that a hike of 20% in CFS tariff is likely to impact the Terminal volume in a significant manner is unfounded. On the contrary, it is to be noted that a rationalisation of tariff has been attempted by the port by proposing storage charges with free days instead of wharfage applicable for LCL cargo. This is done with the intention to market the facility and attract higher volumes to the benefit of the port, the terminal and the users.
(iii).	In view of the above, it is felt that increasing the stuffing/de-stuffing charges at the CFS would run counter to the objective of increasing the throughput of the Rajiv Gandhi Container Terminal. The costs at the CFS should be reduced/pruned by revising the manning scales as well as by improving the productivity.	
2.	**Cochin Custom House Agents' Association**	
(i).	Recently, Cochin Port Trust has revised its tariff by about 40% as approved by TAMP vide its order dated 9 February 2007 and the new rates have come into effect from 11 March 2007. This is already on the higher side and has led to the over all increase in the cost of exports/imports through Cochin Port.	Its proposal for general revision of Scale of Rates which was approved by TAMP and brought into effect from 11 March 2007 adopted a hike of 40% in its cargo related charges. The charges at CFS were not proposed for revision during the general revision as it was decided that a separate proposal would be put forth for CFS. The port in its separate proposal for the CFS proposed for a hike of only 20% in view of the crucial position of the CFS and also in order to attract more cargo to the CFS.
(ii).	In March 2006, Chairman (COPT) constituted a committee to reduce the rates at the port and the trade was directed to reduce the cost. Accordingly the trade reduced the rates, but no reduction was made from the side of port and ironically the port gave a proposal to increase the rates by 40% and	(a). It may be noted that the charges at CFS were last revised w.e.f. 30 December 1998, which means that the present revision with 20% hike in stuffing/destuffing charges is proposed after a gap of nearly 9 years.

	the same was approved by TAMP in 9 February 2007. Now close in the heels of the above increase port is now come up with the increase in the Port CFS. While on one side the port is directing the trade to reduce the rates, on the other side the port is increasing its own rates and thereby adopting two yardsticks and the same cannot be justified at all.	(b). More importantly, the port has also undertaken a major rationalization exercise in the CFS tariff by doing away with wharfage and demurrage for cargo and instead has proposed storage charges with 3 free days on a progressive basis. This means that the cargo stuffed within a period of 3 days from the date of admittance and the cargo cleared within 3 days from the date following the date of destuffing do not incur any charges other than stuffing and destuffing charges. This is critically different from the existing tariff where LCL cargo both import and export are paying wharfage at the CFS.
(iii).	**Stuffing/Destuffing charges at Port CFS** The proposed 20% increase would adversely affect the cost of stuffing/destuffing at the port. The reasoning behind the argument of the port trust that "Cochin Port intends to vigorously market the facilities at the port CFS and hence increases the rate marginally over the prevailing rates by 20% with the objective of higher volume through a competitive tariff is not understood ". When the rates are going to be increased, how the Port could fix a competitive tariff especially when the rates of Cochin Port are on the higher side compared to the neighbouring ports.	
(iv).	We differ with the argument put forward by Cochin Port in their supplementary sheet about the interest on investment amounting to Rs.42,00,000 and the cost of LDFLT amounting to Rs.66,73,000. As most of the equipment used at Cochin Port CFS are outdated and as far as we know, the same has not been replaced till now.	It may be noted that interest on investment is also a cost which needs to be factored in for pricing of port facilities. Regarding Fork Lift Trucks (FLTs), it is to be noted that FLTs are indispensable for stuffing and destuffing operations for transportation of cargo from/to the destuffing/stuffing points and therefore is a direct cost factor. It is informed that the process of procurement of new FLTs to augment the capacity of the fleet of equipments at CFS is under finalisation.
(v).	The rates of other Private CFS are lower compared to Cochin port CFS even though they give more free periods than Cochin Port CFS. The average gang output is only 6 TEUs at Port CFS per shift of 8 hours which itself has to be examined. When the Private CFSs at Cochin are able to handle the stuffing/destuffing of more than 6 TEUs with less number of workers per shift. Hence, it is clear that gang output at 6 TEUs at the Port CFS is a comparatively disadvantageous. There is every scope for improvement of the productivity of the workers. If the productivity is improved the cost will definitely would come down.	It is admitted that there is scope for improving the productivity at CFS. It is also to be noted that the National Industrial Tribunal has given an award, which will substantially reduce the manning for stuffing and destuffing operations. However, the award has been contested in the Court of Law and therefore is yet to take a final form.
(vi).	There are no separate charges collected at the Private CFS for unloading and equipment charges and ground rent charges, whereas the Port CFS is collecting separate charges for the above items.	Cochin Port Trust has not proposed for collecting unloading and equipment charges at CFS. Storage charges with 3 free days have been proposed for cargo in place of wharfage for LCL cargo.
(vii).	Although Cochin Port has introduced three shifts and round the clock cargo operations with effect from 1 July 2007, Cochin Port CFS has not introduced the same. It is noticed that normally the stuffing/destuffing operations are undertaken only on during the Ist shift and IInd shift but often during Sundays, week ends and holidays, there is no work undertaken during IInd shift. No stuffing/ destuffing work is undertaken during IIIrd shift but in the costing taken by Cochin Port in their supplementary sheet submitted to TAMP the cost of night waitage is shown as Rs.1,01244.00. The same needs to be clarified.	At present the CFS does not have the volume to warrant working round the clock in 3 shifts. However, if the volume improves through shift working of the port CFS could be undertaken. Night waitage is applicable for employees who need to work beyond 2200 hours. Therefore, even with 2 shifts operation from 0700 hrs. to 1500 hrs. and 1500 hrs. to 2300 hrs. night waitage for one hour is involved.

(viii).	It is very clear that charges collected at the Port CFS are still on the higher side. Instead of adopting measures to cut down the cost and improve the productivity, Cochin Port is trying to increase the cost to cover up their increased cost.	No comments furnished.
(ix).	Hence, it is requested that the proposal as submitted by Cochin Port for increase in the charges at Port CFS should not be accepted.	
3.	**Kerala Chamber of Commerce and Industry**	
	The Kerala Chamber of Commerce and Industry has reiterated most of the comments made by the Cochin Custom House Agents' Association (CCHAA).	Remarks to the comments of CCHAA has been furnished.
4.	**Cochin Steamers Agents Association**	
(i).	Handling costs in Cochin Port are still higher when compared to the nearby ports, and therefore, any increase in operational costs to the trade may result in diversion of cargo to neighbouring ports.	The proposed hike in tariff for stuffing and de-stuffing of containers at CFS has been restricted to 20% precisely with the objective of attracting more volume. As stated earlier, a major rationalization exercise is attempted by proposing storage charges with 3 free days in place of wharfage for LCL cargo. The port is also looking forward to increasing the productivity of the labour, which is also to be seen in the light of the National Industrial Tribunal award, which has recommended for a substantially lower manning at the CFS.
(ii).	It is noted that about 88 percent of the costs in Annexure 1 are of variable in nature and about 12 per cent are fixed costs. The variable costs are calculated on a per shift basis, while the income (for stuffing/ destuffing) is derived on a per container basis. Here it should be noted that if the productivity is increased, it will bring down the variable costs, and thereby bring down the deficit to a great extent. Cochin Port has not indicated the no. of containers reckoned for stuffing/destuffing activity per gang / per shift. If this productivity is increased (which according to us is very much possible) variable cost figures will definitely come down, and thereby overall deficit can be reduced.	
(iii).	If the productivity in other areas like Terminal Operation, loading/unloading can be improved with the same type of labour/machinery and staff, why not the productivity in the CFS also be enhanced? Since the Port has mentioned in their submission that they intend to vigorously market the facility, their idea should be to retain or bring down the cost and attract more cargo.	
5.	**Indian Chamber of Commerce and Industry**	
(i).	Around 40% tariff hike, for which approval was given by TAMP, effected by the Cochin Port Trust with effect from 11 March 2007 resulted in an increase in the cost of exports/imports. Here it may be pointed out that prior to this, at the instance of the Cochin Port Trust the rates charged by the Trade were reduced. The present proposal, if implemented, will push up the existing charges for stuffing/destuffing at Cochin Port by about 20%. Such a hike will again make the rates for similar work in the neighboring Ports still lower. The private CFSs are in a position to offer lower rates and more free periods compared to the Cochin Port CFS. Their output is also more than the Port's CFS.	The charges at CFS were not proposed to be revised during the general revision of Scale of Rates, which adopted a hike of 40% in its cargo related charges at Cochin Port with effect from 11 March 2007. The port in its separate proposal for the CFS has proposed for a modest hike of only 20% after a gap of nearly 9 years clearly with a view to attract more cargo to the CFS. Also, a major rationalization exercise by substituting storage charges with 3 free days in place of wharfage has also been attempted in the proposal, which is an incentive to many users. Therefore, the port has not proposed any unjust hike in

		the proposal for revision of CFS tariff.
(ii).	In the light of the above facts, if the proposed hike is affected, it will cast an additional burden on the exim trade which has been patronizing Cochin Port, and it will also work to the advantage of the neighboring Ports. It is time to make a study in order to take effective steps to increase the productivity of the operations in respect of which a hike is proposed which, it is felt, will enable the Cochin Port not only to avoid the proposed hike but also to give a reduction in the charges now in force thereby keeping the rates at a comparable level.	

2. A joint hearing in this case was held on 20 June 2009 at the COPT premises. The COPT made a presentation of its proposal. The COPT in its proposal has clarified that storage charge at progressive rates are proposed for all cargo types instead of LCL cargo management charge and demurrage. At the joint hearing, the concerned users / user associations have made the following submissions:

Indian Chamber of Commerce & Industry

(i). The reducing volumes at CFS clearly indicates the existing rates are high. Any further increase will escalate the problem.

Cochin Custom House Agents Association

(i). The Port CFS is grossly under utilised. The port should find out ways to improve utilisation and productivity.

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