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**TARIFF AUTHORITY FOR MAJOR PORTS**

**G. No. : 151**

**New Delhi, 20 August 2004**

**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 approves the proposal of the Central Warehousing Corporation for fixation of tariff for services rendered at its Container Freight Station in the Kandla Port Trust as in the Order appended hereto.

**( A.L. Bongirwar )**  
Chairman

**Tariff Authority for Major Ports**  
**Case No. TAMP/9/2004-KPT**

**Central Warehousing Corporation**

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**Applicant**

**ORDER**

(Passed on this 10th day of August 2004)

This case relates to a proposal received from the Central Warehousing Corporation (CWC) for fixation of tariff for services rendered by it at the Container Freight Station (CFS) in the Kandla Port Trust (KPT).

2.1. Earlier, the CWC vide its letter dated 10 February 2004 requested this Authority to allow it to implement the proposed rates provisionally subject to approval of TAMP. Since the proposal filed was not in the prescribed format, the CWC was requested to furnish a detailed proposal in the prescribed proforma and also to indicate whether users consent for levy of such provisional rates has been obtained.

2.2. In this backdrop, the CWC has furnished its proposal with estimates of costs for the FY 2004-05, 2005-06 and 2006-07 along with related relevant documents.

2.3. The main points made by the CWC in its proposal are as follows:

- (i). A License Agreement (LA) was signed with the KPT on 12 February 2002 for development, construction and operation of a Container Freight Station (CFS) outside the Customs Boundary area of KPT on Built Operate Transfer (BOT) basis. The LA is for a period of 30 years.
- (ii). Out of total land area of 1,40,000 sq. mts. allotted to it by the KPT, 12,000 sq. mts. of covered warehouse area and 24,000 sq. mts. of open container yard has already been developed as per international standards. The KPT has also given a completion certificate for the complex on 9 February 2004 as per the terms and conditions of the LA.
- (iii). Article 4.1. of the LA behooves the responsibility of levy and recovery of tariff from the owners/consignee of the cargo agents only after approval by TAMP.
- (iv). A comparative statement of tariff showing the prevailing cost of handling and transportation of cargo / containers at the KPT, the Jawaharlal Nehru Port Trust (JNPT), Mundra International Container Terminal (MICT) vis-à-vis the proposed tariff is furnished to show that the proposed rates are very competitive.
- (v). It has also forwarded a copy of the notice issued by the Kandla Port Steamship Agents Association (KPSAA) to its members and stated that this notice confirms the consent of users for the provisional rates.

2.4. In the meanwhile, the KPT has also confirmed about the License Agreement entered with the CWC.

3. The CWC has subsequently vide its letter dated 8 April 2004 furnished traffic and income projections in the prescribed form; and, also basis/breakup of all the estimates.

4.1. In accordance with the consultation procedure adopted, copy of the proposal was circulated to the KPT and the concerned port users/representative bodies of port users for their comments. The KPT and the concerned users have furnished their comments.

4.2. A copy each of the comments received from the KPT and the above users was forwarded to the CWC as feedback information. In response, the CWC has furnished its observations/comments.

5.1. In the meanwhile, we have received a communication from Kandla Port Steamship Agents Association (KPSAA), challenging the statement made by the CWC on the notice issued by it on 9 March 2004. The KPSAA has stated that the notice issued to its members informing about the existence of a new additional facility at the KPT has been portrayed by the CWC as its consent for levying provisional rate. At no stage, the Association has consented to any provisional rate proposed by the CWC. The KPSAA has requested this Authority to send its communication to all the concerned users consulted on the tariff proposal. Accordingly, the letter received from the KPSAA was forwarded to all concerned who were consulted in this case.

5.2. The CWC has responded to the letter of the KPSAA. It has strongly objected to the tenor and contents of the communication of the KPSAA and clarified that it has not tried to create any misleading impression. The matter of tariff was discussed in different meetings and was also informed to the users *inter alia* to the KPSAA. It has again requested that the proposed tariff may be approved provisionally so that this facility could be put to use.

6.1. Based on a preliminary scrutiny of the proposal and the information furnished by the CWC vide letter dated 17 May 2004, the CWC was requested to furnish additional information on various points.

6.2. In response, the CWC has furnished the requisite information. Some of the main clarification furnished by the CWC are summarised below:

- (i). The designated capacity of CFS during phase-I is projected at 60,000 TEUs in 2004-05, 96,000 TEUs in 2005-06 and in phase-II (2006-07) it is estimated at 1,20,000 TEUs.
- (ii). The storage income are estimated on based on expected flow of traffic, free time provided and charges proposed in its SOR. As regards the query about estimating the storage income for the year 2005-06 and 2006-07 at the same level despite increased throughput, it has clarified that in view of the specific provision in the LA requiring the CWC to shift the container within 72 hours in case of both import and export it does not foresee any increase in storage income, whatsoever commensurate to the throughput envisaged.
- (iii). It has furnished the details of equipment proposed to be deployed, the basis of traffic projection, etc. It has clarified that the finance and miscellaneous expenditure includes estimates of staff salary, perquisites, water, electricity, telephone, internet and other overheads.
- (iv). Copies of Agreement with the outsourcing agency has been furnished to substantiate the estimates of MF payments. The estimate of civil structure corresponds with the terms specified in Appendix-6 of the LA.
- (v). Funds are being invested for development of infrastructure, however, in view of relative economics of operations, equipment are being outsourced in tandem with Article 7.1.11. of the LA.
- (vi). Annual repairs and maintenance cost is estimated @ 1.5 % of the capital outlay. The estimates of repairs and maintenance are based on its experience and also in accordance with provision stipulated in Appendix-8 of the LA.
- (vii). As regards limiting the escalation to 6% annually, it has clarified that since 75% of the expenditure relate to throughput, the estimates are done accordingly.
- (viii). One-time upfront fees of Rs.2.80 crores paid to the KPT as per terms of the LA has been apportioned over the lease period of 30 years. Further, license fee @ Rs.28/- per sq. mt. per annum for land allotted to it by the KPT and license premium of Rs.39.22 lakhs has been appropriated over the lease period. The estimate on this account is Rs.43.39 lakhs, Rs.45.67 lakhs and Rs.47.96 lakhs for the year 2004-05, 2005-06 and 2006-07 respectively.

- (ix). The estimates of cash balance is high due to non provision of some of the items like income tax, dividend, dividend tax, etc.
- (x). As regards our observation about computation of Return on Capital Employed (ROCE), it has stated that the net surplus is a negative figure after considering ROCE @ 20% and will continue to show negative trend in the first two years of operations even if interest at market rates are allowed over the excess portion of owner's capital.

It has, however, confirmed that the ROCE has not been considered as item of cost while proposing the tariff. The tariff are proposed based on market forces and after reckoning views of the users about acceptability of the same. It has further clarified that the entire project has been financed from internal resources. The principle of the TAMP of allowing Return on Equity (ROE) subject to debt equity ratio of 1:1 may not be considered in its case.

- (xi). The tariff proposed for insurance cover @ Rs.12.50 per Rs.1000/- value of stock per week is based on the rate approved by the TAMP for CFS operation at the JNPT.
- (xii). The suggestion to fix tariff for reefer container on 8 hour basis is agreed to. Accordingly, the revised rate is proposed for electricity charges in case of reefer container at Rs.400/- per shift of 8 hours or part thereof. It has clarified that the proposed charge is in tune with the tariff prescribed in the SOR of the KPT.
- (xiii). The proposed conditionality about disposal of uncleared cargo beyond 30 days at the risk and cost of importer, CHAs, Shipping Lines is in tandem with the provision prescribed in Section 48 of the Custom Act 1962. Though it is not exactly in accordance with the provisions of the MPT Act, it is intended to clear the consignments from the transit warehouse to decongest the same.
- (xiv). The concept of reservation of storage space in the import segment is an outdated concept and not user friendly in the changed economic scenario.
- (xv). It has agreed to modify the proposed provision as regards computing the free days after excluding Customs holidays / Sundays and CFS non-operating days. It has also clarified that free period in case of empty containers will commence from the date of parking of empty containers at the designated yard of CFS irrespective of time of arrival of such containers.
- (xvi). The proposed charges for some of the services appear to be higher than those incurred by users at the KPT in view of the fact that the CWC will be rendering package service to the user which include various cost components such as cost of Customs examination, supervision and handling the traffic in scientific and orderly manner besides providing the single window clearance facility.

7.1. Similarly, Kandla Port Trust (KPT) was also requested to furnish information/clarification on the various points.

7.2. In response, the KPT has furnished the requisite information as summarised below:

- (i). Designated capacity of the CFS in phase-I with deployment of the proposed equipment acquired/hired is 5000 TEUs per month. However, as per clause 3.8.1 (ii) (b) of the LA, the licensee shall guarantee a throughput equivalent to 36% of the impex trade container traffic handled by the Container Terminal Operator. This container traffic is to be declared by Kandla Port Trust which is projected at 2,20,000 TEUs for the year 2004-05, 2,50,000 TEUs for 2005-06 and 2,90,000 TEUs for the year 2006-07.
- (ii). The phase-II will commence upon the CFS attaining a throughput level of 5000 TEUs per month as decided by the Joint Committee in accordance with the provision of Article 3.3 whichever is earlier. Implementation of phase-II would have to be completed by the time the CFS attains a throughput level of 8000 TEUs per month.

- (iii). As regards our query about custodian of the cargo at the CFS, it has referred to the clause 3.8.1. (xiii) of the MOU, which stipulates that the licensee shall be responsible for the safe custody of the containers and their contents from the time of the delivery of the containers is taken away from the CSY until delivery thereof at the CFS and shall be responsible for total surveillance of the CFS Complex for which modern security and safety devices shall be provided by the Licensee.
- (iv). As per Appendix 6 of the LA, investment during phase-I on civil structures is envisaged at Rs.18.92 crores and on equipment it is at the level of Rs.3.06 crores (i.e. total of Rs.21.98 crores). Likewise, it has indicated break up of investment as per the LA during phase-II also. It has, however, not stated categorically whether the investment proposed by the CWC is as per the terms of the LA.
- (v). The CWC has paid lease premium of Rs.39.20 lakhs and upfront premium of Rs.2.80 crores to the KPT. The lease rent payable by the CWC to the KPT is Rs.39.20 lakhs, Rs.41.16 lakhs and Rs.43.22 lakhs for the years 2002-03, 2003-04 and 2004-05 respectively.
- (vi). Statement of the comparison of the rates leviable for CFS service at the KPT before the CWC commenced the operation vis-à-vis the rates proposed by the CWC has been furnished for import operations.

8. A joint hearing in this case was held on 26 May 2004 at the KPT. At the joint hearing, the CWC, KPT and the users have made their submissions.

9.1 At the joint hearing it was decided that the KSAL would furnish written submission of the presentation made by it including a comparative analysis of cost statement of the existing cost to users for handling containers at KPT vis-à-vis the proposed rate. The written submission would be sent to KPT which in turn would forward it to this Authority alongwith its comments / observations.

9.2. Accordingly, the KSAL has furnished its written submissions through the KPT. Some of the main submissions made by the KSAL are summarised below:

- (i). The provision in the LA stopping stuffing / destuffing operations inside the Dock area consequent to commissioning of CWC-CFS will result into loss of revenue to the KPT from container storage charge to the tune of Rs.6.76 to Rs.7.76 crores. This tantamount to a direct cross subsidisation of an independent commercial enterprise like CWC –CFS by the KPT.
- (ii). The KPT has recently issued a work order for concreting Container yard opposite Berth No. VII at cost of Rs.1.56 crores. The need for incurring this capital expenditure at this stage is not understood. Obviously, at a later date the KPT will make up for this loss by proposing a hike in some other port charges.
- (iii). As per the terms of LA, the CWC is to handle 36% of container traffic throughput of KPT. The port has not clarified how does it propose to handle the balance 64% of the container traffic. The only inference that can be drawn is that by default the balance 64% of container traffic is proposed to be diverted away from Kandla port.
- (iv). The CWC in its cost comparison of the proposed tariff vis-à-vis the current cost at the KPT has not considered one complete operation of Lift on/ Lift off plus transportation from CSY to CFS and vice versa, thereby not reflecting the correct comparative position.

10.1. Further, at the joint hearing the KPT was requested to take following actions:

- (i). To file a written submission alongwith legal opinion as to whether all the requirement under Section 42 of the MPT was complied with in the case of the BOT arrangement it has made with CWC.

- (ii). To review the provision with reference to the strong objections voiced by the users against the 'exclusivity' clause in the BOT agreement and to see whether withdrawal of stuffing/destuffing facility within the dock can be made in a phased manner and convey its final stand.
- (iii). To reconfirm regarding implementation of MOU with CWC.
- (iv). To verify the correctness of the existing cost to users for container handling furnished by the KSAL and give its comments.

10.2. In response, the KPT has furnished the following clarification:

- (i). It has entered into a Memorandum of Understanding (MOU) with the CWC, which is a valid contract. The Government has accorded its approval u/s 42 (3) of the MPT Act authorising the CWC to perform certain services in accordance with Section 42 of the MPT Act. That being so, the TAMP is empowered to fix tariff under Section 42 (4) read with section 48 of MPT Act for the services to be rendered by the CWC.
- (ii). With reference to the KSAL argument about the port stopping stuffing / destuffing operations inside the port area, it has clarified that in order to enable the operator to comply with the requirements under clause 3.8.1. (ii) of the LA requiring the CWC to handle the minimum guaranteed throughput, it is the obligation of the Licensor to comply with clause 7.2.4., which requires the port not to carry out any stuffing or de-stuffing operations of containers in the port and dock area. Apart from these, considering a 65:35 ratio of loaded and empty containers and quantum of house-stuffed containers, the Licensor is contractually bound to comply with this clause.
- (iii). As regards the 'exclusivity' clause in the BOT with respect to stuffing and de-stuffing operations, it has further clarified that the very purpose of state-of- the art CFS is to facilitate stuffing and de-stuffing operations in the CFS in an appropriate environment to ensure the quality of export cargo and to discourage these operations in the wharf. In the light of this position, the provision prescribed in clause No.7.2.4. of the LA is valid and essential and the KPT is bound to comply the same.
- (iv). The argument that the cost of handling containers will increase if handled through the CFS of CWC cannot be accepted prima facie since the CWC has invested Rs.28 crores and the tariff will be fixed by the TAMP. The charges proposed by the CWC are for rendering value added services. It could be possible that certain type of cargo which does not require the value added service may still prefer to have stuffing and de-stuffing at the wharf, but that cannot change the terms of MOU.

10.3. The KPT has also furnished the following comments with reference to the arguments of the KSAL:

- (i). Presently, the port earns approximately Rs.8 crores per annum from container storage charge for stacking both laden and empty containers. There will be a reduction in the ground rent charges once the stuffing / de-stuffing operations are stopped inside the port area. However, once the CFS is commissioned and infrastructure is developed, a quantum jump is expected in the container (throughput) which in turn will increase its revenue in terms of vessel related charges. Hence, the argument that port is losing ground rent charges is not sustainable.
- (ii). Even for sake of argument it is assumed that there will not be any container in the yard in view of not allowing stuffing/ de-stuffing inside the port, in that case the yard space will be effectively utilized for stacking of other cargoes.
- (iii). The work of concreting certain areas beyond the berths where containers are presently being handled and another area adjacent to Railway lines has been taken up by the port at a cost of Rs.1.56 crores and Rs.1.83 crores respectively with a clear planning to

utilise the area for other edible cargoes and also for facilitating faster turnaround of edible cargo through rakes.

- (iv). The question of the port cross-subsidising the CWC does not arise. The CFS is considered to be an essential value-added service for any Container Terminal to increase its throughput, consolidation, stuffing and de-stuffing of cargo. The royalty payable to CWC to KPT ranges from Rs.100 to Rs.814 per TEU over a period of time. The decision of the port of not allowing stuffing/ de-stuffing inside the port is a conscious one irrespective of any short-term reduction in revenue, as it expects this loss to be compensated by increase in throughput of containers and increase in vessels which adds to the revenue of the port.
- (v). The area of 67 hectares have been developed for storage of dirty and bulk cargo and has nothing to do with the Container Terminal.
- (vi). The law provides for volume discounts and even reduction in the rates or pricing at marginal cost which can be resorted to and corrective actions can be taken. It is too early to apprehend and conclude a decision to scrap the MOU or dilute the MOU on the basis of the argument of the KSAL and other users.
- (vii). As regards comparison of the tariff proposed by CWC vis-à-vis the current cost at the port, it has not furnished any comments since the Terminal Handling Charge (THC) presently prevailing in the port is not the notified rate of the TAMP.
- (viii). It has pointed out that the tariff proposed by CWC include a substantial portion of fixed cost recovery. It has submitted to TAMP with abundant caution that tariff may be fixed based on marginal cost and a reduction of 20% may be effected on the proposed tariff. The position could be reviewed after a period of six months to one year for a suitable adjustment of tariff.

10.4. The CWC has furnished its comments on the points referred at the joint hearing and on the written submissions of the KSAL. Some of the main points made by the CWC are summarized below:

- (i). TAMP has due authority u/s 42(3) of the MPT Act to fix tariff for the proposed CFS at Kandla to be managed by the CWC.
- (ii). As regards the 'exclusivity' clause in the BOT agreement, it has clarified that the MOU does not bar any users to load and unload containers from/ to vessel and stuff/ destuff outside the CY/ designated area. There is, therefore, no exclusivity in the agreement which could be termed as monopolistic or barrier to the trade.
- (iii). It is just the imagination of the KSAL that 64% of the traffic will get diverted from KPT, since there is no bar to the trade to patronize CWC facilities if found economical and competitive and there is no loss of revenue to the KPT in handling of such cargo. Moreover, with the present tariff structure of the KPT which provides for 7 days free period, the trade could get away without paying any storage charges to the KPT, by clearing the import/export cargo within the free period.
- (iv). The charges levied by CONCOR for unloading container from rail/road vehicle transporting and unloading in the shipping line nominated plot and vice versa is Rs.1000 for 20' loaded container and Rs.2000 for a 40' loaded container. These charges are definitely higher than charges proposed by it for similar operations.

11. 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 are also available at our website [www.tariffauthority.org](http://www.tariffauthority.org).

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

- (i). The proposal is from the CWC for fixation of charges for the services proposed to be rendered by it at the newly constructed Container Freight Station (CFS) at the Kandla Port Trust. The License Agreement (LA) for developing, constructing and operating a Container Freight Station (CFS) outside the Customs Boundary of the Kandla Port Trust was signed between the KPT and the CWC on 12 February 2002. The CWC has reported that of total land area of 1,40,000 sq.mts. allotted to it by the KPT, 12,000 sq.mts. of covered warehouse and 24,000 sq.mts. of open container yard have already been developed to offer the CFS service.
- (ii). Before we proceed to analyse this case, it is necessary to examine the preliminary objection of some of the user organisations like Federation of Port Users and Kandla Customs House Agents Association about the jurisdiction of this Authority to entertain this tariff proposal. They have pointed out that the CWC is not a major port and in the light of the policy direction issued by the Government refraining this Authority from entertaining individual representations, the proposal in reference is beyond the jurisdiction of the TAMP. It has also been pointed out that the CFS is located outside the Customs limits of the KPT and, therefore, the tariff jurisdiction of this Authority cannot extend to the CFS.

Section 48 of the MPT Act empowers this Authority to frame Scale of Rates and statement of conditions for various services specified under clause (a) to (e) to be performed by the Board of Trustees of a major port or any other person authorised under Section 42 (4) *ibid*. As per Section 42(4) of the MPT Act read with Section 48, the rates in respect of identified services provided by person authorised u/s 42(3) are required to be notified by this Authority. The Kandla Port Trust has confirmed that authorisation given to CWC for operating the relevant facility is under Section 42 (3) of the MPT Act. The CWC has also confirmed the position.

The reference of users to the policy direction of the Government about TAMP not to entertain individual representations is totally out of context. The policy direction is relevant to adjudication of tariff disputes raised by users. It should be noted that CWC is not a user but a provider of port services. The application filed by CWC is not a representation for redressal of grievance but a proposal for fixing tariff for the identified port services.

There cannot be any doubt about the jurisdiction of this Authority to fix rates for BOT operators. The facility is outside the Custom bound area of KPT is not relevant. The facility is within the area of KPT and CWC is an authorised service provider under Section 42(3) of the MPT Act. The tariff levied by such operator is, therefore, legally required to be fixed by this Authority. That being so, the preliminary objections on jurisdiction are not sustainable and the case can be taken up for consideration on merits.

- (iii). Another issue prominently agitated by the users relates to questioning the basic decision of having a CFS in KPT and the exclusivity clause in the License Agreement. It is not for this Authority to sit in judgment over the policy decisions relating to port development which fall within the domain of the Government and the Port Trust. The reference before this Authority is to fix the rates for the services provided at the CWC-CFS.

Incidentally, even after being asked by us to re-examine the issue, the KPT has reiterated that the MOU has been duly approved and that proposal of CWC can be decided by TAMP.

- (iv). The Kandla Port Stevedores Association Ltd., and Gandhidham Chamber of Commerce and Industry have pointed out the net revenue loss to the KPT due to the BOT arrangement and cautioned about its implication on the rates of other cargo. The

KPT, however, anticipates that such a loss could be only short term and volume increase in future would offset reduction in revenue. Given the growth trend at KPT, this position cannot be dismissed lightly. The argument of users about KPT cross-subsidising CWC is found to be misplaced.

A detailed analysis at the time of next general review of tariff will only reveal any change in the flow of cross-subsidisation between different activities. The position which emerged during the last review, however, indicates that the operations at Kandla are cross-subsidised by the Vadinar division. The point made by the users in this regard is, however, not relevant to fixation of rates for CWC-CFS.

- (v). The forecast of the container traffic made by the CWC during phase-I is 60,000 TEUs for the year 2004-05 and 96,000 TEUs for the year 2005-06. The traffic projection progressively increases to 1,20,000 TEUs in the third year of operation which is reportedly the designed capacity of the CFS with full mechanised operations. This is against the present container traffic of around 1,50,000 TEUs handled at the KPT. As per the terms of the LA, the minimum guaranteed throughput committed by the licensee is 36% of the impex container traffic to be declared by the KPT; and, based on the container traffic forecasted by the KPT, the MGT works out to 79,200 TEUs and 90,000 TEU during the first two years. The container throughput forecast given by the CWC for the first year is found to be lower than the MGT indicated by the KPT.

Some of the users have pointed out that the capacity of the CFS is not adequate to handle the existing container traffic of 1,50,000 TEUs in a year at the KPT. With the capacity constraint and the provision deterring performance of stuffing/destuffing inside the port, the users apprehend diversion of the traffic to other ports.

The KPT has, however, clarified that even today, 70% of containers go out of port terminal and only 30% is de-stuffed/stuffed inside the port today. The KPT also pointed out that users have the option to avail the stuffing/destuffing operation outside the port and hence it does not foresee any diversion of container traffic.

The estimates furnished by the CWC are relied upon for the purpose of analysis. At the time of the next general review of tariff to be undertaken after the initial validity period is over, if any undue advantage is found to have accrued to the operator due to wrong estimation, a suitable adjustment will be made in the tariff to be fixed then.

- (vi). The income estimates includes an item on MF receipts which refers to the tariff proposed for services like delivery, loading/ unloading, stuffing, etc., which are proposed to be outsourced as reported by the CWC.

On comparison of the 'MF receipts' which forms major component of its income against the 'MF payments' which relate to the expenditure on activities outsourced, the margin as reported by the CWC is 30%. If other expenses like lease rentals, finance and miscellaneous expenses and depreciation are apportioned based on the ratio of the income, though all expenses may not be relevant, the margin will still be around 20%. A margin of 20% from the activities outsourced from the first year of operation itself appears to be quite high.

The ground rent is proposed only for import containers assuming that containers would stay for 3 days on an average beyond the prescribed free days. Since the LA specifically requires the CWC to shift the containers from CFS to CSY in export segment containers within 72 hrs. prior to arrival of the container and similar restriction is imposed even in case of import containers, the estimated income from ground rent is found to be reasonable and hence accepted.

It can be seen elsewhere in this analysis that the proposed rates for 20' and 40' containers are modified slightly to maintain the differential in rates generally maintained between them. This moderation will have an effect of reducing the income estimates.

In view of this position, the income estimates furnished by CWC are considered without any alteration despite some possible underestimation observed, as explained above.

- (vii). The services relating to transportation, stuffing/destuffing, etc., are proposed to be outsourced by the CWC. In this context, the MF payments estimated by the CWC are at the level of Rs.858.41 lakhs for the year 2004-05 and Rs.1373.44 lakhs for the year 2005-06. The cost estimate under this head are found to be almost 58% to 60% of the income estimated under this head. The CWC has furnished documentary evidence relating to the outsourcing contracts entered by them. It is found that the cost for stuffing and transporting in case of export operations are estimated around 2% to 4% higher than the rate offered by the contractors. The CWC has not furnished such details for import operations. The MF payments as estimated by the CWC is allowed since the variation is not very significant. The actual position shall be reviewed at the time of next review/ revision and future tariff shall be adjusted accordingly if the actual position is found to be completely in variance to the estimates.
- (viii). The repairs and maintenance cost is estimated at 1.5% of the opening net block for the 2005-06 which mainly consists of civil works. Upfront fee paid to KPT which has been wrongly included by CWC has been excluded from the net block while estimating the repairs and maintenance cost.

It may be relevant to mention that the repairs and maintenance cost estimated at other private terminals like the Nhava Sheva International Container Terminal Limited is 1.15% on the opening block of the assets both for civil work and equipment, 2% of the equipment cost at the CCTL and 1.5% on the civil works at the Visakha Container Terminal Limited. Based on the position obtaining at the other terminals it is observed that the repairs and maintenance cost of civil works and building is less than the repairs and maintenance on the equipment. In view of this position, the estimate of repairs and maintenance cost at 1.5% on the civil works in the case of the CWC is found to be high since the relevant civil structure may not involve repairs at the same level as wharf, equipment, etc. That being so, it is found reasonable to allow repairs and maintenance cost at 1% for the year 2005-06 on the opening net block.

- (ix). One of the cost elements considered by the CWC is royalty payment to the KPT @ Rs.100 per TEU for the first year and Rs.107.50 per TEU for the second year as per the terms of the LA. This works out to Rs.60 lakhs and Rs.103.20 lakhs for the year 2004-05 and 2005-06 respectively as reported by the CWC. The stated policy of this Authority is not to include Royalty/revenue share as an item of cost while fixing the tariff in case of private terminal operators. In view of the above position, this item is excluded from the cost statement furnished by the CWC.
- (x). The CWC was requested to indicate the quantum of upfront payment and license premium separately so that these liabilities can be spread over the entire life of the project, in line with the principle adopted at other private terminals.

The CWC has not shown these items separately. But, it has confirmed that one-time upfront fees of Rs.2.80 crores and lease premium of Rs.39.22 lakhs paid to the KPT as per terms of the LA has been apportioned over the lease period of 30 years. As reported by the CWC, upfront fees, etc., have been merged with the capital cost relating to the civil work. It is, therefore, assumed that it is depreciated over the project period along with the civil work and hence no modification is done in the cost statement in this regard.

Further, the annual lease rentals payable to the KPT for the land allotted is estimated at Rs.43.39 lakhs, and Rs.45.67 lakhs for the years 2004-05 and 2005-06 respectively. The lease rentals furnished by the KPT for the year 2004-05 is Rs.43.22 lakhs which slightly varies from the estimates of the CWC. Since the variation is only marginal, the estimate of the CWC is considered for the purpose of the analysis.

- (xi). The gross block projected by the CWC is Rs.28.80 crores for the year 2004-05 which include Rs.22.27 crores for civil works, Rs.2.80 crores for upfront fees and balance for electrification, fire-fighting system, etc. Apart from this, it proposes an addition of Rs.11.13 crores in civil works during the year 2005-06.

The CWC has not furnished asset-wise depreciation since it does not propose to deploy the mechanical equipment like reach stacker, trailers, etc., instead plans to outsource them. The depreciation rate considered by the CWC for civil works at 2.44% per annum is found comparable to the depreciation rate considered by other private terminal operators and hence the estimate of the depreciation is accepted.

- (xii). One of the cost elements is Finance and Miscellaneous expense which is estimated at Rs.77.82 lakhs for the year 2004-05 and Rs.80.93 lakhs for the year 2005-06 in addition to Rs.53.55 lakhs and Rs.61.75 lakhs estimated under the head miscellaneous expenses. The CWC has clarified that the finance and miscellaneous expenditure includes estimates of staff salary, perquisites, water, electricity, telephone, internet and other overheads. Incidentally, even for the estimates of miscellaneous expense the CWC has indicated the same heads except staff cost. It, therefore, appears that the estimates for water, electricity, overheads, etc., are duplicated in the cost statement which needs to be eliminated. In the revised cost statement, the estimate of finance and miscellaneous expenses only is considered.

- (xiii). The working capital is computed as Current Asset less Current liabilities. The Current Asset estimation consists only of cash and bank balance to the tune of Rs.362.90 lakhs and Rs.749.77 lakhs for 2004-05 and 2005-06 respectively which forms almost four to five months' operating cash expenses. The CWC has not furnished any justification to substantiate such a high cash balance estimates except stating that the same is on account of non provision of income tax, dividend tax, bad and doubtful debts, etc. It may be, however, relevant to state that the Working capital (after offsetting current liabilities from the current assets) works out to Rs.54.86 lakhs for the year 2004-05 and Rs.134.86 lakhs for the year 2005-06. Since the estimate of overall working capital is around one month total operating cash expense in line with the working capital estimates allowed at other private terminals also, the estimate is accepted for the purpose of analysis.

- (xiv). Return on Capital Employed has been sought @ 20% per annum at Rs.576 lakhs for the year 2004-05 and Rs.886.60 lakhs for the year 2005-06. In case of private operators (i.e. for port operators other than major port trusts), a pre-tax return on equity @ 20% is allowed besides the actual cost of debt as pass-through. The maximum permissible return on equity is subject to capacity utilization and observance of a debt: equity ratio of 1:1. In the instant case, the estimated capital employed is financed entirely by equity. The CWC was, therefore, requested to modify the estimates of the ROCE in line with the general principle followed by this Authority. The CWC has only stated that the general principle followed in computation of return may not be applied in its case. No extraordinary circumstance is found to emerge in the instant case to deviate from the established principles followed in this regard. That being so, return on investment is computed by allowing return on equity @ 20% subject to capacity utilisation on 50% of the investment projected by the CWC. The balance 50% of the investment is treated as debt for this computation and interest thereon is allowed accordingly. Based on the position obtaining in other private terminals, the cost of debt is found to be in the range of 10% to 11% per annum. It is, therefore, found reasonable to allow return on the balance equity at the cost of debt of 11% per annum.

- (xv). Capacity of the proposed CFS is relevant for determining Return on Equity. The CWC has reported that the designed capacity in phase-I is 60,000 TEUs per annum. The KPT has, however, categorically mentioned that as per the LA the CWC is bound to handle minimum guaranteed throughput of 36% of the impex trade container traffic handled by the Container Terminal Operator to be declared by the licensor. Accordingly, based on the container throughput estimated by the KPT, the licensee is supposed to handle 79,200 for the year 2004-05 and 90,000 for the year 2005-06.

These may be considered as the capacity of the CFS even though the designed capacity would ordinarily be more than the Minimum Guaranteed Throughput (MGT). Accordingly, with reference to the throughput estimates for the years 2004-05 and 2005-06, the capacity utilization comes to 76% and 107% for the corresponding years. Return on equity is moderated accordingly reckoning capacity utilisation at the level of 76% and 100% for both the years.

- (xvi). Subject to the discussion above, the cost statements have been modified. The modified cost statement is attached as **Annex-I**. The results disclosed by these statement is as follows:

<b>Surplus (+) / Deficit (-) 2004-05 (Rs. in lakhs)</b>	<b>Surplus (+) / Deficit (-) 2005-06 (Rs. in lakhs)</b>	<b>Surplus (+) / Deficit (-) 2004-05 as a %of operating income</b>	<b>Surplus (+) / Deficit (-) 2005-06 as a %of operating income</b>
(+) 45.00	(+) 153.20	(+) 3.09%	(+) 6.44 %

- (xvii). It can be seen from the table above that the consolidated cost statement of the CWC for its CFS shows an average surplus of 4.8% of the operating income for the years 2004-05 and 2005-06.

It may be relevant to mention that the some of the users like the Kandla Stevedores Association Limited, Gandhidham Chamber of Commerce and Industry and Federation of Port Users have given a comparison of the rates existing at the KPT vis-à-vis the rates proposed by the CWC and requested to fix the tariff at the existing level applicable at the KPT. There is a wide variation in the comparative figures indicated by the various users. As rightly pointed out by the KPT, the charges being levied for most of the services are not notified rates and correct assessment for comparison may not be possible. In view of the above position, this Authority is not in a position to conclusively understand the existing rates levied and fix the tariff at more or less same level. It would be relevant to note the recommendation of KPT is to reduce the proposed rates by 20% since significant portion of cost is fixed in nature. Obviously, fixed cost will get spread over a larger base over a period of time when volumes increase. Even though some reduction in the proposed rates is necessary, it may be harsh on the financials of this project if a reduction to the extent recommended by KPT is effected.

In view of the discussions above, and also recognising that cost statement is completely based on the estimates, this Authority decides to fix the initial tariff by reducing the proposed tariff by 5%.

It may be relevant to state that since the tariff fixation is entirely based on estimates, the actual position shall be reviewed at the time of the next review/ revision and suitable tariff adjustments shall be made if any major variations are found in the estimates vis-à-vis the actuals.

- (xviii). The CWC had not initially proposed any general terms and conditions prescribed for common adoption at all the major ports/private terminals. Subsequently, on our request it has agreed to incorporate the provision relating to penal interest for delayed payments and about fixation of time limit beyond which storage charge shall not be levied in case of abandoned FCL containers. The CWC has proposed to levy penal interest at the rate of 15% per annum for delayed payment/ refunds which is within the range prescribed by this Authority and hence is accepted. The provision about delay in payment of users is proposed to be counted after 7 days from the date of raising the bills as against 10 days prescribed by this Authority commonly at all the major ports/ private terminal. This provision is modified in line with the common prescription at all the other major ports/ private terminals.

- (xix). The Gandhidham Chamber of Commerce & Industry has pointed out that the proposed ground rent is very high compared to the rates prevailing at the KPT. It may be relevant to mention here that in view of the specific provision in the LA, the CWC is bound to shift the import containers to the CFS within 72 hours and to shift the export containers from the CFS to CSY only 72 hours before the arrival of vessel. The clarification furnished by the CWC that with the state of the art facilities provided, the prevailing average dwell time of more than two weeks at KPT will be curtailed to less than a week and even at the proposed rates the actual charges to the users will be much lower is found to be logical and reasonable and deserves to be admitted.
- (xx). The CWC has proposed seven days free period for import container including the date of arrival of containers and, three days free is proposed for Import LCL cargo in respect of containers received from the KPT. In case of export, the CWC has proposed three free days for stuffing export cargo and three free days on export container after stuffing and or sealing the container. There has been no objection from any users except a request from the Shipping Corporation of India to increase the free period for export containers to seven days. As stated earlier and rightly pointed out by the CWC, it is contractually bound to stuff and shift the export containers to KPT yard within 72 hours prior to the arrival of the ship. In this context, it may be relevant to point out that at the JNPT CFS no free time is prescribed for the export containers and based on the information earlier collected from the Chennai Port Trust, it is found that the free period at the CONCOR CFS operated at Chennai is two days including the date of arrival of the cargo. Further, in case of import containers, the free period allowed at the JNPT CFS, the CWC-CFS at Chennai and also the CCTL-CFS at Chennai is three days. Based on above the position, the free period proposed by the CWC is found to be reasonable and hence is accepted.
- (xxi). The tariff for a 40' container in respect of handling charges is prescribed at 1.5 times the 20' container and in case of ground rent it is prescribed at 2 times the tariff for a 20' container in line with the differential maintained at the other terminals.
- (xxii). The CWC has stated that Sundays, holidays falling in between or succeeding the free period will not be counted for computation of free period. In its revised proposal, the CWC has not mentioned about exclusion of Customs holidays and CFS non-working days though the same existed in its earlier proposed SOR. The provision is, therefore, partially modified in line with the provision prescribed at other terminal operators.
- (xxiii). The CWC had earlier proposed reefer plugging charge of Rs.1000 per TEU per day. Subsequently, at our request, the CWC has revised the rate to Rs.400 per TEU per shift of eight hours.
- The SCI has stated that the proposed rate is very high. The CWC has, however, clarified that the revised proposed rate is in tune with the rate prescribed in the SOR of the KPT, which is US\$ 5.50 per shift of eight hour for 20' container. The relevant rate prescribed at some other private terminal is Rs.283.40 at the Chennai Container Terminal Limited and Rs.238 at the Visakha Container Terminal Private Limited. The CWC has not furnished any separate costing to justify the proposed rate. Based on the position obtaining at the other private operators and also taking into consideration the rate prevailing at the KPT, it is found reasonable to restrict the rate for reefer plugging at Rs.300 per TEU per shift of eight hours or part thereof.
- (xxiv). The CWC has not furnished any documentary evidence of the rates prescribed by the insurance companies to substantiate the proposed rate for providing insurance cover. It has only clarified that the proposed rate is same as the rate prescribed for CFS service rendered by the Jawaharlal Nehru Port Trust. Since this rate is only for an optional service provided at the request of the user, this Authority is inclined to approve the proposed rate.

- (xxv). Some of proposed provisions not in line with the common prescription at other major ports/ private terminals have been modified to maintain uniformity and consistency at all the major ports/ private terminals. Further, CWC has included conditionality in the proposed SOR to the effect that service tax will be levied extra as applicable. Service Tax is not a tariff item to be fixed by this Authority and therefore its levy need not be prescribed as conditionality in the Scale of Rate. This levy is to be made as per the relevant law.
- (xxvi). The CWC has already created the infrastructure which are ready for use. Since no tariff exists for the services proposed to be offered by the CWC, the approved Scale of Rates can be implemented immediately from the date of notification of this Order.
- (xxvii). This Authority generally prescribes tariff validity cycle of two years. Accordingly, the tariff fixed now can continue for a period of two years. Nevertheless, for good and valid reasons, this Authority may take up review (even) ahead of this schedule.

15.1. In the result, and for the reasons given above, and based on collective application of mind, this Authority approves the Scale of Rates for the services provided at the CFS of CWC in Kandla which is attached as **Annex – II**.

15.2. This Scale of Rates will come into effect immediately from the date of notification of this Order in the Gazette of India.

15.3. This Scale of Rates shall be in force for 2 years after which the approval accorded to it will automatically lapse unless specifically extended by this Authority.

**( A.L. Bongirwar )**  
Chairman

					Annex - I
<b>Cost Statement of the Central Warehousing Corporation for the CFS operations at the KPT</b>					
Description	As furnished by the CWC		(Rs. In lakhs) Modified Estimates		
	Estimates	Estimates	Estimates	Estimates	
	2004-05	2005-06	2004-05	2005-06	
<b>Throughput ( in TEUs)</b>	<b>60000</b>	<b>96000</b>	<b>60000</b>	<b>96000</b>	
<b>I. Operating Income</b>					
(i).MF Receipts	1264.06	2022.50	1264.06	2022.50	
(ii).Ground Rent	72.00	115.20	72.00	115.20	
(iii).Storage Charges	120.00	240.00	120.00	240.00	
<b>Total Operating Income (I)</b>	<b>1456.06</b>	<b>2377.70</b>	<b>1456.06</b>	<b>2377.70</b>	
<b>II. Operating Cost</b>					
(i).Leases rentals	43.39	45.67	43.39	45.67	
(ii).MF payment	858.41	1373.44	858.41	1373.44	
(iii).Repairs & Maintenance	0.00	38.00	0.00	25.54	
(iv).Royalty	60.00	103.20	0.00	0.00	
(v).Miscellaneous	53.55	61.75	0.00	0.00	
(vi).Depreciation	54.86	80.00	54.86	80.00	
(vii).Finance & Miscellaneous expenditure	77.82	80.93	77.82	80.93	
<b>Total Operating Cost (II)</b>	<b>1148.03</b>	<b>1782.99</b>	<b>1034.48</b>	<b>1605.58</b>	
<b>III. Surplus (I-II)</b>	<b>308.03</b>	<b>594.71</b>	<b>421.58</b>	<b>772.12</b>	
Interest on loans	0.00	0.00	0.00	0.00	
<b>IV. Net Surplus after interest</b>	<b>308.03</b>	<b>594.71</b>	<b>421.58</b>	<b>772.12</b>	
<b>V.Capital employed</b> ( The CWC has reported to have considered ROCE @ 20 %	2880.00	3993.00	2880.00	3993.00	
Equity and debt in ratio of 1:1 since the CWC has not maintained this ratio					
Equity			1440.00	1996.50	
Debt			1440.00	1996.50	
<b>VI.Return on Equity @ 20%</b>			288.00	399.30	
Cost of debt @ 11.0%			158.40	219.62	
Capacity utilisation			76%	100%	
Return on Equity linked to capacity utilisation			<b>218.18</b>	<b>399.30</b>	
<b>Return on Equity and cost of debt linked to capacity utilisation</b>			<b>376.58</b>	<b>618.92</b>	
ROCE @ 20% reported to have been considered by the CWC	<b>576.00</b>	<b>886.60</b>			
<b>VII.Net Surplus/(Deficit) after Return</b>	<b>-267.97</b>	<b>-291.89</b>	<b>45.00</b>	<b>153.20</b>	
<b>VIII. Net Surplus/(deficit) as % of Operating Income</b>	<b>-18.40%</b>	<b>-12.28%</b>	<b>3.09%</b>	<b>6.44%</b>	
<b>IX. Average net Surplus/(Deficit) as a % of operating Income</b>	<b>-15.34%</b>		<b>4.8%</b>		

CENTRAL WAREHOUSING CORPORATION  
**Scale of Rates**

This Scale of Rates sets out the charges payable to the Central Warehousing Corporation for the services and facilities provided at its Container Freight Station at Kandla Port Trust.

**General Terms and Conditions.**

1.
  - (i). The user shall pay penal interest @ 15% on delayed payments of any charge under this Scale of Rates. Likewise, the CWC shall pay penal interest on delayed refunds.
  - (ii). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
  - (iii). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the CWC. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed in this Scale of Rates.
  
2. The storage charges on abandoned FCL containers/shipper owned containers shall be levied upto the date of receipt of intimation of abandonment in writing or 75 days from the date of landing of container, whichever is earlier subject to the following conditions:
  - (i). The consignee can issue a letter of abandonment at any time.
  - (ii). If the consignee chooses not to issue such letter of abandonment, the container Agent/MLO can also issue abandonment letter subject to the condition that,
    - (a). the Line shall resume custody of container along with cargo and either take back it or remove it from the port premises; and
    - (b). the Line shall pay all port charges accrued on the cargo and container before resuming custody of the container.
  - (iii). The container Agent/MLO shall observe the necessary formalities and bear the cost of transportation and destuffing. In case of their failure to take such action within the stipulated period, the storage charge on container shall be continued to be levied till such time all necessary actions are taken by the shipping lines for destuffing the cargo.
  - (iv). Where the container is seized/confiscated by the Custom Authorities and the same cannot be destuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the date the Customs order release of the cargo subject to lines observing the necessary formalities and bearing the cost of transportation and destuffing. Otherwise, seized/confiscated containers should be removed by the Lines/consignee from the port premises to the Customs bonded area and in that case the storage charge shall cease to apply from the date of such removal.

**CHAPTER -I  
GROUND RENT AND STORAGE CHARGES**

**1.1. Ground Rent.**

Sl. No.	Description of Service	Rate per container per day ( in Rs.)	
		20' container	40' container
1.	<b>Import Operations</b> Loaded Container 1 to 7 days  8 to 15 days 16 to 30 days 31 <sup>st</sup> day onwards	Free-including date of arrival  95.00 142.50 285.00	Free-including date of arrival  190.00 285.00 570.00
2.	Empty Container	23.75	47.50
3.	<b>Export Operations</b> Loaded Container 1 to 3 days 4 days to 15 days 16 <sup>th</sup> day onwards	Free 95.00 142.50	Free 190.00 285.00

**1.2. Storage Charge.**

Sl. No.	Description of Service	Rate ( in Rs.)
1. (a).	<b>Import Operations</b>  Storage charge (covered area)  Up to 30 days  31 <sup>st</sup> days onwards	2.85 per MT per day  4.75 per MT per day
2. (a). (b).	<b>Export Operations</b>  On General Basis On Reservation Basis	Free – 3 days  2.85 per MT per Day  118.75 per Sq.mtr. per month

**Notes:**

- (1). For purpose of calculation of free days Sundays, Customs notified holidays and CFS's non operating days falling in between or succeeding the free period will not be counted.
- (2). All empty import containers that are stuffed at CWC CFS will be allowed 7 days free storage.
- (3). Three days free period is allowed on export containers after stuffing and/ or sealing of the container.

- (4). Seven days free period including date of arrival of the container in the CFS for Import containers brought from KPT.
- (5). First three days will be free for import LCL cargo in CWC godowns, in respect of containers received from Kandla Port at CWC, CFS.
- (6). Free period in case of empty containers will commence from the date of parking of empty containers at the designated yard of CFS, Kandla Port, irrespective of time of arrival of such containers.
- (7). Three days free period will be allowed for stuffing of export cargo.
- (8). 7 Days free period will be allowed for parking of Empty Containers at CFS Kandla Port.

(9). For Cargo stored in open area on the request of users, storage charges levied would be 25% less than the rate prescribed for covered area.

- (10). Container / Cargo remained un-cleared beyond 30 days shall be liable for shifting to the disposal unit at CFS Gandhidham at the risk and cost of the importer / CHA / Shipping Lines.
- (11). For reefer plugging facility charges @ Rs. 300 per TEU/ Rs.450 per FEU per 8 hours or part thereof will be levied in addition to ground rent.
- (12). Insurance:

It will be presumed that the stock being received at the CFS, Kandla Port are adequately insured against all possible risks during storage including interests of Customs. Thus, in any eventuality, CWC shall not be responsible for any insurable claims / risks including consequential losses.

However, in case the insurance cover is required by any party against the risk of fire, flood, cyclone, theft etc. the same will be arranged by the CWC, CFS, Kandla on a written request, for which ad valorem charges Rs.12.50 per Rs.1000/- value of the stocks will be levied, per week or part thereof.

**CHAPTER-II**

**CONTAINER / CARGO HANDLING & TRANSPORTATION**

<b>Sl No.</b>	<b>Description of Operations</b>	<b>Rate (in Rs.)</b>				
<b>A</b>	<b><u>Import Operations</u></b>					
1.	Providing road vehicles at Container Yard, Kandla Port and taking over loaded containers placed by Kandla Port Trust operators on the vehicles provided by the contractor, after due inspection of the condition of the container, the locks & seals and on completion of the required formalities, transporting the same to the Container Freight Station, CWC, Kandla Port [within 24 hours of issue of job order irrespective of any detention due to offloading / loading delays or traffic congestion (under Customs escort wherever / whenever required)] including lift on in the port.	<table border="1"> <tr><td>PER TEU</td></tr> <tr><td>Rs.807.50</td></tr> </table> <table border="1"> <tr><td>PER FEU</td></tr> <tr><td>Rs.1211.25</td></tr> </table>	PER TEU	Rs.807.50	PER FEU	Rs.1211.25
PER TEU						
Rs.807.50						
PER FEU						
Rs.1211.25						
2. (a).	Destuffing the container under the supervision of CWC / Customs / Shipping agents' representatives as per the procedure laid down; inventourisation of the cargo and stacking the same in the Import Warehouse / Open yard (preferably by means of mechanical equipment) and carrying empty containers to the ECY or any other designated area within the CFS complex and stacking them three high [irrespective of time lag between different operations]	<table border="1"> <tr><td>PER TEU</td></tr> <tr><td>Rs.665.00</td></tr> </table> <table border="1"> <tr><td>PER FEU</td></tr> <tr><td>Rs.997.50</td></tr> </table>	PER TEU	Rs.665.00	PER FEU	Rs.997.50
PER TEU						
Rs.665.00						
PER FEU						
Rs.997.50						
2. (b).	De-stuffing of the loaded container stacked in the yard by grounding them, wherever necessary (which may include transportation within the complex) for facilitating Customs examination and stuffing the cargo back into the same container or any other containers after Customs examination or loading the cargo / container on to road vehicles by means of mechanical handling equipment / manually and stacking the loaded / empty container as the case may be in the LCY / ECY or any other designated area after inventourisation in the presence of Customs authorities, shipping line / Shipping agent / CHA / Exporter / any other agency and under the supervision of CWC officials.	<table border="1"> <tr><td>PER TEU</td></tr> <tr><td>Rs.950.00</td></tr> </table> <table border="1"> <tr><td>PER FEU</td></tr> <tr><td>Rs.1425.00</td></tr> </table>	PER TEU	Rs.950.00	PER FEU	Rs.1425.00
PER TEU						
Rs.950.00						
PER FEU						
Rs.1425.00						
3. (a).	Taking required number of packages from the stacks / open yard and bringing them to the designated place for Customs examination (which would include unpacking and re-packing of packages, providing suitable straps etc, or weightment, sealing wherever required on free of charge), and placing them in the stacks / open yard, if necessary, and loading the entire consignment in to trucks / vehicles provided by the importer / CHA at the Import Warehouse / Open Yard .	<table border="1"> <tr><td>PER QTL</td></tr> <tr><td>Rs. 3.80</td></tr> </table>	PER QTL	Rs. 3.80		
PER QTL						
Rs. 3.80						
3. (b).	Manual handling of foodgrains.	<table border="1"> <tr><td>PER QTL</td></tr> <tr><td>Rs. 2.85</td></tr> </table>	PER QTL	Rs. 2.85		
PER QTL						
Rs. 2.85						
<b>B</b>	<b><u>Export Operations</u></b>					
4. (a).	Unloading the cargo from the trucks / vehicles provided by CHA / Exporter / User at CFS complex and stacking the same in the Export Unit / Warehouse / Open Yard by means of suitable mechanical equipment or by any other appropriate means, after due inventourisation.	<table border="1"> <tr><td>PER QTL</td></tr> <tr><td>Rs.3.80</td></tr> </table>	PER QTL	Rs.3.80		
PER QTL						
Rs.3.80						
4. (b).	Manual handling of foodgrains.	<table border="1"> <tr><td>PER QTL</td></tr> <tr><td>Rs. 1.90</td></tr> </table>	PER QTL	Rs. 1.90		
PER QTL						
Rs. 1.90						

<b>Sl No.</b>	<b>Description of Operations</b>	<b>Rate (in Rs.)</b>				
5	<p>Providing labour or appropriate equipment for taking out required number of packages from the racks / stacks / open yard and bringing them for Customs examination (which would include unpacking and re-packing of packages providing suitable straps / scales or weightment wherever / whenever required on free of cost) and placing them in the rack / stack / open yard, if necessary, and consolidating the nominated stocks / cargo, shifting of nominated empty container after retrieving the same from CFS container yard, placing the container at Export Unit / Open Yard, stuffing those by use of suitable mechanical equipment or by other means under supervision of CWC / Customs / Shipping Line / Agent officials, locking &amp; sealing and loading of the container on road vehicles after completion of required formalities after following the prescribed procedure.</p>	<table border="1"> <tr> <td>PER TEU</td> </tr> <tr> <td>Rs.855.00</td> </tr> <tr> <td>PER FEU</td> </tr> <tr> <td>Rs.1282.50</td> </tr> </table>	PER TEU	Rs.855.00	PER FEU	Rs.1282.50
PER TEU						
Rs.855.00						
PER FEU						
Rs.1282.50						
6	<p>Transporting the loaded container (under Customs escort wherever / whenever required) from CFS, Kandla Port Trust, Kandla to Container Yard, Kandla Port Trust and handing over the same to the port authorities and obtaining clear "EQUIPMENT INTERCHANGE REPORT" (EIR), within 12 hours of receipt of job order of port cut-off time including extended cut-off time, which ever is earlier.</p>	<table border="1"> <tr> <td>PER TEU</td> </tr> <tr> <td>Rs. 760.00</td> </tr> <tr> <td>PER FEU</td> </tr> <tr> <td>Rs.1140.00</td> </tr> </table>	PER TEU	Rs. 760.00	PER FEU	Rs.1140.00
PER TEU						
Rs. 760.00						
PER FEU						
Rs.1140.00						
7	<p>Unloading the cargo from the trucks / vehicles provided by CHA / Exporter / User at CFS complex and directly stuffing the cargo in to the nominated container after completion of Customs and other formalities in the presence of CWC, Customs / Shipping Line / Agent officials, locking and sealing of the containers on completion of required formalities and after following the prescribed procedures and loading of the loaded container on to the road vehicles.</p>	<table border="1"> <tr> <td>PER TEU</td> </tr> <tr> <td>Rs.1045.00</td> </tr> <tr> <td>PER FEU</td> </tr> <tr> <td>Rs. 1567.50</td> </tr> </table>	PER TEU	Rs.1045.00	PER FEU	Rs. 1567.50
PER TEU						
Rs.1045.00						
PER FEU						
Rs. 1567.50						



	Trust, Kandla.	PER TEU Rs.142.50
	(i). EMPTY CONTAINERS	PER FEU Rs.213.75
		PER TEU Rs.213.75
	(ii). LOADED CONTAINERS	PER FEU Rs.320.65
11	Shifting of empty containers from any location within CFS complex to Washing / Cleaning / Repair Yard and back to any location in the CFS complex as prescribed (washing and cleaning to be done by the contractor with out any extra remuneration).	PER TEU Rs.570.00  PER FEU Rs.855.00

SI No.	Description of Operations	Rate (in Rs.)
12	Movement / shifting of cargo from one place to any other place within CFS complex.	PER QTL Rs.4.75
13	Unloading the cargo from the trucks / vehicles provided by CHA / exporter / user at CFS complex and stacking the same in the Export Unit / Warehouse / Open Yard by mean of suitable mechanical equipment or by any other means, after due inventorisation providing labour for taking required number of packages from the stacks / open yard and bringing them to designated place for Custom examination and placing them in stack / open yard if necessary and loading the part / entire consignment in the truck / vehicle provided by the Exporter / CHA at the Export Warehouse / Open Yard in case of shut out cargo / back to town cargo.	PER QTL Rs.5.70
14	Supply of casual labour per day per head as prescribed.	As per the rate prescribed in

		the Minimum Wages Act.
15	Providing labour and appropriate equipment for palletization of cargo, which include preparation of pallets of appropriate size, taking out the cargo from stack, and placing it on to the pallets covering with film and strapping as per requirement and stacking the pallets so prepared at designated place(s) (necessary material required for palletization shall be arranged by the party).	Material to be provided by users PER QTL 4.75
16	Providing labour for filling up loose cargo in the bags (to be provided by the customers), stitching them, weighing (wherever required) & stack the same at the appropriate place.	PER QTL Rs.5.70
17	Locking charges (on party's request) or in case any container found without party's lock and CWC puts its own lock on the container.	Rs.19.00 per TEU per day

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**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/9/2004-KPT** - Tariff fixation for services rendered by M/s. Central Warehousing Corporation at the Container Freight Station at the Kandla Port Trust.

1. The comments received from the port users / representative bodies of port users are summarised below:

**Federation of Port Users' (FPU)**

- (i). The proposal is submitted by the CWC and not by the KPT. Further, the proposal is for CFS established by the CWC outside major port limits. The instant proposal is not for tariff related issues of major port trust.

As per TAMP Order No.TAMP/85/2002-Genl. dated 20 September 2002, passed by the TAMP in compliance with the direction issued by the Govt. under Section 111 of the MPT Act, the TAMP have no jurisdiction to hear any matter from any individual other than major port trust. Since the instant proposal is not submitted by the major port trust, it bars jurisdiction of the Authority.

- (ii). While hearing one another proposal of the KPT on 10 June 2003 relating to review of rate for its launches, the TAMP has decided that the proposal should come from the port trust only then the case can be heard.
- (iii). It has no comments to offer on the LA since a copy of the LA has not been forwarded to users alongwith the proposal and the users have at no stage undertaken responsibilities to fulfill any obligations of the LA.
- (iv). The CWC has computed Return on Capital employed (ROCE) @ 20% whereas as per the Discussion Paper para 4.3.1. Sr. No.2, this rate of return is applicable for private operators at major ports. The CWC, however, do not fall under this category.
- (v). The notification by the KPT in the Extraordinary Gazette of 24 February 2004, defines location of CWC as falling "outside the boundary wall of KPT" and states that the CFS is "outside Customs boundary of KPT". This confirms that CWC – CFS is outside the limits of the KPT and hence, beyond the jurisdiction of the TAMP.
- (vi). The CWC tariff published in EXIM (dated 16 February 2004) stated that the KPT as custodian will have to accept responsibilities for un-claimed / un-cleared cargo. There is no storage charges once cargo is abandoned whereas CWC do not owe responsibility for disposal.

- (vii). The inference drawn by the CWC on the notice issued by the KPSAA to its members may be considered redundant.
- (viii). It has enclosed a comparative statement regarding rates for the container / cargo handling operations in respect of the export cycle and import cycle at the KPT vis-à-vis the rates proposed by the CWC. A summary of this comparative statement is tabulated below:

(in Rupees)

Sl. No.	Import Cycle	KPT		CWC	
		Line	CHA	Line	CHA
1.	Export Cycle				
	(a). Stuffing through export warehouse	1800	1000	4530	1000
	<b>Total (Line &amp; CHA charges)</b>	<b>2800</b>		<b>5530</b>	
	(b). Direct stuffing of cargo in CSY	1850	1000	4530	1000
	<b>Total (Line &amp; CHA charges)</b>	<b>2850</b>		<b>5530</b>	
2.	Import Cycle	<b>1750</b>	<b>2635</b>	<b>2025</b>	3080
	<b>Total (CHA + Line )</b>	<b>4385</b>		<b>5105</b>	

**The Gandhidham Chamber of Commerce and Industry (GCCl)**

- (i). Proposed rates are on the higher side as compared to the rates prevailing for similar operations at the Kandla port.
- (ii). The comparative position in respect of handling of export container at the Kandla Port vis-a-vis the proposed cost of handling at the CFS (based on the 20 tonne cargo per TEU) is furnished below:

Sl. No.	Nature of Services	Existing cost at Kandla Port (Per TEU)(in Rs.)	Proposed cost at CFS (Per TEU) (in Rs.)
1.	Unloading of cargo from truck and stacking in godown	300	800
2.	Stuffing of cargo after custom examination	1000	900
3.	Transporting the stuffed container from godown to container yard.	400	800
	<b>Total</b>	<b>1700</b>	<b>2500</b>

Since stuffing operations are normally carried out at container yard, the actual cost now being incurred for export container is Rs.1300/- per TEU. Also, the proposed ground rent charges are more than the prevailing rates of KPT.

- (iii). Likewise, the rate proposed by the CWC for import container is Rs.5650/- as against the present cost of Rs.3900/- applicable at the Kandla Port.
- (iv). The rate proposed by the CWC, if approved, will lead to increase in cost of handling which may adversely affect the traffic the CWC intends to attract. The CWC may, therefore, be advised to scale down the proposed charges to bring it at the level of existing cost at the KPT at

least for a period of one year. The issue about further increase may be examined later.

**Kandla Custom House Agents' Association (KCHAA)**

- (i). The MOU was signed between KPT and CWC exclusively and no user was ever consulted before entering into the deal. Central Warehousing Corporation, Kandla is neither a major port nor a private terminal operator as well as it does not fall within the ambit of KPT hence this issue does not fall within the jurisdiction purview of TAMP u/s 111 of MPT Act-1963.
- (ii). The comparative costs submitted by the CWC vis-à-vis the current operations at the port is absolutely incorrect in so far as the operational break up of cost is concerned. The CWC has shown that containers would be received from the vessel hook point and directly transported to CFS (import cycle) and containers being fed directly from CFS to the vessel hook point (export cycle) which may not be possible since as per the terms of the MOU the import / export containers are to move through import stack yard / export stack yard within the port and cannot be moved directly from/to CWC CFS. Thus, an additional movement of transportation plus lift on plus lift off within the port is involved which has conveniently not been factored giving a misleading comparison. Secondly, feeding of container directly would reduce the productivity of container vessels by at least 60% thus necessitating a hike in the feeder slot charges and consequently the sea freight on the containers.
- (iii). The loss of revenue to KPT from container storage charges will finally be reflected in other port related charges to make up the loss. This indirectly tantamounts to cross-subsidizing CWC's CFS operations.
- (iv). The KPT is currently handling 1,50,000 TEUs per annum whereas the MGT by the CWC is 40,000 TEUs for the first year of operation. If all stuffing / destuffing operations are stopped inside the port area, it is not clear as to how the balance 1,10,000 TEUs will be handled.
- (v). If the new facility is imposed upon the trade, it will have no other choice, but, to stop completely all containerised operations at Kandla Port.
- (vi). Under no circumstances the transaction cost of imports/exports should be allowed to increase as per the guidelines of the Ministry Of Commerce, Govt. of India. In view of this, the TAMP may approve the tariff after ensuring that the container lines do not hike the prevailing container Terminal Handling Charges.

**The Shipping Corporation of India Limited (SCI)**

- (i). The free period in respect of export containers should be increased to seven days from the proposed level of three days.

- (ii). The proposed charges for reefer plugging facility at Rs.1000 per TEU per day (i.e. Rs.2000 per FEU per day) in addition to levy of ground rent is very much on the higher side and the CWC may explain the basis of the proposed charge. It is presumed that this charge includes the electricity charges.
- (iii). The charge proposed for shifting of empty containers within the CFS complex at Rs.600/Rs.1200 is very much on the higher side specially if compared to the charges proposed for item no. 8. at Rs.800/Rs.1600 for distances upto 15 kms.

**Kandla Port Trust (KPT)**

- (i). The MOU was signed with CWC on 12 February 2002 in order to promote container traffic. The CWC has completed the construction of the CFS and the same was inaugurated on 12 February 2004.
- (ii). As per the terms of the MOU, the CWC is bound to give a royalty of Rs.100/- per TEU for a minimum of 3200 TEUs per month to the KPT.
- (iii). Charges proposed by the CWC do not appear to be restrictive and may not result in diversion of cargo from the port. The TAMP may, if it so desires, consider to approve the rates with retrospective effect for which it has no objection.

2. In response to the comments of the users, the CWC has furnished its observation. Some of the main points made are summarised below:

**On the comments of Kandla Custom House Association.(KCHA)**

- (i). The MPT Act does not bar the authority of the TAMP to consider the instant case. In fact, the same association had informed the KPT that they will abide by the KPT directives only after TAMP approved the tariff.
- (ii). With the help of advanced mechanical handling equipment the loading/unloading of containers directly from the vessel shall reduce the operation of lift on/off which in turn would mean reduction in costs to the users.
- (iii). There is no bar on the user for directly loading and unloading containers from the vessel and stuff/de-stuff the container outside the port CY / designated area within the port. When the import and export containers are required to be routed through CWC-CFS, Kandla there will be additional leg of transportation, yet the need for further lift off / on could be obviated in case the Customs clears the containers on chassis which could be subsequently transported to the users destination.
- (iv). As regards the alleged loss of revenue to the KPT in terms of loss of storage charges and other port related charges it is clarified that the

CWC has participated in an open transparent tender enquiry and the revenue sharing with KPT had taken care of this aspect.

- (v). The users will have a liberty to stuff and destuff their containers at any other CFS including CWC-CFS, Kandla since the agreement between KPT and CWC bars trade from stuffing and destuffing only inside the port area. It has quoted that even at the Jawaharlal Nehru Port (JNPT) there are many CFS operators and incidentally CWC is the CFS operator at the JNPT also. It is, therefore, confirmed that there is no monopolistic conditions / barrier to the trade by its operations at the Kandla Port.
- (vi). As regards one of the main objections about the proposed ground rent being higher than the prevailing KPT rates, it is clarified that with state of the art facilities provided, the average dwell time prevailing at KPT of more than 2 weeks will be curtailed to less than a week. Thus, even at the proposed rates the actual charges to the users will be much lower.

On the comments of Shipping Corporation of India.(SCI)

- (i). The CWC is committed to stuff and shift the containers from CFS to CSY in export segment within 72 hrs. prior to arrival of the container ship as per the contract between CWC and the KPT vide Article No. 3.8.1 (h). Therefore, the suggestion to increase the free period in case of export container at par with import operations is not acceptable. In any case, the export container is not expected to stay in the CFS beyond the free period.
- (ii). In view of the suggestions made by the TAMP, the charges for reefer plugging facility is modified as Rs.400 per TEU for shift of 8 hours or part thereof which explicitly means that the charges include electricity consumption charges. In view of this modification, calculations made earlier are no longer valid.
- (iii). The tariff for transportation is based on telescopic method which implies that higher the distance lower the tariff.

3. A joint hearing in this case was held on 26 May 2004 at the KPT. At the joint hearing, the following submissions were made:

**Central Warehousing Corporation (CWC)**

- (i). **The MOU was signed in February 2002 and Phase-I of the facility was commissioned in February 2004.**
- (ii). We have developed open storage area and covered warehouses. Separate office complex has been created. Even users will be accommodated in the office complex. Full-fledged EDI facility will be developed within 4 months.

- (iii). Equipment are outsourced. In Phase-I, we have 2 reach-stackers, 20 Tractor Trailers, 2 heavy duty mobile cranes and 6 low mast cranes. 80T weigh bridge and 50 hand carts are also available. Rail linkage to CFS is also on the anvil. Further, development is envisaged in Phase-II.
- (iv). Presently, there is no notified rates for various services provided by private agencies. We attempted to collect information from the market. A comparison of existing rates with our proposed rates is already furnished to TAMP.
- (v). We will be the custodian of the cargo and single-window service will be provided.
- (vi). There is no monopoly. The MOU Article 7.2.4 says stuffing/ destuffing will not be allowed inside port area. Even today, 70% of containers go out of port terminal. Only 30% is de-stuffed/stuffed inside the port today.
- (vii). 20 trailers are sufficient. We will bring more equipment that may be required to cope up with the traffic.
- (viii). Please approve our tariff provisionally so that we can fully commission the facility. We will adjust our billing based on the final rates when they are notified by TAMP.
- (ix). Earlier users demanded that TAMP should approve the rate. Provisional commissioning of CFS was, therefore, deferred. Why should Trade question the jurisdiction of TAMP now?

**Kandla Stevedores Association Limited (KSAL)**

- (i). Today no DLB labour is involved and the cost of stuffing a container inside the port is Rs 400/- TEU. Even if CWC provides high quality service, the fees payable therefor should be affordable to Trade.
- (ii). CFS should work in conjunction with a full-fledged container terminal. Since KPT does not have a Terminal, CFS is not justified.
- (iii). We have no access to the MOU signed between CWC and KPT. We understand that with the commissioning of CWC, no private agency can do stuffing/de-stuffing in port area. Why should we create a monopoly of CWC? We are not against the CFS facility but, oppose the monopoly granted to CWC.
- (iv). The capacity created may not be adequate to handle KPT throughput. If stuffing/de-stuffing by others are not allowed, then Trade will suffer when KPT traffic further increases.
- (v). We have compared KPT's storage revenue from container operations vis-a-vis its income receivable from CWC. If the later is less, then KPT

may resort to cross-subsidisation and increase some other tariff, which is not desirable

- (vi). Cost of storage in KPT is very low when compared to Mundra. That is why we still get containers at Kandla even though no Terminal Handling facilities are available. If CWC proposed rates are introduced, it will drive away container traffic from KPT.
- (vii). Cost comparison furnished by CWC is not complete since it does not include many service elements. We will explain in our written submission.
- (viii). With 20 tractor-trailors deployed by CWC, vessel turnaround time will only increase which means lines will increase freight.
- (ix). Port has recently spent Rs 22 crores for development of 67 acres of yard area. On the other hand, the port wants containers to be handled at CFS only. Then the cost of yard development should not be passed on to users while fixing other tariff.

**Kandla Port Steamship Agents Association (KPSAA)**

- (i). We have given our written comments. Please taken them into account. We agree with the views of KPSA Limited.

**Kandla Custom House Agents Association (KCHAA)**

- (i). With CWC – CFS, transaction cost will be pushed up which is against the EXIM policy of the Government.
- (ii). This facility is thrust on us. Trade has not been taken into confidence at the conceptualization stage.

**Federation of Port's Users and Kandla Port Stevedoring Association (FPU & KPSA)**

- (i). CWC is not a major port. It is not even situated within the major port. Under section 42 of MPT Act, CWC cannot, therefore, be classified as port operator. Because of the policy direction given by Govt., TAMP cannot entertain their proposal.
- (ii). We are worried about the conditions imposed on Trade. This will have significant cost implications to Trade.
- (iii). Please consider the comparative position of costs given in Annexes IV, V and VI of our written submission.
- (iv). While fixing tariff, serious consideration should be given to the existing cost to users.

**Gandhidham Chamber of Commerce & Industry (GCCCI)**

- (i). We are not against CFS facility at Kandla. We welcome it. We, however, are against the monopoly clause of requiring Trade to compulsorily use CWC facility. Trade should have the option.
- (ii). The capacity created by CWC may not be adequate to cater to the traffic at CWC. What will happen to the excess traffic, if the monopoly clause continues?
- (iii). We suggest CWC rates should not be more than the existing cost borne by the trade. This arrangement should be put in place for atleast one year.

**Kandla Port Trust (KPT)**

- (i). MOU is not a unilateral decision. It was approved by the Board of Trustees and the Government. Only after such approval, the MOU was signed.
- (ii). The cost incurred by users presently given by different parties vary because we do not have notified rates for operations by various private agencies.
- (iii). At present port gets on an average Rs 500/- per TEU as ground rent. But, our decision to privatize CFS aims at long-term benefit even if it may cause short-term revenue loss.
- (iv). We have done hardstanding of yard at Rs 22.00 crores (further investment of Rs 25 crores also approved). This is not for containers but for general and dusty cargo.
- (v). As per MOU and Customs notifications, CWC will be the custodian of cargo at the CFS.

4. As decided at the joint hearing, the KSAL has furnished its written submissions routed through the KPT. Some of the main submissions made by the KSAL are summarised below.

- (i). The provision in the LA stopping stuffing / destuffing operations inside the Dock area consequent to commissioning of CWC-CFS will result into loss of revenue to the KPT from container storage charge.
- (ii). As per the Article 5.1(v) of the MOU, the royalty is payable by the CWC to the KPT on loaded containers only. Accordingly, based on the typical cargo mix (empty – 40% and loaded – 60%), the royalty amount receivable by the KPT works out to Rs. 24 lakhs computed for guaranteed throughput of 40,000 TEUs for the first year. As against this, the current income from storage charge is at the level of Rs. 7 to 8 crores per annum as confirmed by the KPT at the joint hearing which

mean revenue loss of 6.76 to 7.76 crores. This tantamount to a direct cross subsidisation of an independent commercial enterprise like CWC – CFS by the KPT.

- (iii). Apart from this loss, the KPT has recently issued a work order for concreting Container yard opposite Berth No. VII at cost of Rs..1.56 crores. In view of condition in the MOU stopping stuffing / de-stuffing operations inside the port area, the need for incurring this capital expenditure at this stage is not understood. Obviously, at a later date the KPT will make up for this loss by proposing a hike in some other port charges.
- (iv). The SOR of KPT prescribes 7 days free storage period for containers, however, in view of provision in the MOU stipulating shifting of all import containers from CSY to CFS within 72 hours; and, export containers required to be shifted from CFS to CSY only 72 hours prior to berthing (arrival of vessel), it appears that the KPT will not be able to collect any storage charge except the royalty of Rs.100 per loaded TEU.
- (v). The statement made by the CWC at the joint hearing that it would handle only the containers currently being stuffed / destuffed inside the port and that factory stuffed containers will not be handled by does not seem to be correct. Unfortunately, the KPT has not contradicted or corrected this statement. In this context, it has referred to one of the clause in the MOU which stipulates that the licensee shall arrange to shift all import containers from CSY to CFS within 72 hours. It has also pointed out that there is another provision in the LA, which contradicts the said clause.
- (vi). As per the terms of LA, the CWC is to handle 36% of container traffic throughput of KPT. The port has not clarified how does it propose to handle the balance 64% of the container traffic in the light of the fact that no stuffing and de-stuffing is proposed to be allowed inside the port and also the factory stuffed export containers and perhaps import factory destined containers as well have to move only through the CWC-CFS. The only inference that can be drawn is that by default the balance 64% of container traffic is proposed to be diverted away from Kandla port.
- (vii). No container terminal exists at the Kandla Port; all containers are handled from / to ships conventionally using ship cranes. In this back drop, the sustainability of the Minimum Guaranteed Throughput (MGT) condition at 36% of the container traffic handled by the KPT is not understood. The actual MGT applicable to the CWC need to be confirmed by the KPT.
- (viii). The CWC in its cost comparison of the proposed tariff vis-à-vis the current cost at the KPT has not considered one complete operation of Lift on/ Lift off plus transportation from CSY to CFS and vice versa, thereby not reflecting the correct comparative position. It has reiterated the views of the KCHAA that in the absence of this operation, the

productivity would reduce by 50% resulting in a hike of slot hire by Feeder Operator consequently increasing the freight rates. It has pointed out that the MOU clearly spells movement of containers would take place from vessel to CSY and then from CSY to CFS in case of import cycle and from CFS to CSY and CSY to the vessel in export cycle

- (ix). It has also furnished a detailed comparison of current cost applicable at the KPT vis a vis the tariff proposed by the CWC for CFS operations. A summary of the cost comparison is tabulated below:

**Export Operations ( in Rs. )**

Sr. No	Particulars	Current Cost at KPT		Cost at CWC- CFS at the proposed tariff	
		20'	40'	20'	40'
1.	Direct stuffing	3098	5722	4798	8972
2.	Indirect stuffing (basis 15 days covered storage)	3698	6572	6118	10572
3.	Factory stuffed	3198	5947	4073	7622

**Import Operations ( in Rs. )**

Sr.No.	Particulars	Current Cost at KPT		Cost at CWC- CFS at the proposed tariff	
		20'	40'	20'	40'
1.	Direct destuffing & delivery /despatch	3948	7347	5498	10272
2.	Indirect destuffing + storage (30 days covered) and delivery/ Despatch.	4688	8272	7798	12922
3.	Factory destined de stuffing	3198	5947	4123	7622

- (x). In view of the various points cited above, it has requested no escalation in cost should be allowed as compared to the current cost level and secondly the condition of stoppage of de-stuffing / stuffing inside the dock area may be deleted.

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